

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**Amendment No. 1 to  
FORM S-1**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

**NXT-ID, INC.**

(Exact name of registrant in its charter)

**Delaware**  
(State of jurisdiction of incorporation or  
organization)

**334118**  
(Primary Standard Industrial Classification  
Code Number)

**46-0678374**  
(I.R.S. Employer Identification No.)

**One Reservoir Corporate Centre  
4 Research Drive, Suite 402  
Shelton, CT 06484  
(203) 242-3076**

(Address, including zip code, and telephone number, including area code, of registration principal executive offices)

**Gino Pereira  
Chief Executive Officer  
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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. S

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

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

Large accelerated filer £

Non-accelerated filer £ (Do not check if smaller reporting  
company)

Accelerated filer £

Smaller reporting company S

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to Be Registered (1)</b>	<b>Amount to be Registered (2)</b>	<b>Proposed Maximum Aggregate Price Per Share( 2)</b>	<b>Proposed Maximum Aggregate Offering Price (2)</b>	<b>Amount of Registration Fee</b>
Common stock, \$0.0001 par value	1,000,000	\$1.00	\$1,000,000	\$136.40
Warrants to Purchase Common Stock	1,000,000	\$1.00	\$1,000,000	\$136.40
Common Stock Underlying Warrants	1,000,000	\$1.00	\$1,000,000	\$136.40
Common Stock in connection with the private placement launched in August 2012 (3)	1,076,000	\$1.00	\$1,076,000	\$146.77
<b>Total</b>	<b>4,076,000</b>	<b>\$</b>	<b>\$4,076,000</b>	<b>\$555.97</b>

- (1) The securities noted in the first three rows will be offered under the primary offering prospectus relating to our proposed public offering.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.
- (3) These shares will be offered under the secondary offering prospectus relating to resales by certain selling stockholders of the shares of common stock issued in connection with our private placement between August 2012 and January 2013. Estimated solely for the purpose of calculating the registration fee, and based upon the assumed offering price of \$1.00 per share.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**EXPLANATORY NOTE**

We are filing this Amendment No. 1 (the "Amendment") to our registration statement on Form S-1 filed on January 30, 2013, to provide an executed signature page.

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION DATED: February 4, 2013**

**PRELIMINARY PROSPECTUS**



**\$1,000,000 OF UNITS**

**OFFERING PRICE \$1.00 PER UNIT**

**Units Consisting of One Share of Common Stock and One Warrant to Purchase One Share of Common Stock**

This is a public offering of 1,000,000 units ("Units" or each a "Unit"), each Unit consisting of one share of common stock of Nxt-ID, Inc., par value \$0.0001 per share, and one warrant to purchase one share of common stock (and the shares of common stock issuable from time to time upon exercise of the offered warrants).

The registration statement of which this prospectus forms a part also registers on behalf of selling stockholders a total of 1,076,000 shares of our common stock purchased from us in a private placement between August 2012 and January 2013. The shares of our common stock offered by the selling stockholders are not part of or conditioned on the closing of our public offering.

Prior to this Offering, there has been no public market for our common stock and we have not applied for listing or quotation on any public market. We have arbitrarily determined the offering price of \$1.00 per Unit offered hereby. The offering price bears no relationship to our assets, book value, earnings or any other customary investment criteria. Shortly after the filing of this registration statement, we intend to identify a market maker to file an application with the Financial Industry Regulatory Authority ("FINRA") to have our common stock quoted on the OTC Bulletin Board. We currently have no market maker that has filed an application with FINRA to list quotations for our stock. There is no assurance that an active trading market for our shares will develop, or, if developed, that it will be sustained.

We are an "emerging growth company" as the term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements.

**An investment in our securities involves a high degree of risk. Persons should not invest unless they can afford to lose their investment. See "Risk Factors" beginning on page 8 of this prospectus.**

**Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passes upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

No underwriter or other person has been engaged to facilitate the sale of shares of common stock in this offering. You should rely only on the information contained in this prospectus and the information we have referred you to. We have not authorized any person to provide you with any information about this offering, Nxt-ID, Inc. or the shares of our common stock offered hereby that is different from the information included in this prospectus. If anyone provides you with different information, you should not rely in it.

The date of this prospectus is \_\_\_\_\_, 2013

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## USE OF MARKET AND INDUSTRY DATA

This prospectus includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by our management on the basis of its knowledge of and experience in the industries in which we operate (including our management's estimates and assumptions relating to such industries based on that knowledge). Management's knowledge of such industries has been developed through its experience and participation in these industries. While our management believes the third party sources referred to in this prospectus are reliable, neither we nor our management have independently verified any of the data from such sources referred to in this prospectus or ascertained the underlying economic assumptions relied upon by such sources. Internally prepared and third party market forecasts, in particular, are estimates only and may be inaccurate, especially over long periods of time. In addition, the underwriters have not independently verified any of the industry data prepared by management or ascertained the underlying estimates and assumptions relied upon by management. Furthermore, references in this prospectus to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this prospectus.

**You should rely only on the information contained in this prospectus in deciding whether or not to purchase our securities. We have not authorized anyone to provide you with information different from that contained in this prospectus. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, prospects, financial condition and results of operations may have changed since that date. This prospectus will be updated as required by law.**

#### **Dealer Prospectus Delivery Obligation**

Until 90 days after the later of (i) the effective date of the registration statement or (ii) the first date on which the securities are offered publicly, all dealers that effect transactions in these securities, whether or not participating in this Offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus.

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including our financial statements and related notes, and especially the risks described under “Risk Factors” beginning on page 8. All references to “we,” “us,” “our,” “NXT-ID,” “Company,” or similar terms used in this prospectus refer to Nxt-ID, Inc. This prospectus contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.*

### Corporate Background and Business Overview

We were incorporated in the state of Delaware on February 8, 2012. We are a technology company that is focused on products, solutions, and services that have a need for biometric secure access control. We have three distinct lines of business that we believe will form our company: law enforcement; m-commerce; and biometric access control applications. Our initial efforts are focused on our secure products offering for the growing m-commerce market, most immediately a secure mobile electronic wallet. Our plan also anticipates that we will use our core biometric facial recognition algorithms to develop a security application that can be used for corporations (industrial uses, such as enterprise computer networks) as well as individuals (consumer uses, such as smart phones, PDAs or personal computers). Finally, our plan calls for a suite of high level security products and facial recognition applications that can be utilized by law enforcement, the defense industry, and Homeland Security.

Using our biometrics-oriented technologies, we plan to target the growing m-commerce market with our innovative MobileBio<sup>®</sup> suite of biometric solutions that will provide secure mobile platforms for users of such platforms as well as those delivering products and/or services through such mobile platforms. Our MobileBio<sup>®</sup> suite of applications is intended to provide distinct advantages within these markets by filling an interoperability gap left by traditional biometric solutions that either are physically integrated and thus, not flexible or versatile, or provide poor interoperability and insecure remote services. The Company also plans to serve the access control and law enforcement facial recognition markets. Effective June 25, 2012, the Company acquired 100% of the membership interests in 3D-ID, LLC (“3D-ID”), a limited liability company formed in Florida in February 2011 and owned by the Company’s founders. Since this was a transaction between entities under common control in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations”, Nxt-ID recognized the net assets of 3D-ID at their carrying amounts in the accounts of Nxt-ID on the date that 3D-ID was organized, February 14, 2011.

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. We will remain an emerging growth company for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenue exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period. Pursuant to Section 102 of the JOBS Act, we have provided reduced executive compensation disclosure and have omitted a compensation discussion and analysis from this prospectus. Pursuant to Section 107 of the JOBS Act, we have elected to utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards.



## THE OFFERING

Units offered:	1,000,000 units, each unit consisting of one share of common stock and a warrant to purchase one share of common stock. The units may be separable only upon the request of a holder. Each warrant will have an initial exercise price of \$1.00 per share, will be exercisable upon separation of the units and will expire on December 31, 2015.
Common stock outstanding prior to this offering:	20,996,000 shares of common stock
Common stock to be outstanding after this offering:	21,996,000 shares of common stock.(1)(2)
Market for Common Stock	There is no public market for our common stock. We intend to seek a market maker to file an application on our behalf to have our common stock quoted on the Over-the-Counter Bulletin Board. Currently no application has been filed by a market maker on our behalf. There is no assurance that a trading market will develop, or, if developed, that it will be sustained.
Use of proceeds:	Product Development; marketing; and general corporate-working capital purposes. For a more complete description of our anticipated use of proceeds from this offering, see "Use of Proceeds."
Risk factors:	See "Risk Factors" beginning on page 8 and the other information included in this prospectus for a discussion of factors you should carefully consider before investing in our common stock.

(1) Includes \$1,000,000 of shares to be issued in this offering at an assumed public offering price of \$1.00 per share, but does not include common stock to be issued upon the exercise of warrants being offered hereunder.

(2) Does not include shares being offered by the selling stockholders pursuant to the secondary offering prospectus.

## SELECTED SUMMARY FINANCIAL DATA

The following table summarizes the relevant historical financial data for our business and should be read together with the information in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes, which are included in this prospectus.

Our financial status creates substantial doubt whether we will continue as a going concern.

### Consolidated Statement of Operations

	Period from Inception (February 14, 2011) to December 31, 2011	Nine months ended September 30, 2012 (unaudited)	Period from Inception (February 14, 2011) to September 30, 2012 (unaudited)
Revenues	\$ 0	\$ 0	\$ 0
Total expenses	\$ 14,661	\$ 147,852	\$ 162,513
Net loss	\$ 14,661	\$ 147,852	\$ 162,513

Net Loss per common share, basic and diluted	\$ (0.00)	\$ (0.01)	
Weighted average common shares outstanding, basic and diluted	20,000,000	20,005,824	

### Consolidated Balance Sheet Data

	December 31, 2011	September 30, 2012 (unaudited)
Total assets	\$ 339	\$ 70,664
Total liabilities	\$ 5,000	\$ 211,377
Stockholders' deficit	\$ (4,661)	\$ (140,713)
Total liabilities and stockholders' deficit	\$ 339	\$ 70,664

## RISK FACTORS

*An investment in our securities involves a high degree of risk and should not be purchased by anyone who cannot afford to lose their entire investment. You should consider carefully the material risks set forth in this section, together with the other information contained in this prospectus, before making a decision to invest in our securities. Our business, operating results and financial condition could be seriously harmed and you could lose your entire investment by the occurrence of any of the following material risks.*

### **Risks Related to the Company and Our Business**

***We are uncertain of our ability to continue as a going concern, indicating the possibility that we may not be able to operate in the future.***

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

***Because we are an early development stage company, we expect to incur significant additional operating losses.***

The Company is a recently organized Delaware corporation. The amount of future losses and when, if ever, we will achieve profitability are uncertain. Our current products have not generated significant commercial revenue for our Company and there can be no guarantee that we can generate sufficient revenues from the commercial sale of our products in the near future to fund our ongoing capital needs.

***We have a limited operating history upon which you can gauge our ability to obtain profitability.***

We have a limited operating history and our business and prospects must be considered in light of the risks and uncertainties to which early stage companies are exposed. We cannot provide assurances that our business strategy will be successful or that we will successfully address those risks and the risks described herein. Most important, if we are unable to secure future capital, we may be unable to continue our operations. We may incur losses on a quarterly or annual basis for a number of reasons, some of which may be outside our control.

***Our independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about our ability to continue as a going concern.***

As of September 30, 2012, our total stockholders' deficit was \$140,713 and we had a working capital deficit of \$142,695. Primarily as a result of our losses and limited cash balances, our independent registered public accounting firm has included in its report for the year ended December 31, 2011, an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is contingent upon, among other factors, the sale of the shares of our common stock and warrants in this offering or obtaining alternate financing. If we are not able to complete this offering or obtain alternate financing, we may be forced to limit or cease our operations.

***As an emerging growth company within the meaning of the Securities Act, we will utilize certain modified disclosure requirements, and we cannot be certain if these reduced requirements will make our common stock less attractive to investors.***

We are an emerging growth company within the meaning of the rules under the Securities Act. We have in this prospectus utilized, and we plan in future filings with the SEC to continue to utilize, the modified disclosure requirements available to emerging growth companies, including reduced disclosure about our executive compensation and omission of compensation discussion and analysis, and an exemption from the requirement of holding a nonbinding advisory vote on executive compensation. In addition, we will not be subject to certain requirements of Section 404 of the Sarbanes-Oxley Act, including the additional testing of our internal control over financial reporting as may occur when outside auditors attest as to our internal control over financial reporting, and we have elected to delay adoption of new or revised accounting standards applicable to public companies. As a result, our stockholders may not have access to certain information they may deem important.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to utilize this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards as they become applicable to public companies. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We could remain an “emerging growth company” for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenue exceed \$1 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

We have not performed an evaluation of our internal control over financial reporting, such as required by Section 404 of the Sarbanes-Oxley Act, nor have we engaged our independent registered public accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our financial statements. Had we performed such an evaluation or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, material weaknesses, in addition to those discussed above, may have been identified. For so long as we qualify as an “emerging growth company” under the JOBS Act, which may be up to five years following this offering, we will not have to provide an auditor’s attestation report on our internal controls in future annual reports on Form 10-K as otherwise required by Section 404(b) of the Sarbanes-Oxley Act. During the course of the evaluation, documentation or attestation, we or our independent registered public accounting firm may identify weaknesses and deficiencies that we may not otherwise identify in a timely manner or at all as a result of the deferred implementation of this additional level of review.

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

We may require additional funds to further execute our business plan and expand our business. If we are unable to obtain additional capital when needed, we may have to restructure our business or delay or abandon our development and expansion plans. If this occurs, you may lose part or all of your investment.

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

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

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

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

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

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

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

- Changing technologies;
- Changing customer needs;
- Frequent new product introductions and enhancements;
- Increased integration with other functions; and
- Product obsolescence.

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

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

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

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

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

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

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

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

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

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

To date, we have licensed twenty-two (22) United States patents issued and our success will depend, in part, on our ability to obtain patent and trade secret protection for proprietary technology that we may develop in the future. No assurance can be given that any pending or future patent applications will issue as patents, that the scope of any patent protection obtained will be sufficient to exclude competitors or provide competitive advantages to us, that any of our patents will be held valid if subsequently challenged or that others will not claim rights in or ownership of the patents and other proprietary rights held by us.

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

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

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

Our success depends, to a significant extent, upon the efforts and abilities of members of senior management. We have entered into an employment agreement with our Chief Executive Officer, but have not entered into an employment agreement with our Chief Technology Officer and have no current plans to use employment agreements as a tool to attract and retain new hires that we may make of key personnel in the future. The loss of the services of one or more of our senior management or other key employees could adversely affect our business. We do not currently maintain key person life insurance on any of our officers, employees or consultants, but are in the process of attempting to obtain such insurance on our senior most personnel. There is no guarantee we will be able to obtain such insurance or if we are able to obtain such insurance to do so on acceptable terms to us.

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

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.***

The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. If we fail to do so, or if in the future our chief executive officer, chief financial officer or independent registered public accounting firm determines that our internal controls over financial reporting are not effective as required, we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Furthermore, investor perceptions of our company may suffer, and this could cause a decline in the market price of our common stock. Irrespective of compliance with the applicable Sarbanes-Oxley provisions, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in an adverse opinion on internal controls from our independent auditors. We may need to hire a number of additional employees with public accounting and disclosure experience in order to meet our ongoing obligations as a public company, which will increase costs. Our management team and other personnel will need to devote a substantial amount of time to new compliance initiatives and to meeting the obligations that are associated with being a public company, which may divert attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operation.



***We do not have a majority of independent directors on our Board and the Company has not voluntarily implemented various corporate governance measures, in the absence of which stockholders may have more limited protections against interested director transactions, conflicts of interest and similar matters.***

Federal legislation, including the Sarbanes-Oxley Act of 2002, has resulted in the adoption of various corporate governance measures designed to promote the integrity of the corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the NYSE or the NASDAQ Stock Market, on which their securities are listed. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address board of directors' independence, audit committee oversight, and the adoption of a code of ethics. Our Board of Directors is comprised of two individuals, one of whom is also our executive officer. Although our independent director oversees all significant corporate matters such as the approval of terms of the compensation of our executive officers and the oversight of the accounting functions, our Chief Executive Officer currently owns a majority of our stock, which could enable him to elect another director in the place of our independent director.

Although we have adopted a Code of Ethical Conduct, we have not yet adopted any of these other corporate governance measures and since our securities are not yet listed on a national securities exchange, we are not required to do so. We have not adopted corporate governance measures such as an audit or other independent committees of our board of directors as we presently do not have a majority independent directors on our board. If we expand our board membership in future periods to include additional independent directors, we may seek to establish an audit and other committees of our board of directors. It is possible that if our Board of Directors included independent directors and if we were to adopt some or all of these corporate governance measures, stockholders would benefit from somewhat greater assurance that internal corporate decisions were being made by disinterested directors and that policies had been implemented to define responsible conduct. For example, in the absence of audit, nominating and compensation committees comprised of at least a majority of independent directors, decisions concerning matters such as compensation packages to our senior officers and recommendations for director nominee may be made by a majority of directors who have an interest in the outcome of the matters being decided. Prospective investors should bear in mind our current lack of corporate governance measures in formulating their investment decisions.

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

To manage our possible future growth effectively, we will be required to continue to improve our operational, financial and management systems. Future growth would also require us to successfully hire, train, motivate and manage our employees. In addition, our continued growth and the evolution of our business plan will require significant additional management, technical and administrative resources. We may not be able effectively to manage the growth and evolution of our current business.

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

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

#### **Risks Related To Our Facial Recognition Applications and Related Products**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Our insiders and affiliated parties beneficially own a significant portion of our stock.***

As of the date of this prospectus, our executive officers, directors, and affiliated parties beneficially own approximately 93 % of our common stock. Assuming all of the \$1,000,000 Units are sold in the Offering (but not assuming the exercise of the warrant component of the Units), our executive officers, directors, and affiliated persons will beneficially own approximately 89% of our common stock. As a result, our executive officers, directors and affiliated parties will have significant influence to:

- Elect or defeat the election of our directors;
- Amend or prevent amendment of our certificate of incorporation or bylaws;
- Effect or prevent a merger, sale of assets or other corporate transaction; and
- Affect the outcome of any other matter submitted to the stockholders for vote.

In addition, any sale of a significant amount of our common stock held by our directors and executive officers, or the possibility of such sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing any gains from our common stock.

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

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

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

Prior to the completion of this offering, we have been a private company with limited accounting personnel and other resources to address our internal control over financial reporting. If we are unable to successfully implement and maintain effective internal controls over financial reporting we risk being unable to produce accurate and timely financial statements, our stock price may be adversely affected.

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

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

## **Risks Related to the Market**

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

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

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

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

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

Continuing disruption in the global financial markets as a result of the ongoing global financial uncertainty may cause consumers, businesses and governments to defer purchases in response to tighter credit, decreased cash availability and declining consumer confidence. Accordingly, demand for our products could decrease and differ materially from their current expectations. Further, some of our customers may require substantial financing in order to fund their operations and make purchases from us. The inability of these customers to obtain sufficient credit to finance purchases of our products and meet their payment obligations to us or possible insolvencies of our customers could result in decreased customer demand, an impaired ability for us to collect on outstanding accounts receivable, significant delays in accounts receivable payments, and significant write-offs of accounts receivable, each of which could adversely impact our financial results.

## **Risks Relating to our Common Stock and this Offering**

***There is currently no public market for our common stock, and there can be no assurance that any public market will develop or that our common stock will be quoted for trading.***

There is currently no public market for our common stock and there can be no assurance that an active trading market for the common stock offered herein will develop after this Offering, or, if developed, be sustained. We are in the process of identifying a market maker to file an application with the Financial Industry Regulatory Authority (“FINRA”) to have our common stock quoted on the Over-the-Counter Bulletin Board. We will have to satisfy certain criteria in order for the market maker’s application to be accepted. We do not currently have a market maker who has formally committed to and commenced this application process on our behalf. Furthermore, even if a market maker submits an application to have our stock quoted on the Over-the-Counter Bulletin Board, there can be no assurance as to whether we will meet the requisite criteria or that such application will be accepted. Our common stock may never be quoted on the Over-the-Counter Bulletin Board, or, even if quoted, a public market may not materialize.

If our common stock is not eligible for initial quotation, or if quoted, are not eligible for continued quotation on the Over-the-Counter Bulletin Board or a public trading market does not develop, purchasers of the common stock may have difficulty selling or be unable to sell their stock should they desire to do so, rendering their shares effectively worthless and resulting in a complete loss of their investment.

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

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

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

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

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

***If you are not an institutional investor, you may purchase securities in this offering only if you reside within the states in which we will apply to have the securities registered or are exempt from registration, and, if required, meet any requisite suitability standards.***

If FINRA approves the market maker application we will not be listed on a national securities exchange, this offering must be registered, or be exempt from registration, in any state in which the securities are to be offered or sold. We will apply to register securities, or will seek to obtain an exemption from registration, only in certain states. If you are not an “institutional investor,” you must be a resident of these jurisdictions to purchase our securities in the offering. The definition of an “institutional investor” varies from state to state, but generally includes financial institutions, broker-dealers, banks, insurance companies and other qualified entities. If you are not an institutional investor, you may purchase securities in this offering only if you reside in the jurisdictions where there is an effective registration or exemption, and, if required, meet any requisite suitability standards.

***State securities laws may limit secondary trading, which may restrict the states in which you can sell the shares offered by this prospectus.***

If you purchase Units in this Offering, which includes our shares of our common stock and/or warrants, you may not be able to resell the shares and/or warrants in a certain state unless and until the shares of our common stock or warrants are qualified for secondary trading under the applicable securities laws of such state or there is confirmation that an exemption, such as listing in certain recognized securities manuals, is available for secondary trading in such state. There can be no assurance that we will be successful in registering or qualifying our common stock or warrants for secondary trading, or identifying an available exemption for secondary trading in our common stock or warrants in every state. If we fail to register or qualify, or to obtain or verify an exemption for the secondary trading of, our common stock in any particular state, the shares of common stock could not be offered or sold to, or purchased by, a resident of that state. In the event that a significant number of states refuse to permit secondary trading in our common stock, the market for the common stock will be limited which could drive down the market price of our common stock and reduce the liquidity of the shares of our common stock and a stockholder’s ability to resell shares of our common stock at all or at current market prices, which could increase a stockholder’s risk of losing some or all of his investment.

***There may be substantial sales of our common stock under the concurrent selling stockholder resale prospectus after the effective date of this registration statement, which could cause our stock price to drop.***

The registration statement of which this prospectus forms a part also registers on behalf of selling stockholders a total of 1,076,000 shares of our common stock purchased from us in a private placement that was completed in January 2013. There are currently no agreements or understandings in place with these selling stockholders to restrict their sale of those shares after the effective date of this registration statement. Sales of a substantial number of shares of our common stock by the selling stockholders at such time could cause the market price of our common stock to drop (possibly below the price offered in this offering) and could impair our ability to raise capital in the future by selling additional securities.



***Public company compliance may make it more difficult to attract and retain officers and directors.***

Various laws and regulations that affect public companies increase compliance costs relative to private companies. As a public company, we expect these rules and regulations to increase our compliance costs in 2013 relative to our current compliance costs and to make certain activities more time consuming and costly. As a public company, we also expect that new rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

***Our stock price may be volatile.***

The stock market in general, and the stock prices of emerging technology-based companies in particular, have experienced volatility that often has been unrelated to the operating performance of any specific public company. Even if our shares are quoted for trading on the Over-the-Counter Bulletin Board following this Offering and a public market develops for our common stock, the market price of our common stock may become highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- Changes in our industry;
- Competitive pricing measures;
- Our ability to obtain capital or capital on reasonable terms;
- Additions or departures of key personnel;
- Our announcements of the achievement of milestones;
- Limited “public float” in the hands of a small number of persons who sales or lack of sales could result in positive or negative pricing measure on the market prices of our common stock;
- Expiration of any applicable holding periods or registration of unregistered securities issued by us;
- Sales of our common stock or termination of stock transfer restrictions;
- Our ability to execute our business plan;
- Operating results that fall below expectations;
- Loss of any strategic relationship or significant license agreement;

- Regulatory developments; and
- Economic and other external factors.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock. Your inability to sell your shares during a decline in the price of our stock may increase losses that you may suffer as a result of your investment.

***We arbitrarily determined the price of the Units to be sold pursuant to this prospectus, and such price may not reflect the actual market price for the securities.***

The initial offering price of \$1.00 per Unit (including the price of each of the common stock and warrant comprising the Unit) offered pursuant to this prospectus was determined by us arbitrarily. The price is not based on our financial condition and prospects, market prices of similar securities of comparable publicly traded companies, certain financial and operating information of companies engaged in similar activities to ours, or general conditions of the securities market. The price may not be indicative of the market price, if any, for the common stock in the trading market after this Offering. The market price of the securities offered herein, if any, may decline below the initial public offering price. Worldwide capital markets have experienced extreme price and volume fluctuations in recent years and smaller companies, particularly emerging companies, are most vulnerable. In the past, securities class action litigation has often been instituted against various companies following periods of volatility in the market price of their securities. If instituted against us, regardless of the outcome, such litigation would result in substantial costs and a diversion of management's attention and resources, which would increase our operating expenses and affect our financial condition and business operations.

***FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.***

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

***Our common stock will be deemed a “penny stock,” which makes it more difficult for our investors to sell their shares.***

Our common stock is subject to the “penny stock” rules adopted under Section 15(g) of the Exchange Act. The penny stock rules generally apply to companies whose common stock is not listed on a national securities exchange and trades at less than \$5.00 per share, other than companies that have had average revenue of at least \$6,000,000 for the last three years or that have tangible net worth of at least \$5,000,000 (\$2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than “established customers” complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

***You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future.***

You will incur immediate and substantial dilution as a result of this offering. After giving effect to the sale by us of \$1,000,000 of shares of common stock in this offering as part of the Units at an assumed public offering price of \$1.00 per share, investors in this offering can expect an immediate dilution of \$0.955 per share, or 96% at the assumed public offering price. To the extent that the warrants underlying the Units are ultimately converted or exercised, you will sustain further dilution. We may also acquire other technologies or finance strategic alliances by issuing equity, which may result in additional dilution to our stockholders.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

*Some of the statements in this prospectus are forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by our use of words such as “may,” “could,” “should,” “project,” “believe,” “anticipate,” “expect,” “plan,” “estimate,” “forecast,” “potential,” “intend,” “continue” or the negative or other variations of these words and other similar words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance, achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others, those discussed in more detail under the heading “Risk Factors” and elsewhere in this prospectus.*

*Our forward-looking statements are based on our current expectations, intentions and beliefs as of the date of this prospectus. Although we believe that the expectations reflected in our forward-looking statements are reasonable as of the date of this prospectus, we cannot guarantee future results, acquisitions of new creditor clients, settlement volumes or amounts, levels of activity, performance or achievements or other future events. You should not place undue reliance on our forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ seriously from expectations are:*

- Our ability to raise additional funding;
- Our ability to maintain and grow our business;
- Variability of operating results;
- Our ability to maintain and enhance our brand;
- Our expansion and development of new products and services;
- Marketing and other business development initiatives;
- Competition in industry;
- General government regulation;
- Economic conditions;
- Dependence on key personnel;
- The ability to attract, hire and retain personnel who possess skills and experience necessary to meet the service requirements of our clients;
- Our ability to protect our intellectual property;
- The potential liability with respect to actions taken by our existing and past employees;
- Risks associated with international sales; and
- Other risks described in this prospectus and in our other filings with the SEC.

## USE OF PROCEEDS

We estimate that we will receive net proceeds of \$934,444 from the sale of \$1,000,000 of Units being offered at an assumed public offering price of \$1.00 per Unit after deducting \$65,556 for expenses associated with this offering. The net proceeds received do not include the exercise of any of the warrants that are issued as a part of the Units. If we engage broker-dealers to assist us in selling Units pursuant to this prospectus, we will incur additional costs associated with this offering. The two tables provided immediately below assume that we raise the maximum amounts called for under the offering. The first table assumes that we are able to sell all the Units without the assistance of a broker dealer and the second table assumes that all Units are sold with broker dealer participation and that such brokers receive a commission of \$0.10 per Unit sold. Assuming such facts, we intend to use the net proceeds of the offering as follows:

Assuming No Broker Dealer Participation

	<b>Application of Net Proceeds</b>	<b>Percentage of Net Proceeds</b>
Sales and customer relations <sup>(1)</sup>	\$ 150,000	16%
Marketing <sup>(2)</sup>	150,000	16%
Technology, Research, and Product Development <sup>(3)</sup>	300,000	32%
Working capital and general corporate purposes <sup>(4)</sup>	334,444	36%
<b>Total</b>	<b>\$ 934,444</b>	<b>100.0%</b>

(1) Includes the hiring of additional sales personnel.

(2) Includes expenditures associated with social networking and promotion.

(3) Consists of costs anticipated to be incurred in connection with the development of the MobileBio™ products.

(4) Working capital and general corporate purposes include amounts required to pay officers' salaries and incentive bonuses, professional fees, ongoing public reporting costs, office-related expenses and other corporate expenses including interest, payment of short-term notes and overhead. See "Risk Factors - Our management team will have immediate and broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree."

#### Assuming Broker Dealer Participation

	<b>Application of Net Proceeds</b>	<b>Percentage of Net Proceeds</b>
Sales and customer relations <sup>(1)</sup>	\$ 130,000	16%
Marketing <sup>(2)</sup>	120,000	14%
Technology, Research, and Product Development <sup>(3)</sup>	280,000	34%
Working capital and general corporate purposes <sup>(4)</sup>	304,444	36%
<b>Total</b>	<b>\$ 834,444<sup>(5)</sup></b>	<b>100.0%</b>

(1) Includes the hiring of additional sales personnel.

(2) Includes expenditures associated with social networking and promotion.

(3) Consists of costs anticipated to be incurred in connection with the development of the MobileBio™ products.

(4) Working capital and general corporate purposes include amounts required to pay officers' salaries and incentive bonuses, professional fees, ongoing public reporting costs, office-related expenses and other corporate expenses including interest, payment of short-term notes and overhead. See "Risk Factors - Our management team will have immediate and broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree."

(5) Net proceeds assume \$100,000 of commissions to Broker.

Pending use of the proceeds of this offering, we will invest the net proceeds of this offering in short-term, investment grade, interest-bearing instruments. We currently anticipate that the net proceeds of this offering, together with our available funds, will be sufficient to meet our anticipated needs for working capital and capital expenditures through at least 12 months following the closing of this offering.

The allocation of the net proceeds of this offering set forth above represents our best estimates based upon our current plans and assumptions regarding industry and general economic conditions and our future revenues and expenditures. If any of these factors change, it may be necessary or advisable for us to reallocate some of the proceeds within the above-described categories or to use portions for other purposes. Investors will be relying on the judgment of our management regarding application of the net proceeds of this offering.

#### DILUTION

Our pro forma net tangible book value as of September 30, 2012 was (\$140,713) or (\$0.007) per share of common stock, based upon 20,030,000 shares outstanding as of that date. Subsequent to September 30, 2012 but prior to the date of this offering, we sold 806,000 shares of common stock at \$0.25 per share resulting in proceeds of \$201,500 and issued 160,000 shares for services valued at \$0.25 per share, or \$40,000. As a result of these issuances, our proforma net tangible book value immediately prior to this offering was \$0.003, based upon 20,996,000 shares outstanding and a proforma net tangible book value of \$60,787. Net tangible book value per share is determined by dividing such number of outstanding shares of common stock, into our net tangible book value, which is our total tangible assets less total liabilities. After giving effect to the sale of the Units in this offering and after deducting estimated expenses of this offering, our pro forma as adjusted net tangible book value immediately after this offering would have been approximately \$995,231, or \$0.045 per share, assuming no broker participation. This represents an immediate increase in net tangible book value of approximately \$0.042 per share to our existing stockholders, and an immediate dilution of \$0.955 per share to investors purchasing Units in the Offering.

The following table illustrates the pro forma increase in net tangible book value to existing stockholders and the dilution per share to new investors:

Assumed public offering price per Unit	\$	1.00
Net tangible book value per share as of September 30, 2012	\$	(0.007)
Value of common shares issued subsequent to September 30,2012 but immediately prior to this offering	\$	0.25
Net tangible book value giving effect to the subsequent issuance but before this offering	\$	0.003
Pro forma net tangible book value per share as of September 30,2012, taking into account subsequent offerings and after giving effect to this offering	\$	0.045
Pro forma dilution per share to new investors in this offering	\$	(0.955)

The foregoing illustration does not reflect potential dilution from the exercise of warrants to purchase an aggregate of 1,000,000 shares of our common stock issued pursuant to this offering. Additionally, we have a Convertible Note (the "Note") in the amount of \$150,000 outstanding which accrues interest at the annual rate of 12% and is repayable in full in two years if it has not been converted. The holder has the option to convert the outstanding principal and interest on the Note into common stock of the Company at a discount of 25% to the lowest price paid by other investors in a future offering.

#### CAPITALIZATION

The table below sets forth our long term liabilities and capitalization as of September 30, 2012. The as adjusted information gives effect to the receipt of net proceeds of approximately \$934,444 (assuming no broker-dealer participation) from the sale of \$1,000,000 of Units at an assumed public offering price of \$1.00 per Unit.

	<b>As of September 30, 2012</b>	
	<b>Actual (unaudited)</b>	<b>As Adjusted for Subsequent Offerings and this Offering (unaudited)</b>
Total Liabilities	\$ 0	\$ 0
Common stock, \$.0001 par value; 100,000,000 shares authorized; 20,030,000 issued and outstanding; As adjusted 21,996,000 issued and outstanding	2,003	2,200
Additional paid-in capital	19,797	1,195,544
Accumulated deficit	(162,513)	(162,513)
Total stockholders' (deficit) equity	<u>(140,713)</u>	<u>1,035,231</u>
Total capitalization	<u>70,664</u>	<u>1,246,608</u>

The foregoing illustration does not reflect potential dilution from the exercise of warrants to purchase an aggregate of 1,000,000 shares of our common stock issued pursuant to this offering. Additionally, the Convertible Note (the "Note") entered into subsequent to September 30, 2012 has been excluded. The note in the amount of \$150,000 outstanding which accrues interest at the annual rate of 12% and is repayable in full in two years if it has not been converted. The holder has the option to convert the outstanding principal and interest on the Note into common stock of the Company at a discount of 25% to the lowest price paid by other investors in a future offering.

#### **DETERMINATION OF OFFERING PRICE**

There is no established public market for our shares of common stock. The offering price of \$1.00 per Unit was determined by us arbitrarily. We believe that this price reflects the appropriate price that a potential investor would be willing to invest in our Company at this stage of our development. This price bears no relationship whatsoever to our business plan, the price paid for our shares by our founders, our assets, earnings, book value or any other criteria of value. The offering price should not be regarded as an indicator of the future market price of the securities, which is likely to fluctuate.

See "Plan of Distribution" for additional information.

#### **MARKET FOR OUR COMMON STOCK**

##### **Market Information**

There is no established public market for our common stock. After the filing date of the registration statement of which this prospectus forms a part, we intend to try to identify a market maker to file an application with the FINRA, to have our common stock quoted on the OTC Bulletin Board. We will try to satisfy certain criteria in order for our application to be accepted. We do not currently have a market maker that is willing to participate in this application process, and even if we identify a market maker, there can be no assurance as to whether we will meet the requisite criteria or that our application will be accepted. Our common stock may never be quoted on the OTC Bulletin Board, or, even if quoted, a liquid or viable market may not materialize. There can be no assurance that an active trading market for our common stock will develop, or, if developed, that it will be sustained.

At September 30, 2012, there were 20,030,000 shares of common stock issued. We have issued 20,996,000 shares of common stock since our inception on February 14, 2011 to the date of this prospectus. We have a Convertible Note (the "Note") in the amount of \$150,000. The Note accrues interest at the annual rate of 12% and is repayable in full in two years if it has not been converted. The holder has the option to convert the outstanding principal and interest on the Note into common stock of the Company at a discount of 25% to the lowest price paid by other investors in a future offering.

##### **Holdings**

We had 26 holders of record of our common stock as of January 25, 2013.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

*The following discussion of our financial condition and results of operation should be read in conjunction with the financial statements and related notes that appear elsewhere in this prospectus. This discussion contains forward-looking statements and information relating to our business that reflect our current views and assumptions with respect to future events and are subject to risks and uncertainties, including the risks in the section entitled Risk Factors beginning on page 10, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.*

*These forward-looking statements speak only as of the date of this prospectus. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or achievements. Except as required by applicable law, including the securities laws of the United States, we expressly disclaim any obligation or undertaking to disseminate any update or revisions of any of the forward-looking statements to reflect any change in our expectations with regard thereto or to conform these statements to actual results.*

### Overview

Nxt-ID, Inc. (the "Company"), is a Delaware corporation formed on February, 8 2012. We were initially known as Tylon Governmental Systems, Inc. We changed our name to Nxt-ID, Inc. on June 25, 2012, to reflect our primary focus on the growing m-commerce and secure mobile platforms. The address of our corporate headquarters is One Reservoir Corporate Centre, 4 Research Drive, Shelton, CT 06484 and our telephone number is (203) 242-3076. Our website can be accessed at [www.nxt-id.com](http://www.nxt-id.com). The information contained on or that may be obtained from our website is not, and shall not be deemed to be, a part of this prospectus.

On or about June 25, 2012, the Company acquired 100% of the membership interests in 3D-ID LLC ("3D-ID"), a limited liability company formed in Florida in February, 2011 and owned by the Company's founders. By acquiring 3D-ID the Company gained the rights to a portfolio of patented technology in the field of three-dimensional facial recognition and imaging.

We are a development stage technology company that is focused on products, solutions, and services that have a need for biometric secure access control. We have three distinct lines of business that we believe will form our company: law enforcement, m-commerce, and biometric access control applications. Our initial efforts are focused on our secure products offering for the growing m-commerce market, most immediately a secure mobile electronic wallet. Our plan also anticipates that we will use our core biometric facial recognition algorithms to develop a security application that can be used for corporations (industrial uses, such as enterprise computer networks) as well as individuals (consumer uses, such as smart phones, PDAs or personal computers). Finally, our plan calls for a suite of high level security products and facial recognition applications that can be utilized by law enforcement, the defense industry, and Homeland Security.

Using our biometrics technologies, we plan to target the growing m-commerce market with our innovative MobileBioÔ suite of biometric solutions that secure mobile platforms. We believe that our MobileBioÔ provides distinct advantages within these markets by filling an interoperability gap left by traditional biometric solutions that either are physically integrated and thus, not flexible or versatile, or provide poor interoperability and insecure remote services. The Company also plans to serve the access control and law enforcement facial recognition markets.



3D-ID was a development stage company engaged in the design, research and development, integration, analysis, modeling, system networking, sales and support of intelligent surveillance, three-dimensional facial recognition and three-dimensional imaging devices and systems primarily for identification and access control in the security industries. Since this was a transaction between entities under common control in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations”, Nxt-ID recognized the net assets of 3D-ID at their carrying amounts in the accounts of Nxt-ID on the date that 3D-ID was organized, February 14, 2011.

To date, our operations have been funded through sales of our common stock and a loan from Connecticut Innovations, Inc., a quasi-state owned venture capital fund. We did not earn any revenue for the period since inception. Our financial statements contemplate the continuation of our business as a going concern. However, we are subject to the risks and uncertainties associated with a new business, as noted above we have no established source of capital, and we have incurred losses from operations since inception. These matters raise substantial doubt about our ability to continue as a going concern.

## Plan of Operation

We intend to pursue access control markets for our existing 3D facial recognition technology products beginning with US Federal and State governmental agencies. To that end, we have engaged a consulting firm in Washington, DC to help introduce us to key decision makers in those markets. We also have a distributor in South America that has begun to sell these products to overseas law enforcement agencies.

In parallel we will continue development of our MobileBio™ products that are described more fully beginning on page 45.

Our initial product will be the **MobileBio Wocket™**. Juniper Research estimates that worldwide mobile payment volume will grow to \$240 billion in 2012, and forecasts growth to \$670 billion by 2015. However, many credit card holders either do not possess a smartphone or will be reluctant to use their smartphone for mobile payments. Furthermore, physical credit card terminals requiring a card swipe will remain the most common point of sale terminal for foreseeable future. As a result, Nxt-ID is focusing its initial developmental efforts on a product that is a separate physical secure electronic wallet that holds information from credit cards, identification cards, and virtually any other card to allow the owner of the card to configure a reprogrammable single electronic card housed in the wallet to replicate any of their cards thereby reducing the number of cards they must carry. The resultant electronic card can then be swiped just like a regular credit card. The e-wallet will be secured by a biometric identifier as well as other layers of security and will be compatible with the emerging standard for Near Field Communications (NFC) and other touchless payment methods. Our current plans call for the launch of this product during the second half of 2013. We intend to pursue partnerships with financial institutions to launch this product although we do not yet have any existing relationships with potential partners.



Design Drawing – Not an Actual Product

With financial resources that we currently have from our recently completed private placement as well as our recent Connecticut Innovations, Inc. Convertible Note in the amount of \$150,000, we expect to be able to produce a working prototype of the **Wocket™** but we will need to raise additional funding in order to manufacture the product and bring it to market. There can be no assurance that we will raise adequate capital to bring this product to market. If we cannot raise funds as and when we need them we may be required to severely curtail, or even to cease, our operations resulting in a potential loss to investors.

## CRITICAL ACCOUNTING POLICIES

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

Upon the filing of our initial registration statement, we intend to utilize the extended transition period provided in Securities Act Section 7(a)(2)(B) as allowed by Section 107(b)(1) of the JOBS Act for the adoption of new or revised accounting standards as applicable to emerging growth companies. As part of the election, we will not be required to comply with any new or revised financial accounting standard until such time that a company that does not qualify as an “issuer” (as defined under Section 2(a) of the Sarbanes-Oxley Act of 2002) is required to comply with such new or revised accounting standards.

As an emerging growth company within the meaning of the rules under the Securities Act, and we will utilize certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies. For example, we will not have to provide an auditor’s attestation report on our internal controls in future annual reports on Form 10-K as otherwise required by Section 404(b) of the Sarbanes-Oxley Act. In addition, Section 107 of the JOBS Act provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to utilize this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards as they become applicable to public companies.

**Development Stage Enterprise.** The Company is a development stage company as defined in Financial Accounting Standards Board (FASB) 915, *Development Stage Entities*. The Company is devoting substantially all of its present efforts to develop and market new technologies in combustion systems, and its planned principal operations have not yet commenced. The Company has generated minimal revenues from operations since inception. All losses accumulated since its inception have been considered as part of the Company’s development stage activities.

**Basis of Presentation.** The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States which contemplate continuation of the Company as a going concern. However, the Company is subject to the risks and uncertainties associated with a new business, has no established source of revenue, and has incurred significant losses from operations since inception. The Company's operations are dependent upon it raising additional capital. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that could result from the outcome of this uncertainty.

**Principles of Consolidation.** The consolidated financial statements include the accounts of Nxt-ID and its wholly-owned subsidiary, 3D-ID. Intercompany balances and transactions have been eliminated upon consolidation.

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

## RESULTS OF OPERATIONS

### The period from February 14, 2011 (inception) to December 31, 2011

*Operating Expenses.* Operating expenses totaled \$14,661 and consisted of research and development of \$9,147 and general and administrative costs of \$5,514. The research and development was spent on the design of a new 3D facial recognition camera and integration with analytical software. The Company also accrued \$5,000 in royalties in connection with a distribution agreement with Technest Holdings, Inc..

*Net Loss.* As there was no revenue in the period, the net loss was \$14,661.

### The nine months ended September 30, 2012 and the period from February 14, 2011 (inception) to September 30, 2011 and 2012

*Operating Expenses.* For the nine months ended September 30, 2012, operating expenses totaled \$147,852 and consisted of research and development of \$59,324 and general and administrative costs of \$88,528. The research and development was spent on the completion of a new 3D facial recognition camera and integration with analytical software and preliminary design of the MobileBio Wocket™. General and administrative costs consisted of management salaries of \$50,000, legal and professional fees of \$17,000, a royalty accrual of \$11,250 and other travel and office expenses.

For the period from February 14, 2011 (inception) to September 30, 2011 and 2012 operating expenses totaled \$6,661 and \$162,513 respectively. Research and development expenses totaled \$5,147 and \$68,471 respectively. The increase in expenditure was due to the preliminary design and development of the MobileBio Wocket™. General and administrative expenses totaled \$1,514 and \$94,042 respectively. The increase in expenditure was due to expenditure on management salaries of \$50,000, legal and professional fees of \$17,000, royalties of \$11,250 and other travel and office expenses.

*Net Loss.* As there was no revenue for the nine months ended September 30, 2012, and the period from February 14, 2011 (inception) to September 30, 2011 and 2012 the net loss was \$147,852, \$6,661 and \$162,513 respectively.

### **Liquidity and Capital Resources**

We have not generated any revenue and have incurred operating losses of \$147,852 for the nine months ended September 30, 2012, and \$6,661 and \$162,513 for the periods from February 14, 2011 (inception) to September 30, 2011 and 2012, respectively. During the nine months ended September 30, 2012, net cash provided by operating activities amounted to \$48,008, and for the periods from February 14, 2011 (inception) to September 30, 2011 and 2012, net cash (used in) provided by and operating activities amounted to \$(5,661) and \$38,347, respectively.

We are a development stage company with minimal revenues and have generated losses from operations since inception. In order to execute our long-term strategic plan to develop and commercialize our core products, we will need to raise additional funds, through public or private equity offerings, debt financings, or other means. These conditions raise substantial doubt about our ability to continue as a going concern.

Subsequent to the period ended September 30, 2012, the Company sold 806,000 shares at \$0.25 per share of common stock resulting in proceeds of \$201,500 in a private placement. Additionally, subsequent to September 30, 2012, the Company received \$250,000 in connection with an isolated sale of one of its products.

On December 13, 2012, the Company received approval from Connecticut Innovations, Inc. ("CII") for a Convertible Note in the amount of \$150,000. The note accrues interest at the annual rate of 12% and is repayable in full in two years if it has not been converted. CII has the option to convert the outstanding principal and interest on the note into any future equity financing by the Company at a discount of 25% to the lowest price paid by other investors in an offering.

We anticipate the need to raise a net amount of approximately \$900,000 of which \$300,000 is allocated to product development, \$300,000 to sales and marketing and \$300,000 for general administrative and corporate purposes.

We can give no assurance that our cash on hand or the additional cash raised in the intended offering will be sufficient to achieve our business plan or that additional financing will be available on reasonable terms, or available at all, or that it will generate sufficient revenue to alleviate the going concern. Should we be unsuccessful in obtaining the necessary financing, or generate sufficient revenue to fund our operations, we would need to curtail our operational activities.

### **Off Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

### **SELLING STOCKHOLDERS**

A total of up to 1,076,000 shares may be offered by certain stockholders who purchased shares of our common stock in connection with our private placement from August 2012 to January 2013.

The table below sets forth:

- The name of each of the selling stockholders;
- The number of shares of common stock beneficially owned by each of the selling stockholders as of January 25, 2013;
- The maximum number of shares of common stock that may be offered for the account of the selling stockholders under this prospectus; and
- The number of shares of common stock that would be owned by the selling stockholders after completion of the offering, assuming a sale of all of the common stock that may be offered by this prospectus (assuming a sale of all of the common stock that may be offered by this prospectus, each of the selling stockholders beneficially owning shares after the offering would own less than 1% of outstanding shares).

No material relationships exist between any of the selling stockholders and us, except as identified in the footnotes to this table nor have any such material relationships existed within the past three years. None of the selling stockholders are members of the Financial Industry Regulatory Authority (FINRA), or affiliates of such members, except as noted in the footnotes below.

Beneficial ownership is determined under the rules of the SEC and includes investment power with respect to common stock. The number of shares beneficially owned by a person includes shares of common stock underlying warrants, stock options and other derivative securities to acquire our common stock held by that person that are currently exercisable or convertible within 60 days after January 25, 2013. The shares issuable under these securities are treated as outstanding for computing the percentage ownership of the person holding these securities, but are not treated as outstanding for the purposes of computing the percentage ownership of any other person.

All expenses incurred with respect to the registrant of the offering by the selling stockholders of these shares of common stock (other than transfer taxes) will be borne by us, but we will not be obligated to pay any underwriting fees, discounts, commissions or other expenses incurred by the selling stockholders in connection with the sale of such shares.

The common stock beneficially owned by the selling stockholders has been determined in accordance with the rules promulgated by the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. The information in the table below is current as of the date of this prospectus. All information contained in the table below is based upon information provided to us by the selling stockholders and we have not independently verified this information. The selling stockholders are not making any representation that any common stock covered by this prospectus will be offered for sale. The selling stockholders may from time to time offer and sell pursuant to this prospectus any or all of the common stock covered hereby.

Except as indicated below, the selling stockholders are not the beneficial owners of any additional shares of common stock or other equity securities issued by us or any securities convertible into, or exercisable or exchangeable for, our equity securities.

We may require the selling stockholders to suspend the sales of common stock offered by this prospectus upon the occurrence of any event that makes any statement in this prospectus or the related registration statement untrue in any material respect or that requires the changing of statements in these documents in order to make statements in those documents not misleading.

Name of Selling Stockholder	Beneficial Ownership <u>Prior to this Offering</u>		Number of Shares being Offered	Beneficial Ownership <u>After Offering</u>	
	Number of Shares	Percentage		Number of Shares	Percentage
Mack Ramachandran	2,000	0%	2,000	0	0%
Catherine Marino	2,000	0%	2,000	0	0%
Caroline Straty	2,000	0%	2,000	0	0%
Noah Kraft	2,000	0%	2,000	0	0%
Bowman Hallagan	2,000	0%	2,000	0	0%
Kelsea Verdi <sup>(1)</sup>	2,000	0%	2,000	0	0%
Michelle Verdi <sup>(1)</sup>	2,000	0%	2,000	0	0%
Chad Verdi, Jr. <sup>(1)</sup>	2,000	0%	2,000	0	0%
Chad Verdi <sup>(1)</sup>	802,000	4%	802,000	0	0%
Thomas DeNuncci, Jr.	2,000	0%	2,000	0	0%
Danielle Corsa	2,000	0%	2,000	0	0%
Anthony Verdi, Jr. <sup>(2)</sup>	2,000	0%	2,000	0	0%
Samuel Eilertsen	2,000	0%	2,000	0	0%
Robert Curtis <sup>(3)</sup>	2,000	0%	2,000	0	0%
Donna Curtis <sup>(3)</sup>	2,000	0%	2,000	0	0%
The Wahl-Chung Family Trust	2,000	0%	2,000	0	0%
MTHT IRA, LLC <sup>(4)</sup>	100,000	0.5%	100,000	0	0%
Martin McCann	4,000	0%	4,000	0	0%
ECON US Inc. <sup>(5)</sup>	120,000	0.6%	120,000	0	0%
David West	20,000	0%	20,000	0	0%
<b>TOTAL</b>	<b>1,076,000</b>	<b>5.1%</b>	<b>1,076,000</b>	<b>0</b>	<b>0%</b>

- (1) Chad Verdi and Michelle Verdi are husband and wife. They have two children, Kelsea Verdi and Chad Verdi, Jr. Kelsea Verdi has attained the age of majority and does not reside with her parents. Chad Verdi, Jr. has attained the age of majority, but currently resides at the same address as his parents.
- (2) Anthony Verdi, Jr. is the brother of Chad Verdi.
- (3) Robert Curtis and Donna Curtis are husband and wife.
- (4) MTHT IRA, LLC is controlled by Matthew Rich.
- (5) The beneficial owner of ECON US Inc. is Dawn Van Zant.

#### **PLAN OF DISTRIBUTION**

We may sell our common stock and the sale of shares of common stock by the selling stockholders or their respective heirs, successors, assigns, donees or other successors-in-interest may be effected from time to time in transactions (which may include block transactions by or for the account of the selling stockholders or such persons) on the over-the-counter market or wherever the shares are then traded or quoted, including ordinary brokers' transactions, in privately negotiated transactions or through sales to one or more dealers for resale of such securities as principals. Sales may be made at fixed prices which may be changed, at market prices prevailing at the time of sale, or at negotiated prices. Sales may also occur in one or more of the following ways from time to time: to or through underwriters or dealers; by itself or themselves directly; through agents; through a combination of any of these methods of sale; or through any other methods described in a prospectus supplement or post-effective amendment.

Selling stockholders or such persons may effect such transactions by selling their shares received in private financings directly to purchasers, through broker-dealers acting as agents for the selling stockholders or to broker-dealers who may purchase such shares as principals and thereafter sell the shares from time to time in the over-the-counter market or wherever the shares are then traded or quoted, in negotiated transactions or otherwise in any single transaction or series of related transactions permitted by law, rule or regulation. Such broker-dealers, if any, may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchasers for whom such broker-dealers may act as agents or to whom they may sell as principals or otherwise (which compensation as to a particular broker-dealer may exceed customary commissions). The maximum compensation to be received by any member of the Financial Industry Regulatory Authority ("FINRA") or independent broker-dealer will not be greater than 10% for the sale of any securities set forth in the selling stockholder table contained within this prospectus.

If sales of shares offered under this prospectus are made to broker-dealers as principals, we would be required to file a post-effective amendment to the registration statement of which this prospectus is a part. In the post-effective amendment, we would be required to revise the appropriate disclosures, including, without limitation, disclosures concerning the names of any participating broker-dealers, information on the plan of distribution, and the compensation arrangements relating to such sales, and we would be required to file any applicable agreement as an exhibit.

We are required to pay all fees and expenses incident to the registration of the shares registered hereunder. To the extent required, we will amend or supplement this prospectus to disclose material arrangements regarding the plan of distribution. To comply with the securities laws of certain jurisdictions, registered or licensed brokers or dealers may need to offer or sell the shares offered by this prospectus. The applicable rules and regulations under the Securities Exchange Act of 1934, as amended, may limit any person engaged in a distribution of the shares of common stock covered by this prospectus in its ability to engage in market activities with respect to such shares. The selling stockholders, for example, will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations under it, which provisions may limit the timing of purchases and sales of any shares of common stock by the selling stockholders.

The selling stockholders and broker-dealers, if any, acting in connection with such sales might be deemed to be “underwriters” within the meaning of Section 2(11) of the Securities Act. Any broker-dealers or agents that are deemed to be underwriters may not sell shares offered under this prospectus unless and until we set forth the names of the underwriters and the material details of their underwriting arrangements in a supplement to this prospectus or, if required, in a replacement prospectus included in a post-effective amendment to the registration statement of which this prospectus is a part.

The selling security holders and any other persons participating in the sale or distribution of the shares offered under this prospectus will be subject to applicable provisions of the Exchange Act, and the rules and regulations under that act, including Regulation M. These provisions may restrict activities of, and limit the timing of purchases and sales of any of the shares by, the selling security holders or any other person. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and other activities with respect to those securities for a specified period of time prior to the commencement of such distributions, subject to specified exceptions or exemptions. All of these limitations may affect the marketability of the shares.

If any of the shares of common stock offered for sale pursuant to this prospectus are transferred other than pursuant to a sale under this prospectus, then subsequent holders could not use this prospectus until a post-effective amendment or prospectus supplement is filed, naming such holders. We offer no assurance as to whether any of the selling security holders will sell all or any portion of the shares offered under this prospectus.

Each of the selling security holders acquired the securities offered hereby in the ordinary course of business and have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any selling stockholder. If we are notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, if required, we will file a supplement to this prospectus. If the selling security holders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act.

### **CONCURRENT OFFERING**

On the date of this prospectus, a registration statement was declared effective under the Securities Act with respect to a public offering of \$1,000,000 of Units each consisting of 1 share of our common stock and 1 warrant to purchase 1 share of our common stock. Sales of the common stock by the selling stockholders, or the potential of such sales, could have an adverse effect on the market price of the common stock.



## **There Is No Current Market for Our Shares of Common Stock**

There is currently no market for our shares of common stock. We cannot give you any assurance that the shares you purchase will ever have a market or that if a market for our shares ever develops, that you will be able to sell your shares. In addition, even if a public market for our shares develops, there is no assurance that a secondary public market will be sustained.

The shares you purchase that are underlying the Units are that may be issued as part of the exercise of the warrants are not traded or listed on any exchange or quotation medium. Currently, we are in the process of identifying a market maker to file an application with FINRA, to have our common stock quoted on the Over-the-Counter Bulletin Board (the "OTC Bulletin Board"). We will have to satisfy certain criteria in order for our application to be accepted. We do not currently have a market maker who has filed an application with FINRA, and even if we identify a market maker and such application is filed, there can be no assurance as to whether we will meet the requisite criteria or that our application will be accepted. Our common stock may never be quoted on the OTC Bulletin Board, or, even if quoted, a public market may not materialize. There can be no assurance that an active trading market for our shares will develop, or, if developed, that it will be sustained.

The ability to have shares of stock quoted on the OTC Bulletin Board is maintained by FINRA. The securities traded on the OTC Bulletin Board are not listed or traded on the floor of an organized national or regional stock exchange. Instead, these securities transactions are conducted through a telephone and computer network connecting dealers in stocks. Over-the-counter stocks are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange.

Even if our shares are quoted on the OTC Bulletin Board, a purchaser of our shares may not be able to resell the shares. Broker-dealers may be discouraged from effecting transactions in our shares because they will be considered penny stocks and will be subject to the penny stock rules. Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on brokers-dealers who make a market in a "penny stock." A penny stock generally includes equity securities (other than securities registered on some national securities exchanges) that has a market price of less than \$5.00 per share. Under the penny stock regulations, a broker-dealer selling penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with net worth in excess of \$1,000,000 (not including that individual's primary residence) or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market, assuming one develops.

## **State Securities Laws**

State securities laws require either that a company's securities be registered for sale or that the securities themselves or the transaction under which they are issued, be exempt from registration. Because our common stock will not be listed on a national securities exchange, exemptions will generally not be available and this offering must be registered in nearly all states and jurisdictions in which the securities are to be offered or sold. We will apply to register the securities, or will seek to obtain an exemption from registration, only in certain states. In the states that require registration, and in which applications are filed, securities will not be sold to retail customers until such registration is effective. In addition, if we register the shares and warrants in the State of California, sales will only be made to residents of California who have not less than (i) a \$150,000 liquid net worth, (a net worth exclusive of home, home furnishings and automobile), plus estimated \$70,000 gross income during the current tax year, or (ii) a \$250,000 liquid net worth and an investment limitation of not more than 10% of the investor's liquid net worth.

Institutional investors may purchase securities in the offering pursuant to exemptions provided for sales to such entities under the laws of various states. The definition of an "institutional investor" varies from state to state, but generally includes financial institutions, broker-dealers, banks, insurance companies and other qualified entities. If you are not an institutional investor, you may purchase securities in this offering only if you reside in the jurisdictions where there is an effective registration or exemption, and, if required, meet any requisite suitability standards.

## **The Offering will be Managed by Our Officers and Directors**

We are offering up 1,000,000 Units (the "Maximum Offering"). The offering price is \$1.00 per Unit. The Offering will be for a period of 30 days from the date that this registration statement is declared effective and may be extended for an additional 30 days if we choose to do so. In our sole discretion, we have the right to terminate the Offering at any time, even before we have sold the Maximum Offering. There are no specific events which might trigger our decision to terminate the Offering; however, factors that we might consider include the development of a public market that may allow us to obtain financing on more attractive terms or through alternative sources or means.

Any and all subscriptions will be accepted on a rolling basis. Once we accept subscriptions, the funds will be deposited into an account maintained by us and be immediately available to us. There are no investor protections for the return of subscription funds once accepted. Certificates for shares purchased will be issued and distributed by our transfer agent promptly after a subscription is accepted and "good funds" are received in our account.

If we are unable to raise enough capital to effectuate our business plan, we will attempt to raise additional funds from a second public offering, a private placement, or loans. At the present time, we have not made any plans to raise additional capital and there is no assurance that we would be able to raise additional capital in the future. If we need additional capital and are not successful, we will have to suspend or cease operations.

Our officers and directors will manage the sale of the Units in this Offering. The officers and directors will receive no commission from the sale of the securities nor will they register as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934 in reliance upon Rule 3a4-1. Rule 3a4-1 sets forth those conditions under which a person associated with an issuer may participate in the offering of the issuer's securities and not be deemed to be a broker-dealer.

Each of our officers and directors satisfies the requirements of Rule 3a4-1 in that none of them:

1. Are subject to a statutory disqualification, as that term is defined in Section 3(a)(39) of the Exchange Act, at the time of their participation;
2. Are being compensated in connection with his participation by the payment of commissions or other remuneration based either directly or indirectly on transactions in securities;
3. Are, at the time of his participation, an associated person of a broker-dealer; and
4. Meets the conditions of Paragraph (a)(4)(ii) of Rule 3a4-1 of the Exchange Act, in that he (A) primarily perform, or is intended primarily to perform at the end of the offering, substantial duties for or on behalf of the issuer otherwise than in connection with transactions in securities; and (B) he is not a broker or dealer, or an associated person of a broker or dealer, within the preceding twelve (12) months; and (C) he does not participate in selling and offering of securities for any issuer more than once every twelve (12) months other than in reliance on Paragraphs (a)(4)(i) or (a)(4)(iii).

As our officers and directors will sell the Units being offered pursuant to this offering, Regulation M prohibits the Company and its officers and directors from certain types of trading activities during the time of distribution of our securities. Specifically, Regulation M prohibits our each of them from bidding for or purchasing any common stock or attempting to induce any other person to purchase any common stock, until the distribution of our securities pursuant to this offering has ended.

We may employ the services of FINRA member broker-dealers as selling agents in connection with the offering but have not determined the terms of any such engagement. If an agreement concerning the use of the services of any other broker-dealer is reached, we will file an amendment to the registration statement containing this prospectus to disclose the name of the broker-dealer, the compensation being paid to the broker-dealer and any other material terms of our agreement with the broker-dealer, including any agreement that we make to indemnify the broker-dealer against specific liabilities, including liabilities under the Securities Act of 1933. Any written agreement that we reach with the broker-dealer will also be filed as an exhibit to the registration statement. We will file an amendment to the registration statement containing this prospectus to reflect any material change to our plan of distribution. We will cease selling our common stock and will not be able to resume such sales of our common stock until the SEC declares any such amendment effective.

#### **Offering Period and Expiration Date**

The Offering will be for a period of 30 days from the date that this registration statement is declared effective and may be extended for an additional 30 days if we choose to do so. In our sole discretion, we have the right to terminate the Offering at any time, even before we have sold the Maximum Offering. There are no specific events which might trigger our decision to terminate the Offering; however, factors that we might consider include the development of a public market that may allow us to obtain financing on more attractive terms or through alternative sources or means.

## **Procedures for Subscribing**

If you decide to subscribe for any securities in Offering, you must deliver a check or certified funds for acceptance or rejection. There are no minimum share purchase requirements for individual investors. All checks for subscriptions must be made payable to “Nxt-ID, Inc.”

Any and all subscriptions will be accepted on a rolling basis. Once we accept subscriptions, the funds will be deposited into an account maintained by us and be immediately available to us. There are no investor protections for the return of subscription funds once accepted. Certificates for shares purchased will be issued and distributed by our transfer agent promptly after a subscription is accepted and “good funds” are received in our account.

## **Right to Reject Subscriptions**

We maintain the right to accept or reject subscriptions in whole or in part, for any reason or for no reason. All monies from rejected subscriptions will be returned immediately by us to the subscriber, without interest or deductions. Subscriptions for securities will be accepted or rejected within 48 hours of our having received them.

## **Acceptance of Subscriptions**

Upon our acceptance of a subscription agreement and receipt of full payment, one of our duly designated officers shall countersign the subscription agreement and the transfer agent will deliver a copy of the signed subscription agreement and a notice that book-entry shares have been issued.

# **BUSINESS**

## **Our Company**

We are a development stage technology company that is focused on products, solutions, and services that have a need for biometric secure access control. We have three distinct lines of business that we believe will form our company: law enforcement, m-commerce, and biometric access control applications. Our initial efforts are focused on our secure products offering for the growing m-commerce market, most immediately a secure mobile electronic wallet. Our plan also anticipates that we will use our core biometric facial recognition algorithms to develop a security application that can be used for corporations (industrial uses, such as enterprise computer networks) as well as individuals (consumer uses, such as smart phones, PDAs or personal computers). Finally, our plan calls for a suite of high level security products and facial recognition applications that can be utilized by law enforcement, the defense industry, and Homeland Security.

As a company with core competencies in biometrics technologies, we plan to focus on the growing m-commerce market with our innovative MobileBioÔ suite of biometric solutions that secure mobile platforms. We believe that our MobileBioÔ products, which our biometric security solutions, will provide distinct advantages within these markets for smart-device swiping payment devices by filling an interoperability gap left by traditional biometric solutions that either are physically integrated and thus, not flexible or versatile, or provide poor interoperability and insecure remote services. The Company also plans to service the access control and law enforcement facial recognition markets. The Company recently acquired 100% of the membership interests in an entity affiliated with its founders as a means toward advancing its business plan.

Various experts believe that unless these problems with interoperability and insecure remote services are solved cash and credit card will remain the dominant method of carrying out transactions in advanced countries. The security implications raise too many concerns among consumers about the safety of their money. These consumers are also resistant to are resistant to letting technology companies learn even more about their personal purchasing habits.

Nxt-ID has security solutions to cover both consumer preferences with MobileBio FaceMatch™ and the Wocket™.

Our Company is in the process of developing three key biometric solutions to ensure the security of mobile platforms as described in further detail below:

#### MobileBio FaceMatch™

MobileBio FaceMatch™ is intended to serve as a modular facial recognition system for smartphones, tablets, laptop and desktop computers. MobileBio FaceMatch, depending on the number of cameras available and level of security desired, will use 2D, pseudo 3D or 3D facial recognition algorithms to allow the user access to their device. As being developed, the software is intended to be hosted on the device or through a cloud computing solution. The software will also designed to be available as an “app” on the iPhone and Android platforms, although there are presently no definitive agreements in place with either of the sponsors of those platforms. The MobileBio FaceMatch™ app will not retain any personal information on the user. The MobileBio FaceMatch™ app is near completion of development for desktop and laptop use. Development work on tablet and smartphone use has not yet started but will use the same basic technology.



#### MobileBio Wocket™

Many credit card holders either do not possess a smartphone or will be reluctant to use their smartphone for mobile payments. Nxt-ID is in the process of developing a separate physical electronic wallet that is intended to hold information from credit cards, identification cards, and virtually any card to allow a specific owner of the card to configure a single electronic card to replicate any of the copied cards and thereby reduce the number of cards a user must carry. As designed, users will simply scan in each card and take its picture, front and back, slide through each of the scanned “soft-cards” via a display and select the card that the user wishes to program the mCard (multi-Card). The resultant electronic card can then be swiped just like a regular credit, debit, or virtually any other card. The system consists of 2 devices: A card reader/writer “wocket” and “mCard”. The e-wallet will be secured by a facial recognition biometric and will be compatible with the emerging standard for Near Field Communications (NFC). The MobileBio Wocket™ has completed the design stage and prototypes are currently being fabricated.



Design Drawing – Not an Actual Product

## MobileBio™ Fingerprint Sensor

For individuals that use a variety of secure devices where the identification of the specific individual is important; the MobileBio™ Fingerprint Sensor will be able to communicate with the intended device directly or remotely. Verification is through cloud-based identity management and information “BioCloud” assurance services that will be hosted by the Company. This device will also help to secure one aspect of “BYOD” (Bring your own device) computing which is a growing concern among corporations where individuals are using their personal smartphones and tablets to connect to their company’s IT servers. Development of the MobileBio™ Fingerprint Sensor has not yet begun although the underlying engineering requirement has been documented.



**Design Drawing – Not an Actual Product**

## **Our Corporate History**

We were incorporated in the state of Delaware on February 8, 2012. We are a technology company with particular core competencies in biometrics that is targeting the growing m-commerce market with our innovative MobileBio suite of biometric solutions that are intended to secure mobile platforms. Our MobileBio solutions are intended to provide distinct advantages within these markets by filling an interoperability gap left by traditional biometric solutions that either are physically integrated and thus, not flexible or versatile, or provide poor interoperability and insecure remote services. The Company also plans to serve the access control and law enforcement facial recognition markets.

Effective June 25, 2012, the Company acquired 100% of the membership interests in 3D-ID, LLC (“3D-ID”), a limited liability company formed in Florida in February 2011 and owned by the Company’s founders. Since this was a transaction between entities under common control, in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations”, Nxt-ID recognized the net assets of 3D-ID at their carrying amounts in the accounts of Nxt-ID on the date that 3D-ID was organized, February 14, 2011. Our corporate headquarters are in Shelton, CT.

The founders of Nxt-ID were an integral part of the senior management teams at Technest Holdings, an OTCBB public company, and its subsidiary Genex Technologies. Genex Technologies was founded in 1995 to develop and commercialize the unique Rainbow® method of capturing 3D data. Since its founding Genex has developed into one of the market leaders in advanced imaging, including 3D and 360-degree technologies.

Genex has developed innovative technologies and products for all aspects of imaging, including capture, processing, display, and enhancement. Genex’s products range from 3D cameras to surveillance algorithms to integrated facial recognition systems.

Genex and Technest have won awards from the Department of Defense, NIH, NIST and NSF amounting to over \$30 million in support of this technology.

Nxt-ID has licensed all the Technest/Genex technology (exclusively in Federal, State and Municipal applications) through the acquisition of 3D-ID to provide a product portfolio and a strong technical foundation for its further development efforts.

In addition, Nxt-ID has also licensed on a non exclusive basis, distribution, manufacturing rights and know-how from Geometrix, a leading 3D imaging company using a different technical approach to Technest. This technology performed very favorably at the Face Recognition Vendor Test conducted by the National Institute of Science and Technology (NIST).

Nxt-ID also has key scientific and engineering personnel that have had key roles in the development of these technologies and have an important intellectual knowledge base that the Company intends to leverage.

## Our Industry

The mobile phone worldwide market is presently approximately 1.8 billion units per year. Of that amount smart phones represent a large and growing segment of the market. A smart phone is a mobile phone built on a mobile computing platform with advanced computing ability and internet connectivity. Smart phones also typically also serve as portable media players and camera phones with high-resolution touchscreen displays and web browsers that can access and properly display standard web pages, GPS navigation, Wi-Fi and mobile broadband access.

We believe that our MobileBio™ cell phone facial recognition opportunity, once developed, will address a worldwide market of smart phones sales, which is estimated at 400 Million units per year and is growing at an average annual rate of 55%. With this trend we also are planning to develop new technologies, which we believe will leverage the adoption of smart phone technology such as Near Field Communications (NFC). NFC and other similar approaches will offer smart phone users the ability to use their smart phone as an “Electronic Wallet”. Such financial applications of the cell phone will require a new set of smart phone security applications, which can then be marketed to the smart phone user. NFC, or near-field communication, lets consumers pay for goods and services on the go, through their mobile phones, simply by touching or passing them over another NFC-equipped device such as a register or terminal. The funds themselves are transferred from the user’s credit card account stored through the mobile phone.

Currently, Google is one of the major players in this field with its Android mobile application Google Wallet, which the company launched in late 2011. Google partnered with Citibank, Mastercard, First Data, VeriFone, Samsung and Sprint among other companies, to make the wallet possible. Currently, though, consumers can only pay with Citi Mastercards and the app is only compatible with the Nexus S 4G by Google, available on Sprint.

AT&T, T-Mobile, and Verizon have partnered to create Isis, a competing virtual wallet and payment system, which was launched in 2012. ISIS will be open to all merchants, banks and carriers. Isis aims to “eliminate the need to carry cash, credit cards and debit cards, reward cards, coupons, tickets and transit passes,” their website states.



Source: Visa

Verifone has also recently completed its acquisition of Point, a company that provides payment services that make NFC technology possible.

According to the Pew Research Center, a majority of technology experts and other internet stakeholders believe that by 2020 most people will have embraced and fully adopted the use of smart-device swiping for purchases they make, nearly eliminating the need for cash or credit cards. These experts feel that the explosive growth in the use of smartphones and other mobile devices, combined with the convenience, security, and other affordances of mobile payments systems, makes these systems an obvious choice to replace established modes of payment in day-to-day commerce.

Those experts who do not agree with this scenario say cash and credit card will remain the dominant method of carrying out transactions in advanced countries because the security implications raise too many concerns among consumers about the safety of their money. These consumers are also resistant to are resistant to letting technology companies learn even more about their personal purchasing habits.

There were 176.8 million credit cardholders in 2008. The average credit cardholder has 3.5 credit cards. (“The Survey of Consumer Payment Choice,” Federal Reserve Bank of Boston, January 2010) This number is projected to grow to 181 million Americans by 2010.

Credit and debit card fraud is the No. 1 fear of Americans in the midst of the global financial crisis. Concern about fraud supersedes that of terrorism, computer and health viruses and personal safety. (Unisys Security Index: United States, March 2009)

Today, credit cards are responsible for more than \$2.5 trillion in transactions a year and are accepted at more than 24 million locations in more than 200 countries and territories. It is estimated that there are 10,000 payment card transactions made every second around the world.

Worldwide mobile device sales to end users totaled nearly 1.8 billion units in 2011, an 11.1 percent increase from 2010 (see Table 2) according to Gartner, Inc. Smartphone sales to end users were up 58 percent from 2010 and accounted for 31 percent of total mobile communications device sales in 2011.

**Table 2**  
**Worldwide Mobile Device Sales to End Users by Vendor in 2011 (Thousands of Units)**

<b>Company</b>	<b>2011 Units</b>	<b>2011 Market Share (%)</b>	<b>2010 Units</b>	<b>2010 Market Share (%)</b>
Nokia	422,478.3	23.8	461,318.2	28.9
Samsung	313,904.2	17.7	281,065.8	17.6
Apple	89,263.2	5.0	46,598.3	2.9
LG Electronics	86,370.9	4.9	114,154.6	7.1
ZTE	56,881.8	3.2	29,686.0	1.9
Research In Motion	51,541.9	2.9	49,651.6	3.1
HTC	43,266.9	2.4	24,688.4	1.5
Huawei	40,663.4	2.3	23,814.7	1.5
Motorola	40,269.0	2.3	38,553.7	2.4
Sony Ericsson	32,597.5	1.8	41,819.2	2.6
Others	597,326.9	33.7	485,452.0	30.4
<b>Total</b>	<b>1,774,564.1</b>	<b>100.0</b>	<b>1,596,802.4</b>	<b>100.0</b>



Source: Gartner (February 2012)<sup>(1)</sup>

- *Other Uses For Facial Recognition Technology*

Biometric identifiers have long been used by governments and commercial enterprises to verify a person's identity. Signatures are an example of a behavioral biometric that has been used for centuries. With the advent of the photograph, the first paper-based physiological biometric technique was developed to verify a person's identity. Photographs on passports and drivers licenses are obvious examples of early biometric features added to government-issued identity documents.

On the other hand, law enforcement agencies have routinely used fingerprints to positively identify suspects of a crime. In the 1990s, the use of fingerprints for criminal systems entered the digital age when the FBI awarded a contract to a team of Martin Marietta, Sagem Morpho, and Calspan (later known as the Lockheed Martin team) to build an electronic storage and search system that incorporated fingerprint files (or Integrated Automated Fingerprint Identification System - IAFIS), replacing the paper files. By capturing biometric information electronically and storing the files within a secure network for over 10 years, the U.S. government has been creating the foundation for greater use of biometrics in government and commercial activities.

However, terrorists and other criminals are now more capable of subverting traditional paper-based security measures through improved forgery and information-sharing technology and techniques. Furthermore, the evolution of the internet and the subsequent deviation from paper-based data storage and processes to electronic-based systems has opened the door to increased identity theft and other fraudulent activities within the commercial world.

In order to address deficiencies in current security systems used, we intend to market a facial recognition program that can be used by both government and commercial consumers as a viable, more powerful alternative to security measures currently being used by them. Nxt-ID believes that its products will contain the necessary security solutions to cover both consumer preferences with MobileBio FaceMatch™ and the Wocket™.

## **Our Competition**

The markets for our products are extremely competitive and are characterized by rapid technological change as a result of technical developments exploited by our competitors, changing technical needs of customers, and frequent introductions of new features. We expect competition to increase as other companies introduce products that are competitively priced, that may have increased performance or functionality, or that incorporate technological advances not yet developed or implemented by us. Some of our present and potential competitors may have financial, marketing, and research resources substantially greater than ours. Google and Apple are developing facial recognition applications for smartphones. The Google app can currently be fooled by using a photograph of the user. Apple is using a 2-D to 3D conversion model which holds better promise but this is already a heavily patented area.

There are a number of suppliers of biometric products that deliver to the market place presently. One of the largest suppliers is L1 Identity Solutions, which has primarily concentrated its prior efforts in the government and corporate sectors. L1 is a vertically integrated biometric solutions provider with a large established base of business and it has well developed government marketing channels. The Company was sold to Safran in 2010. Another established supplier is Cognitec, a German facial recognition company, with worldwide distribution.

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<sup>(1)</sup> <http://www.gartner.com/newsroom/id/1924314>.

Google and Apple are developing facial recognition applications for smartphones. The Google app can currently be fooled by using a photograph of the user. Apple is using a 2-D to 3D conversion model which holds better promise but this is already a heavily patented area.

Rather than competing directly against these well-established entities, Nxt-ID's plans to develop and foster market niches that would serve affordable lower priced retail consumer, small business biometric applications and end users not necessarily involved in large enterprise activities. Our MobileBio<sup>®</sup> technology that we are developing is the key to differentiating our solutions to the end user by creating innovative local and cloud-based biometric services, wide interoperability and flexibility, and an affordable brand priced appropriately to compete. One of the major areas of concern with facial recognition is user privacy with most companies utilizing private data for other marketing purposes. The Nxt-ID apps will not sell or share any personal information on the user.

Nxt-ID plans to offer what we believe to be unique features that will include cloud-based identity and authentication MobileBio<sup>®</sup> management services that secure biometric authentication across mobile devices, as well as a new, innovative Facial Recognition technology and a physical alternative to current e-wallets that are embedded in smartphones.

The value proposition that we plan to offer customers with our versatile, simple MobileBio<sup>®</sup> technology is complete interoperability of sensors with mobile applications and cloud-based services, which will secure the mobile money/m-commerce market by filling a versatility and flexibility gap in lacking with current solutions.

Digital wallets such as eWallet and Code Wallet essentially let the consumer name a wallet (e.g. Work or Personal), and build a chart of categories, like Credit Cards and Travel Information, to organize information by type. Into each category goes a card, which is where the information is stored. Choosing the card type, like Driver's License, calls up one of many templates that has a field tailored to the information most salient to the owner. Credit card data fields, for instance, include card provider and type, card number, PIN, expiration date, and so on. These products currently do not work with NFC but are secure data organizers for smartphones.

In order to compete effectively in this environment, our plan is to continually develop and market new and enhanced products at competitive prices, and have the resources to invest in significant research and development activities. There is a risk that we may not be able to make the technological advances necessary to compete successfully. Existing and new competitors may enter or expand their efforts in our markets, or develop new products to compete against ours. Our competitors may develop new technologies or enhancements to existing products or introduce new products that will offer superior price or performance features. New products or technologies may render our products obsolete. Many of our primary competitors are well-established companies that have substantially greater financial, managerial, technical, marketing, personnel and other resources than we do.

## **Our Business Strategy**

Worldwide, government agencies, financial, corporate and industrial entities are investing a considerable amount of resources into improving security systems as a result of ongoing security breaches which accompany acts of terrorism, financial and resource thefts that dangerously expose flaws and weaknesses in today's safety mechanisms. Badge or password-based authentication procedures are too easy to hack. Biometrics represents a viable and robust alternative but also has potential for drawbacks as well; for example, iris scanning, while very reliable is considered too intrusive; fingerprints are socially accepted, but not applicable to non-consenting individuals and have proven to be fooled. Alternatively, facial recognition represents a good compromise between what's socially acceptable and what's reliable, even when operating under controlled conditions. Facial recognition has emerged as the fastest growing technology among the biometric technologies accepted worldwide and is estimated to be growing at a CAGR of 31% during the next 3 years.<sup>(2)</sup> Facial recognition is applicable to both verification and identification. In addition, it is the only biometric system that can routinely be used in a covert manner for surveillance of uncooperative individuals as a person's face is easily captured at a distance by video technology with or without consent.

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<sup>(2)</sup> <http://articles.pubarticles.com/facial-recognition-emerging-as-the-fastest-growing-segment-1295506985,82940.html> ..

Based on individual data, our management believes that the world-wide facial recognition market for all applications of the technology is expected to grow significantly over the next several years. We believe that 3D facial recognition technology will continue to gain traction for access control and is already being used by organizations with a high traffic volume to quickly, easily and securely authenticate users. 2D facial recognition is used primarily by law enforcement officials to identify someone by comparing their 2D image against a large database of pictures. 3D face recognition is designed primarily for verification - to confirm that someone is exactly whom they say they are. 3D face readers can also be used with PINs, access control cards and other biometric factors for multifactor authentication. 3D face recognition is as fast and accurate as fingerprint technology and is ideal in situations where workers' hands are full or dirty, or where employees wear gloves or other applications where fingerprints would be inconvenient or difficult to obtain.

Against the backdrop of challenges with identification of individuals, more and more mobile phones are being used as a source of payment for goods and services. Juniper Research estimates that worldwide mobile payment volume will grow to \$240 billion in 2012, and forecasts growth to \$670 billion by 2015.<sup>(3)</sup> Many major players around the world have announced plans for mobile payments including AT&T, Sprint, Verizon, T-Mobile, Google, Visa, MasterCard, American Express, Discover, Bank of America, Barclays, RIM and others. The risks and concerns of fraud accompanying the introduction of these potential applications are financially enormous and could hamper the growth of this budding industry. As a result of these concerns, the Company believes that the "m-commerce/mobile money" market is positioned to grow rapidly. The overall size of biometric sensors used with cell phones alone is estimated to grow 500% by 2015.<sup>(4)</sup>

Nxt-ID plans to position its products to have applications in markets as diverse as Military and Homeland Defense, Law Enforcement, Commercial and Consumer.

For sales to the Department of Defense, Nxt-ID is partnered with established Prime Contractors that have or are bidding for Contact vehicles through which sales may be made. Our current Partners include Battelle Memorial Institute, Verizon Federal Systems and EOIR Technologies, a prime contractor with the Night Vision Electronic Sensors Directorate.

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<sup>(3)</sup> <http://www.juniperresearch.com/viewpressrelease.php?pr=250>.

<sup>(4)</sup> <http://www.homelandsecuritynewswire.com/biometrics-mobile-phone-market-grow-500-percent-2015>.

We currently plan for our sales to Law Enforcement Agencies to be made through distributors. Our management has several key relationships from past engagements that it is pursuing.

Nxt-ID will seek the support and sponsorship of credit card companies, banks and smartphone vendors for its MobileBio™ products and intends to sell them directly by direct marketing and through the “apps” distribution channels iPhone and Android devices. To make potential buyers aware of the product the Company will use social networks, such as Twitter, Facebook and YouTube as well as traditional PR. Our current model contemplates offering the MobileBio FaceMatch™ at a modest fee per year with annual renewals.

### **Our Intellectual Property**

Our ability to compete effectively depends to a significant extent on our ability to protect our proprietary information. We currently rely and will continue to rely primarily on patents and trade secret laws and confidentiality procedures to protect our intellectual property rights. Subsequent to the acquisition of 3D-ID, we have licensed twenty-two (22) U.S. patents. We enter into confidentiality agreements with our consultants and key employees, and maintain controls over access to and distribution of our technology, software and other proprietary information. The steps we have taken to protect our technology may be inadequate to prevent others from using what we regard as our technology to compete with us.

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

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

## Licensed Patents

Patent Title	Serial/Patent/ Registration Number
Method and Apparatus for High Resolution Three Dimensional Display	6,064,423
Omni-Directional Cameras	D436,612
High Speed Three Dimensional Imaging Method	6,028,672
Method and System for Three-Dimensional Imaging Using Light Pattern Having Multiple Sub-Patterns	6,700,669
Method And Apparatus for Omnidirectional Three Dimensional Imaging	6,744,569
Face Recognition System and Method	7,221,809
A System and a Method for Three-Dimensional Imaging Systems	7,349,104
Method and Apparatus for an Interactive Volumetric Three Dimensional Display	7,098,872
Face Recognition System and Method	7,876,931
Method and Apparatus for Omni-Directional Video Surveillance System	7,940,299
A System and a Method for a Smart Surveillance System	7,358,498
A High Speed Three Dimensional Imaging Method	6,147,760
Method And Apparatus for Modeling Via a Three-Dimensional Image Mosaic System	6,819,318
Method and System for a Three Dimensional Facial Recognition System	7,804,997
Method and Apparatus for Omni-Directional Three-Dimensional Imaging	6,304,285
Method and Apparatus for Generating Structural Pattern Illumination	6,937,348
Method and apparatus for generating 3D face models from one camera	7,103,211
Interactive try-on platform for eyeglasses	7,016,824
Method and system for generating fully-textured 3D	6,999,073
Method and apparatus for generating a 3D region from a surrounding imagery	6,563,499
Generating 3D models by combining models from a video-based technique and data from a structured light source	6,529,627
Method and apparatus for generating mesh models of 3D objects	6,529,192
Method and apparatus for generating patches from a 3D mesh model	6,518,963
Generating 3-D models using a manually operated structured light source	6,415,051

## Employees

As of December 2012, we had a total of 2 full-time employees, 1 in product engineering and 1 in administration and finance. None of our employees is represented by a collective bargaining agreement, nor have we experienced any work stoppage. We consider our relations with our employees to be good. Our future success depends on our continuing ability to attract and retain highly qualified engineers, graphic designers, computer scientists, sales and marketing and senior management personnel.

## **Properties**

Our principal executive offices in Shelton, Connecticut are in a shared executive office suite complex, which we lease on a month-to-month basis. We are also utilizing space in Palm Bay, Florida that is owned by our chief technology officer and which he is currently permitting us to use at a minimal charge per month. We are actively searching for a more permanent facility in Florida that will be adequate to meet our needs for the foreseeable future.

Total rent expense recorded in general and administrative expense in the accompanying statements of operations was approximately \$0 for the period from Inception through December 31, 2011 and approximately \$600 the nine months ended September 30, 2012 and the period from February 14, 2011 (inception) through September 30, 2012.

## **Legal Proceedings**

We are not involved in any pending or threatened litigation or other legal proceedings.

## **Code Of Ethics**

Our board of directors has adopted a Code of Ethical Conduct (the “Code of Conduct”) which constitutes a “code of ethics” as defined by applicable SEC rules. We require all employees, directors and officers, including our principal executive officer and principal financial officer to adhere to the Code of Conduct in addressing legal and ethical issues encountered in conducting their work. The Code of Conduct requires that these individuals avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our best interest. The Code of Conduct contains additional provisions that apply specifically to our Chief Executive Officer, Chief Financial Officer and other finance department personnel with respect to full and accurate reporting. The Code of Conduct is available on our website at [www.nxt-id.com](http://www.nxt-id.com). The Company will post any amendments to the Code of Conduct, as well as any waivers that are required to be disclosed by the rules of the SEC on such website.

## **Corporate Governance**

### Board of Directors

The Board of Directors oversees our business affairs and monitors the performance of our management. In accordance with our corporate governance principles, the Board of Directors does not involve itself in day-to-day operations. Our directors keep themselves informed through discussions with the Chief Executive Officer, other key executives and by reading the reports and other materials sent to them and by participating in Board and committee meetings.

### Director Independence

Our determination of independence of directors is made using the definition of “independent director” contained in Rule 5605(a)(2) of the rules of the NASDAQ Stock Market (“NASDAQ”), even though such definitions do not currently apply to us because we are not listed on NASDAQ. We have determined that Major General David Gust (Rtd.) is “independent” within the meaning of such rules. Mr. Pereira is not “independent” under these rules, due to his position as our Executive Chairman and Chief Executive Officer.

### Stockholder Communications with the Board

We have not implemented a formal policy or procedure by which our stockholders can communicate directly with our Board of Directors. Nevertheless, every effort has been made to ensure that the views of stockholders are heard by the Board of Directors or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. We believe that we are responsive to stockholder communications, and therefore have not considered it necessary to adopt a formal process for stockholder communications with our Board. During the upcoming year, our Board will continue to monitor whether it would be appropriate to adopt such a process.

## Board Committees

Our Board of Directors currently has no committees.

## **Summary Of Executive Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>All Other Compensation</b>	<b>Total</b>
Gino Pereira	2012	87,500	0	87,500
	2011*	0	0	0
David Tunnell	2012	80,000	0	80,000
	2011*	0	0	0

\*From Inception related to 3D-ID.

Effective January 3, 2013, our Board of Directors established a long-term incentive plan (the "LTIP") that permits the grant of unvested share awards, grants, options, performance share units, and share equivalents to employees, directors, consultants and vendors as directed by our Board of Directors. On January 4, 2013, our stockholders approved the LTIP. No grants have been awarded pursuant to the LTIP as of the date of this prospectus.

## **Director Compensation**

The following summarizes the basic policies relative to compensation for persons serving on the Company's Board of Directors: Our independent directors will receive \$20,000 for serving on our Board. The retainer is paid quarterly, in stock, and in arrears and will be valued as of the last day of the fiscal quarter for which a director has served. As we are not yet public, the price used is the price of the last completed equity raise, which as of the date of this prospectus, based on the aforementioned metric is \$0.25 per share. No individuals who serve on our Board who are not deemed to be independent as defined in Rule 5605(a)(2) of the rules of NASDAQ are compensated for their services as directors.

## **Employment Agreements**

Effective October 1, 2012, we entered into an employment agreement with our Chief Executive Officer. The employment agreement has an initial term of 3 years beginning on October 1, 2012. In addition, our CEO's employment agreement provides him with a base salary of \$150,000 per year, increasing to \$300,000 per year upon a public listing of Nxt-ID and raising a minimum of \$1,500,000 in aggregate financing. The employment agreement with our CEO also provides for:

- Payment of all necessary and reasonable out-of-pocket expenses incurred by the executive in the performance of his duties under the agreement.
- Eligibility to participate in bonus or incentive compensation plans that may be established by the board of directors from time to time applicable to the executive's services.
- Eligibility to receive equity awards as determined by the board of directors, or a committee of the board of directors, composed in compliance with the corporate governance standards of any applicable listing exchange.

## PRINCIPAL STOCKHOLDERS

The table and accompanying footnotes set forth information as of January 25, 2013, with respect to the ownership of our common stock by:

- Each person or group who beneficially owns more than 5% of our common stock;
- Each of our directors;
- Our executive officers; and
- All of our directors and executive officers as a group.

Applicable percentage of ownership for each holder is based on 20,996,000 shares of common stock outstanding on January 25, 2013 and 21,996,000 shares of common stock outstanding following the closing of this offering (at an assumed public offering price of \$1.00 per share, and assuming no exercise of the warrants).

A person is deemed to be the beneficial owner of securities that can be acquired within 60 days from the exercise of stock options and warrants or the conversion of convertible securities. Accordingly, common stock issuable upon exercise of stock options and warrants that are currently exercisable or exercisable within 60 days after the date of this prospectus, and common stock issuable upon conversion of convertible promissory notes have been included in the table with respect to the beneficial ownership of the person owning the stock options, warrants and convertible promissory notes, but not with respect to any other persons.

Unless otherwise indicated, we believe that all persons named in the following table have sole voting and investment power with respect to all shares of common stock beneficially owned by them and that person's address is c/o Nxt-ID, Inc., 4 Research Drive, Suite 402, Shelton, CT 06484.

<b>Name of Beneficial Owner (1)</b>	<b>Shares Beneficially Owned</b>	<b>Percentage of Common Stock Beneficially Owned</b>	
		<b>Before this Offering</b>	<b>After this Offering (1)</b>
<b>Gino Pereira</b>	<b>11,500,000</b>	<b>55%</b>	<b>52.3%</b>
<b>David Tunnell</b>	<b>8,000,000</b>	<b>38%</b>	<b>36.4%</b>
<b>David Gust</b>	<b>20,000</b>	<b>0%</b>	<b>0%</b>
<b>All executive officers and directors as a group (3 persons)</b>	<b>19,520,000</b>	<b>93%</b>	<b>89%</b>

(1) Percentage ownership calculations for beneficial ownership after this offering are based on shares outstanding after this offering, assuming no purchase of shares in the offering by any existing stockholders.



## DESCRIPTION OF SECURITIES

The Company is authorized to issue 110,000,000 shares of its capital stock consisting of (a) 100,000,000 shares of common stock, par value \$0.0001 per share, of which 20,996,000 are outstanding as of the date of this prospectus and (b) 10,000,000 shares of "blank check" preferred stock. The presently outstanding shares of common stock are fully paid and non-assessable.

### **Common Stock**

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

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

Holders of our common stock have no preemptive rights or other subscription rights, conversion rights, redemption or sinking fund provisions. Upon our liquidation, dissolution or winding up, the holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities. There are no provisions in our certificate of incorporation or our by-laws that would prevent or delay change in our control.

### **Preferred Stock**

We are authorized to issue up to 10,000,000 shares of "blank check" preferred stock, \$0.0001 par value per share, none of which is presently issued or outstanding. Our Board of Directors is authorized to issue such shares of preferred stock with designations, rights and preferences as it may determine from time to time. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue shares of preferred stock with dividend, liquidation, conversion, or other rights that could adversely affect the rights of the holders of our common stock.

## Anti-takeover Effects of Provisions of our Certificate of Incorporation, Stockholder Rights Plan and Delaware Law

*General.* Our status as a corporation incorporated under Delaware law enables us to take advantage of certain provisions of Delaware law that are designed in part to make it more difficult and time-consuming for a person to obtain control of the Company. The provisions of our certificate of incorporation and certain sections of Delaware law reduce the vulnerability of the Company to an unsolicited takeover proposal. These provisions may also have an adverse effect on the ability of stockholders to influence the governance of the Company.

In addition, because we have a significant amount of authorized but unissued common stock and preferred stock, our board of directors may make it more difficult or may discourage an attempt to obtain control of the Company by issuing additional stock in the Company.

*Delaware law.* We are subject to Section 203 of the Delaware General Corporation Law, or the DGCL. In general, Section 203 of the DGCL prohibits a publicly-held Delaware corporation from engaging in a business combination with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder. A "business combination" includes a merger, sale of 10% or more of our assets and certain other transactions resulting in a financial benefit to the stockholder. For purposes of Section 203, an "interested stockholder" includes any person that is:

- The owner of 15% or more of the outstanding voting stock of the corporation;
- An affiliate or associate of the corporation and was the owner of 15% or more of the voting stock outstanding of the corporation, at any time within three years immediately prior to the relevant date; and
- An affiliate or associate of the persons defined as an interested stockholder.

However, the above provisions of Section 203 do not apply if:

- The board of directors approves the transaction that made the stockholder an interested stockholder prior to the date of that transaction;
- Upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding shares owned by our officers and directors; or
- On or subsequent to the date of the transaction, the business combination is approved by our board of directors and authorized at a meeting of our stockholders by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

Stockholders may, by adopting an amendment to the corporation's certificate of incorporation or bylaws, elect for the corporation not to be governed by Section 203, effective 12 months after adoption. Neither our certificate of incorporation nor our bylaws exempt us from the restrictions imposed under Section 203. It is anticipated that the provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with our board; however, this statute could prohibit or delay mergers or other change in control attempts, and thus may discourage attempts to acquire us.

## Registration Rights

As of the date of this prospectus, there are no outstanding securities issued by us that provide the holders of such securities with any registration rights.

## LEGAL MATTERS

Robinson Brog Leinwand Greene Genovese & Gluck P.C., has passed upon the validity of the securities offered by this prospectus as our counsel.

## EXPERTS

Our audited financial statements as of December 31, 2011 and for the period from February 14, 2011 (inception) to December 31, 2011 have been included in this prospectus in reliance on the report of Marcum LLP, an independent registered public accounting firm (the report on the financial statements contains an explanatory paragraph regarding the Company's ability to continue as a going concern) appearing elsewhere herein given on the authority of said firm as experts in auditing and accounting.

## MANAGEMENT

The following table sets forth the names, ages and positions of all of our directors, executive officers, and key employees.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gino M. Pereira	55	Chief Executive Officer, Chief Financial Officer and Director
David Tunnell	47	Vice President, Chief Technology Officer
Major General David R. Gust, USA, Ret	68	Independent Director

### **Gino M. Pereira – Chief Executive Officer, Chief Financial Officer and Director**

From the date of inception of the Company, Mr. Pereira has served as the Chief Executive Officer and director. Mr. Pereira has over 30 years of executive, operational and financial experience with technology companies in the United States, Europe and the Far East. He has also helped to develop several technology start-ups as well as served in an executive capacity in a large multinational public company. Mr. Pereira was Chief Financial Officer and later Chief Executive Officer of Technest Holdings Inc., a publicly quoted defense contracting company, from 2004 to 2011. Technest Holdings operated subsidiaries EOIR Technologies, Inc. and Genex Technologies, Inc. Mr. Pereira is a Fellow of the Chartered Association of Certified Accountants (UK) and has an MBA, with a specialty in finance, from the Manchester Business School in England.

Mr. Pereira brings to the Board significant expertise in the biometric and software recognition industries, as well as experience in international business technology and extensive management and operating experience. Having founded and/or operated companies in similar or related industries during the past 15 years, provides the board with unparalleled knowledge of the Company and its operations and an understanding of the markets the Company plans to operate in.

**David Tunnell – Vice President, Chief Technology Officer**

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

**Major General David R. Gust, USA, Ret. – Independent Director**

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

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

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

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

### **Legal Proceedings**

To the Company's knowledge, during the past ten (10) years, none of the Company's directors, executive officers, promoters, control persons, or nominees has been:

- The subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses)
- Subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- Found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

### **Certain Relationships And Related Transactions**

Except as described below, during the past three years, there have been no transactions, whether directly or indirectly, between our company and any of our officers, directors, beneficial owners of more than 5% of our outstanding common stock or their family members, that exceeded \$120,000.

Effective June 25, 2012, the Company acquired certain 100% of the membership interests in 3D-ID LLC ("3D-ID"), a limited liability company formed in Florida in February 2011 and owned by the Company's founders. Since this was a transaction between entities under common control, in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations", Nxt-ID recognized the net assets of 3D-ID at their carrying amounts in the accounts of Nxt-ID on the date that 3D-ID was organized, February 14, 2011. Our corporate headquarters are in Shelton, CT.

The founders of Nxt-ID were an integral part of the senior management teams at Technest Holdings, an OTCBB public company, and its subsidiary Genex Technologies. Genex Technologies was founded in 1995 to develop and commercialize the unique Rainbow® method of capturing 3D data. Since its founding Genex has developed into one of the market leaders in advanced imaging, including 3D and 360-degree technologies.

Genex has developed innovative technologies and products for all aspects of imaging, including capture, processing, display, and enhancement. Genex's products range from 3D cameras to surveillance algorithms to integrated facial recognition systems.

Genex and Technest have won awards from the Department of Defense, NIH, NIST and NSF amounting to over \$30 million in support of this technology.

Nxt-ID has licensed all the Technest/Genex technology (exclusively in Federal, State and Municipal applications) through the acquisition of 3D-ID to provide a product portfolio and a strong technical foundation for its further development efforts.

In addition, the Company is currently utilizing office space in Palm Bay, FL that is owned by our chief technology officer, which he is currently permitting us to use at a minimal charge per month.

#### **DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

Section 145 of the Delaware General Corporation Law authorizes us to indemnify any director or officer under prescribed circumstances and subject to certain limitations against certain costs and expenses, including attorneys' fees actually and reasonably incurred in connection with any action, suit or proceedings, whether civil, criminal, administrative or investigative, to which such person is a party by reason of being one of our directors or officers if it is determined that the person acted in accordance with the applicable standard of conduct set forth in such statutory provisions.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed hereby in the Securities Act and we will be governed by the final adjudication of such issue.

#### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the securities offered hereby, we refer you to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document referred to are summaries of the material terms of the respective contract, agreement or other document. With respect to each of these contracts, agreements or other documents filed as an exhibit to the registration statement, reference is made to the exhibits for a more complete description of the matter involved. A copy of the registration statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials may be obtained by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>.

Upon the effectiveness of our registration statement, we will file periodic reports and other information with the SEC. Such periodic reports and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above. We maintain a website at [www.nxt-id.com](http://www.nxt-id.com). The information and other content contained on our website are not part of the prospectus.

**NXT-ID, INC.**  
**(A Development-Stage Company)**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
of NXT-ID, Inc.

We have audited the accompanying balance sheet of NXT-ID, Inc. (the "Company") (a development stage company) as of December 31, 2011, and the related statements of operations, changes in stockholders' deficit and cash flows for the period from February 14, 2011 (inception) to December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NXT-ID, Inc., as of December 31, 2011, and the results of its operations and its cash flows for the period from February 14, 2011 (inception) to December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum LLP

New York, NY  
January 30, 2013



**NXT-ID, INC.**  
**(A Development Stage Company)**

**BALANCE SHEET**

**DECEMBER 31, 2011**

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<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$	339
<b>Total Assets</b>		<u>\$</u> 339
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities</b>		
Accrued Expenses		<u>\$</u> 5,000
<b>Total Current Liabilities</b>		<u>\$</u> 5,000
<b>Commitments and Contingencies</b>		
<b>Stockholders' Deficit</b>		
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock, \$.0001 par value: 100,000,000 shares authorized; 20,000,000 issued and outstanding	\$	2,000
Additional paid-in capital		8,000
Deficit accumulated during development stage		<u>(14,661)</u>
<b>Total Stockholders' Deficit</b>		<u>(4,661)</u>
<b>Total Liabilities and Stockholders' Deficit</b>		<u>\$</u> 339

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

**NXT-ID, INC.**  
**(A Development Stage Company)**

**STATEMENT OF OPERATIONS**

**FOR THE PERIOD FROM FEBRUARY 14, 2011 (INCEPTION) TO  
DECEMBER 31, 2011**

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<b>Revenues</b>	\$	--
<b>Operating Expenses</b>		
General and administrative	5,514	
Research and development	<u>9,147</u>	
<b>Total Operating Expenses</b>		<u>14,661</u>
<b>Net Loss</b>	\$	<u>(14,661)</u>
<b>Net Loss per Share - Basic and Diluted</b>	\$	<u>(0.00)</u>
<b>Weighted Average Number of Common Shares</b>		
<b>Outstanding - Basic and Diluted</b>		<u>20,000,000</u>

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

**NXT-ID, INC.**  
**(A Development Stage Company)**

**STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**FOR THE PERIOD FROM FEBRUARY 14, 2011 (INCEPTION) TO**  
**DECEMBER 31, 2011**

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
<b>Balance</b> - February 14, 2011 (Inception)	-	\$ -	\$ -	\$ -	\$ -
Capital contributions - founders (at \$0.0005)	20,000,000	2,000	8,000	-	10,000
Net loss	-	-	-	(14,661)	(14,661)
<b>Balance</b> - December 31, 2011	<u>20,000,000</u>	<u>\$ 2,000</u>	<u>\$ 8,000</u>	<u>\$ (14,661)</u>	<u>\$ (4,661)</u>

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

**NXT-ID, INC.**  
**(A Development Stage Company)**

**STATEMENT OF CASH FLOWS**

**FOR THE PERIOD FROM FEBRUARY 14, 2011 (INCEPTION) TO  
DECEMBER 31, 2011**

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<b>Cash Flows from Operating Activities</b>		
Net loss	\$	(14,661)
<b>Changes in operating assets and liabilities:</b>		
Accrued expenses		5,000
<b>Net Cash Used In Operating Activities</b>		<u>(9,661)</u>
<b>Cash Provided by Financing Activities</b>		
Capital contributions - founders		10,000
<b>Net Increase in Cash</b>		339
<b>Cash and Cash Equivalents - Beginning of Period</b>		<u>—</u>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$</b>	<b><u>339</u></b>
<b>Supplementary Disclosures of Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	\$	—
Taxes	\$	—

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

**NOTE 1 - ORGANIZATION**

***ORGANIZATION AND PRINCIPAL BUSINESS ACTIVITY***

3D-ID, LLC (“3D-ID” or “the Company”) was organized and registered in the State of Florida on February 14, 2011. The Company is a development-stage company engaged in the design, research and development, integration, analysis, modeling, system networking, sales and support of intelligent surveillance, three dimensional facial recognition and three dimensional imaging devices and systems primarily for identification and access control in the security industries.

Nxt-ID, Inc. (“Nxt-ID” or the “Company”) was incorporated in the State of Delaware on February 8, 2012. Nxt-ID is a development-stage biometrics company focused on the growing m-commerce market with an innovative MobileBio™ suite of biometric solutions that secure mobile platforms. The Company also serves the access control and law enforcement facial recognition markets.

On June 25, 2012, Nxt-ID, a company having similar ownership as 3D-ID, acquired 100% of the membership interests in 3D-ID, LLC (the “Acquisition”). Since this was a transaction between entities under common control in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations”, Nxt-ID recognized the net assets of 3D-ID at their carrying amounts in the accounts of Nxt-ID on the date that 3D-ID was organized.

In connection with the Acquisition the Company’s Board of Directors and stockholders approved an amendment to the Certificate of Incorporation of the Company to increase the Company’s authorized stock from 1,000 shares of common stock, par value \$0.0001 per share, to 110,000,000 shares, consisting of 100,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of blank-check preferred stock, par value \$0.0001 per share. The amendment to the Certificate of Incorporation was approved by the State of Delaware on December 10, 2012, however, has been accounted for retroactively to February 14, 2011, the date that 3D-ID was organized, as the approval of the amendment was delayed for administrative reasons and was merely a perfunctory task.

The Company did not generate any revenues through December 31, 2011 and has only generated minimal revenues through an isolated sale of one of its products subsequent to December 31, 2011. Accordingly, the Company is considered a development stage as defined in the ASC 915 “Development Stage Entities.” The Company is subject to a number of risks similar to those of other companies in an early stage of development.

**NOTE 2 - LIQUIDITY AND FINANCIAL CONDITION**

The Company is a development stage entity, did not generate any revenues and incurred operating losses of \$14,661 during the period from February 14, 2011 (inception) to December 31, 2011 and used cash contributed by its founders to fund these losses. Subsequent to December 31, 2011, the Company raised \$209,000 through the issuance of common stock and has secured a loan from Connecticut Innovations for \$150,000. See Note 5. Additionally, subsequent to December 31, 2011, the Company received \$250,000 in connection with an isolated sale of one of its products.

In order to execute the Company's long-term strategic plan to develop and commercialize its core products, the Company will need to raise additional funds, through public or private equity offerings, debt financings, or other means. The Company can give no assurance that the cash raised subsequent to December 31, 2011 or any additional funds raised will be sufficient to execute its business plan. Additionally, the Company can give no assurance that additional funds will be available on reasonable terms, or available at all, or that it will generate sufficient revenue to alleviate the going concern. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to execute its business plan is dependent upon its ability to raise additional equity, secure debt financing, and/or generate revenue. Should the Company not be successful in obtaining the necessary financing, or generate sufficient revenue to fund its operations, the Company would need to curtail certain of its operational activities. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

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

***CASH***

The Company considers all highly liquid securities with an original maturity date of three months or less when purchased to be cash equivalents. At December 31, 2011, the Company had no cash equivalents. Due to their short-term nature, cash equivalents are carried at cost, which approximates fair value.

***CONCENTRATIONS OF CREDIT RISK***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash.

The Company maintains its cash balances in financial institutions located in the United States. At times, the Company's cash balances may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits.

***REVENUE RECOGNITION***

The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as revised by SAB No 104. As such, the Company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered, or product delivery has occurred, the price is fixed or readily determinable and collectability of the revenue is reasonably assured. For the period from February 14, 2011 (inception) to December 31, 2011, the Company did not recognize any revenue.

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

***INCOME TAXES***

The Company is treated as a partnership for income tax purposes. Income or loss from 3D-ID's activities is allocated amongst its members based on their respective allocation percentages, pursuant to the Company's operating agreement. No provision has been made for federal and state income taxes (Connecticut) since such taxes, if any, are the obligation of the members. If 3D-ID were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Managing Member's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. Generally, federal, state and local authorities may examine the Partnership's tax returns for three years from the date of filing and the initial period remains subject to examination as of December 31, 2011.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***LOSS PER SHARE***

Basic loss per share was computed using the weighted average number of common shares outstanding. Diluted loss per share includes the effect of diluted common stock equivalents. For the period February 14, 2011 (inception) through December 31, 2011, the Company had no common stock equivalents outstanding.

***RESEARCH AND DEVELOPMENT***

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



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

***RECENT ACCOUNTING PRONOUNCEMENTS***

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-04, "Fair Value Measurement (Topic 820) - Amendments to Achieve Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." This ASU addresses fair value measurement and disclosure requirements within Accounting Standards Codification ("ASC") Topic 820 for the purpose of providing consistency and common meaning between U.S. GAAP and IFRS.

Generally, this ASU is not intended to change the application of the requirements in Topic 820. Rather, this ASU primarily changes the wording to describe many of the requirements in U.S. GAAP for measuring fair value or for disclosing information about fair value measurements. This ASU is effective for periods beginning after December 15, 2011. The adoption of this standard is not expected to have an impact on the Company's financial position and results of operation.

***SUBSEQUENT EVENTS***

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

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

***LEGAL MATTERS***

From time to time, the Company is subject to legal proceedings arising in the ordinary course of business. Such matters are subject to uncertainties and outcomes are not predictable with assurance. Management believes at this time, there are no ongoing matters that will have a material adverse effect on the Company's business, financial position, results of operations, or cash flows.

***COMMITMENTS***

Around the date of formation of 3D-ID, the Company signed a licensing agreement with Aellipsys Holdings, Inc., an unrelated party, which granted to 3D-ID a perpetual sub-licensable, non-exclusive, worldwide license to use their intellectual property including but not limited to those of GeoMetrix, Inc. which has 18 patents in the field of 3D facial recognition and Active ID systems for access control and identification of individuals. 3D-ID is required to pay Aellipsys Holdings a royalty for each product manufactured, sold and installed at a customer by 3D-ID equal to two thousand dollars (\$2,000). An additional royalty of ten percent (10%) is payable on recurring revenues from the same installation. The term of the initial agreement is five years. The Company has not yet incurred any royalty expense for the period from February 14, 2011 (inception) to December 31, 2011.

#### NOTE 4 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### *COMMITMENTS (CONTINUED)*

On August 19, 2011, the Company signed a licensing agreement with Technest Holdings, Inc and Genex Technologies, Inc. which granted 3D-ID a perpetual sub-licensable, exclusive, worldwide license to use their intellectual property in US Federal and State markets, and a non-exclusive license in all other markets. The Company's Chief Executive Officer ("CEO") is a stockholder of and was the former CEO of Technest Holdings, Inc. In consideration of the license of rights affected by this Agreement, 3D-ID is obligated to pay Technest a royalty equal to 5% of net sales with a minimum royalty of \$15,000 during the first two years and \$20,000 each contract year thereafter. As of December 31, 2011, \$5,000 of minimum royalties are included in accrued expenses in the balance sheet in connection with the agreement.

#### NOTE 5 - SUBSEQUENT EVENTS

##### *EMPLOYMENT AGREEMENT*

Effective October 1, 2012, Nxt-ID entered into an employment agreement with its Chief Executive Officer. The employment agreement provides for:

- An initial term of 3 years beginning on October 1, 2012.
- A base salary of \$150,000 per year, increasing to \$300,000 per year upon a public listing of Nxt-ID and raising a minimum of \$1,500,000.
- Payment of all necessary and reasonable out-of-pocket expenses incurred by the executive in the performance of his duties under the agreement.
- Eligibility to participate in bonus or incentive compensation plans that may be established by the board of directors from time to time applicable to the executive's services.
- Eligibility to receive equity awards as determined by the board of directors, or a committee of the board of directors, composed in compliance with the corporate governance standards of any applicable listing exchange.

Subsequent to the period ended December 31, 2011, the Company sold 836,000 shares of common stock for \$0.25 per share resulting in proceeds of \$209,000 in a private placement.

On December 13, 2012, the Company received approval from Connecticut Innovations, Inc. ("CII") for a Convertible Note (the "Note") in the amount of \$150,000. The Note accrues interest at the annual rate of 12% and is repayable in full in two years if it has not been converted. CII has the option to convert the outstanding principal and interest on the Note into common stock of the Company at a discount of 25% to the lowest price paid by other investors in a future offering. In accordance with ASC 470, "Accounting for Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios," the Note is considered to have a beneficial conversion feature as the effective conversion price will be less than the lowest paid price by other investors in a future offering. No accounting entry for the beneficial conversion price has been made at this time as the conversion price is contingent upon the price paid by other investors in a future offering.

On January 4, 2013, a majority the Company's stockholders approved by written consent the Company's 2013 Long-Term Stock Incentive Plan ("LTIP"). The maximum aggregate number of shares of common stock that may be issued under the LTIP, including stock awards and stock appreciation rights, is limited to 10% of the shares of common stock outstanding on the first business or trading day of any fiscal year. The Company has issued 20,000 restricted shares under the plan to one director for a quarterly director retainer.

Subsequent to December 31, 2011, the Company entered into an agreement with a consultant to provide public relations and marketing services to the Company for a period of three months. Pursuant to the agreement, the Company agreed to pay the consultant a monthly cash fee of \$5,000 and to issue the consultant shares of common stock per month with a fair value of \$10,000 as compensation for services provided. The Company issued the consultant 120,000 shares of common stock in connection with the agreement.

Subsequent to December 31, 2011, the Company entered into an agreement with a consultant to provide business development services to the Company for a period of three months. Pursuant to the agreement, the Company issued the consultant 20,000 shares of common stock.

**NXT-ID, INC.**  
**(A Development-Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2012 (Unaudited)	December 31, 2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 58,165	\$ 339
Inventory	10,517	—
<b>Total Current Assets</b>	<b>68,682</b>	<b>339</b>
<b>Property and Equipment</b>		
	1,982	—
<b>Total Assets</b>	<b>\$ 70,664</b>	<b>\$ 339</b>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ 110,827	\$ 5,000
Customer deposits	100,550	—
<b>Total Current Liabilities</b>	<b>211,377</b>	<b>5,000</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Deficit</b>		
Preferred stock, \$0.0001 par value: 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, \$.0001 par value: 100,000,000 shares authorized; 20,030,000 and 20,000,000 issued and outstanding, respectively	2,003	2,000
Additional paid-in capital	19,797	8,000
Deficit accumulated during development stage	(162,513)	(14,661)
<b>Total Stockholders' Deficit</b>	<b>(140,713)</b>	<b>(4,661)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 70,664</b>	<b>\$ 339</b>

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

**NXT-ID, INC.**  
**(A Development-Stage Company)**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	For the Nine Months Ended September 30, 2012	For the Period from February 14, 2011 (Inception) to September 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>	\$ <u>          –</u>	\$ <u>          –</u>	\$ <u>          –</u>
<b>Operating Expenses</b>			
General and administrative	88,528	1,514	94,042
Research and development	<u>59,324</u>	<u>5,147</u>	<u>68,471</u>
<b>Total Operating Expenses</b>	<u>147,852</u>	<u>6,661</u>	<u>162,513</u>
<b>Operating Loss</b>	<u>(147,852)</u>	<u>(6,661)</u>	<u>(162,513)</u>
<b>Net Loss Available to Common Stockholders</b>	<u>\$ (147,852)</u>	<u>\$ (6,661)</u>	<u>\$ (162,513)</u>
<b>Net Loss Per Share - Basic and Diluted</b>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>          </u>
<b>Weighted Average Number of Common Shares Outstanding - Basic and Diluted</b>	<u>20,005,824</u>	<u>20,000,000</u>	

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

**NXT-ID, INC.**  
**(A Development-Stage Company)**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

**FOR THE PERIOD FROM FEBRUARY 14, 2011 (INCEPTION) TO  
SEPTEMBER 30, 2012  
UNAUDITED)**

	Common Stock		Additional Paid- in Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
<b>Balance</b> - February 14, 2011 (Inception)	–	\$ –	\$ –	\$ –	\$ –
Founders' capital contributions (at \$0.0005)	20,000,000	2,000	8,000	–	10,000
Net loss	–	–	–	(14,661)	(14,661)
<b>Balance</b> - December 31, 2011	20,000,000	2,000	8,000	(14,661)	4,661
Capital contributions - founders	–	–	4,300	–	4,300
Issuance of common stock (at \$0.25)	30,000	3	7,497		7,500
Net loss	–	–	–	(147,852)	(147,852)
<b>Balance</b> - September 30, 2012	<u>20,030,000</u>	<u>\$ 2,003</u>	<u>\$ 19,797</u>	<u>\$ (162,513)</u>	<u>\$ (140,713)</u>

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

**NXT-ID, INC.**  
**(A Development-Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	For the Nine Months Ended September 30, 2012	For the Period from February 14, 2011 (Inception) to September 30,	
		2011	2012
<b>Cash Flows from Operating Activities</b>			
Net loss	\$ (147,852)	\$ (6,661)	\$ (162,513)
Changes in operating assets and liabilities:			
Inventory	(10,517)	–	(10,517)
Accrued expenses	105,827	1,000	110,827
Customer deposits	100,550	–	100,550
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>48,008</u>	<u>(5,661)</u>	<u>38,347</u>
<b>Cash Used in Investing Activities</b>			
Purchase of property and equipment	(1,982)	–	(1,982)
<b>Cash flows from Financing Activities</b>			
Proceeds received in connection with issuance of common stock	7,500	–	7,500
Capital contributions - founders	4,300	10,000	14,300
<b>Net Cash Provided by Financing Activities</b>	<u>11,800</u>	<u>10,000</u>	<u>21,800</u>
<b>Net Increase in Cash</b>	57,826	4,339	58,165
<b>Cash - Beginning of Period</b>	<u>339</u>	<u>–</u>	<u>–</u>
<b>Cash - End of Period</b>	<u>\$ 58,165</u>	<u>\$ 4,339</u>	<u>\$ 58,165</u>
<b>Supplemental Disclosures Of Cash Flow Information:</b>			
<b>Cash paid during the periods for:</b>			
Interest	\$ –	\$ –	\$ –
Taxes	\$ –	\$ –	\$ –

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

## NOTE 1 - ORGANIZATION

### *ORGANIZATION AND PRINCIPAL BUSINESS ACTIVITY*

3D-ID, LLC (“3D-ID” or “the Company”) was organized and registered in the State of Florida on February 14, 2011. The Company is a development-stage company engaged in the design, research and development, integration, analysis, modeling, system networking, sales and support of intelligent surveillance, three dimensional facial recognition and three dimensional imaging devices and systems primarily for identification and access control in the security industries.

Nxt-ID, Inc. (“Nxt-ID” or the “Company”) was incorporated in the State of Delaware on February 8, 2012. Nxt-ID is a development-stage biometrics company focused on the growing m-commerce market with an innovative MobileBio™ suite of biometric solutions that secure mobile platforms. The Company also serves the access control and law enforcement facial recognition markets.

On June 25, 2012, Nxt-ID, a company having similar ownership as 3D-ID, acquired 100% of the membership interests in 3D-ID, LLC (the “Acquisition”). Since this was a transaction between entities under common control in accordance with Accounting Standards Codification (“ASC”) 805, “Business Combinations”, Nxt-ID recognized the net assets of 3D-ID at their carrying amounts in the accounts of Nxt-ID on the date that 3D-ID was organized.

In connection with the Acquisition the Company’s Board of Directors and stockholders approved an amendment to the Certificate of Incorporation of the Company to increase the Company’s authorized stock from 1,000 shares of common stock, par value \$0.0001 per share, to 110,000,000 shares, consisting of 100,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of blank-check preferred stock, par value \$0.0001 per share. The amendment to the Certificate of Incorporation was approved by the State of Delaware on December 10, 2012, however, has been accounted for retroactively to February 14, 2011, the date that 3D-ID was organized, as the approval of the amendment was delayed for administrative reasons and was merely a perfunctory task.

The Company did not generate any revenues through September 30, 2012 and has only generated minimal revenues through an isolated sale of one of its products subsequent to September 30, 2012. Accordingly, the Company is considered a development stage as defined in the ASC 915 “Development Stage Entities.” The Company is subject to a number of risks similar to those of other companies in an early stage of development.

## NOTE 2 - LIQUIDITY AND FINANCIAL CONDITION

The Company is a development stage entity, did not generate any revenues and incurred operating losses of \$147,852 during the period ended September 30, 2012 and had a working capital deficit of \$142,695 at September 30, 2012. Subsequent to September 30, 2012, the Company raised \$201,500 through the issuance of common stock and has secured a loan from Connecticut Innovations for \$150,000. See Note 5. Additionally, subsequent to September 30, 2012, the Company received \$250,000 in connection with an isolated sale of one of its products.



In order to execute the Company's long-term strategic plan to develop and commercialize its core products, the Company will need to raise additional funds, through public or private equity offerings, debt financings, or other means. The Company can give no assurance that the cash raised subsequent to September 30, 2012 or any additional funds raised will be sufficient to execute its business plan. Additionally, the Company can give no assurance that additional funds will be available on reasonable terms, or available at all, or that it will generate sufficient revenue to alleviate the going concern. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to execute its business plan is dependent upon its ability to raise additional equity, secure debt financing, and/or generate revenue. Should the Company not be successful in obtaining the necessary financing, or generate sufficient revenue to fund its operations, the Company would need to curtail certain of its operational activities. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

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

#### ***PRINCIPLES OF CONSOLIDATION***

The consolidated financial statements include the accounts of Nxt-ID and its wholly-owned subsidiary, 3D-ID. Intercompany balances and transactions have been eliminated upon consolidation.

#### ***CASH***

The Company considers all highly liquid securities with an original maturity date of three months or less when purchased to be cash equivalents. At September 30, 2012 and December 31, 2011, the Company had no cash equivalents. Due to their short-term nature, cash equivalents are carried at cost, which approximates fair value.

#### ***CONCENTRATIONS OF CREDIT RISK***

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash.

The Company maintains its cash balances in financial institutions located in the United States. At times, the Company's cash balances may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits.

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

***REVENUE RECOGNITION***

The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as revised by SAB No 104. As such, the Company recognizes revenue when persuasive evidence of an arrangement exists, service has been rendered or product delivery has occurred, the price is fixed or readily determinable and collectability of the revenue is reasonably assured. For the period from February 14, 2011 (inception) to September 30, 2012, the Company did not recognize any revenue.

***LONG-LIVED ASSETS***

Long-lived assets, such as property and equipment, are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with ASC 360-10-35-17 through 35-35 "Measurement of an Impairment Loss." The Company assesses the impairment of the assets based on the undiscounted future cash flow the assets are expected to generate compared to the carrying value of the assets. If the carrying amount of the assets is determined not to be recoverable, a write-down to fair value is recorded. Management estimates future cash flows using assumptions about expected future operating performance. Management's estimates of future cash flows may differ from actual cash flow due to, among other things, technological changes, economic conditions or changes to the Company's business operations.

***PROPERTY AND EQUIPMENT***

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

Furniture and fixtures	3 to 5 years
------------------------	--------------

Depreciation expense for the nine months ended September 30, 2012 and for the period from February 14, 2011 (inception) to September 30, 2012 was not significant.

***INVENTORY***

Inventory is valued at the lower of cost or market with cost determined using the first-in, first-out method and with market defined as the lower of replacement cost or realizable value. Inventory is comprised principally of raw materials.

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

#### *INCOME TAXES*

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current nine months and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the nine months in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company will classify as income tax expense any interest and penalties. The Company has no material uncertain tax positions for any of the reporting periods presented. Generally, the tax authorities may examine the partnership/corporate tax returns for three years from the date of filing and the initial period as of December 31, 2011. The Company has identified its federal return and its state tax return in Connecticut as "major" tax jurisdictions, as defined.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *LOSS PER SHARE*

Basic loss per share was computed using the weighted average number of common shares outstanding. Diluted loss per share includes the effect of diluted common stock equivalents. For the period February 14, 2011 (inception) through September 30, 2012, the Company had no common stock equivalents outstanding.

#### **RESEARCH AND DEVELOPMENT**

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

#### **RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2011-04, “Fair Value Measurement (Topic 820) - Amendments to Achieve Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.” This ASU addresses fair value measurement and disclosure requirements ASC Topic 820 for the purpose of providing consistency and common meaning between U.S. GAAP and IFRS.

Generally, this ASU is not intended to change the application of the requirements in Topic 820. Rather, this ASU primarily changes the wording to describe many of the requirements in U.S. GAAP for measuring fair value or for disclosing information about fair value measurements. This ASU is effective for periods beginning after December 15, 2011. The adoption of this standard did not have an impact on the Company’s consolidated financial position and results of operation.

#### **SUBSEQUENT EVENTS**

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

#### **NOTE 4 – STOCKHOLDERS’ DEFICIT**

During the nine months ended September 30, 2012, the Company issued 30,000 shares of common stock at \$0.25 per share and received proceeds of \$7,500.

During the period from February 14, 2011 (inception) to December 31, 2011, the founders of 3D-ID contributed \$4,300 to fund the Company’s activities.

#### **NOTE 5 - COMMITMENTS AND CONTINGENCIES**

##### **LEGAL MATTERS**

From time to time, the Company is subject to legal proceedings arising in the ordinary course of business. Such matters are subject to uncertainties and outcomes are not predictable with assurance. Management believes at this time, there are no ongoing matters that will have a material adverse effect on the Company’s business, financial position, results of operations, or cash flows.

## COMMITMENTS

Around the date of the Acquisition the Company signed a licensing agreement with Aellipsys Holdings, Inc., an unrelated party, which granted 3D-ID a perpetual sub-licensable, non-exclusive, worldwide license to use their intellectual property, including, but not limited to, those of GeoMetrix, Inc. which has 18 patents in the field of 3D facial recognition and Active ID systems for access control and identification of individuals. 3D-ID is required to pay Aellipsys Holdings a royalty for each product manufactured, sold and installed at a customer by 3D-ID equal to two thousand dollars (\$2,000). An additional royalty of ten percent (10%) is payable on recurring revenues from the same installation. The term of the initial agreement is five years. The Company has not yet incurred any royalty expense for the period from February 14, 2011 (inception) to September 30, 2012.

On August 19, 2011, the Company signed a licensing agreement with Technest Holdings, Inc. and Genex Technologies, Inc. which granted 3D-ID a perpetual sub-licensable, exclusive, worldwide license to use their intellectual property in U.S. Federal and State markets, and a non-exclusive license in all other markets. The Company's Chief Financial Officer ("CEO") is a stockholder of and was the former CEO of Technest Holdings, Inc. In consideration of the license of rights affected by this Agreement, 3D-ID is obligated to pay Technest a royalty equal to 5% of net sales with a minimum royalty of \$15,000 during the first two years and \$20,000 for each contract year thereafter. As of September 30, 2012, \$16,250 of minimum royalties are included in accrued expenses in the consolidated balance sheet in connection with the agreement.

## NOTE 6 - SUBSEQUENT EVENTS

### EMPLOYMENT AGREEMENT

Effective October 1, 2012, Nxt-ID entered into an employment agreement with its Chief Executive Officer. The employment agreement provides for:

- An initial term of 3 years beginning on October 1, 2012.
- A base salary of \$150,000 per year, increasing to \$300,000 per year upon a public listing of Nxt-ID and raising a minimum of \$1,500,000.
- Payment of all necessary and reasonable out-of-pocket expenses incurred by the executive in the performance of his duties under the agreement.
- Eligibility to participate in bonus or incentive compensation plans that may be established by the board of directors from time to time applicable to the executive's services.
- Eligibility to receive equity awards as determined by the board of directors, or a committee of the board of directors, composed in compliance with the corporate governance standards of any applicable listing exchange.

Subsequent to the period ended September 30, 2012, the Company sold 806,000 shares at \$0.25 per share of common stock resulting in proceeds of \$201,500 in a private placement.

On December 13, 2012, the Company received approval from Connecticut Innovations, Inc. (“CII”) for a Convertible Note (the “Note”) in the amount of \$150,000. The Note accrues interest at the annual rate of 12% and is repayable in full in two years if it has not been converted. CII has the option to convert the outstanding principal and interest on the Note into common stock of the Company at a discount of 25% to the lowest price paid by other investors in a future offering. .In accordance with ASC 470, “Accounting for Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios,” the Note is considered to have a beneficial conversion feature as the effective conversion price will be less than the lowest paid price by others investors in a future offering. No accounting entry for the beneficial conversion has been made at this time as the conversion price is contingent upon the price paid by other investors in a future offering.

On January 4, 2013, a majority the Company’s stockholders approved by written consent the Company’s 2013 Long-Term Stock Incentive Plan (“LTIP”). The maximum aggregate number of shares of common stock that may be issued under the LTIP, including stock awards and stock appreciation rights, is limited to 10% of the shares of common stock outstanding on the first business or trading day of any fiscal year. The Company has issued 20,000 restricted shares under the plan to one director for a quarterly director retainer.

Subsequent to September 30, 2012, the Company entered into an agreement with a consultant to provide public relations and marketing services to the Company for a period of three months. Pursuant to the agreement, the Company agreed to pay the consultant a monthly cash fee of \$5,000 and to issue the consultant shares of common stock per month with a fair value of \$10,000 as compensation for services provided. The Company issued the consultant 120,000 shares of common stock in connection with the agreement.

Subsequent to September 30, 2012, the Company entered into an agreement with a consultant to provide business development services to the Company for a period of three months. Pursuant to the agreement, the Company issued the consultant 20,000 shares of common stock.

1,000,000

UNITS

**next**  
**ID**

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**PROSPECTUS**

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## PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

### ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table provides information regarding the various actual and anticipated expenses payable by us in connection with the issuance and distribution of the securities being registered hereby. All amounts shown are estimates except the securities and exchange commission registration fee.

Nature of Expense	Amount
SEC Registration Fee	\$ 556.00
Accounting Fees And Expenses	20,000.00
Legal Fees And Expenses	25,000.00
Blue Sky Expenses	20,000.00
Printing And Related Fees	10,000.00
Miscellaneous	10,000.00
Total	<u>\$ 85,556.00</u>

### ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Our directors and officers are indemnified as provided by the Delaware statutes and our bylaws. We have agreed to indemnify each of our directors and certain officers against certain liabilities, including liabilities under the Securities Act of 1933, both through our bylaws and specific indemnification agreements. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the provisions described above, or otherwise, we have been advised that in the opinion of the securities and exchange commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We have been advised that in the opinion of the Securities and Exchange Commission indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

#### Limitation Of Liability Of Directors

Our certificate of incorporation provide that, to the fullest extent permitted by the Delaware revised statutes, no director of the company will be personally liable to the company or its stockholders for monetary damages for breach of fiduciary duty as a director.



## **Item 15. Recent Sales of Unregistered Securities.**

The following is a summary of transactions within the last three years involving sales of our securities that were not registered under the Securities Act:

At inception (February 2011), our Chief Executive Officer and Chief Technology Officer contributed approximately \$10,000 in cash in exchange for our securities in respect of various start-up costs.

From August 1, 2012 until January 9, 2013, we conducted a private placement whereby we raised \$209,000 through the sale of 836,000 shares of stock, at a purchase price of \$0.25 per share (the "2012 Offering"). The Company used the proceeds from the above stock issuances for general working capital purposes. The shares of common stock issued in the transaction described above has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and were issued and sold in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder. These securities may not be offered or sold in the United States in the absence of an effective registration statement or exemption from the registration requirements under the Securities Act.

On October 5, 2012, the Company entered into an agreement with a consultant to provide public relations and marketing services to the Company for a period of three months. Pursuant to the agreement, the Company agreed to pay the consultant a monthly cash fee of \$5,000 and to issue the consultant shares of common stock per month with a fair value of \$10,000 as compensation for services provided. The Company issued the consultant 120,000 shares of common stock in connection with the agreement.

On January 9, 2013, the Company entered into an agreement with a consultant to provide business development services to the Company for a period of three months. Pursuant to the agreement, the Company issued the consultant 20,000 shares of common stock.

On January 11, 2013, we awarded \$5,000 of stock to our director, David Gust, as a quarterly retainer at an assumed price of \$0.25 per share. The shares were awarded from our Long-term Incentive Plan.

## EXHIBITS

Exhibit Number	Description
3.1	Certificate of Incorporation
3.2	Bylaws
4.1†	Form of Common Stock Certificate of the Registrant
4.2	Form of Warrant Agreement and Form of Warrant
5.1†	Opinion of Robinson Brog Leinwand Greene Genovese & Gluck P.C.
10.1	Form of Indemnification Agreement
10.2	2013 Long Term Incentive Plan
10.3	Forms of Agreement Under 2013 Long Term Incentive Plan
10.4	Employment Agreement Between Nxt-ID and Gino Pereira
10.5	License Agreement between 3D-ID, LLC and Genex Technologies
10.6	License Agreement between 3D-ID, LLC and Aellipsys Holdings
10.7	Purchase Agreement between 3D-ID, LLC and Nxt-ID, Inc.
11.1†	Statement re computation of per share earnings
12.1†	Statements re computation ratios
21.1	List of Subsidiaries
23.1	Consent of Marcum LLP
23.2	Consent of Robinson Brog Leinwand Greene Genovese & Gluck P.C. (Reference is made to Exhibit 5.1)
25.1	Power of Attorney (set forth on the signature page of the Registration Statement)

† To be filed by amendment.

## UNDERTAKINGS

### Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

- i. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
- ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.
- iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination

(3) of the offering.

(4) For determining liability of the undersigned registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

- iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
  - iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
- (b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.
- (c) (1) For the purpose of determining any liability under the Securities Act of 1933, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the small business issuer under Rule 424(b)(1), or (4), or 497(h) under the Securities Act as part of this registration statement as of the time the Commission declared it effective.
- (c) (2) For the purpose of determining any liability under the Securities Act of 1933, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.
- (d) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) or under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (e) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Shelton, Connecticut, on the 4th day of February 2013.

NXT-ID, INC.

By: /s/ Gino Pereira

Gino Pereira

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

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ Gino Pereira

February 4, 2013

Gino Pereira

President, Chief Executive Officer, Chief Financial Officer and  
Director

(Principal Executive Officer)

/s/ David Gust

February 4, 2013

David Gust

Director

# Delaware

*The First State*

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "NXT-ID, INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE EIGHTH DAY OF FEBRUARY, A.D. 2012, AT 1:55 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "TRYLON GOVERNMENT SYSTEMS, INC." TO "NXT-ID, INC.", FILED THE TWENTY-SEVENTH DAY OF JUNE, A.D. 2012, AT 3:37 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TENTH DAY OF DECEMBER, A.D. 2012, AT 11:45 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION, "NXT-ID, INC."

5106921 8100H

130097059



You may verify this certificate online  
at [corp.delaware.gov/authver.shtml](http://corp.delaware.gov/authver.shtml)

  
Jeffrey W. Bullock, Secretary of State  
AUTHENTICATION: 0173163

DATE: 01-28-13

STATE of DELAWARE  
CERTIFICATE of INCORPORATION  
A STOCK CORPORATION

First: The name of this Corporation is:

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**Trylon Government Systems, Inc.**

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Second: Its registered office in the State of Delaware is to be located at:

**615 South DuPont Highway**, in the City of **Dover**  
County of **Kent** Zip Code **19901**. The registered agent in  
charge thereof is **National Corporate Research, Ltd.**

**Third:** The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

**Fourth:** The amount of the total stock of this corporation is authorized to issue is **One Thousand** shares (number of authorized shares) with a par value of **\$0.0001** per share.

**Fifth:** The name and mailing address of the incorporator are as follows:

Name **GerstenSavage LLP**  
Mailing Address **600 Lexington Ave., 9th Floor**  
**New York NY** Zip Code **10022**

**I, The Undersigned**, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this **8<sup>th</sup>** day of **February, A.D. 2012**

By: /s/ Cheryll Calaguio  
(Incorporator)

Name: Cheryll Calaguio  
(Type of Print)

State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 03:40 PM 06/27/2012  
FILED 03:37 PM 06/27/2012  
SRV 120784256 - 5106921 FILE

STATE OF DELAWARE  
CERTIFICATE OF AMENDMENT  
TO CERTIFICATE OF INCORPORATION

Trylon Government Systems, Inc. (the "Company"), a corporation duly organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Law"), hereby changes its name to "Nxt-ID, Inc." (the "Name Change") by the filing of this Certificate of Amendment to the Certificate of Incorporation. The Name Change was duly adopted in accordance with the provisions of Section 242 of the Law as set forth below. The Company

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of the Company, resolutions were duly adopted setting forth a proposed amendment (the "Amendment") to the Certificate of Incorporation of the Company to change the Company's name to "Nxt-ID, Inc." Such resolutions declared the Name Change and the Amendment to be advisable, recommended the Name Change and the Amendment to the shareholders of the Company and called a meeting of the shareholders of the Company for consideration thereof.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the shareholders of the Company was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the Name Change and the Amendment.

IN WITNESS WHEREOF, said Trylon Government Systems, Inc. has caused this Certificate of Amendment to be signed by Gino Pereira, its President, this 25<sup>th</sup> day of June, 2012.

Inc.),

Trylon Government Systems, Inc. (now known as Nxt-ID,  
a Delaware corporation

BY: /s/ Gino Pereira  
TITLE: PRESIDENT  
NAME: GINO PEREIRA



State of Delaware  
Secretary of State  
Division of Corporations  
Delivered 11:53 AM 12/10/2012  
FILED 11:45 AM 12/10/2012  
SRV 121314936 - 5106921 FILE

**STATE OF DELAWARE  
CERTIFICATE OF AMENDMENT  
TO CERTIFICATE OF INCORPORATION**

Nxt-ID, Inc. (the "Company"), a corporation duly organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Law"), hereby increases its authorized shares (the "Increase") by the filing of this Certificate of Amendment to the Certificate of Incorporation. The Increase was duly adopted in accordance with the provisions of Section 242 of the Law as set forth below. The Company

**DOES HEREBY CERTIFY:**

**FIRST:** That at a meeting of the Board of Directors of the Company, resolutions were duly adopted setting forth a proposed amendment (the "Amendment") to the Certificate of Incorporation of the Company to increase the Company's authorized stock from 1,000 shares of common stock, par value \$0.0001 per share, to 110,000,000 shares, consisting of 100,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of blank check preferred stock, par value \$0.0001 per share. Such resolutions declared the Increase and the Amendment to be advisable, recommended the Increase and the Amendment to the shareholders of the Company and called a meeting of the shareholders of the Company for consideration thereof.

**SECOND:** That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the shareholders of the Company was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the Increase and the Amendment.

**IN WITNESS WHEREOF**, said Nxt-ID, Inc. has caused this Certificate of Amendment to be signed by Gino Pereira, its President, this 7<sup>th</sup> day of December, 2012.

Nxt-ID, Inc., a Delaware corporation

BY: /s/ Gino Pereira  
TITLE: PRESIDENT  
NAME: GINO PEREIRA

BY-LAWS

OF

NXT-ID, INC.

(a Delaware corporation)

(f/k/a Trylon Government Systems, Inc.)

ARTICLE I

Stockholders

Section 1.1. Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time, and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, or by a committee of the Board of Directors that has been duly designated by the Board of Directors and whose powers and authority, as expressly provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

Section 1.3. Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given that shall state the place, date and hour of the meeting and in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the certificate of incorporation, or these by-laws, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

Section 1.4. Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5. Quorum. Except as otherwise provided by law, the certificate of incorporation or these by-laws, at each meeting of stockholders the presence in person or by proxy of the holders of shares of stock having one-third of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided in Section 1.4 of these by-laws until a quorum shall attend. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the President, or in his absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of the meeting shall announce at the meeting of stockholders the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote.

Section 1.7. Voting; Proxies. Except as otherwise provided by the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by delivering a proxy in accordance with applicable law bearing a later date to the Secretary of the corporation. Voting at meetings of stockholders need not be by written ballot and, unless otherwise required by law, need not be conducted by inspectors of election unless so determined by the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote thereon which are present in person or by proxy at such meeting. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law, the certificate of incorporation or these by-laws, be decided by the vote of the holders of shares of stock having a majority of the votes which could be cast by the holders of all shares of stock outstanding and entitled to vote thereon.

Section 1.8. Fixing Date for Determination of Stockholders of Record. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law not be more than sixty nor less than ten days before the date of such meeting; (2) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (3) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day an which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action of the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation in accordance with applicable law, or, if prior action by the Board of Directors is required by law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (3) the record date for determining stockholder for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9. List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. Upon the willful neglect or refusal of the directors to produce such a list at any meeting for the election of directors, they shall be ineligible for election to any office at such meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 1.10. Action By Consent of Stockholders. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered (by hand or by certified or registered mail, return receipt requested) to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of minutes of stockholders are recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 1.11. Conduct of Meetings. The Board of Directors of the corporation may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations, and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof, and (v) limitations on the time allowed to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

## ARTICLE II

### Board of Directors

Section 2.1. Number; Qualifications. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

Section 2.2. Election; Resignation; Removal; Vacancies. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors each of whom shall hold office for a term of one year or until his successor is elected and qualified. Any director may resign at any time upon written notice to the corporation. Any newly created directorship or any vacancy occurring in the Board of Directors for any cause may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he has replaced or until his successor is elected and qualified.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the President, any Vice President, the Secretary, or by any member of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least twenty four hours before the special meeting.

Section 2.5. Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the whole Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which the certificate of incorporation or these by-laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Informal Action by Directors. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

## ARTICLE III

### Committees

Section 3.1. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it.

Section 3.2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these by-laws.

## ARTICLE IV

### Officers

Section 4.1. Executive Officers; Election; Qualifications; Term of Office; Resignation; Removal; Vacancies. The Board of Directors shall elect a President and Secretary, and it may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also choose a Chief Executive Officer, Chief Financial Officer, one or more Vice Presidents, one or more Assistant Secretaries, Treasurer, one or more Assistant Treasurers, or such other officers as the Board shall determine. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his election, and until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the corporation by death, resignation, removal, or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.2. Powers and Duties of Executive Officers. The officers of the corporation shall have such powers and duties in the management of the corporation as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent, or employee to give security for the faithful performance of his duties.

## ARTICLE V

### Stock

Section 5.1. Certificates. Every holder of stock shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the corporation certifying the number of shares owned by him in the corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

## ARTICLE VI

### Indemnification

Section 6.1. Right to Indemnification. Except to the extent that the General Corporation Law of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment. The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person. The corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the corporation.



Section 6.2. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section 6.8 below, the corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the corporation. Notwithstanding anything to the contrary in this Article, the corporation shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the corporation makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund such indemnification payments to the corporation to the extent of such insurance reimbursement.

Section 6.3. Actions or Suits by or in the Right of the Corporation. The corporation shall indemnify any Indemnitee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of Delaware shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware shall deem proper.

Section 6.4. Indemnification for Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 6.2 and 6.3 of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

Section 6.5. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the corporation is so notified, the corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the corporation to the Indemnitee of its election so to assume such defense, the corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 6.5. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the corporation and the Indemnitee in the conduct of the defense of such action or (iii) the corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the corporation, except as otherwise expressly provided by this Article. The corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

Section 6.6. Advance of Expenses. Subject to the provisions of Section 6.7 below, in the event that the corporation does not assume the defense pursuant to Section 6.5 of this Article of any action, suit, proceeding or investigation of which the corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the corporation in advance of the final disposition of such matter; provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the corporation as authorized in this Article. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make such repayment.

Section 6.7. Procedure for Indemnification. In order to obtain indemnification or advancement of expenses pursuant to Section 6.2, 6.3, 6.4, or 6.6 of this Article, the Indemnitee shall submit to the corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the corporation of the written request of the Indemnitee, unless with respect to requests under Section 6.2, 6.3, or 6.6 the corporation determines within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 6.2 or 6.3, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (c) independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the corporation), or (d) a court of competent jurisdiction.

Section 6.8. Remedies. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 6.7. Unless otherwise required by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the corporation. Neither the failure of the corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the corporation pursuant to Section 6.7 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the corporation.

Section 6.9. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

Section 6.10. Other Rights. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the corporation or other persons serving the corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

Section 6.11. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled. The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

Section 6.12. Insurance. The corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

Section 6.13. Merger or Consolidation. If the corporation is merged into or consolidated with another corporation and the corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

Section 6.14. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 6.15. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

Section 6.16. Subsequent Legislation. If the General Corporation Law of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

## ARTICLE VII

### Miscellaneous

Section 7.1. Fiscal Year. The fiscal year of the corporation shall be determined by resolution of the Board of Directors.

Section 7.2. Seal. The corporate seal shall have the name of the corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 7.4. Interested Directors; Quorum. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (1) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 7.5. Form of Records. Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time.

Section 7.6. Amendment of By-Laws. These by-laws may be altered or repealed and new by-laws made, by the Board of Directors, but the stockholders may make additional bylaws and may alter and repeal any by-laws whether adopted by them or otherwise.

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Gino Pereira  
Chairman & CEO  
Nxt-ID, Inc.

NXT-ID, INC.

FORM OF WARRANT AGREEMENT

WARRANT AGREEMENT (this "Agreement") entered into as of January \_\_, 2013 (the "Issuance Date"), between Nxt-ID, Inc., a Delaware corporation, with offices at One Reservoir Corporate Centre, 4 Research Drive - Suite 402, Shelton CT 06484 (the "Company."), and [Transfer Agent] with offices at [\_\_\_\_\_] (the "Warrant Agent").

WHEREAS, the Company is engaged in a public offering (the "Offering") of units (the "Units") with each unit consisting of one common voting share, par value \$0.001 per share (the "Common Stock"), and one warrant (the "Warrants"), with each such Warrant evidencing the right of the holder thereof to purchase one share of Common Stock, for \$1.00, subject to adjustment as described herein;

WHEREAS, the Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-XXXXXX; as the same may be amended from time to time, the "Registration Statement") for the registration, under the Securities Act of 1933, as amended (the "Securities Act"), of, among other securities, the Units, the Warrants and shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares"); and such Registration Statement was declared effective by the Commission on \_\_\_\_\_;

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer, exchange and exercise of the Warrants;

WHEREAS, the Company desires to provide for the form and provisions of the Warrants, the terms upon which they shall be issued and exercised, and the respective rights, limitation of rights and immunities of the Company, the Warrant Agent, and the holders of the Warrants (each, a "Holder"); and

WHEREAS, all acts and things have been done and performed which are necessary to make the Warrants, when executed on behalf of the Company and countersigned by or on behalf of the Warrant Agent, as provided herein, the valid and legally binding obligations of the Company, and to authorize the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

1. Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as agent for the Company for the Warrants, and the Warrant Agent hereby accepts such appointment and agrees to perform the same in accordance with the terms and conditions set forth in this Agreement.

2. Warrants.

2.1 Form of Warrant. Each Warrant shall be issued in registered form only, shall be in substantially the form of Exhibit A hereto, the provisions of which are incorporated herein and shall be signed by, or bear the facsimile signature of, the Chief Executive Officer, President, Acting Chief Financial Officer, Chief Financial Officer, Chief Operating Officer or Secretary of the Company, and shall bear a facsimile of the Company's seal. In the event the person whose facsimile signature has been placed upon any Warrant shall have ceased to serve in the capacity in which such person signed the Warrant before such Warrant is issued, such Warrant may be issued with the same effect as if he or she had not ceased to be in such capacity at the date of issuance. All of the Warrants shall initially be represented by one or more book-entry certificates (each, a "Book-Entry Warrant Certificate"), unless a Holder requests issuance of his or her Warrant in certificated form.



2.2 Effect of Countersignature. Unless and until countersigned by the Warrant Agent pursuant to this Agreement, a Warrant shall be invalid and of no effect and may not be exercised by a Holder.

2.3 Registration.

2.3.1 Warrant Register. The Warrant Agent shall maintain books ("Warrant Register"), for the registration of the original issuance and the registration of any transfer of the Warrants. Upon the initial issuance of the Warrants, the Warrant Agent shall issue and register the Warrants in the names of the respective Holders in such denominations and otherwise in accordance with instructions delivered to the Warrant Agent by the Company. To the extent the Warrants are "DTC Eligible" as of the Issuance Date, all of the Warrants shall be represented by one or more Book-Entry Warrant Certificates deposited with the Depository Trust Company (the "Depository") and registered in the name of Cede & Co., a nominee of the Depository, subject to the right of each Holder to request that his, her, or its Warrant be issued in certificated form. Ownership of beneficial interests in the Book-Entry Warrant Certificates shall be shown on, and the transfer of such ownership shall be effected through, records maintained (i) by the Depository or its nominee for each Book-Entry Warrant Certificate; (ii) by institutions that have accounts with the Depository (such institution, with respect to a Warrant in its account, a "Participant"); or (iii) directly on the book-entry records of the Warrant Agent with respect only to owners of beneficial interests that represent such direct registration.

If the Warrants are not "DTC Eligible" as of the Issuance Date or the Depository subsequently ceases to make its book-entry settlement system available for the Warrants, the Company may instruct the Warrant Agent to make other arrangements for book-entry settlement within ten (10) Business Days after the Depository ceases to make its book-entry settlement available. In the event that the Company does not make alternative arrangements for book-entry settlement within ten (10) Business Days or the Warrants are not eligible for, or it is no longer necessary to have the Warrants available in, book-entry form, the Warrant Agent shall provide written instructions to the Depository to deliver to the Warrant Agent for cancellation each Book-Entry Warrant Certificate, and the Company shall instruct the Warrant Agent to deliver to the Depository definitive Warrant Certificates in physical form evidencing such Warrants. Such definitive Warrant Certificates shall be in substantially the form attached hereto as Exhibit A.

As used herein, the term "Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law or executive order to remain closed.

2.3.2 Beneficial Owner; Registered Holder. Prior to due presentment for registration of transfer of any Warrant, the Company and the Warrant Agent may deem and treat the person in whose name such Warrant shall be registered upon the Warrant Register ("registered holder") as the absolute owner of such Warrant and of each Warrant represented thereby (notwithstanding any notation of ownership or other writing on the Warrant Certificate made by anyone other than the Company or the Warrant Agent) for the purpose of any exercise thereof and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary. Any person in whose name ownership of a beneficial interest in the Warrants evidenced by a Book-Entry Warrant Certificate is recorded in the records maintained by the Depository or its nominee shall be deemed the "beneficial owner" thereof; *provided*, that all such beneficial interests shall be held through a Participant which shall be the registered holder of such Warrants. As used herein, the term "Holder" refers only to a registered holder of the Warrants.

[2.4 Detachability of Warrants. The Units will not be separable into the underlying Common Stock and Warrants until the earlier of (i) the exercise in full of the over-allotment option granted to the underwriters in connection with the Offering (the “Underwriters”) and (ii) forty-five (45) calendar days from the date of the final prospectus in connection with the Offering (the “Initial Separation Date”). Following the Initial Separation Date, the Units will be separable only upon the request of a Holder. In the event that the Offering is not conducted by an Underwriter, then the Units shall be separable immediately following the closing of the Offering.]

### 3. Terms and Exercise of Warrants.

3.1 Exercise Price. Each Warrant shall, when countersigned by the Warrant Agent, entitle the Holder, subject to the provisions of such Warrant and of this Agreement, to purchase from the Company the number of shares of Common Stock stated therein, at a price of \$1.00 per whole share, subject to the subsequent adjustments provided in Section 4 hereof. The term “Exercise Price” as used in this Agreement refers to the price per share at which Common Stock may be purchased at the time a Warrant is exercised.

3.2 Duration of Warrants. The Warrants may be exercised only after the separation of the Units, as described above in Section 2.4. Following the separation of a Unit, the underlying Warrant may be exercised at any time during the period (the “Exercise Period”) beginning on the date of such separation and terminating at 5:00 PM (time), New York City time, on June 30, 2016 (the “Expiration Date”). Each Warrant not exercised on or before the Expiration Date shall become null and void, and all rights thereunder and all rights in respect thereof under this Agreement shall cease at the close of business on the Expiration Date.

#### 3.3 Exercise of Warrants.

3.3.1 Exercise and Payment. A Holder may exercise a Warrant in whole, but not in part, by delivering, not later than 5:00 PM, New York City time, on any Business Day during the Exercise Period (the “Exercise Date”) to the Warrant Agent at its corporate trust department (i) the Warrant Certificate evidencing the Warrants to be exercised or, in the case of a Book-Entry Warrant Certificate, the Warrants to be exercised shown on the records of the Depository (the “Book-Entry Warrants”) to an account of the Warrant Agent at the Depository designated for such purpose in writing by the Warrant Agent to the Depository from time to time; (ii) an election to purchase the Warrant Shares underlying the Warrants to be exercised (an “Election to Purchase”), properly completed and executed by the Holder on the reverse of the Warrant Certificate or, in the case of a Book-Entry Warrant Certificate, properly delivered by the Participant in accordance with the Depository’s procedures; and (iii) the Exercise Price for each Warrant to be exercised in lawful money of the United States of America by certified or official bank check or a bank wire transfer in immediately available funds, in each case payable to the order of the Company.

If any of: (a) the Warrant Certificate or the Book-Entry Warrants; (b) the Election to Purchase; or (c) the Exercise Price therefor, is received by the Warrant Agent after 5:00 PM, New York City time, on the specified Exercise Date, the Warrants shall be deemed to be received and exercised on the Business Day next succeeding the Exercise Date. If the date specified as the Exercise Date is not a Business Day, the Warrants shall be deemed to be received and exercised on the next succeeding day that is a Business Day. If the Warrants are received or deemed to be received after the Expiration Date, the exercise thereof shall be null and void and any funds delivered to the Warrant Agent shall be returned to the Holder. In no event will interest accrue on funds deposited with the Warrant Agent in respect of an exercise or attempted exercise of Warrants. The validity of any exercise of Warrants shall be determined by the Company, in its sole discretion, and such determination shall be final and binding upon the Holder and the Warrant Agent. Neither the Company nor the Warrant Agent shall have any obligation to inform a Holder of the invalidity of any exercise of any Warrants.

The Warrant Agent promptly shall provide to the Company all certified or official bank checks received by it in payment of the Exercise Price and shall advise the Company via telephone at the end of each day on which funds for the exercise of the Warrants are received of such amounts. The Warrant Agent shall promptly confirm such telephonic advice to the Company in writing.

3.3.2 Issuance of Certificates. The Warrant Agent shall, by 5:00 PM, New York City time, on the Business Day following the Exercise Date of any Warrant, advise the Company or the transfer agent and registrar in respect of (a) the number of Warrant Shares issuable upon such exercise in accordance with the terms and conditions of this Agreement; (b) the instructions of each Holder with respect to delivery of the Warrant Shares issuable upon such exercise, and the delivery of definitive Warrant Certificates, as appropriate, evidencing the balance, if any, of the Warrants remaining after such exercise; (c) in case of a Book-Entry Warrant Certificate, the notation that shall be made to the records maintained by the Depository, its nominee for each Book-Entry Warrant Certificate, or a Participant, as appropriate, evidencing the balance, if any, of the Warrants remaining after such exercise; and (d) such other information as the Company or such transfer agent and registrar shall reasonably require.

The Company shall, by 5:00 PM, New York City time, on the third Business Day next succeeding the Exercise Date of any Warrant and the clearance of the funds in payment of the aggregate Exercise Price, execute, issue, and deliver to the Warrant Agent, the Warrant Shares to which such Holder is entitled, in fully registered form, registered in such name or names as may be directed by such Holder. Upon receipt of such Warrant Shares, the Warrant Agent shall, by 5:00 PM, New York City time, on the third Business Day next succeeding such Exercise Date, transmit such Warrant Shares to, or upon the order of, such Holder.

In lieu of delivering physical certificates representing the Warrant Shares issuable upon exercise of any Warrants (*provided* the Company's transfer agent is participating in the Depository's Fast Automated Securities Transfer program), the Company shall use its commercially reasonable efforts to cause its transfer agent to electronically transmit the Warrant Shares issuable upon exercise to the Depository by crediting the account of the Depository or of the Participant, as the case may be, through its Deposit Withdrawal Agent Commission system. The time periods for delivery described in the immediately preceding paragraph shall apply to the electronic transmittals described herein.

3.3.3 Valid Issuance. All shares of Common Stock issued upon the proper exercise of any Warrants in conformity with this Agreement shall be duly authorized, validly issued, fully paid and nonassessable.

3.3.4 No Fractional Exercise. Warrants may be exercised only into whole numbers of Warrant Shares. No fractional Warrant Shares shall be issued upon the exercise of a Warrant, but rather the number of Warrant Shares to be issued shall be rounded up to the nearest whole number. If fewer than all of the Warrants evidenced by a Warrant Certificate are exercised, a new Warrant Certificate for the number of unexercised Warrants remaining shall be executed by the Company and countersigned by the Warrant Agent, as provided in Section 2 of this Agreement, and delivered to the Holder at the address specified on the books of the Warrant Agent or as otherwise specified by such Holder. If fewer than all of the Warrants evidenced by a Book-Entry Warrant Certificate are exercised, a notation shall be made to the records maintained by the Depository, its nominee for each Book-Entry Warrant Certificate, or a Participant, as appropriate, evidencing the balance of the Warrants remaining after such exercise.

3.3.5 No Transfer Taxes. The Company shall not be required to pay any stamp or other tax or governmental charge required to be paid in connection with any transfer involved in the issue of the Warrant Shares upon the exercise of Warrants; and in the event that any such transfer is involved, the Company shall not be required to issue or deliver any Warrant Shares until such tax or other charge shall have been paid or it has been established to the Company's satisfaction that no such tax or other charge is due.

3.3.6 Date of Issuance. Each person in whose name any such certificate for shares of Common Stock is issued shall, for all purposes, be deemed to have become the holder of record of such shares on the date on which the applicable Warrant was surrendered and payment of the Exercise Price was made, irrespective of the date of delivery of any such certificate, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of record of such shares at the close of business on the next succeeding date on which such stock transfer books are open.

3.3.7 Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the applicable Holders the number of Warrant Shares that are not disputed.

#### 4. Adjustments.

4.1 Adjustment upon Subdivision or Combination of Common Stock. If the Company at any time after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of Warrant Shares shall be proportionately increased. If the Company at any time after the Issuance Date combines (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased. Any adjustment under this Section 4.1 shall become effective at the close of business on the date the subdivision or combination becomes effective. The Company shall promptly notify the Warrant Agent of any such adjustment and give specific instructions to the Warrant Agent with respect to any adjustments to the Warrant Register.

4.2 Adjustment for Other Distributions. In the event the Company shall fix a record date for the making of a dividend or distribution to all holders of Common Stock of any evidences of indebtedness or assets or subscription rights or warrants (excluding those referred to in Section 4.1 or other dividends paid out of retained earnings), then, in each such case, the Exercise Price shall be adjusted by multiplying (i) the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by (ii) a fraction of which (a) the denominator shall be the VWAP determined as of the record date mentioned above, and (b) numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to each Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on NYSE MKT (formerly NYSE AMEX), The NASDAQ Capital Market, The NASDAQ Global Market, The NASDAQ Global Select Market or the New York Stock Exchange (each, a “Trading Market”), the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m., New York City time, to 4:02 p.m., New York City time); (b) the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Over-the-Counter Bulletin Board; (c) if the Common Stock is not then listed or quoted for trading on the Over-the-Counter Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported; or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Warrants then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

4.3 Reclassification, Consolidation, Purchase, Combination, Sale, or Conveyance. If, at any time while the Warrants are outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another person; (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions; (iii) any, direct or indirect, purchase offer, tender offer, or exchange offer (whether by the Company or another person) is completed pursuant to which holders of Common Stock are permitted to sell, tender, or exchange their shares for other securities, cash, or property and has been accepted by the holders of 50% or more of the outstanding Common Stock; (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property; or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another person whereby such other person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other person or other persons making or party to, or associated or affiliated with the other persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, upon any subsequent exercise of a Warrant, each Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, the same amount and kind of securities, cash or property, if any, of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which each Warrant is exercisable immediately prior to such Fundamental Transaction. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration that such Holder receives upon any exercise of each Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor Entity”), and for which stockholders received any equity securities of the Successor Entity, to assume in writing all of the obligations of the Company under this Agreement in accordance with the provisions of this Section 4.3 pursuant to written agreements and shall, upon the written request of such Holder, deliver to such Holder, in exchange for the applicable Warrants created by this Agreement, a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Warrants which are exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity), if any, plus any Alternate Consideration, receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which the Warrants are exercisable immediately prior to such Fundamental Transaction, and with an exercise price which applies the Exercise Price hereunder to such shares of capital stock, if any, plus any Alternate Consideration (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of such Warrant immediately prior to the consummation of such Fundamental Transaction). Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Agreement and the Warrants referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Agreement and the Warrants with the same effect as if such Successor Entity had been named as the Company herein and therein.

The Company shall instruct the Warrant Agent to mail, by first class mail, postage prepaid, to each Holder, written notice of the execution of any such amendment, supplement to this Agreement and/or the Warrants, or other agreement. Any such amendment, supplement or other agreement entered into by the Successor Entity shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The Warrant Agent shall be under no responsibility to determine the correctness of any provisions contained in such amendment, supplement or other agreement relating either to the kind or amount of securities or other property receivable upon exercise of the Warrants or with respect to the method employed and provided therein for any adjustments, and shall be entitled to rely upon the provisions contained in any such amendment, supplement or other agreement. The provisions of this Section 4.3 shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales, and conveyances of the kind described above.

4.4 Other Events. If any event occurs of the type contemplated by the provisions of Section 4.1, 4.2, or 4.3 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features to all holders of Common Stock for no consideration), then the Company's Board of Directors shall in good faith make an adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of each Holder.

4.5 Notices of Changes in Warrant. Upon every adjustment of the Price or the number of Warrant Shares, the Company shall give written notice thereof to the Warrant Agent, which notice shall (i) state the Exercise Price resulting from such adjustment; (ii) state the increase or decrease, if any, in the number of Warrant Shares purchasable upon the exercise of a Warrant; and (iii) set forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Upon the occurrence of any event specified in Sections 4.1, 4.2 or 4.3 then, in any such event, the Company shall give written notice to each Holder, at the last address set forth for such Holder in the Warrant Register, of the record date or the effective date of the event. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such event.

4.6 No Fractional Shares. If, by reason of any adjustment made pursuant to this Section 4, a Holder would be entitled, upon the exercise of such Warrant, to receive a fractional interest in a share, the Company shall, upon such exercise, round up to the nearest whole number the number of the shares of Common Stock to be issued to such Holder.

4.7 Form of Warrant. The form of Warrant attached hereto as Exhibit A need not be changed because of any adjustment pursuant to this Section 4, and any Warrants issued after such adjustment may state the same Exercise Price and the same number of shares as is stated in the Warrants initially issued pursuant to this Agreement. However, the Company may at any time, in its sole discretion, make any change in the form of Warrant that the Company may deem appropriate and that does not affect the substance thereof, and any Warrant thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant or otherwise, may be in the form as so changed.

## 5. Transfer and Exchange of Warrants.

5.1 Registration of Transfer. The Warrant Agent shall register the transfer, from time to time, of any outstanding Warrant upon the Warrant Register, upon surrender of such Warrant for transfer, properly endorsed with signatures properly guaranteed and accompanied by appropriate instructions for transfer. Upon any such transfer, a new Warrant representing an equal aggregate number of Warrants shall be issued and the old Warrant shall be cancelled by the Warrant Agent. The Warrants so cancelled shall be delivered by the Warrant Agent to the Company from time to time upon request.

5.2 Procedure for Surrender of Warrants. Warrants may be surrendered to the Warrant Agent, together with a written request for exchange or transfer reasonably acceptable to the Warrant Agent, duly executed by the Holder thereof, or by a duly authorized attorney, and thereupon the Warrant Agent shall issue in exchange therefor one or more new Warrants as requested by the Holder of the Warrants so surrendered, representing an equal aggregate number of Warrants; *provided, however*, that except as otherwise provided herein or in any Book-Entry Warrant Certificate, each Book-Entry Warrant Certificate may be transferred only in whole and only to the Depository, to another nominee of the Depository, to a successor depository, or to a nominee of a successor depository; *provided further, however*, that in the event that a Warrant surrendered for transfer bears a restrictive legend, the Warrant Agent shall not cancel such Warrant and issue new Warrants in exchange therefor until the Warrant Agent has received an opinion of counsel for the Company stating that such transfer may be made and indicating whether the new Warrants must also bear a restrictive legend. Upon any such registration of transfer, the Company shall execute, and the Warrant Agent shall countersign and deliver, in the name of the designated transferee a new Warrant Certificate or Warrant Certificates of any authorized denomination evidencing in the aggregate a like number of unexercised Warrants.

5.3 Fractional Warrants. The Warrant Agent shall not be required to effect any registration of transfer or exchange which will result in the issuance of a Warrant Certificate for a fraction of a Warrant.

5.4 Service Charges. A service charge shall be made for any exchange or registration of transfer of Warrants, as negotiated between the Company and the Warrant Agent.

5.5 Warrant Execution and Countersignature. The Warrant Agent is hereby authorized to countersign and to deliver, in accordance with the terms of this Agreement, the Warrants required to be issued pursuant to the provisions of this Section 5, and the Company, whenever required by the Warrant Agent, shall supply the Warrant Agent with Warrants duly executed on behalf of the Company for such purpose.

6. Limitations on Exercise. Neither the Warrant Agent nor the Company shall effect any exercise of any Warrant, and no Holder shall have the right to exercise any portion of a Warrant, to the extent that after giving effect to the issuance of shares of Common Stock after exercise as set forth on the applicable Election to Purchase, such Holder (together with such Holder's Affiliates (as defined in Rule 405 under the Securities Act), and any other persons acting as a group together with such Holder or any of such Holder's Affiliates), would beneficially own in excess of 4.99% of the Company's Common Stock. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by a Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of a Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon exercise of the remaining, nonexercised portion of any Warrant beneficially owned by such Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 6, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities and Exchange Act of 1934 (the "Exchange Act"), and the rules and regulations promulgated thereunder, it being acknowledged by each Holder that neither the Warrant Agent nor the Company is representing to such Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and such Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 6 applies, the determination of whether a Warrant is exercisable (in relation to other securities owned by a Holder together with any Affiliates) and of which portion of a Warrant is exercisable shall be in the sole discretion of a Holder, and the submission of an Election to Purchase shall be deemed to be such Holder's determination of whether such Warrant is exercisable (in relation to other securities owned by such Holder together with any Affiliates) and of which portion of a Warrant is exercisable, and neither the Warrant Agent nor the Company shall have any obligation to verify or confirm the accuracy of such determination and neither of them shall have any liability for any error made by such Holder. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 6, in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (a) the Company's most recent Form 10-Q or Form 10-K filed with the Commission, as the case may be, (b) a more recent public announcement by the Company or (c) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. The provisions of this Section 6 shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 6 to correct this subsection (or any portion hereof) which may be defective or inconsistent with the intended beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to any successor Holder.

## 7. Other Provisions Relating to Rights of Holders.

7.1 No Rights as Stockholder. Except as otherwise specifically provided herein, a Holder, solely in its capacity as an owner of a Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Agreement be construed to confer upon a Holder, solely in its capacity as the owner of a Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which it is then entitled to receive upon the due exercise of a Warrant. For the avoidance of doubt, ownership of a Warrant does not entitle the Holder or any beneficial owner thereof to any other rights of a holder of shares of Common Stock.

7.2 Lost, Stolen, Mutilated, or Destroyed Warrants. If any Warrant is lost, stolen, mutilated, or destroyed, the Company and the Warrant Agent may, on such terms as to indemnity (including obtaining an open penalty bond protecting the Warrant Agent) or otherwise as they may in their discretion impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination, tenor, and date as the Warrant so lost, stolen, mutilated, or destroyed. Any such new Warrant shall constitute a substitute contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated, or destroyed Warrant shall be at any time enforceable by anyone.

7.3 Reservation of Common Stock. The Company shall at all times reserve and keep available a number of its authorized but unissued shares of Common Stock that will be sufficient to permit the exercise in full of all outstanding Warrants issued pursuant to this Agreement.

## 8. Concerning the Warrant Agent and Other Matters.

8.1 Concerning the Warrant Agent. The Warrant Agent:

(i) shall have no duties or obligations other than those set forth herein and no duties or obligations shall be inferred or implied;

(ii) may rely on and shall be held harmless by the Company in acting upon any certificate, statement, instrument, opinion, notice, letter, facsimile transmission, telegram or other document, or any security delivered to it, and reasonably believed by it to be genuine and to have been made or signed by the proper party or parties;

(iii) may rely on, and shall be held harmless by the Company in acting upon, written or oral instructions or statements from the Company with respect to any matter relating to its acting as the Warrant Agent;



(iv) may consult with counsel satisfactory to it (including counsel for the Company) and shall be held harmless by the Company in relying on the advice or opinion of such counsel in respect of any action taken, suffered, or omitted by it hereunder in good faith and in accordance with such advice or opinion of such counsel;

(v) solely shall make the final determination as to whether or not a Warrant received by the Warrant Agent is duly, completely and correctly executed, and the Warrant Agent shall be held harmless by the Company in respect of any action taken, suffered or omitted by the Warrant Agent hereunder in good faith and in accordance with such determination;

(vi) shall not be obligated to take any legal or other action hereunder which might, in its judgment, subject or expose it to any expense or liability unless it shall have been furnished with an indemnity satisfactory to it; and

(vii) shall not be liable or responsible for any failure of the Company to comply with any of the Company's obligations relating to the Registration Statement or this Agreement, including, without limitation, obligations under applicable regulation or law.

8.2 Payment of Taxes. The Company shall, from time to time, promptly pay all taxes and charges that may be imposed upon the Company or the Warrant Agent in respect of the issuance or delivery of Warrant Shares upon the exercise of Warrants, but the Company shall not be obligated to pay any transfer taxes in respect of the Warrants or such Warrant Shares. The Warrant Agent shall not register any transfer, or issue or deliver any Warrant Certificate(s) or Warrant Shares, unless or until the persons requesting such registration or issuance shall have paid to the Warrant Agent, for the account of the Company, the amount of such tax, if any, or shall have established to the reasonable satisfaction of the Company that such tax, if any, has been paid.

### 8.3 Resignation, Consolidation, or Merger of Warrant Agent.

8.3.1 Appointment of Successor Warrant Agent. The Warrant Agent, or any successor to it hereafter appointed, may resign its duties and be discharged from all further duties and liabilities hereunder after giving sixty (60) calendar days' notice in writing to the Company. If the office of the Warrant Agent becomes vacant by resignation or incapacity to act or otherwise, the Company shall appoint in writing a successor Warrant Agent in place of the Warrant Agent. If the Company shall fail to make such appointment within a period of thirty (30) calendar days after it has been notified in writing of such resignation or incapacity by the Warrant Agent or by the Holder (who shall, with such notice, submit such Holder's Warrants for inspection by the Company), then such Holder may apply to the Supreme Court of the State of New York for the County of New York for the appointment of a successor Warrant Agent, the expenses of which shall be paid by the Company. Any successor Warrant Agent (but not including the initial Warrant Agent), whether appointed by the Company or by such court, shall be a corporation organized and existing under the laws of the State of New York, in good standing and having its principal office in the Borough of Manhattan, City of New York and State of New York, and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state authority. After appointment, any successor Warrant Agent shall be vested with all the authority, powers, rights, immunities, duties, and obligations of its predecessor Warrant Agent with like effect as if originally named as the Warrant Agent hereunder, without any further act or deed; but if for any reason it becomes necessary or appropriate, the predecessor Warrant Agent shall execute and deliver, at the expense of the Company, an instrument transferring to such successor Warrant Agent all the authority, powers, and rights of such predecessor Warrant Agent hereunder; and upon request of any successor Warrant Agent the Company shall make, execute, acknowledge, and deliver any and all instruments in writing for more fully and effectually vesting in and confirming to such successor Warrant Agent all such authority, powers, rights, immunities, duties, and obligations.

8.3.2 Notice of Successor Warrant Agent. In the event a successor Warrant Agent shall be appointed, the Company shall give notice thereof to the predecessor Warrant Agent and the transfer agent for the Common Stock not later than the effective date of any such appointment.

8.3.3 Merger, Conversion or Consolidation of Warrant Agent. Any corporation into which the Warrant Agent may be merged, converted or with which it may be consolidated or any corporation resulting from any merger, conversion or consolidation to which the Warrant Agent shall be a party shall be the successor Warrant Agent under this Agreement without any further act.

#### 8.4 Fees and Expenses of Warrant Agent.

8.4.1 Remuneration. The Company agrees to pay the Warrant Agent reasonable remuneration in an amount separately agreed to between the Company and the Warrant Agent for its services as the Warrant Agent hereunder and will reimburse the Warrant Agent upon demand for all expenditures that the Warrant Agent may reasonably incur in the execution of its duties hereunder. One half of the total Warrant Agent fees (not including postage) must be paid upon execution of this Agreement. The remaining half must be paid within fifteen (15) Business Days thereafter. An invoice for any out-of-pocket and/or per item fees incurred will be rendered to and payable by the Company within fifteen (15) days of the date of said invoice. It is understood and agreed that all services to be performed by the Warrant Agent shall cease if full payment for its services has not been received in accordance with the above schedule, and said services will not commence thereafter until all payment due has been received by the Warrant Agent.

8.4.2 Further Assurances. The Company agrees to perform, execute, acknowledge, and deliver or cause to be performed, executed, acknowledged, and delivered all such further and other acts, instruments, and assurances as may reasonably be required by the Warrant Agent for the carrying out or performing of the provisions of this Agreement.

#### 8.5 Liability of Warrant Agent.

8.5.1 Reliance on Company Statement. Whenever in the performance of its duties under this Agreement, the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement signed by the President, Chief Executive Officer, Acting Chief Financial Officer, Chief Financial Officer or Chief Operating Officer of the Company and delivered to the Warrant Agent. The Warrant Agent may rely upon such statement for any action taken or suffered in good faith by it pursuant to the provisions of this Agreement.

8.5.2 Indemnity. The Warrant Agent shall be liable hereunder only for its own gross negligence, willful misconduct, or bad faith. The Company agrees to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, claims, losses, damages, costs, and reasonable counsel fees, for anything done or omitted by the Warrant Agent in the execution of this Agreement, except as a result of the Warrant Agent's gross negligence, willful misconduct, or bad faith.

8.5.3 Limitation of Liability. The Warrant Agent's aggregate liability, if any, during the term of this Agreement with respect to, arising from, or arising in connection with this Agreement, or from all services provided or omitted to be provided under this Agreement, whether in contract, or in tort, or otherwise, is limited to, and shall not exceed, the amounts paid or payable hereunder by the Company to the Warrant Agent as fees and charges (not including reimbursable expenses).

8.5.4 Disputes. In the event any question or dispute arises with respect to the proper interpretation of this Agreement or the Warrant Agent's duties hereunder or the rights of the Company or of any Holder, the Warrant Agent shall not be required to act and shall not be held liable or responsible for refusing to act until the question or dispute has been judicially settled (and the Warrant Agent may, if it deems it advisable, but shall not be obligated to, file a suit in interpleader or for a declaratory judgment for such purpose) by final judgment rendered by a court of competent jurisdiction, binding on all parties interested in the matter which is no longer subject to review or appeal, or settled by a written document in form and substance satisfactory to the Warrant Agent and executed by the Company and each other interested party. In addition, the Warrant Agent may require for such purpose, but shall not be obligated to require, the execution of such written settlement by all of the Holders of the Warrants and all other parties that may have an interest in the settlement.

8.5.5 Exclusions. The Warrant Agent shall have no responsibility with respect to the validity of this Agreement or with respect to the validity or execution of any Warrant (except its countersignature hereof and thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant; nor shall it be responsible to make any adjustments required under the provisions of Section 4 hereof or responsible for the manner, method, or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment; nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Warrant Shares to be issued pursuant to this Agreement or any Warrant or as to whether any Warrant Shares will, when issued, be duly authorized, validly issued, fully paid and nonassessable.

8.6 Acceptance of Agency. The Warrant Agent hereby accepts the agency established by this Agreement and agrees to perform the same upon the terms and conditions herein set forth, and, among other things, shall account promptly to the Company with respect to Warrants exercised and concurrently account for, and pay to the Company, all moneys received by the Warrant Agent for the purchase of Warrant Shares through the exercise of Warrants.

## 9. Miscellaneous Provisions.

9.1 Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns.

9.2 Notices. Any notice, statement, or demand authorized by this Agreement to be given or made by the Warrant Agent or by a Holder to or on the Company shall be sufficiently given when so delivered if by hand or overnight delivery or if sent by certified mail or private courier service within five (5) calendar days after deposit of such notice, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent), as follows:

Nxt-ID, Inc.  
One Reservoir Corporate Centre  
4 Research Drive - Suite 402  
Shelton CT 06484  
Telephone: **(203) 242-3076**  
Email: gino@nxt-id.com  
Attn: Gino Pereira, Chief Executive Officer & Director

Any notice, statement, or demand authorized by this Agreement to be given or made by a Holder or by the Company to or on the Warrant Agent shall be sufficiently given when so delivered if by hand or overnight delivery or if sent by certified mail or private courier service within five (5) calendar days after deposit of such notice, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company), as follows:

[TA]

with a copy in each case to:

[TA Counsel]

and:

[If an Underwriter]

and:

[Company Counsel]

9.3 Applicable law. The validity, interpretation, and performance of this Agreement and of the Warrants shall be governed in all respects by the laws of the State of New York, without giving effect to conflicts of law principles that would result in the application of the substantive laws of another jurisdiction. The Company hereby agrees that any action, proceeding, or claim against it arising out of or relating in any way to this Agreement shall be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenience forum. Any such process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 9.2 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding, or claim.

9.4 Persons Having Rights under this Agreement. Nothing in this Agreement expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any person or corporation other than the parties hereto and the Holders of the Warrants and, for purposes of Sections 3.3, 9.3, and 9.8, the [Underwriters], any right, remedy, or claim under or by reason of this Agreement or of any covenant, condition, stipulation, promise, or agreement hereof. The [Underwriters] shall be deemed to be an express third-party beneficiary of this Agreement with respect to Sections 3.3, 9.3, and 9.8 hereof. All covenants, conditions, stipulations, promises, and agreements contained in this Agreement shall be for the sole and exclusive benefit of the parties hereto (and the [Underwriters] with respect to the Sections 3.3, 9.3, and 9.8 hereof) and their successors and assigns and of the Holders.

9.5 Examination of this Agreement. A copy of this Agreement shall be available at all reasonable times at the office of the Warrant Agent in the City of New York, State of New York, for inspection by any Holder. The Warrant Agent may require any such Holder to submit his Warrant for inspection by it.

9.6 Counterparts. This Agreement may be executed in any number of original or facsimile counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

9.7 Effect of Headings. The Section headings herein are for convenience only and are not part of this Agreement and shall not affect the interpretation thereof.

9.8 Amendments. This Agreement may be amended by the parties hereto without the consent of any Holder for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained herein or adding or changing any other provisions with respect to matters or questions arising under this Agreement as the parties may deem necessary or desirable and that the parties deem shall not adversely affect the interest of the Holders. All other modifications or amendments, including any amendment to increase the Exercise Price or shorten the Exercise Period, shall require the written consent of the [Underwriters] and the Holders of a majority of the then outstanding Warrants.

9.9 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible that is also valid and enforceable.

9.10 Force Majeure. In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, failure of carrier or utilities, equipment or transmission failure or damage that is reasonably beyond its control, or any other cause that is reasonably beyond its control, such party shall not be liable for damages to the other for any damages resulting from such failure to perform or otherwise from such causes. Performance under this Agreement shall resume when the affected party or parties are able to perform substantially that party's duties.

9.11 Consequential Damages. Notwithstanding anything in this Agreement to the contrary, neither party to this Agreement shall be liable to the other party for any consequential, indirect, special or incidental damages under any provision of this Agreement or for any consequential, indirect, punitive, special, or incidental damages arising out of any act or failure to act hereunder, even if that party has been advised of or has foreseen the possibility of such damages.

***[Signature Page Follows]***

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

NXT-ID, INC.

By: \_\_\_\_\_

Name:  
Title:

[TA]

By \_\_\_\_\_

Name:  
Title:

**EXHIBIT A**

[FORM OF WARRANT CERTIFICATE]

EXERCISABLE ONLY IF COUNTERSIGNED BY THE WARRANT  
AGENT AS PROVIDED HEREIN

Warrant Certificate Evidencing Warrants to Purchase

Common Voting Shares, par value of \$0.001 per share, as described herein, of

NXT-ID, INC.

No. [—]

CUSIP [\_\_\_\_\_]

VOID AFTER 5:00 PM, NEW YORK CITY TIME,  
ON \_\_\_\_\_

This certifies that \_\_\_\_\_ or registered assigns is the registered holder (the "Holder") of \_\_\_\_\_ warrants to purchase certain securities (each a "Warrant"). Each Warrant entitles the Holder, subject to the provisions contained herein and in the Warrant Agreement (as defined below), to purchase from Nxt-ID Inc., a Delaware corporation (the "Company"), \_\_\_\_\_ shares (collectively, the "Warrant Shares") of common voting shares, par value \$0.001 per share, of the Company (the "Common Stock"), at the Exercise Price set forth below. The price per share at which each Warrant Share may be purchased at the time each Warrant is exercised (the "Exercise Price") is \$ \_\_\_\_\_ initially, subject to adjustments as set forth in the Warrant Agreement.

This Warrant Certificate is issued under and in accordance with the Warrant Agreement, dated as of January \_\_\_\_, 2013 (the "Warrant Agreement"), between the Company and the Warrant Agent, and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate and the beneficial owners of the Warrants represented by this Warrant Certificate consent by acceptance hereof. Copies of the Warrant Agreement are on file and can be inspected at the below-mentioned office of the Warrant Agent and at the office of the Company at [\_\_\_\_\_]. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Warrant Agreement.

Subject to the terms of the Warrant Agreement, each Warrant evidenced hereby may be exercised only after the separation of the Units, as set forth in Section 2.4 of the Warrant Agreement. Following the separation of the Units, the underlying Warrants of which are represented by this Warrant Certificate, the Holder may exercise such Warrants, at any time during the period (the "Exercise Period") beginning on the date of such separation and terminating at \_\_\_\_\_, New York City time, on \_\_\_\_\_ (the "Expiration Date"), by delivering, not later than \_\_\_\_\_, New York City time, on any Business Day during the Exercise Period (the "Exercise Date") to \_\_\_\_\_ (the "Warrant Agent", which term includes any successor warrant agent under the Warrant Agreement described below) at its corporate trust department at \_\_\_\_\_, (i) this Warrant Certificate or, in the case of a Book-Entry Warrant Certificate (as defined in the Warrant Agreement), the Warrants to be exercised (the "Book-Entry Warrants") as shown on the records of The Depository Trust Company (the "Depository") to an account of the Warrant Agent at the Depository designated for such purpose in writing by the Warrant Agent to the Depository; (ii) an election to purchase ("Election to Purchase"), properly executed by the Holder hereof on the reverse of this Warrant Certificate or properly executed by the institution in whose account the Warrant is recorded on the records of the Depository (the "Participant"), and substantially in the form included on the reverse of this Warrant Certificate; and (iii) certified or official bank check or a bank wire transfer in immediately available funds, in each case payable to the order of the Company. Each Warrant represented by this Warrant Certificate not exercised on or before the Expiration Date shall become null and void, and all rights of the Holder of this Warrant Certificate shall cease at the close of business on the Expiration Date.

As used herein, the term “Business Day” means any day other than Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to remain closed.

Warrants may be exercised only in whole numbers of Warrants. No fractional Warrant Shares are to be issued upon the exercise of this Warrant, but rather the number of Warrant Shares to be issued shall be rounded up to the nearest whole number. If fewer than all of the Warrants evidenced by this Warrant Certificate are exercised, a new Warrant Certificate for the number of Warrants remaining unexercised shall be executed by the Company and countersigned by the Warrant Agent as provided in Section 2 of the Warrant Agreement, and delivered to the Holder of this Warrant Certificate at the address specified on the books of the Warrant Agent or as otherwise specified by such Holder.

The Exercise Price and the number of Warrant Shares purchasable upon the exercise of each Warrant shall be subject to adjustment as provided pursuant to Section 4 of the Warrant Agreement.

Upon due presentment for registration of transfer or exchange of this Warrant Certificate at the stock transfer division of the Warrant Agent, the Company shall execute, and the Warrant Agent shall countersign and deliver, as provided in Section 5 of the Warrant Agreement, in the name of the designated transferee, one or more new Warrant Certificates of any authorized denomination evidencing in the aggregate a like number of unexercised Warrants, subject to the limitations provided in the Warrant Agreement.

Neither this Warrant Certificate nor the Warrants evidenced hereby entitles the Holder to any of the rights of a stockholder of the Company, including, without limitation, the right to receive dividends, or other distributions, exercise any preemptive rights to vote or to consent or to receive notice as stockholders in respect of the meetings of stockholders or the election of directors of the Company or any other matter.

The Warrant Agreement and this Warrant Certificate may be amended as provided in the Warrant Agreement including, under certain circumstances described therein, without the consent of the Holder of this Warrant Certificate or the Warrants evidenced thereby.

**THIS WARRANT CERTIFICATE AND ALL RIGHTS HEREUNDER AND UNDER THE WARRANT AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS FORMED AND TO BE PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICTS OF LAW PROVISIONS THEREOF TO THE EXTENT SUCH PRINCIPLES OR RULES WOULD REQUIRE OR PERMIT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.**



This Warrant Certificate shall not be entitled to any benefit under the Warrant Agreement or be valid or obligatory for any purpose, and no Warrant evidenced hereby may be exercised, unless this Warrant Certificate has been countersigned by the manual signature of the Warrant Agent.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated as of January \_\_\_\_\_, 2013

NXT-ID, INC.

By: \_\_\_\_\_  
Name:  
Title:

[TA]  
By: \_\_\_\_\_  
Name:  
Title:

---

[REVERSE]

Instructions for Exercise of Warrant

To exercise the Warrants evidenced hereby, the Holder must, by \_\_\_\_\_, New York City time, on the specified Exercise Date, deliver to the Warrant Agent at its stock transfer division, a certified or official bank check or a bank wire transfer in immediately available funds, in each case payable to the Company, in an amount equal to the Exercise Price in full for the Warrants exercised. In addition, the Holder must provide the information required below and deliver this Warrant Certificate to the Warrant Agent at the address set forth below and the Book-Entry Warrants to the Warrant Agent in its account with the Depository designated for such purpose. The Warrant Certificate and this Election to Purchase must be received by the Warrant Agent by 5:00 p.m., New York City time, on the specified Exercise Date.

**ELECTION TO PURCHASE  
TO BE EXECUTED IF WARRANT HOLDER DESIRES  
TO EXERCISE THE WARRANTS EVIDENCED HEREBY**

The undersigned hereby irrevocably elects to exercise, on \_\_\_\_\_ (the "Exercise Date"), \_\_\_\_\_ Warrants, evidenced by this Warrant Certificate, to purchase \_\_\_\_\_ shares (the "Warrant Shares") of common voting shares, par value of \$0.001 per share (the "Common Stock") of Nxt-ID, Inc., a Delaware corporation (the "Company"), and represents that on or before the Exercise Date:

such Holder has tendered payment for such Warrant Shares by certified or official bank check payable to the order of the Company c/o \_\_\_\_\_, \_\_\_\_\_, or by bank wire transfer in immediately available funds payable to the Company at Account No. \_\_\_\_\_, in each case in the amount of \$ \_\_\_\_\_ in accordance with the terms hereof, or

The undersigned requests that said number of Warrant Shares be in fully registered form, registered in such names and delivered, all as specified in accordance with the instructions set forth below.

If said number of Warrant Shares is less than all of the Warrant Shares purchasable hereunder, the undersigned requests that a new Warrant Certificate evidencing the remaining balance of the Warrants evidenced hereby be issued and delivered to the Holder of the Warrant Certificate, unless otherwise specified in the instructions below.

Dated: \_\_\_\_\_, \_\_\_\_\_,

Name: \_\_\_\_\_  
(Please Print)

\_\_\_\_\_  
(Insert Social Security or Other Identifying Number of Holder)

Address \_\_\_\_\_  
\_\_\_\_\_

Signature \_\_\_\_\_

This Warrant may only be exercised by presentation to the Warrant Agent at one of the following locations:

By hand at: [TA]  
[TA Address]

By mail at: [TA]  
[TA Address]

The method of delivery of this Warrant Certificate is at the option and risk of the exercising Holder and the delivery of this Warrant Certificate will be deemed to be made only when actually received by the Warrant Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to insure timely delivery.

(Instructions as to form and delivery of Warrant Shares and/or Warrant Certificates)

Name in which Warrant Shares are to be registered if other than in the name of the Holder of this Warrant Certificate:  
\_\_\_\_\_

Address to which Warrant Shares are to be mailed if other than to the address of the Holder of this Warrant Certificate as shown on the books of the Warrant Agent:

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City and State) (Zip Code)

Name in which Warrant Certificate evidencing unexercised Warrants, if any, is to be registered if other than in the name of the Holder of this Warrant Certificate:

Address to which certificate representing unexercised Warrants, if any, is to be mailed if other than to the address of the Holder of this Warrant Certificate as shown on the books of the Warrant Agent:

---

(Street Address)

---

(City and State) (Zip Code)

---

Dated:

---

Signature

**Signature must conform in all respects to the name of the Holder as specified on the face of this Warrant Certificate. If Warrant Shares, or a Warrant Certificate evidencing unexercised Warrants, are to be issued in a name other than that of the Holder hereof or are to be delivered to an address other than the address of such Holder as shown on the books of the Warrant Agent, the above signature must be guaranteed by an Eligible Guarantor Institution (as that term is defined in Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended).**

SIGNATURE GUARANTEE

Name of Firm \_\_\_\_\_

Address \_\_\_\_\_

Area Code & Number \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Dated: \_\_\_\_\_, 201\_\_

**ASSIGNMENT**

(FORM OF ASSIGNMENT TO BE EXECUTED IF WARRANT HOLDER  
DESIRES TO TRANSFER WARRANTS EVIDENCED HEREBY)

FOR VALUE RECEIVED,  
\_\_\_\_\_  
(Please print name and address including zip code of assignee)

HEREBY SELL(S), ASSIGN(S) AND TRANSFER(S) UNTO  
\_\_\_\_\_  
(Please insert social security or including zip code of assignee)

the rights represented by the within Warrant Certificate and does hereby irrevocably constitute and appoint Attorney to transfer said Warrant Certificate on the books of the Warrant Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

(Signature must conform in all respects to the name of the Holder as specified on the face of this Warrant Certificate and must bear a signature guarantee by an Eligible Guarantor Institution (as that term is defined in Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended).

SIGNATURE GUARANTEE

Name of Firm \_\_\_\_\_

Address \_\_\_\_\_

Area Code & Number \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Dated: \_\_\_\_\_, 201\_\_

**INDEMNITY AGREEMENT**

This INDEMNITY AGREEMENT (the “Agreement”) is dated as of January \_\_, 2013, and is made by and between Nxt-ID, Inc. a Delaware corporation (the “Company”), and [\_\_\_\_], an officer or director of the Company (the “Indemnitee”).

**RECITALS**

A. The Company is aware that competent and experienced persons are increasingly reluctant to serve as directors or officers of corporations unless they are protected by comprehensive liability insurance and/or indemnification, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors and officers;

B. The Board of Directors of the Company (the “Board”) has concluded that, to retain and attract talented and experienced individuals to serve as officers and directors of the Company and to encourage such individuals to make the business decisions necessary or appropriate for the success of the Company and its Subsidiaries (as defined in Section 1 below), it is necessary for the Company contractually to indemnify its directors and certain of its officers, and certain of the directors and officers of its Subsidiaries, and to assume for itself maximum permissible liability for Expenses, losses, liabilities and damages in connection with claims against such officers and directors relating to their service in such capacities, and has further concluded that the failure to provide such contractual indemnification could result in significant harm to the Company and its Subsidiaries and the Company’s stockholders;

C. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors and officers with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take;

D. Plaintiffs often seek damages in such large amounts and the costs of litigation may be so great (whether or not the case is meritorious), that the defense and/or settlement of such litigation may be beyond the personal resources of directors and officers;

E. Section 145 of the General Corporation Law of Delaware, under which the Company is organized (the “Law”), empowers the Company to indemnify by agreement its officers, directors, employees and agents, and persons who serve, at the request of the Company, as directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by the Law is not exclusive; further the provisions of the Amended Certificate of Incorporation of the Company (the “Certificate of Incorporation”) specifically state that the rights to indemnification and payment of expenses described therein are not exclusive, and thereby contemplate that contracts with respect to indemnification and payment of Expenses by the Company and similar obligations of the Company may be entered into by and between the Company and persons entitled to such rights described in the Certificate of Incorporation; and

F. The Company desires and has requested the Indemnitee to serve or continue to serve as a director or officer of the Company. As an inducement to serve and in consideration for such service, the Company has agreed to indemnify the Indemnitee for claims for damages arising out of or related to the performance of such services to the Company in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

1.1. Agent. For the purposes of this Agreement, "Agent" of the Company means any person who is or at any time was a director or officer of the Company or a subsidiary of the Company; or is or at any time was serving at the request of, for the convenience of, or to represent the interest of the Company or a subsidiary of the Company as a director or officer of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise or an affiliate of the Company; or was a director or officer of another enterprise or affiliate of the Company at the request of, for the convenience of, or to represent the interests of such predecessor corporation. The term "enterprise" includes any employee benefit plan of the Company, its subsidiaries, affiliates and predecessor corporations.

1.2. Change in Control. "Change in Control" means a change in control of the Company occurring after December 1, 2008, of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934 (the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after December 1, 2008, (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act) other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of the Company's then outstanding securities without the prior approval of at least two-thirds of the members of the board of directors of the Company in office immediately prior to such person attaining such percentage interest; (ii) there occurs a proxy contest, or the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the board of directors of the Company then in office, as a consequence of which members of the board of directors in office immediately prior to such transaction or event constitute less than a majority of the board of directors thereafter; or (iii) during any period of two consecutive years, other than as a result of an event described in clause (ii) of this subsection (c), individuals who at the beginning of such period constituted the board of directors of the Company (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the board of directors.

1.3. Company. As used herein the term “Company” includes all successors and assigns to the Company, including, without limitation, any corporation or other entity that is a successor to the Company by virtue of a Change in Control.

1.4. Controlled. “Controlled” means subject to the power to exercise a controlling influence over the management or policies of a corporation, partnership, joint venture, trust or other entity.

1.5. Expenses. For purposes of this Agreement, “Expenses” includes all direct and indirect costs of any type or nature whatsoever (including, without limitation, attorneys’ fees and related disbursements and retainers, costs of travel, other out-of-pocket costs such as fees and disbursements of expert witnesses, private investigators and professional advisors, court costs, transcript costs, fees of experts, duplicating, printing, and binding costs, telephone and fax transmission charges, postage, delivery services, secretarial services and other disbursements and expenses and reasonable compensation for time spent by the Indemnitee for which he is not otherwise compensated by the Company or any third party) actually and reasonably incurred by the Indemnitee in connection with the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification or advancement of expenses under this Agreement, Section 145 of the Law or otherwise.

1.6. Proceeding. For the purposes of this Agreement, a “Proceeding” means any threatened, pending, or completed action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal, inquiry or other proceeding, whether civil, criminal, administrative, investigative or any other type whatsoever, whether formal or informal, including a proceeding initiated by Indemnitee pursuant to Section 9 of this Agreement to enforce Indemnitee’s rights hereunder.

1.7. Subsidiary. For purposes of this Agreement, “Subsidiary” means any corporation, partnership, limited liability company, trust, joint venture, or other entity of which more than fifty percent (50%) of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and one or more of its subsidiaries or by one or more of the Company’s subsidiaries.

2. Agreement to Serve. The Indemnitee agrees to serve and/or continue to serve as an agent of the Company, at the will of the Company (or under separate agreement, if such agreement exists), in the capacity the Indemnitee currently serves as an agent of the Company, faithfully and to the best of his ability, so long as he is duly appointed or elected and qualified in accordance with the applicable provisions of the charter documents of the Company or any Subsidiary of the Company; provided, however, that the Indemnitee may at any time and for any reason resign from such position (subject to any contractual obligation that the Indemnitee may have assumed apart from this Agreement), and the Company or any Subsidiary shall have no obligation under this Agreement to continue the Indemnitee in any such position. For the avoidance of doubt, the Company and Indemnitee each acknowledge and agree that the resignation or other termination of Indemnitee as an agent of the Company under this paragraph 2 shall not impair any right that Indemnitee may otherwise have to be indemnified under the terms of this Agreement.



3. Directors' and Officers' Insurance. The Company shall, to the extent that the Board determines it to be economically reasonable, maintain a policy of directors' and officers' liability insurance ("D&O Insurance"), on such terms and conditions as may be approved by the Board.

4. Mandatory Indemnification. Subject to Section 9 below, the Company shall indemnify and hold the Indemnitee harmless to the fullest extent permitted by the Law. Without limiting the generality of the foregoing, the Company shall indemnify and hold harmless the Indemnitee as follows:

4.1. Third Party Actions. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Company) by reason of the fact that he is or at any time was an agent of the Company, or by reason of anything done or not done by him in any such capacity, against any and all claims, expenses and liabilities of any type whatsoever (including, but not limited to, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) actually and reasonably incurred by him in connection with the investigation, defense, settlement or appeal of such proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; and/or

4.2. Derivative Actions. If the Indemnitee is a person who was or is a party or is threatened to be made a party to any proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that he is or at any time was an agent of the Company, or by reason of anything done or not done by him in any such capacity, against any and all claims, expenses and liabilities, including without limitation attorneys' fees, amounts paid in settlement of any such proceeding and all expenses actually and reasonably incurred by him in connection with the investigation, defense, settlement, or appeal of such proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company; except that no indemnification under this subsection shall be made in respect of any claim, issue or matter as to which such person shall have been finally adjudged, in a judgment not subject to appeal, to be liable to the Company by a court of competent jurisdiction due to willful misconduct of a culpable nature in the performance of his duty to the Company, unless and only to the extent that the Court of Chancery in Delaware or the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such amounts which the Court of Chancery or such other court shall deem proper; and/or

4.3. Exception for Amounts Covered by Insurance. Notwithstanding the foregoing, the Company shall not be obligated to indemnify the Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) to the extent such have been paid directly to the Indemnitee by D&O Insurance.

5. Partial Indemnification and Contribution.

5.1. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) incurred by him in the investigation, defense, settlement, or appeal of a proceeding but is not entitled, however, to indemnification for all of the total amount thereof, then the Company shall nevertheless indemnify the Indemnitee for such total amount except as to the portion thereof to which the Indemnitee is not entitled to indemnification.

5.2. Contribution. If the Indemnitee is not entitled to the indemnification provided in Section 4 for any reason other than the statutory limitations set forth in the Law, then in respect of any threatened, pending or completed proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in such proceeding), the Company shall contribute to the amount of Expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by the Indemnitee in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and the Indemnitee on the other hand from the transaction from which such proceeding arose and (ii) the relative fault of the Company on the one hand and of the Indemnitee on the other hand in connection with the events which resulted in such Expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of the Indemnitee on the other hand shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such Expenses, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 5 were determined by pro rata allocation or any other method of allocation, which does not take account of the foregoing equitable considerations.

6. Mandatory Advancement of Expenses.

6.1. Advancement. Subject to Section 9 below, the Company shall advance all expenses incurred by the Indemnitee in connection with the investigation, participation, defense, settlement or appeal of any proceeding to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or at any time was an agent of the Company or by reason of anything done or not done by him in any such capacity. The Indemnitee hereby undertakes promptly to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Company under the provisions of this Agreement, the Certificate of Incorporation, or Bylaws of the Company, the Law or otherwise. The advances to be made hereunder shall be paid by the Company to the Indemnitee within thirty (30) days following delivery of a written request therefor by the Indemnitee to the Company.

6.2. Exception. Notwithstanding the foregoing provisions of this Section 6, the Company shall not be obligated to advance any expenses to the Indemnitee arising from a lawsuit filed directly by the Company against the Indemnitee if an absolute majority of the members of the Board reasonably determines in good faith, within thirty (30) days of the Indemnitee's request to be advanced expenses, that the facts known to them at the time such determination is made demonstrate clearly and convincingly that the Indemnitee acted in bad faith. If such a determination is made, the Indemnitee may have such decision reviewed by another forum, in the manner set forth in Sections 8.3, 8.4 and 8.5 hereof, with all references therein to "indemnification" being deemed to refer to "advancement of expenses," and the burden of proof shall be on the Company to demonstrate clearly and convincingly that, based on the facts known at the time, the Indemnitee acted in bad faith. The Company may not avail itself of this Section 6.2 as to a given lawsuit if, at any time after the occurrence of the activities or omissions that are the primary focus of the lawsuit, the Company has undergone a change in control. For this purpose, a change in control shall mean a given person or group of affiliated persons or groups increasing their beneficial ownership interest in the Company by at least fifteen (15) percentage points without advance Board approval.

7. Notice and Other Indemnification Procedures.

7.1. Promptly after receipt by the Indemnitee of notice of the commencement of or the threat of commencement of any proceeding, the Indemnitee shall, if the Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement or threat of commencement thereof.

7.2. If, at the time of the receipt of a notice of the commencement of a proceeding pursuant to Section 7.1 hereof, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such D&O Insurance policies.

7.3. In the event the Company shall be obligated to advance the expenses for any proceeding against the Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by the Indemnitee (which approval shall not be unreasonably withheld), upon the delivery to the Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same proceeding, provided that: (a) the Indemnitee shall have the right to employ his own counsel in any such proceeding at the Indemnitee's expense; (b) the Indemnitee shall have the right to employ his own counsel in connection with any such proceeding, at the expense of the Company, if such counsel serves in a review, observer, advice, and counseling capacity and does not otherwise materially control or participate in the defense of such proceeding; or (c) if (i) the employment of counsel by the Indemnitee has been previously authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of any such defense or (iii) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company.

8. Determination of Right to Indemnification.

8.1. To the extent the Indemnitee has been successful on the merits or otherwise in defense of any proceeding referred to in Section 4.1 or 4.2 of this Agreement or in the defense of any claim, issue or matter described therein, the Company shall indemnify the Indemnitee against expenses actually and reasonably incurred by him in connection with the investigation, defense or appeal of such proceeding, or such claim, issue or matter, as the case may be, including without limitation Indemnitee's attorneys' fees.

8.2. In the event that Section 8.1 is inapplicable, or does not apply to the entire proceeding, the Company shall nonetheless indemnify the Indemnitee unless the Company shall prove by clear and convincing evidence to a forum listed in Section 8.3 below that the Indemnitee has not met the applicable standard of conduct required to entitle the Indemnitee to such indemnification.

8.3. The Indemnitee shall be entitled to select the forum in which the validity of the Company's claim under Section 8.2 hereof that the Indemnitee is not entitled to indemnification will be heard from among the following:

- (a) a quorum of the Board consisting of directors who are not parties to the proceeding for which indemnification is being sought;
- (b) the stockholders of the Company, provided however that the Indemnitee can select a forum consisting of the stockholders of the Company only with the approval of the Company;
- (c) legal counsel mutually agreed upon by the Indemnitee and the Board, which counsel shall make such determination in a written opinion;

(d) a panel of three arbitrators, one of whom is selected by the Company, another of whom is selected by the Indemnitee and the last of whom is selected by the first two arbitrators so selected; or

(e) the Court of Chancery of Delaware or other court having jurisdiction of subject matter and the parties.

8.4. As soon as practicable, and in no event later than thirty (30) days after the forum has been selected pursuant to Section 8.3 above, the Company shall, at its own expense, submit to the selected forum its claim that the Indemnitee is not entitled to indemnification, and the Company shall act in the utmost good faith to assure the Indemnitee a complete opportunity to defend against such claim.

8.5. If the forum selected in accordance with Section 8.3 hereof is not a court, then after the final decision of such forum is rendered, the Company or the Indemnitee shall have the right to apply to the Court of Chancery of Delaware, the court in which the proceeding giving rise to the Indemnitee's claim for indemnification is or was pending or any other court having jurisdiction of subject matter and the parties, for the purpose of appealing the decision of such forum, provided that such right is executed within sixty (60) days after the final decision of such forum is rendered. If the forum selected in accordance with Section 8.3 hereof is a court, then the rights of the Company or the Indemnitee to appeal any decision of such court shall be governed by the applicable laws and rules governing appeals of the decision of such court.

8.6. Notwithstanding any other provision in this Agreement to the contrary, the Company shall indemnify the Indemnitee against all Expenses incurred by the Indemnitee in connection with any hearing or proceeding under this Section 8 involving the Indemnitee and against all Expenses incurred by the Indemnitee in connection with any other proceeding between the Company and the Indemnitee involving the interpretation or enforcement of the rights of the Indemnitee under this Agreement unless a court of competent jurisdiction finds that each of the material claims and/or defenses of the Indemnitee in any such proceeding was frivolous or not made in good faith.

9. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

9.1. Claims Initiated by Indemnitee. To indemnify or advance expenses to the Indemnitee with respect to proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to proceedings specifically authorized by the Board or brought to establish or enforce a right to indemnification and/or advancement of Expenses arising under this Agreement, the charter documents of the Company or any Subsidiary or any statute or law or otherwise, but such indemnification or advancement of Expenses may be provided by the Company in specific cases if the Board finds it to be appropriate; or

9.2. **Unauthorized Settlements.** To indemnify the Indemnitee hereunder for any amounts paid in settlement of a proceeding unless the Company consents in advance in writing to such settlement, which consent shall not be unreasonably withheld; or

9.3. **Securities Law Actions.** To indemnify the Indemnitee on account of any suit in which judgment is rendered against the Indemnitee for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; or

9.4. **Unlawful Indemnification.** To indemnify the Indemnitee if a final decision by a court having jurisdiction in the matter, in a judgment not subject to appeal, shall determine that such indemnification is not lawful. In this respect, the Company and the Indemnitee have been advised that the Securities and Exchange Commission takes the position that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication.

10. Non-Exclusivity.

THE PROVISIONS FOR INDEMNIFICATION AND ADVANCEMENT OF EXPENSES SET FORTH IN THIS AGREEMENT SHALL NOT BE DEEMED EXCLUSIVE OF ANY OTHER RIGHTS WHICH THE INDEMNITEE MAY HAVE UNDER ANY PROVISION OF LAW, THE COMPANY'S CERTIFICATE OF INCORPORATION OR BYLAWS, THE VOTE OF THE COMPANY'S STOCKHOLDERS OR DISINTERESTED DIRECTORS, OTHER AGREEMENTS OR OTHERWISE, BOTH AS TO ACTION IN THE INDEMNITEE'S OFFICIAL CAPACITY AND TO ACTION IN ANOTHER CAPACITY WHILE OCCUPYING HIS POSITION AS AN AGENT OF THE COMPANY, AND THE INDEMNITEE'S RIGHTS HEREUNDER SHALL CONTINUE AFTER THE INDEMNITEE HAS CEASED ACTING AS AN AGENT OF THE COMPANY AND SHALL INURE TO THE BENEFIT OF THE HEIRS, EXECUTORS AND ADMINISTRATORS OF THE INDEMNITEE.

11. Burden of Proof. In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

12. Duration of Agreement.

This Agreement shall continue until and terminate upon the later of: (a) 10 years after the date that the Indemnitee shall have ceased to serve as a director and/or officer of the Company or director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which the Indemnitee served at the request of the Company; or (b) one year after the final, nonappealable termination of any Proceeding then pending in respect of which the Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by the Indemnitee pursuant to Section 10 of this Agreement relating thereto.

13. General Provisions.

13.1. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification and advancement of expenses to the Indemnitee to the fullest extent now or hereafter permitted by law, except as expressly limited herein.

13.2. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever, then:

(a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal, or unenforceable that are not themselves invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 13.1 hereof.

13.3. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

13.4. Subrogation. In the event of full payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary or desirable to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

13.5. Counterparts. This Agreement may be executed in one or more counterparts and via facsimile, each of which shall constitute an original, but all of which when taken together shall constitute a single agreement.

13.6. Successors and Assigns. The terms of this Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto.

13.7. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given: (a) if delivered by hand and signed for by the party addressee; or (b) if mailed by certified or registered mail, with postage prepaid, on the third business day after the mailing date. Addresses for notices to either party are as shown on the signature page of this Agreement or as subsequently modified by written notice.

13.8. Gender. The masculine, feminine or neuter pronouns used herein shall be interpreted without regard to gender, and the use of the singular or plural shall be deemed to include the other whenever the context so requires.

13.9. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware.

If the General Corporation Law of the State of Delaware (the "Delaware Law") or any other applicable law is amended after the date hereof to permit the Company to indemnify Indemnitee for Expenses or liabilities, or to indemnify Indemnitee with respect to any action or Proceeding, not contemplated by this Agreement, then this Agreement (without any further action be either party hereto) shall automatically be deemed to be amended to require that the Company indemnify Indemnitee to the fullest extent permitted by the Delaware Law.

13.10. Consent to Jurisdiction. The Company and the Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding, which arises out of or relates to this Agreement.

13.11. Attorneys' Fees. In the event Indemnitee is required to bring any action to enforce rights under this Agreement (including, without limitation, the payment or reimbursement of expenses of any proceeding described in Section 4), the Indemnitee shall be entitled to all reasonable fees and expenses in bringing and pursuing such action, unless a court of competent jurisdiction finds each of the material claims of the Indemnitee in any such action was frivolous and not made in good faith.

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IN WITNESS WHEREOF, the parties hereto have entered into this Agreement effective as of the date first written above.

NXT-ID, INC.

INDEMNITEE

By: \_\_\_\_\_

\_\_\_\_\_

Name:

Title:

Date: [\_\_\_\_] [\_\_\_\_\_] 2013

Date: [\_\_\_\_] [\_\_\_\_\_] 2013

Address:

**NXT-ID, INC.**

**2013 LONG-TERM STOCK INCENTIVE PLAN**

**1. Purpose**

The Nxt-ID, Inc. 2013 Long-Term Stock Incentive Plan is intended to promote the best interests of Nxt-ID, Inc. and its stockholders by (i) assisting the Corporation and its Affiliates in the recruitment and retention of persons with ability and initiative, (ii) providing an incentive to such persons to contribute to the growth and success of the Corporation's businesses by affording such persons equity participation in the Corporation and (iii) associating the interests of such persons with those of the Corporation and its Affiliates and stockholders.

**2. Definitions**

As used in this Plan the following definitions shall apply:

A. "Affiliate" means (i) any Subsidiary, (ii) any Parent, (iii) any corporation, or trade or business (including, without limitation, a partnership, limited liability company or other entity) which is directly or indirectly controlled fifty percent (50%) or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Corporation or one of its Affiliates, and (iv) any other entity in which the Corporation or any of its Affiliates has a material equity interest and which is designated as an "Affiliate" by resolution of the Committee.

B. "Award" means any Option or Stock Award granted hereunder.

C. "Board" means the Board of Directors of the Corporation.

D. "Cause" means: (i) conduct involving a felony criminal offense under U. S. federal or state law or an equivalent violation of the laws of any other country; (ii) dishonesty, fraud, self dealing or material violations of civil law in the course of fulfilling the Participant's employment or other assigned duties on behalf of the Corporation; (iii) breach of any confidentiality, employment, or other written agreement with the Corporation; or (iv) willful misconduct injurious to the Corporation or any of its Subsidiaries or Affiliates as shall be determined by the Committee.

E. "Code" means the Internal Revenue Code of 1986, and any amendments thereto.

F. "Committee" means the Board or any Committee of the Board to which the Board has delegated any responsibility for the implementation, interpretation or administration of this Plan. As of the date of the Plan, the Board has initially delegated responsibility for the administration of the Plan to the Corporation's Compensation Committee.

G. "Common Stock" means the common stock, \$0.0001 par value, of the Corporation.

H. "Consultant" means (i) any person performing consulting or advisory services for the Corporation or any Affiliate, or (ii) a director of an Affiliate.

I. "Corporation" means Nxt-ID, Inc., a Delaware corporation.

J. "Corporation Law" means the Delaware General Corporation Law.

- K. “Deferral Period” means the period of time during which Deferred Shares are subject to deferral limitations under Section 7.D of this Plan.
- L. “Deferred Shares” means an award pursuant to Section 7.D of this Plan of the right to receive shares of Common Stock at the end of a specified Deferral Period.
- M. “Director” means a member of the Board.
- N. “Eligible Person” means an employee of the Corporation or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan), a Director or a Consultant to the Corporation or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan).
- O. “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- P. “Fair Market Value” means, on any given date, the current fair market value of the shares of Common Stock as determined as follows:
- (i) If the Common Stock is traded on a national securities exchange, the closing price for the day of determination as quoted on such market or exchange, including the NASDAQ Global Market or NASDAQ Capital Market, or the OTC Bulletin Board, whichever is the primary market or exchange for trading of the Common Stock or if no trading occurs on such date, the last day on which trading occurred, or such other appropriate date as determined by the Committee in its discretion, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;
  - (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high and the low asked prices for the Common Stock for the day of determination; or
  - (iii) In the absence of an established market for the Common Stock, Fair Market Value shall be determined by the Committee in good faith.
- Q. “Incentive Stock Option” means an Option (or portion thereof) intended to qualify for special tax treatment under Section 422 of the Code.
- R. “Nonqualified Stock Option” means an Option (or portion thereof) which is not intended or does not for any reason qualify as an Incentive Stock Option.
- S. “Option” means any option to purchase shares of Common Stock granted under this Plan.
- T. “Parent” means any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation if each of the corporations (other than the Corporation) owns stock possessing at least fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- U. “Participant” means an Eligible Person who (i) is selected by the Committee or an authorized officer of the Corporation to receive an Award and (ii) is party to an agreement setting forth the terms of the Award, as appropriate.
- V. “Performance Agreement” means an agreement described in Section 8 of this Plan.

W. “Performance Objectives” means the performance objectives established pursuant to this Plan for Participants who have received grants of Performance Shares or, when so determined by the Committee, Stock Awards. Performance Objectives may be described in terms of Corporation-wide objectives or objectives that are related to the performance of the individual Participant or the Affiliate, subsidiary, division, department or function within the Corporation or Affiliate in which the Participant is employed or has responsibility. Any Performance Objectives applicable to Awards to the extent that such an Award is intended to qualify as “performance-based compensation” under Section 162(m) of the Code shall be limited to specified levels of or increases in the Corporation’s or a business unit’s return on equity, earnings per share, total earnings, earnings growth, return on capital, return on assets, economic value added, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, sales growth, gross margin return on investment, increase in the Fair Market Value of the shares, share price (including but not limited to growth measures and total stockholder return), net operating profit, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on investments (which equals net cash flow divided by total capital), internal rate of return, increase in net present value or expense targets. The Awards intended to qualify as “Performance Based Compensation” under Section 162(m) of the Code shall be pre-established in accordance with applicable regulations under Section 162(m) of the Code and the determination of attainment of such goals shall be made by the Committee. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Corporation (including an event described in Section 9), or the manner in which it conducts its business, or other events or circumstances render the Performance Objectives unsuitable, the Committee may modify such Performance Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable; provided, however, that no such modification shall be made to an Award intended to qualify as performance-based compensation under Section 162(m) of the Code unless the Committee determines that such modification will not result in loss of such qualification or the Committee determines that loss of such qualification is in the best interests of the Corporation.

X. “Performance Period” means a period of time established under Section 8 of this Plan within which the Performance Objectives relating to a Performance Share or Stock Award are to be achieved.

Y. “Performance Share” means a bookkeeping entry that records the equivalent of one share of Common Stock awarded pursuant to Section 8 of this Plan.

Z. “Plan” means this Nxt-ID, Inc. 2013 Long-term Stock Incentive Plan.

AA. “Repricing” means, other than in connection with an event described in Section 9 of this Plan, (i) lowering the exercise price of an Option or Stock Appreciation Right after it has been granted or (ii) canceling an Option or Stock Appreciation Right at a time when the exercise price exceeds the then Fair Market Value of the Common Stock in exchange for another Option or Stock Award.

BB. “Restricted Stock Award” means an award of Common Stock under Section 7.B.

CC. “Securities Act” means the Securities Act of 1933, as amended.

DD. “Stock Award” means a Stock Bonus Award, Restricted Stock Award, Stock Appreciation Right, Deferred Shares, or Performance Shares.

EE. “Stock Bonus Award” means an award of Common Stock under Section 7.A.

FF. “Stock Appreciation Right” means an award of a right of the Participant under Section 7.C to receive a payment in cash or shares of Common Stock (or a combination thereof) based on the increase in Fair Market Value of the shares of Common Stock covered by the award between the date of grant of such award and the Fair Market Value of the Common Stock on the date of exercise of such Stock Appreciation Right.

GG. “Stock Award Agreement” means an agreement (written or electronic) between the Corporation and a Participant setting forth the specific terms and conditions of a Stock Award granted to the Participant under Section 7. Each Stock Award Agreement shall be subject to the terms and conditions of this Plan and shall include such terms and conditions as the Committee shall authorize.

HH. “Stock Option Agreement” means an agreement (written or electronic) between the Corporation and a Participant setting forth the specific terms and conditions of an Option granted to the Participant. Each Stock Option Agreement shall be subject to the terms and conditions of this Plan and shall include such terms and conditions as the Committee shall authorize.

II. “Subsidiary” means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing at least fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.

JJ. “Ten Percent Owner” means any Eligible Person owning at the time an Option is granted more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation or of a Parent or Subsidiary. An individual shall, in accordance with Section 424(d) of the Code, be considered to own any voting stock owned (directly or indirectly) by or for such Eligible Person’s brothers, sisters, spouse, ancestors and lineal descendants and any voting stock owned (directly or indirectly) by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its stockholders, partners, or beneficiaries.

### **3. Administration**

A. Delegation to Board Committee. The Board shall be the sole Committee of this Plan unless the Board delegates all or any portion of its authority to administer this Plan to a Committee. To the extent not prohibited by the charter or bylaws of the Corporation, the Board may delegate all or a portion of its authority to administer this Plan to a Committee of the Board appointed by the Board and constituted in compliance with the applicable Corporation Law. The Committee shall consist solely of two (2) or more Directors who are (i) Non-Employee Directors (within the meaning of Rule 16b-3 under the Exchange Act) for purposes of exercising administrative authority with respect to Awards granted to Eligible Persons who are subject to Section 16 of the Exchange Act; (ii) to the extent required by the rules of the market on which the Corporation’s shares are traded or the exchange on which the Corporation’ shares are listed, “independent” within the meaning of such rules; and (iii) at such times as an Award under this Plan by the Corporation is subject to Section 162(m) of the Code (to the extent relief from the limitation of Section 162(m) of the Code is sought with respect to Awards and administration of the Awards by a committee of “outside directors” is required to receive such relief) “outside directors” within the meaning of Section 162(m) of the Code.

B. Delegation to Officers. The Committee may delegate to one or more officers of the Corporation the authority to grant and administer Awards to Eligible Persons who are not Directors or executive officers of the Corporation; provided that the Committee shall have fixed the total number of shares of Common Stock that may be subject to such Awards. No officer holding such a delegation is authorized to grant Awards to himself or herself. In addition to the Committee, the officer or officers to whom the Committee has delegated the authority to grant and administer Awards shall have all powers delegated to the Committee with respect to such Awards. Such delegation shall be subject to the limitations of Section 157(c) (or any successor provision) of the Corporation Law.

C. Powers of the Committee. Subject to the provisions of this Plan, and in the case of a Committee appointed by the Board, the specific duties delegated to such Committee, the Committee (and the officers to whom the Committee has delegated such authority) shall have the authority:

(i) To construe and interpret all provisions of this Plan and all Stock Option Agreements, Stock Award Agreements and Performance Agreements under this Plan.

(ii) To determine the Fair Market Value of Common Stock.

(iii) To select the Eligible Persons to whom Awards are granted from time to time hereunder.

(iv) To determine the number of shares of Common Stock covered by an Award; to determine whether an Option shall be an Incentive Stock Option or Nonqualified Stock Option; and to determine such other terms and conditions, not inconsistent with the terms of this Plan, of each such Award. Such terms and conditions include, but are not limited to, the exercise price of an Option, purchase price of Common Stock subject to a Stock Award, the time or times when Options or Stock Awards may be exercised or Common Stock issued thereunder, the right of the Corporation to repurchase Common Stock issued pursuant to the exercise of an Option or a Stock Award and other restrictions or limitations (in addition to those contained in this Plan) on the forfeitability or transferability of Options, Stock Awards or Common Stock issued upon exercise of an Option or pursuant to an Award. Such terms may include conditions which shall be determined by the Committee and need not be uniform with respect to Participants.

(v) To accelerate the time at which any Option or Stock Award may be exercised, or the time at which a Stock Award or Common Stock issued under this Plan may become transferable or non-forfeitable.

(vi) To determine whether and under what circumstances an Option may be settled in cash, shares of Common Stock or other property under Section 6.H instead of Common Stock.

(vii) To waive, amend, cancel, extend, renew, accept the surrender of, modify or accelerate the vesting of or lapse of restrictions on all or any portion of an outstanding Award. Except as otherwise provided by this Plan, the Stock Option Agreement, Stock Award Agreement or Performance Agreement or as required to comply with applicable law, regulation or rule, no amendment, cancellation or modification shall, without a Participant's consent, adversely affect any rights of the Participant; provided, however, that (x) an amendment or modification that may cause an Incentive Stock Option to become a Nonqualified Stock Option shall not be treated as adversely affecting the rights of the Participant and (y) any other amendment or modification of any Stock Option Agreement, Stock Award Agreement or Performance Agreement that does not, in the opinion of the Committee, adversely affect any rights of any Participant, shall not require such Participant's consent. Notwithstanding the foregoing, the restrictions on the repricing of Options and Stock Appreciation Rights, as set forth in this Plan, may not be waived.

(viii) To prescribe the form of Stock Option Agreements, and Stock Award Agreements and Performance Agreements; to adopt policies and procedures for the exercise of Options or Stock Awards, including the satisfaction of withholding obligations; to adopt, amend, and rescind policies and procedures pertaining to the administration of this Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The Award's effectiveness will not be dependent on any signature unless specifically so provided in the Award Agreement. Awards shall generally be subject to a three year vesting period and no more than 60% of Awards to executives and directors may have a vesting period of less than three years; provided, however, that vesting may accelerate in the event of change in control and certain other events as set forth in Section [ ] herein, and in the events of death, disability or retirement, as will be specified in the Award Agreement.

The express grant in this Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee; provided that the Committee or any committee of the Board may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Committee or in connection with the administration of this Plan shall be final, conclusive and binding on all persons having an interest in this Plan.

#### **4. Eligibility**

A. Eligibility for Awards. Awards, other than Incentive Stock Options, may be granted to any Eligible Person selected by the Committee. Incentive Stock Options may be granted only to employees of the Corporation or a Parent or Subsidiary.

B. Eligibility of Consultants. A Consultant shall be an Eligible Person only if the offer or sale of the Corporation's securities would be eligible for registration on Form S-8 Registration Statement because of the identity and nature of the service provided by such person, unless the Corporation determines that an offer or sale of the Corporation's securities to such person will satisfy another exemption from the registration under the Securities Act and complies with the securities laws of all other jurisdictions applicable to such offer or sale.

C. Substitution Awards. The Committee may make Awards and may grant Options under this Plan by assumption, in substitution or replacement of performance shares, phantom shares, stock awards, stock options, stock appreciation rights or similar awards granted by another entity (including an Affiliate) in connection with a merger, consolidation, acquisition of property or stock or similar transaction. Notwithstanding any provision of this Plan (other than the maximum number of shares of Common Stock that may be issued under this Plan), the terms of such assumed, substituted, or replaced Awards shall be as the Committee, in its discretion, determines is appropriate.

#### **5. Common Stock Subject to Plan**

A. Share Reserve and Limitations on Grants. Subject to adjustment as provided in Section 9, the maximum aggregate number of shares of Common Stock that may be (i) issued under this Plan pursuant to the exercise of Options, (ii) issued pursuant to Stock Awards, (iii) covered by Stock Appreciation Rights (without regard to whether payment on exercise of the Stock Appreciation Right is made in cash or shares of Common Stock) and (iv) covered by Performance Shares shall be limited 10% of the shares of Common Stock outstanding, which calculation shall be made on the first business day of a new fiscal year; provided that, the Plan shall be vested with an initial grant of no fewer than [ ] shares of Common Stock. Thereafter, the evergreen provision of 10% shall govern the Plan. The number shares of Common Stock subject to the Plan shall be subject to adjustment as provided in Section 9. Subject to adjustment as provided in Section 9, and notwithstanding any provision hereto to the contrary, shares subject to the Plan shall include shares forfeited in a prior year as provided herein. For purposes of determining the number of shares of Common Stock available under this Plan, shares of Common Stock withheld by the Corporation to satisfy applicable tax withholding obligations pursuant to Section 10 of this Plan shall be deemed issued under this Plan. No single participant may receive more than 25% of the total shares awarded in any single year.

B. Reversion of Shares. If an Option or Stock Award is terminated, expires or becomes unexercisable, in whole or in part, for any reason, the unissued or unpurchased shares of Common Stock (or shares subject to an unexercised Stock Appreciation Right) which were subject thereto shall become available for future grant under this Plan. Shares of Common Stock that have been actually issued under this Plan shall not be returned to the share reserve for future grants under this Plan; except that shares of Common Stock issued pursuant to a Stock Award which are forfeited to the Corporation or repurchased by the Corporation at the original purchase price of such shares, shall be returned to the share reserve for future grant under this Plan.

C. Source of Shares. Common Stock issued under this Plan may be shares of authorized and unissued Common Stock or shares of previously issued Common Stock that have been reacquired by the Corporation.

## 6. Options

A. Award. In accordance with the provisions of Section 4, the Committee will designate each Eligible Person to whom an Option is to be granted and will specify the number of shares of Common Stock covered by such Option. The Stock Option Agreement shall specify whether the Option is an Incentive Stock Option or Nonqualified Stock Option, the vesting schedule applicable to such Option and any other terms of such Option. No Option that is intended to be an Incentive Stock Option shall be invalid for failure to qualify as an Incentive Stock Option.

B. Option Price. The exercise price per share for Common Stock subject to an Option shall be determined by the Committee, but shall comply with the following:

(i) The exercise price per share for Common Stock subject to an Option shall not be less than one hundred percent (100%) of the Fair Market Value on the date of grant.

(ii) The exercise price per share for Common Stock subject to an Incentive Stock Option granted to a Participant who is deemed to be a Ten Percent Owner on the date such option is granted, shall not be less than one hundred ten percent (110%) of the Fair Market Value on the date of grant.

C. Maximum Option Period. The maximum period during which an Option may be exercised shall be ten (10) years from the date such Option was granted. In the case of an Incentive Stock Option that is granted to a Participant who is or is deemed to be a Ten Percent Owner on the date of grant, such Option shall not be exercisable after the expiration of five (5) years from the date of grant.

D. Maximum Value of Options which are Incentive Stock Options. To the extent that the aggregate Fair Market Value of the Common Stock with respect to which Incentive Stock Options granted to any person are exercisable for the first time during any calendar year (under all stock option plans of the Corporation or any Parent or Subsidiary) exceeds \$100,000 (or such other amount provided in Section 422 of the Code), the Options are not Incentive Stock Options. For purposes of this section, the Fair Market Value of the Common Stock will be determined as of the time the Incentive Stock Option with respect to the Common Stock is granted. This section will be applied by taking Incentive Stock Options into account in the order in which they are granted.



E. Nontransferability. Options granted under this Plan which are intended to be Incentive Stock Options shall be nontransferable except by will or by the laws of descent and distribution and during the lifetime of the Participant shall be exercisable by only the Participant to whom the Incentive Stock Option is granted. Except to the extent transferability of a Nonqualified Stock Option is provided for in the Stock Option Agreement or is approved by the Committee, during the lifetime of the Participant to whom the Nonqualified Stock Option is granted, such Option may be exercised only by the Participant. If the Stock Option Agreement so provides or the Committee so approves, a Nonqualified Stock Option may be transferred by a Participant through a gift or domestic relations order to the Participant's family members to the extent in compliance with applicable securities laws and regulations and provided that such transfer is not a transfer for value (within the meaning of applicable securities laws and regulations). The holder of a Nonqualified Stock Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant. No right or interest of a Participant in any Option shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

F. Vesting. Options will vest as provided in the Stock Option Agreement.

G. Exercise. Subject to the provisions of this Plan and the applicable Stock Option Agreement, an Option may be exercised to the extent vested in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee shall determine. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Stock Option Agreement with respect to the remaining shares subject to the Option. An Option may not be exercised with respect to fractional shares of Common Stock.

H. Payment. Unless otherwise provided by the Stock Option Agreement, payment of the exercise price for an Option shall be made in cash or a cash equivalent acceptable to the Committee or if the Common Stock is traded on an established securities market, by payment of the exercise price by a broker-dealer or by the Option holder with cash advanced by the broker-dealer if the exercise notice is accompanied by the Option holder's written irrevocable instructions to deliver the Common Stock acquired upon exercise of the Option to the broker-dealer or by delivery of the Common Stock to the broker-dealer with an irrevocable commitment by the broker-dealer to forward the exercise price to the Corporation. With the consent of the Committee, payment of all or a part of the exercise price of an Option may also be made (i) by surrender to the Corporation (or delivery to the Corporation of a properly executed form of attestation of ownership) of shares of Common Stock that have been held for such period prior to the date of exercise as is necessary to avoid adverse accounting treatment to the Corporation, or (ii) any other method acceptable to the Committee, including without limitation, the withholding of shares receivable upon settlement of the option in payment of the exercise price. If Common Stock is used to pay all or part of the exercise price, the sum of the cash or cash equivalent and the Fair Market Value (determined as of the date of exercise) of the shares surrendered must not be less than the Option price of the shares for which the Option is being exercised.

I. Stockholder Rights. No Participant shall have any rights as a stockholder with respect to shares subject to an Option until the date of exercise of such Option and the certificate for shares of Common Stock to be received on exercise of such Option has been issued by the Corporation.

J. Disposition and Stock Certificate Legends for Incentive Stock Option Shares. A Participant shall notify the Corporation of any sale or other disposition of Common Stock acquired pursuant to an Incentive Stock Option if such sale or disposition occurs (i) within two years of the grant of an Option or (ii) within one year of the issuance of the Common Stock to the Participant. Such notice shall be in writing and directed to the Chief Financial Officer of the Corporation or is his/her absence, the Chief Executive Officer. The Corporation may require that certificates evidencing shares of Common Stock purchased upon the exercise of Incentive Stock Option issued under this Plan be endorsed with a legend in substantially the following form:

THE SHARES EVIDENCED BY THIS CERTIFICATE MAY NOT BE SOLD OR TRANSFERRED PRIOR TO \_\_\_, 20\_\_\_, IN THE ABSENCE OF A WRITTEN STATEMENT FROM THE CORPORATION TO THE EFFECT THAT THE CORPORATION IS AWARE OF THE FACTS OF SUCH SALE OR TRANSFER.

The blank contained in this legend shall be filled in with the date that is the later of (i) one year and one day after the date of the exercise of such Incentive Stock Option or (ii) two years and one day after the grant of such Incentive Stock Option.

K. No Repricing. In no event shall the Committee permit a Repricing of any Option without the approval of the stockholders of the Corporation.

## 7. Stock Awards

A. Stock Bonus Awards. Each Stock Award Agreement for a Stock Bonus Award shall be in such form and shall contain such terms and conditions (including provisions relating to consideration, vesting, reacquisition of shares following termination, and transferability of shares) as the Committee shall deem appropriate. The terms and conditions of Stock Award Agreements for Stock Bonus Awards may change from time to time, and the terms and conditions of separate Stock Bonus Awards need not be identical.

B. Restricted Stock Awards. Each Stock Award Agreement for a Restricted Stock Award shall be in such form and shall contain such terms and conditions (including provisions relating to purchase price, consideration, vesting, reacquisition of shares following termination, and transferability of shares) as the Committee shall deem appropriate. The terms and conditions of the Stock Award Agreements for Restricted Stock Awards may change from time to time, and the terms and conditions of separate Restricted Stock Awards need not be identical. Vesting of (or forfeiture of) any grant of Restricted Stock Awards may be further conditioned upon the attainment of Performance Objectives established by the Committee in accordance with the applicable provisions of Section 8 of this Plan regarding Performance Shares.

C. Stock Appreciation Rights. Each Stock Award Agreement for Stock Appreciation Rights shall be in such form and shall contain such terms and conditions (including provisions relating to vesting, reacquisition of shares following termination, and transferability of shares) as the Committee shall deem appropriate. The terms and conditions of Stock Appreciation Rights may change from time to time, and the terms and conditions of separate Stock Appreciation Rights need not be identical. No Stock Appreciation Right shall be exercisable after the expiration of seven (7) years from the date such Stock Appreciation Right is granted. The base price per share for each share of Common Stock covered by an Award of Stock Appreciation Rights shall not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date of grant. In no event shall the Committee permit a Repricing of any Stock Appreciation Right without the approval of the stockholders of the Corporation.

D. Deferred Shares. The Committee may authorize grants of Deferred Shares to Participants upon such terms and conditions as the Committee may determine in accordance with the following provisions:

- (i) Each grant shall constitute the agreement by the Corporation to issue or transfer shares of Common Stock to the Participant in the future in consideration of the performance of services, subject to the fulfillment during the Deferral Period of such conditions as the Committee may specify.

(ii) Each grant may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Fair Market Value on the date of grant.

(iii) Each grant shall provide that the Deferred Shares covered thereby shall be subject to a Deferral Period, which shall be fixed by the Committee on the date of grant, and any grant or sale may provide for the earlier termination of such period in the event of a change in control of the Corporation or other similar transaction or event.

(iv) During the Deferral Period, the Participant shall not have any right to transfer any rights under the subject Award, shall not have any rights of ownership in the Deferred Shares and shall not have any right to vote such shares, but the Committee may on or after the date of grant, authorize the payment of dividend or other distribution equivalents on such shares in cash or additional shares on a current, deferred or contingent basis.

(v) Any grant of the vesting thereof may be further conditioned upon the attainment of Performance Objectives established by the Committee in accordance with the applicable provisions of Section 8 of this Plan regarding Performance Shares.

(vi) Each grant shall be evidenced by an agreement delivered to and accepted by the Participant and containing such terms and provisions as the Committee may determine consistent with this Plan.

## **8. Performance Shares**

A. The Committee may authorize grants of Performance Shares, which shall become payable to the Participant upon the achievement of specified Performance Objectives, upon such terms and conditions as the Committee may determine in accordance with the following provisions:

(i) Each grant shall specify the number of Performance Shares to which it pertains, which may be subject to adjustment to reflect changes in compensation or other factors.

(ii) The Performance Period with respect to each Performance Share shall commence on the date established by the Committee and may be subject to earlier termination in the event of a change in control of the Corporation or similar transaction or event.

(iii) Each grant shall specify the Performance Objectives that are to be achieved by the Participant.

(iv) Each grant may specify in respect of the specified Performance Objectives a minimum acceptable level of achievement below which no payment will be made and may set forth a formula for determining the amount of any payment to be made if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified Performance Objectives.

(v) Each grant shall specify the time and manner of payment of Performance Shares that shall have been earned, and any grant may specify that any such amount may be paid by the Corporation in cash, shares of Common Stock or any combination thereof and may either grant to the Participant or reserve to the Committee the right to elect among those alternatives.

(vi) Any grant of Performance Shares may specify that the amount payable with respect thereto may not exceed a maximum specified by the Committee on the date of grant.

(vii) Any grant of Performance Shares may provide for the payment to the Participant of dividend or other distribution equivalents thereon in cash or additional shares of Common Stock on a current, deferred or contingent basis.

(viii) If provided in the terms of the grant and subject to the requirements of Section 162(m) of the Code (in the case of Awards intended to qualify for exception therefrom), the Committee may adjust Performance Objectives and the related minimum acceptable level of achievement if, in the sole judgment of the Committee, events or transactions have occurred after the date of grant that are unrelated to the performance of the Participant and result in distortion of the Performance Objectives or the related minimum acceptable level of achievement.

(ix) Each grant shall be evidenced by an agreement that shall be delivered to and accepted by the Participant, which shall state that the Performance Shares are subject to all of the terms and conditions of this Plan and such other terms and provisions as the Committee may determine consistent with this Plan.

## **9. Changes in Capital Structure**

A. No Limitations of Rights. The existence of outstanding Awards shall not affect in any way the right or power of the Corporation or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation's capital structure or its business, or any merger or consolidation of the Corporation, or any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Corporation, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

B. Changes in Capitalization. If the Corporation shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Common Stock outstanding, without receiving consideration therefore in money, services or property, then (i) the number, class, and per share price of shares of Common Stock subject to outstanding Options and other Awards hereunder and (ii) the number and class of shares then reserved for issuance under this Plan and the maximum number of shares for which Awards may be granted to a Participant during a specified time period shall be appropriately and proportionately adjusted. The conversion of convertible securities of the Corporation shall not be treated as effected "without receiving consideration." The Committee shall make such adjustments, and its determinations shall be final, binding and conclusive.

C. Merger, Consolidation or Asset Sale. If the Corporation is merged or consolidated with another entity or sells or otherwise disposes of substantially all of its assets to another company while Options or Stock Awards remain outstanding under this Plan, unless provisions are made in connection with such transaction for the continuance of this Plan and/or the assumption or substitution of such Options or Stock Awards with new options or stock awards covering the stock of the successor company, or parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices, then all outstanding Options and Stock Awards which have not been continued, assumed or for which a substituted award has not been granted shall, whether or not vested or then exercisable, unless otherwise specified in the Stock Option Agreement or Stock Award Agreement, terminate immediately as of the effective date of any such merger, consolidation or sale.

D. Limitation on Adjustment. Except as previously expressly provided, neither the issuance by the Corporation of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Corporation convertible into such shares or other securities, nor the increase or decrease of the number of authorized shares of stock, nor the addition or deletion of classes of stock, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, class or price of shares of Common Stock then subject to outstanding Options or Stock Awards.

#### **10. Withholding of Taxes**

The Corporation or an Affiliate shall have the right, before any certificate for any Common Stock is delivered, to deduct or withhold from any payment owed to a Participant any amount that is necessary in order to satisfy any withholding requirement that the Corporation or Affiliate in good faith believes is imposed upon it in connection with U.S. federal, state, or local taxes, including transfer taxes, as a result of the issuance of, or lapse of restrictions on, such Common Stock, or otherwise require such Participant to make provision for payment of any such withholding amount. Subject to such conditions as may be established by the Committee, the Committee may permit a Participant to (i) have Common Stock otherwise issuable under an Option or Stock Award withheld to the extent necessary to comply with minimum statutory withholding rate requirements, (ii) tender back to the Corporation shares of Common Stock received pursuant to an Option or Stock Award to the extent necessary to comply with minimum statutory withholding rate requirements for supplemental income, (iii) deliver to the Corporation previously acquired Common Stock, (iv) have funds withheld from payments of wages, salary or other cash compensation due the Participant, (v) pay the Corporation or its Affiliate in cash, in order to satisfy part or all of the obligations for any taxes required to be withheld or otherwise deducted and paid by the Corporation or its Affiliate with respect to the Option or Stock Award; or (vi) establish a 10b5-1 trading plan for withheld stock designed to facilitate the sale of stock in connection with the vesting of such shares, the proceeds of which shall be utilized to make all applicable withholding payments in a manner to be coordinated by the Corporation's Chief Financial Officer.

#### **11. Compliance with Law and Approval of Regulatory Bodies**

A. General Requirements. No Option or Stock Award shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Corporation is a party, and the rules of all domestic stock exchanges or quotation systems on which the Corporation's shares may be listed. The Corporation shall have the right to rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock when a Stock Award is granted or for which an Option or Stock Award is exercised may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option or Stock Award shall be exercisable, no Stock Award shall be granted, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Corporation has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

B. Participant Representations. The Committee may require that a Participant, as a condition to receipt or exercise of a particular award, execute and deliver to the Corporation a written statement, in form satisfactory to the Committee, in which the Participant represents and warrants that the shares are being acquired for such person's own account, for investment only and not with a view to the resale or distribution thereof. The Participant shall, at the request of the Committee, be required to represent and warrant in writing that any subsequent resale or distribution of shares of Common Stock by the Participant shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act of 1933, which registration statement has become effective and is current with regard to the shares being sold, or (ii) a specific exemption from the registration requirements of the Securities Act of 1933, but in claiming such exemption the Participant shall, prior to any offer of sale or sale of such shares, obtain a prior favorable written opinion of counsel, in form and substance satisfactory to counsel for the Corporation, as to the application of such exemption thereto.

## 12. General Provisions

A. Effect on Employment and Service. Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall (i) confer upon any individual any right to continue in the employ or service of the Corporation or an Affiliate, (ii) in any way affect any right and power of the Corporation or an Affiliate to change an individual's duties or terminate the employment or service of any individual at any time with or without assigning a reason therefor or (iii) except to the extent the Committee grants an Option or Stock Award to such individual, confer on any individual the right to participate in the benefits of this Plan.

B. Use of Proceeds. The proceeds received by the Corporation from the sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.

C. Unfunded Plan. This Plan, insofar as it provides for grants, shall be unfunded, and the Corporation shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Corporation to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Corporation shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Corporation.

D. Rules of Construction. Headings are given to the Sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

E. Choice of Law. This Plan and all Stock Option Agreements and Stock Award Agreements entered into under this Plan shall be interpreted under the Corporation Law excluding (to the greatest extent permissible by law) any rule of law that would cause the application of the laws of any jurisdiction other than the Corporation Law.

F. Fractional Shares. The Corporation shall not be required to issue fractional shares pursuant to this Plan. The Committee may provide for elimination of fractional shares or the settlement of such fraction shares in cash.

G. Foreign Employees. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for Awards to Participants who are foreign nationals, or who are employed by the Corporation or any Affiliate outside of the United States, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan, as then in effect, unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Corporation.

### 13. Amendment and Termination

The Board may amend or terminate this Plan from time to time; provided, however, stockholder approval shall be required for any amendment that (i) increases the aggregate number of shares of Common Stock that may be issued under this Plan, except as contemplated by Section 5.A or Section 9.B; (ii) changes the class of employees eligible to receive Incentive Stock Options; (iii) modifies the restrictions on Repricings set forth in this Plan; or (iv) is required by the terms of any applicable law, regulation or rule, including the rules of any market on which the Corporation shares are traded or exchange on which the Corporation shares are listed. Except as specifically permitted by this Plan, Stock Option Agreement or Stock Award Agreement or as required to comply with applicable law, regulation or rule, no amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any Option or Stock Award outstanding at the time such amendment is made; provided, however, that an amendment that may cause an Incentive Stock Option to become a Nonqualified Stock Option shall not be treated as adversely affecting the rights of the Participant. Any amendment requiring stockholder approval shall be approved by the stockholders of the Corporation within twelve (12) months of the date such amendment is adopted by the Board.

### 14. Effective Date of Plan; Duration of Plan

A. This Plan shall be effective upon adoption by the Board, subject to approval within twelve (12) months by the stockholders of the Corporation. In the event that the stockholders of the Corporation shall not approve this Plan within such twelve (12) month period, this Plan shall terminate. Unless and until the Plan has been approved by the stockholders of the Corporation, no Option or Stock Award may be exercised, and no shares of Common Stock may be issued under the Plan. In the event that the stockholders of the Corporation shall not approve the Plan within such twelve (12) month period, the Plan and any previously granted Options or Stock Awards shall terminate.

B. Unless previously terminated, this Plan will terminate ten (10) years after the earlier of (i) the date this Plan is adopted by the Board, or (ii) the date this Plan is approved by the stockholders, except that Awards that are granted under this Plan prior to its termination will continue to be administered under the terms of this Plan until the Awards terminate or are exercised.

**IN WITNESS WHEREOF**, the Corporation has caused this Plan to be executed by a duly authorized officer as of the date of adoption of this Plan by the Board of Directors.

NXT-ID, INC.

By:

\_\_\_\_\_  
Gino Pereira  
Chief Executive Officer

NXT-ID, INC.

**STOCK OPTION AGREEMENT**

Unless the context clearly indicates otherwise, capitalized terms used in this Agreement shall have the meanings assigned to such terms in the Company's Long-term Incentive Plan of 2013.

WHEREAS, the Board of Directors of the Company has adopted the Plan for the purpose of attracting and retaining the services of selected key employees (including officers and directors), non-employee members of the Board and consultants and other independent contractors who contribute to the financial success of the Company; and

WHEREAS, Participant is an individual who is to render valuable services to the Company, and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Company's grant of a stock option to Participant;

NOW, THEREFORE, it is agreed as follows:

1. Provisions of Plan Binding. This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the express terms and provisions of the Plan, which are incorporated herein by reference.

2. Grant of Option. Subject to and upon the terms and conditions set forth in this Agreement and the Plan, the Company hereby grants to Participant, as of the Grant Date, a stock option to purchase up to that number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term and at the Option Price per share specified in the Grant Notice.

3. Option Term. This Option shall expire at the close of business on the Expiration Date specified in the Grant Notice, unless sooner terminated in accordance with Section 6 or 18 hereof or any applicable provision of the Plan; provided, in no event shall this option have a maximum term in excess of ten (10) years measured from the Grant Date.

4. Nontransferability. This Option shall be neither transferable nor assignable by Participant other than by will or by the laws of descent and distribution following the Participant's death and may be exercised, during Participant's lifetime, only by Participant.

5. Dates of Exercise. This Option may not be exercised in whole or in part at any time prior to the time the Plan or any increases in shares reserved under the Plan is approved by the Company's shareholders. Provided such shareholder approval is obtained, this Option shall thereupon become exercisable for the Option Shares as specified in the Grant Notice. If the Option becomes exercisable in installments, such installments shall accumulate and the Option shall remain exercisable for such installments until the Expiration Date or the sooner termination of the Option term under Section 6 of this Agreement or any applicable provision of the Plan.



6. Accelerated Termination of Option Term. The Option term specified in Section 3 above shall terminate (and this Option shall cease to be exercisable) prior to the Expiration Date should any of the following provisions become applicable:

(a) Except as otherwise provided in subsection (b) or (c) below, should Participant cease to remain in Service while this Option is outstanding, then the period for exercising this Option shall be reduced to a [three (3)-month] period commencing with the date of such cessation of Service, but in no event shall this Option be exercisable at any time after the Expiration Date. Upon the expiration of such [three (3)-month] period or (if earlier) upon the Expiration Date, this Option shall terminate and cease to be outstanding.

(b) Should Participant die while this Option is outstanding, then the personal representative of the Participant's estate or the person or persons to whom the option is transferred pursuant to the Participant's will or in accordance with the law of descent and distribution shall have the right to exercise this Option. Such right shall lapse, and this Option shall cease to be exercisable, upon the earlier of (i) the expiration of the twelve (12) month period measured from the date of Participant's death or (ii) the Expiration Date. Upon the expiration of such twelve (12) month period or (if earlier) upon the Expiration Date, this Option shall terminate and cease to be outstanding.

(c) Should Participant become Permanently Disabled and cease by reason thereof to remain in Service while this Option is outstanding, then the Participant shall have a period of twelve (12) months (commencing with the date of such cessation of Service) during which to exercise this Option, but in no event shall this Option be exercisable at any time after the Expiration Date. Upon the expiration of such limited period of exercisability or (if earlier) upon the Expiration Date, this Option shall terminate and cease to be outstanding.

(d) During the limited period of exercisability applicable under subsections (a), (b) or (c) above, this option may be exercised for any or all of the Option Shares in which the Participant, at the time of cessation of Service, is vested in accordance with the exercise/vesting provisions specified in the Grant Notice or the special acceleration provisions of the Plan.

(e) Notwithstanding any provision of this Section 6 or any other provision of this Agreement or the Plan to the contrary, any Options granted under the Plan shall terminate as of the date Participant ceases to be in the Service of the Company if Participant was terminated for "cause" or could have been terminated for "cause." If Participant has an employment or consulting agreement with the Company, the term "cause" shall have the meaning given that term in the employment or consulting agreement. If Participant does not have such an agreement with the Company, or if such agreement does not define the term "cause," the term "cause" shall have the meaning set forth in Section 6(a) of the Plan.

7. Adjustment in Option Shares.

(a) In the event any change is made to the Company's outstanding Common Stock by reason of any stock split, stock dividend, combination of shares, exchange of shares, or other change affecting the outstanding Common Stock as a class without receipt of consideration, then appropriate adjustments shall be made to the total number of Option Shares subject to this option and the Option Price payable per share in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.

(b) If pursuant to the terms of the Plan, this option is to be assumed or is otherwise to remain outstanding after a Corporate Transaction, then this option shall be appropriately adjusted to apply and pertain to the number and class of securities that would have been issuable to the Participant in the consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction, and appropriate adjustments shall also be made to the Option Price payable per share, provided the aggregate Option Price payable hereunder shall remain the same.

8. Privilege of Stock Ownership. The holder of this option shall not have any of the rights of a shareholder with respect to the Option Shares until such individual shall have exercised the option and paid the Option Price.

9. Manner of Exercising Option.

(a) The Options will be exercisable by notice (an "Exercise Notice") and payment to the Company in accordance with the procedure prescribed herein; provided, that the aggregate Exercise Price with respect to any one such exercise will not be less than \$[5,000], unless the exercise represents an exercise of all Options that are vested and exercisable as of the date of the exercise. If the Employee fails to accept delivery of and pay for all or any part of the number of shares specified in the Exercise Notice upon tender or delivery thereof, the Employee's right to exercise the Options with respect to the undelivered shares may be terminated in the sole discretion of the Company's Compensation Committee.

(b) Each Exercise Notice will (1) state the number of shares in respect of which Options are being exercised, (2) be accompanied by payment as provided in paragraph (c) below and (3) be signed by the person or persons entitled to exercise the Options. If Options are being exercised by any person or persons other than the Employee, the Exercise Notice will be accompanied by proof, satisfactory to the Company and its counsel, of the right of the person or persons to exercise the Options.

(c) Payment of the Exercise Price will be made by delivering to the Company any one or a combination of (1) a certified or bank cashier's check payable to the Company or its order or a wire transfer directly to an account specified by the Company, (2) one or more certificates evidencing shares of Common Stock owned by the Employee immediately prior to the exercise, together with a duly executed stock power, having an aggregate Fair Market Value (defined below) on the date on which the Exercise Notice is given equal to the aggregate Exercise Price or (3) a copy of irrevocable instructions to a registered broker/dealer to deliver promptly to the Company an amount of proceeds from the sale of shares of Common Stock to be issued pursuant to the Options being exercised or of a loan being made by such broker-dealer with respect to shares of Common Stock to be issued pursuant to the Options being exercised sufficient, in either case, to pay the Exercise Price.

(d) The certificate or certificates representing shares of Common Stock to be issued upon exercise of the Options will be registered in the name of the person or persons exercising the Options, or, if the Options are exercised by the Employee and the Employee so requests in the applicable Exercise Notice, in the name of the Employee and the Employee's spouse, jointly, with right of survivorship. The certificate or certificates will be delivered within 10 days after receipt of payment and compliance by the Employee; provided, that in the case of clause (3) of the first sentence of Section 9(c), the Company will not make delivery of the certificate or certificates until payment is actually received from the broker/dealer.

(e) The Company will have no obligation to issue or deliver fractional shares of Common Stock upon exercise of the Options but may, in its sole discretion, elect to do so. In lieu of issuing any fractional share, the Company will pay to the person exercising the Options, promptly following exercise, an amount in cash equal to the Fair Market Value of the fraction of a share as of the date of exercise. "Fair Market Value" as of any date means (1) the closing sales price per share of Common Stock on the national securities exchange on which the stock is principally traded, on the next preceding date on which there was a sale of the stock on the exchange, (2) if the shares of Common Stock are not listed or admitted to trading on any exchange, the closing price as reported by the Nasdaq Stock Market for the last preceding date on which there was a sale of the stock on that market, (3) if the shares of Common Stock are not then listed on a national securities exchange or on the Nasdaq Stock Market, the average of the highest reported bid and lowest reported asked prices for the shares of Common Stock as reported by the National Association of Securities Dealers, Inc. Automated Quotations ("NASDAQ") system for the last preceding date on which the bid and asked prices were reported or (4) if the shares of Common Stock are not then listed on any securities exchange or prices therefor are not then quoted in the NASDAQ system, the value determined in good faith by the Company's Compensation Committee.

(f) Should the Company's outstanding common stock be registered under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), at the time the option is exercised, then the Option Price may also be paid as specified in Section 9(c)(3) of this Agreement.

**10. REPURCHASE RIGHTS. THE GRANT NOTICE MAY GRANT THE COMPANY THE RIGHT TO REPURCHASE ANY SHARES ACQUIRED UNDER THIS OPTION, WHICH RIGHT SHALL LAPSE OVER TIME BASED UPON THE PARTICIPANT'S LENGTH OF SERVICE TO THE COMPANY.**

**11. Compliance with Laws and Regulations.**

(a) The exercise of this option and the issuance of Option Shares upon such exercise shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state law relating thereto (and with all applicable regulations of any stock exchange or market on which shares of the Company's Common Stock may be listed at the time of such exercise and issuance).

(b) In connection with the exercise of this option, Participant shall execute and deliver to the Company such representations in writing as may be requested by the Company in order for it to comply with the applicable requirements of federal and state securities laws.

**12. Successors and Assigns.** Except to the extent otherwise provided in Section 4 above, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Participant and the successors and assigns of the Company.

**13. Liability of Company.**

(a) If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock that may be issued under the Plan without shareholder approval, then this option shall be void with respect to such excess shares, unless shareholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the applicable provisions of the Plan.

(b) The inability of the Company to obtain approval from any regulatory body having authority the Company deems necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Company of any liability with respect to the nonissuance or sale of the Common Stock as to which such approval shall not have been obtained. The Company shall use its best efforts to obtain all such approvals.

14. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company in care of the corporate secretary at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to Participant at the address indicated below Participant's signature line on the Grant Notice, or at such other address as the Participant shall have furnished the Company in writing at least ten (10) days in advance of its effective date. All notices shall be deemed to have been given or delivered upon personal delivery or forty-eight hours after deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

15. Reserved.

16. Authority of Plan Administrator. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

17. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without resort to its choice of law rules.

18. Additional Terms Applicable to an Incentive Stock Option. In the event this option is designated an incentive stock option in the Grant Notice, the following terms and conditions shall also apply to the grant:

(a) This option shall cease to qualify for favorable tax treatment as an incentive stock option under the federal tax laws if (and to the extent) this option is exercised for one or more Option Shares: (i) more than three (3) months after the date the Participant ceases to be an Employee for any reason other than death or Permanent Disability or (ii) more than one (1) year after the date the Participant ceases to be an Employee by reason of Permanent Disability.

(b) In the event this option is designated as immediately exercisable in the Grant Notice, then except in the event of a Corporate Transaction, this option shall not become exercisable in the calendar year in which granted if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option would otherwise first become exercisable in such calendar year, when added to the aggregate Fair Market Value (determined as of the respective date or dates of grant) of the Common Stock for which one or more other post-1986 incentive stock options granted to the Participant prior to the Grant Date (whether under the Plan or any other option plan of the Company or any Parent or Subsidiary corporations) first become exercisable during the same calendar year, would exceed one hundred thousand dollars (\$100,000). To the extent the exercisability of this option is deferred by reason of the foregoing limitation, the deferred portion first will become exercisable in the first calendar year or years thereafter in which the one hundred thousand dollar (\$100,000) limitation of this Section 18(b) would not be contravened.

(c) In the event this option is designated as an installment option in the Grant Notice, no installment under this option shall qualify for favorable tax treatment as an incentive stock option under the federal tax laws if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which such installment first becomes exercisable hereunder, when added to the aggregate Fair Market Value (determined as of the respective date or dates of grant) of the Common Stock for which this option or one or more other post-1986 incentive stock options granted to the Participant prior to the Grant Date (whether under the Plan or any other option plan of the Company or any Parent or Subsidiary corporations) first become exercisable during the same calendar year, would exceed one hundred thousand dollars (\$100,000).

(d) Should the exercisability of this option be accelerated upon a Corporate Transaction, then this option shall qualify for favorable tax treatment as an incentive stock option under the federal tax laws only to the extent the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option first becomes exercisable in the calendar year in which the Corporate Transaction occurs does not, when added to the aggregate Fair Market Value (determined as of the respective date or dates of grant) of the Common Stock for which this option or one or more other post-1986 incentive stock options granted to the Participant prior to the Grant Date (whether under the Plan or any other option plan of the Company or any Parent or Subsidiary corporations) first become exercisable during the same calendar year, exceed one hundred thousand dollars (\$100,000).

(e) To the extent this option should fail to qualify as an incentive stock option under the federal tax laws, the Participant will recognize compensation income in connection with the acquisition of one or more Option Shares hereunder, and the Participant must make appropriate arrangements for the satisfaction of all federal, state or local income tax withholding requirements and federal Social Security employee tax requirements applicable to such compensation income.

19. Additional Terms Applicable to a Non-Statutory Stock Option. In the event this option is designated a non-statutory stock option in the Grant Notice, and whether or not the Participant exercises the option through the Company, Participant hereby agrees to make appropriate arrangements with the Company for the satisfaction of all federal, state or local income tax withholding requirements and federal Social Security employee tax requirements applicable to the exercise of this option.

20. Definitions. The following definitions shall apply to the respective capitalized terms used herein:

Board means the Board of Directors of Nxt-Id, Inc.

Code means the Internal Revenue Code of 1986, as amended.

Common Stock means the Common Stock of Nxt-Id, Inc.

Company means Nxt-Id, Inc., a Delaware corporation.

Corporate Transaction means one or more of the following transactions: (i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state of the Company's incorporation, (ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company, (iii) any reverse merger in which the Company is the surviving entity but in which fifty percent (50%) or more of the Company's outstanding voting stock is transferred to holders different from those who held the stock immediately prior to such merger, or (iv) the acquisition of fifty percent (50%) or more of the Company's outstanding voting stock by a person or group of related persons other than the Company, a person that directly or indirectly controls, is controlled by or is under common control with the Company, or any existing shareholder of the Company as of the date of the adoption of the Plan by such shareholders.

Employee means an individual who is in the employ of the Company or any Parent or Subsidiary corporation. An Participant shall be considered to be an Employee for so long as such individual remains in the employ of the Company or any Parent or Subsidiary corporation, subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance or rendering consulting services.

Exercise Date shall be date on which the executed Purchase Agreement for one or more Option Shares is delivered to the Company in accordance with Section 9 of this Agreement.

Expiration Date means the date specified in the Grant Notice as the date on which the option shall terminate (unless sooner terminated under the Plan or pursuant hereto).

Fair Market Value of a share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(a) If the Common Stock is at the time neither listed nor admitted to trading on any stock exchange nor traded in the over-the-counter market, or if the Plan Administrator otherwise determines that the valuation provisions of subsections (b) and (c) below will not result in a true and accurate valuation of the Common Stock, then the Fair Market Value shall be determined by the Plan Administrator after taking into account such factors as the Plan Administrator shall deem appropriate under the circumstances.

(b) If the Common Stock is not at the time listed or admitted to trading on any stock exchange but is traded in the over-the-counter market, the Fair Market Value shall be the mean between the highest bid and the lowest asked prices (or if such information is available the closing selling price) per share of Common Stock on the date in question in the over-the-counter market, as such prices are reported by the National Association of Securities Dealers through its NASDAQ National Market System or any successor system. If there are no reported bid and asked prices (or closing selling price) for the Common Stock on the date in question, then the mean between the highest bid and lowest asked prices (or closing selling price) on the last preceding date for which such quotations exist shall be determinative of Fair Market Value.

(c) If the Common Stock is at the time listed or admitted to trading on any stock exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the stock exchange determined by the Plan Administrator to be the primary market for the Common Stock. If there is no reported sale of Common Stock on such exchange on the date in question, then the Fair Market Value shall be the closing selling price on the exchange on the last preceding date for which such quotation exists.

Grant Date means the date specified in the Grant Notice as the date on which the option was granted to the Participant under the Plan.

Grant Notice means the Notice of Grant of Stock Option which accompanies this Agreement.

Incentive Stock Option means an incentive stock option which satisfies the requirements of Section 422 of the Code.

Non-Statutory Stock Option means an option not intended to meet the statutory requirements prescribed for an Incentive Stock Option.

Option Shares means the total number of shares of Common Stock indicated in the Grant Notice as purchasable under this option.

Participant means the individual identified in the Grant Notice as the person to whom this option has been granted under the Plan.

Option Price means the price indicated in the Grant Notice as the exercise price per share to be paid by the Participant for the exercise of this option.

Parent corporation means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, provided each such corporation in the unbroken chain (other than the Company) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Permanently Disabled or Permanent Disability means the inability of an individual to engage in any substantial gainful activity by reason of any medically-determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months.

Plan means the 2013 Long-term Incentive Plan.

Plan Administrator means either the Board or a committee of one or more Board members, to the extent such committee may at the time be responsible for plan administration.

Purchase Agreement means the stock purchase agreement, in substantially the form of the exhibit to the Grant Notice, which is to be executed in connection with the exercise of this option for one or more Option Shares.

Service means the performance of services for the Company or any Parent or Subsidiary corporation by an individual in the capacity of an Employee, a non-employee member of the board of directors or an independent consultant or advisor. Accordingly, the Participant shall be deemed to remain in Service for so long as such individual renders services to the Company or any Parent or Subsidiary corporation on a periodic basis in the capacity of an Employee, a non-employee member of the board of directors or an independent consultant or advisor.

Subsidiary corporation means each corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, provided each such corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing more than fifty percent (50%) of the total combined voting power of all classes of stock in one of the other corporations in such chain.

\_\_\_\_\_  
Date

**NXT-ID, INC.**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_  
Participant

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Participant's Spouse

Address: \_\_\_\_\_  
\_\_\_\_\_



**NXT-ID, INC.**

2013 Long Term Incentive Plan

**RESTRICTED STOCK AWARD AGREEMENT**

THIS AGREEMENT is made as of this \_\_\_ day of \_\_\_\_\_, by and between Nxt-ID, Inc., a Delaware corporation (the “Company”), and [\_\_\_\_\_]  
 (“Participant”).

The Company, pursuant to its 2013 Long Term Incentive Plan (the “Plan”), hereby grants the following stock award to Participant, which award shall have the terms and conditions set forth in this Agreement:

**1. Award**

The Company, effective as of the date of this Agreement, hereby grants to Participant a restricted stock award of [\_\_\_\_\_] shares (the “Shares”) of common stock, par value \$0.0001 per share, of the Company (the “Common Stock”), subject to the terms and conditions set forth herein.

**2. Vesting**

Subject to the terms and conditions of this Agreement, the Shares shall vest in Participant as follows: the Shares shall vest ratably over a three-year period, with one-third of the Shares (-----) vesting on December 31, 200X; one-third of the Shares (-----) vesting on December 31, 200Y, and the balance or (-----) of the Shares vesting on December 31, 200Z, if, and only if, Participant remains continuously employed by the Company from the date hereof until each respective vesting date, and subject to the forfeiture provisions below. Vesting of the Shares shall be accelerated to an earlier date only under the following conditions:

- (a) in the event of a Change in Control of Company (as defined in the attached Exhibit A), and provided that Participant remains continuously in the service of or employed the Company until the effective date of such Change in Control, all unvested Shares granted under this Agreement shall become immediately vested on the effective date of the Change in Control;
- (b) in the event that Participant’s employment by or service provision for the Company is terminated because Participant becomes in the service of a new owner of any business of the Company pursuant to a Change in Control event, and provided that Participant remains continuously employed by or in the service of the Company until the date of closing of the Change in Control event, all unvested Shares granted under this Agreement shall become immediately vested as of the last date of Participant’s service to or employment by the Company; or
- (c) in the event that Participant’s service to the Company is involuntarily terminated by the Company without cause within one year following a Change in Control Event, and provided that Participant remains continuously in the service of the Company until the date of such involuntary termination, all unvested Shares granted under this Agreement shall become immediately vested as of the last date of Participant’s employment with or service for the Company.

- (d) in the event that the Participant's employment with or service to the Company terminates because of death or Disability or at the request of the Chief Executive Officer of the Company (other than for Cause) or of a U.S. government agency, all the Shares issuable under this award will vest on such termination. Except to the extent provided in the preceding sentence or unless specifically provided in this Agreement or in a side letter thereto, this award will not vest upon the Participant's retirement. On the Vesting Date (or promptly thereafter), the Company will deliver to the Participant a certificate representing the Shares which have vested on such date. For purposes of this Agreement, the term "Disability" shall be defined as any condition which shall render the Participant incapable of fulfilling his or her obligations hereunder because of injury or physical or mental illness, and such incapacity shall exist or reasonably may be expected, upon the competent medical opinion of a doctor chosen by the Company, for a period exceeding 60 consecutive days or 120 nonconsecutive days within a six-month period.

### **3. Restriction on Transfer**

Until the Shares vest pursuant to Section 2 hereof, none of the Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered, and no attempt to transfer the Shares, whether voluntary or involuntary, by operation of law or otherwise, shall vest the transferee with any interest or right in or with respect to the Shares.

### **4. Forfeiture**

If Participant ceases to be an employee of or otherwise providing services to the Company or any majority-owned affiliate of the Company for any reason prior to the vesting of the Shares pursuant to Section 2 hereof, Participant's rights to the unvested portion of the Shares shall be immediately and irrevocably forfeited.

### **5. Issuance and Custody of Certificate**

- (a) The Company shall cause to be issued one or more stock certificates, registered in the name of Participant, evidencing the Shares. Each such certificate (except for certificates in respect of shares to be sold for taxes) shall bear the following legend:

"The shares of common stock represented by this certificate are subject to forfeiture, and the transferability of this certificate and the shares of stock represented hereby are subject to the restrictions, terms and conditions (including restrictions against transfer) contained in the 2013 Long Term Incentive Plan (the "Plan") and a Restricted Stock Award Agreement (the "Agreement") entered into between Nxt-ID, Inc. and the registered owner of such shares. Copies of the Plan and the Agreement are on file in the office of the Secretary of Nxt-ID, Inc., [\_\_\_\_\_]."

- (b) Participant shall execute stock powers relating to the Shares and deliver the same to the Company. Company shall use such stock powers only for the purpose of canceling any unvested Shares that are forfeited.
- (c) Each certificate issued pursuant to Section 5(a) hereof, together with the stock powers relating to the Shares, shall be deposited by the Company with the Secretary of the Company or a custodian designated by the Secretary. The Secretary or such custodian shall issue a receipt to Participant evidencing the certificate or certificates held which are registered in the name of Participant.
- (d) After any Shares vest pursuant to Section 2 hereof, the Company shall promptly cause to be issued a certificate or certificates evidencing such vested Shares, free of the legend provided in section 5(a) hereof, and shall cause such certificate or certificates to be delivered to Participant or Participant's legal representatives, beneficiaries or heirs.

## 6. Distributions and Adjustments

- (a) If all or any portion of the Shares vest in Participant subsequent to any change in the number or character of Shares of Common Stock (through stock dividend, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Shares of Common Stock or other securities of the Company or other similar corporate transaction or event affecting the Shares such that an adjustment is determined by the Compensation Committee of the Board of Directors (the "Committee") to be appropriate in order to prevent dilution or enlargement of the interest represented by the Shares), Participant shall then receive upon such vesting the number and type of securities or other consideration which he would have received if the Shares had vested prior to the event changing the number or character of outstanding Shares of Common Stock.
- (b) Any additional Shares of Common Stock, any other securities of the Company and any other property (except for cash dividends) distributed with respect to the Shares prior to the date the Shares vest shall be subject to the same restrictions, terms and conditions as the Shares. Any cash dividends payable with respect to the Shares shall be distributed to Participant at the same time cash dividends are distributed to shareholders of the Company generally.
- (c) Any additional Shares of Common Stock, any securities and any other property (except for cash dividends) distributed with respect to the Shares prior to the date such Shares vest shall be promptly deposited with the Secretary or the custodian designated by the Secretary to be held in custody in accordance with Section 5(c) hereof.

## 7. Taxes

- (a) In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it in connection with this restricted stock award, and in order to comply with all applicable federal or state tax laws or regulations, the Company may take such action as it deems appropriate to assure that, if necessary, all applicable federal or state income and social security taxes are withheld or collected from Participant, including through means of grossing up the grant to so provide for the collection of such taxes.
- (b) Participant may elect to satisfy his federal and state income tax withholding obligations in connection with this restricted stock award by (i) having the Company withhold a portion of the shares of Common Stock otherwise to be delivered upon vesting of this restricted stock award having a fair market value equal to the amount of federal and state income taxes required to be withheld in connection with this restricted stock award, in accordance with the rules of the Committee, or (ii) delivering to the Company shares of Common Stock other than the shares to be delivered upon vesting of this restricted stock award having a fair market value equal to such taxes, in accordance with the rules of the Committee.
- (c) Notwithstanding clause 7(b) above, if Participant elects, in accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended, to recognize ordinary income in the year of acquisition of the Shares, the Company may require at the time of such election an additional payment for withholding tax purposes based on the fair market value of such Shares as of the date of the acquisition of such Shares by Participant.

## **8. Confidentiality, Non-Competition And Non-Solicitation**

In consideration of Participant's receipt of this award, Participant agrees as follows:

- (a) Participant will hold in a fiduciary capacity for the benefit of the Company all information, knowledge or data relating to the Company or any Subsidiaries and their respective businesses which the Company or any Subsidiaries consider to be proprietary, trade secret or confidential that Participant obtains or have previously obtained during its service and that is not public knowledge (other than as a result of Participant's violation of this provision) ("Confidential Information"). Participant will not directly or indirectly use any Confidential Information for any purpose not associated with the activities of the Company or any Subsidiaries, or communicate, divulge or disseminate Confidential Information to any person or entity not authorized by the Company or any Subsidiaries to receive it at any time during or after Participant's service, except with the prior written consent of the Company or as otherwise required by law or legal process.
- (b) For a period of two years after the termination of Participant's service, for any reason, voluntary or involuntary, Participant will not, without the written consent of the Company, directly or indirectly, engage or hold an interest in any company listed in Exhibit B, or any subsidiary or affiliate of such company (the "Competing Businesses"), or directly or indirectly have any interest in, own, manage, operate, control, be connected with as a stockholder (other than as a holder of less than five percent (5%) of any class of publicly traded securities of any such Competing Business).
- (c) For a period of one year after the termination of Participant's service, for any reason, Participant will not, without the written consent of the Company, directly or indirectly solicit, entice, persuade or induce any person to leave the employment of the Company or any Subsidiaries (other than persons employed in a clerical, non-professional or non-management position).
- (d) Participant understands and agrees that the restrictions set forth above, including, without limitation, the duration, and the business scope of such restrictions, are reasonable and necessary to protect the legal interests of the Company. Participant further agrees that the Company will be entitled to seek injunctive relief in the event of any actual or threatened breach of such restrictions. In addition, Participant also agrees that in the event it is found by a court of law to have violated the confidentiality provisions of this Agreement, that an adequate remedy will including, among other things, the immediate forfeit of all shares (whether or not vested) and disgorgement of any profit associated with this grant. If any provision of this Agreement is determined to be unenforceable by any court, then such provision will be modified or omitted only to the extent necessary to make the remaining provisions of this Agreement enforceable.

## **9. Miscellaneous**

- (a) This Agreement is issued pursuant to the Plan and is subject to its terms. Participant hereby acknowledges receipt of a copy of the Plan. The Plan is also available for inspection during business hours at the principal office of the Company.

- (b) This Agreement shall not confer on Participant any right with respect to continuance of service of or employment by the Company or any of its subsidiaries.
- (c) This award is governed by and subject to the terms and conditions of the Plan, which contain important provisions of this award and form a part of this Agreement. Copies of the Plan are being provided to or have been provided to Participant, along with a summary of the Plan. If there is any conflict between any provision of this Agreement and the Plan, this Agreement will control, unless the provision is not permitted by the Plan, in which case the provision of the Plan will apply. Participant's rights and obligations under this Agreement are also governed by and are subject to applicable U.S. laws and foreign laws.
- (d) This Agreement may be executed via facsimile and in counterparts, each of which shall be considered an original, but all of which together shall constitute one and the same Agreement.
- (e) This Agreement shall be governed by and construed under the internal laws of the State of Colorado, without regard for conflicts of laws principles thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

**NXT-ID, INC.**

By: \_\_\_\_\_

Its: Chairman \_\_\_\_\_

**PARTICIPANT**

\_\_\_\_\_

**Grantee:**

**No. of Shares:**

**Grant Date:**

**Vesting Date:**

## Exhibit A

### Change In Control.

- (i) For purposes of this Agreement and this Exhibit A, a Change in Control” of the Company shall mean:
- (a) a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Company is then subject to such reporting requirement;
  - (b) the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Company or any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) that such person has become the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities, determined in accordance with Rule 13d-3, excluding, however, any securities acquired directly from the Company (other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company); however, that for purposes of this clause the term “person” shall not include the Company, any subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company or any entity holding shares of Common Stock organized, appointed or established for, or pursuant to the terms of, any such plan;
  - (c) the Continuing Directors cease to constitute a majority of the Company’s Board of Directors;
  - (d) consummation of a reorganization, merger or consolidation of, or a sale or other disposition of all or substantially all of the assets of, the Company (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the persons who were the beneficial owners of the Company’s outstanding voting securities immediately prior to such Business Combination beneficially own voting securities of the corporation resulting from such Business Combination having more than 50% of the combined voting power of the outstanding voting securities of such resulting Corporation and (B) at least a majority of the members of the Board of Directors of the corporation resulting from such Business Combination were Continuing Directors at the time of the action of the Board of Directors of the Company approving such Business Combination;
  - (e) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company; or
  - (f) the majority of the Continuing Directors determine in their sole and absolute discretion that there has been a change in control of the Company.
- (ii) “Continuing Director” shall mean any person who is a member of the Board of Directors of the Company, while such person is a member of the Board of Directors, who is not an Acquiring Person (as defined below) or an Affiliate or Associate (as defined below) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (x) was a member of the Board of Directors on the date of this Agreement as first written above or (y) subsequently becomes a member of the Board of Directors, if such person’s initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the Continuing Directors. For purposes of this subparagraph (ii), “Acquiring Person” shall mean any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who or which, together with all Affiliates and Associates of such person, is the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities, but shall not include the Company, any subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company or any entity holding shares of Common Stock organized, appointed or established for, or pursuant to the terms of, any such plan; and “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

**Exhibit B**

**Prohibited Activities**

**EMPLOYMENT AGREEMENT**

**BETWEEN**

**NXT-ID, INC.**

**AND**

**GINO PEREIRA**  
**(Executive)**

**THIS EMPLOYMENT AGREEMENT** (this “Agreement”), dated as of October 1, 2012 (the “Effective Date”) is entered into by and between Nxt-ID, Inc., a Delaware corporation (the “Company”), and Gino Pereira, an individual with a physical address at 51 Tram Drive, Oxford, CT 06478, (the “Executive”) (collectively, the “Parties,” individually, a “Party”).

**WITNESSETH:**

WHEREAS, Employee has substantial experience in the Corporation’s business and is currently the Corporation’s President and Chief Executive Officer; and

WHEREAS, the Board has determined that it is in the best interest of the Company, its affiliates, and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat, or occurrence of a Change in Control (as defined in Article Seven herein); and

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE ONE**  
**DEFINITIONS**

1. Definitions. As used in this Agreement:

1.1 The term “Accrued Obligations,” when used in the case of the Executive’s death or disability shall mean the sum of (1) the that portion Executive’s Base Salary that was not previously paid to the Executive from the last payment date through the Date of Termination, and (2) an amount equal 24 months salary at the level of the Executive’s Base Salary then in effect,

1.2 The term “Automatic Extension” shall have the meaning set forth in Section 2.2 herein.

1.3 The term “Base Salary”, shall have the meaning set forth in Section 3.1 herein.

1.4 The term “Board” shall have the meaning set forth in the recitals.

1.5 The term “Cause” shall have the meaning set forth in Section 4.3 herein.



- 1.6 The term “Common Stock” shall mean the Common Stock, par value \$0.001, of the Company.
- 1.7 The term “Compensation Committee” shall mean the Compensation Committee of the Company.
- 1.8 The term “Corporate Documents” shall mean the Company’s Certificate of Incorporation, as amended and/or its Bylaws, as amended.
- 1.9 The term “Effective Date” shall have the meaning set forth in the preamble.
- 1.10 The term “Good Reason” shall have the meaning set forth in Section 4.4 herein.
- 1.11 The term “Initial Term” shall have the meaning set forth in Section 2.2 herein.
- 1.12 The term “Severance Benefit” shall have the meaning set forth in Section 4.7(a)(i) herein.
- 1.13 The term “Without Cause” shall have the meaning set forth in Section 4.3 herein.
- 1.14 The term “Without Good Reason” shall have the meaning set forth in Section 4.5 herein.

## ARTICLE TWO

### POSITION & DUTIES

#### 2. Employment.

2.1 Title. The Executive shall serve as the President and Chief Executive Officer of the Company and agrees to perform services for the Company and such other affiliates of the Company, as described in Section 3 herein.

2.2 Term. The Executive’s employment shall be for an initial term of three (3) years (“Initial Term”), commencing on the Effective Date. The Executive’s employment shall be automatically extended on the day after the second year anniversary of the Effective Date (“Automatic Extension”), and on each anniversary date thereof, for additional two (2) year periods.

2.3 Duties and Responsibilities. The Executive shall report to the Board and in his capacity as an officer of the Company shall perform such duties and services as may be appropriate and as are assigned to him by the Board. During the term of this Agreement Executive shall, subject to the direction of the Board of the Company, oversee and direct the operations of the Company, and shall perform such duties as are customarily performed by the President and Chief Executive Officer of a company such as the Company or as are otherwise delegated to him from time to time by the Board.

2.4 Performance of Duties. During the term of the Agreement, except as otherwise approved by the Board or as provided below, the Executive agrees to devote his full business time, effort, skill and attention to the affairs of the Company and its subsidiaries, will use his best efforts to promote the interests of the Company, and will discharge his responsibilities in a diligent and faithful manner, consistent with sound business practices. The foregoing shall not, however, preclude Executive from devoting reasonable time, attention and energy in connection with the following activities, provided that such activities do not materially interfere with the performance of his duties and services hereunder:

- (a) serving as a director, consultant, or a member of a committee of any company or organization, if serving in such capacity does not involve any conflict with the business of the Company or any subsidiary and such other company or organization is not in competition, in any manner whatsoever, with the business of the Company or any of its subsidiaries;
- (b) fulfilling speaking engagements;
- (c) engaging in charitable and community activities;
- (d) managing his personal business and investments; and
- (e) any other activity approved of by the Board. For purposes of this Agreement, any activity specifically listed on Schedule A shall be considered as having been approved by the Board.

2.5 Representations and Warranties of the Executive with Respect to Conflicts, Past Employers and Corporate Opportunities. The Executive represents and warrants that:

- (a) his employment by the Company will not conflict with any obligations which he has to any other person, firm or entity;
- (b) he has not brought to the Company (during the period before the signing of this Agreement) and he will not bring to the Company any materials or documents of a former or present employer, or any confidential information or property of any other person, firm or entity; and
- (c) he will not, without disclosure to and approval of the Board, directly or indirectly, assist or have an active interest in (whether as a principal, stockholder, lender, employee, officer, director, partner, venturer, consultant or otherwise) in any person, firm, partnership, association, corporation or business organization, entity or enterprise that competes with or is engaged in a business which is substantially similar to the business of the Company; *provided, however*, that ownership of not more than two percent (2%) of the outstanding securities of any class of any publicly held corporation shall not be deemed a violation of this Section 2.5; provided, further, that any investment specifically listed on Schedule A shall not be deemed a violation of this Section 2.5.

2.6 Activities and Interests with Companies Doing Business with the Company. In addition to those activities and interests of Executive disclosed on Schedule A attached hereto, Executive shall promptly disclose to the Board, in accordance with the Company's policies, full information concerning any interests, direct or indirect, he holds (whether as a principal, stockholder, lender, executive, director, officer, partner, venturer, consultant or otherwise) in any business which, as reasonably known to Executive, purchases or provides services or products to, the Company or any of its subsidiaries, provided that the Executive need not disclose any such interest resulting from ownership of not more than two (2%) of the outstanding securities of any class of any publicly held corporation.

2.7 Other Business Opportunities. Nothing in this Agreement shall be deemed to preclude the Executive from participating in other business opportunities if and to the extent that: (a) such business opportunities are not directly competitive with, similar to the business of the Company, or would otherwise be deemed to constitute an opportunity appropriate for the Company; (b) the Executive's activities with respect to such opportunities do not have a material adverse effect on the performance of the Executive's duties hereunder, and (c) the Executive's activities with respect to such opportunity have been fully disclosed in writing to the Board.

2.8 Reporting Location. For purposes of this Agreement, the Executive's reporting location shall be Shelton, Connecticut, which shall include the area within a 40 mile radius from the Company's current office.

### ARTICLE THREE

#### COMPENSATION

##### 3. Compensation.

3.1 Base Salary. Executive shall receive an initial annual base salary of One Hundred and Fifty Thousand Dollars (\$150,000), until such time as the Company has an effective registration statement with the SEC and has raised a minimum of One Million Five Hundred Thousand dollars (\$1,500,000). Upon the achievement of these two milestones, the base annual salary shall increase to Three Hundred Thousand Dollars (\$300,000), payable according to the Company's normal payroll policies and procedures (the "Base Salary") and subject to all federal, state, and municipal withholding requirements. The Base Salary shall be reviewed by the Board annually for adequacy.

3.2 Cash Bonus. The Executive shall be eligible for a cash bonus equal to an amount as determined by the Compensation Committee of the Board or by the independent directors (as that term is defined by the stock exchange or market on which the Company's shares may be traded).

3.3 Equity-Based Compensation. The Executive shall be entitled to participate in all equity-based compensation plans offered by the Company and as determined by the Board of Directors.

(a) Upon a Change of Control, all equity-based compensation will be deemed to have vested as of the Change of Control Effective Date (as defined by Article 7 herein)..

##### 3.4 Participation In Benefit Plans.

(a) Retirement Plans. Executive shall be entitled to participate, without any waiting or eligibility periods, in all qualified retirement plans provided to other executive officers and other key employees.

(b) Taxes. The Company shall pay, on a grossed-up basis for federal, state, and local income taxes, the amount of any excise tax payable by Executive as a result of any payments triggered by this Agreement, or other compensation agreements between Executive and the Company, or any of its subsidiaries and any income tax payable by Executive as a result of any payments in Common Stock triggered by this Agreement or other compensation agreements between Executive and the Company, or any of its subsidiaries, except as might otherwise be provided such benefit plan.

(c) Life Insurance. The Company will purchase life insurance on the life of Executive in an amount not less than \$3,000,000, the benefits of which will be payable one-half to the Executive's beneficiary and one-half to the Company. The Executive's "beneficiary" is the person or persons (who may be designated concurrently, successively or contingently) designated by the Executive in his last effective writing filed with the Company prior to his death, or if the Executive shall have failed to make an effective designation, the Executive's beneficiary is his spouse, if the Executive is married and his spouse is living at the time of each payment, and otherwise his surviving children. The Executive shall assist the Company in procuring such insurance by submitting to such examinations and by signing such applications and other instruments as may be reasonable and as may be required by the insurance carriers to which application is made for any such insurance. The Executive represents that, to the best of his knowledge, he is currently insurable at standard premium rates for life insurance policies.

(d) Employee Benefit Plans and Insurance. The Executive shall have the right to participate in employee benefit plans and insurance programs of the Company that the Company may sponsor from time to time and to receive customary Company benefits, if those benefits are so offered. Nothing herein shall obligate Executive to accept such benefits if and when they are offered.

(e) Vacation.

(i) The Executive shall be entitled to take such vacations, with pay, as are customary among other chief executive officers of organizations of similar size and nature, which vacation level shall be reviewed by the Compensation Committee from time to time. No more than 1.5 times (1.5x) Executive's authorized annual vacation allocation may be accrued, at any given time. In the event that Executive has reached his maximum authorized vacation allocation, accrual will not re-commence until Executive uses some of his paid vacation credit and thereby brings the balance below his maximum. Accrued paid vacation credit forfeited because of an excess balance can not be retroactively reapplied.

(ii) Pay will only be provided for any unused, accrued paid vacation credit at the time of Executive's separation from the business by the Company due to a reduction in force, by Executive upon retirement, or upon the death of an employee, provided that Executive has been a regular full-time employee for three calendar months prior to such event. Termination of employment for Cause by the Company, or Executive's resignation, will result in the forfeiture of any unused paid vacation credit.

(f) Paid Holidays. The Executive shall be entitled to such paid holidays as are generally available to all employees. As of the date of this Agreement, the Company's employees are permitted to observe ten (10) paid holidays.

3.5 Relocation and Business-related Expenses. In the event that Executive is required to move from his primary residence and consents to such move, then Executive shall be provided with relocation assistance as provided below:

(a) Housing and Temporary Lodging. The Company will pay the costs, for the Executive and his family, of house-hunting trips and the cost of transporting the Executive, his spouse, furniture, household effects, and vehicles, to the area in which the Company will be headquartered. In addition, the Company will pay the cost of the Executive's travel, temporary living expenses, including housing, whether hotel or apartment, and meals, during the period prior to the Executive's move to the city in which the Company will be headquartered.

(b) Reimbursement. Executive shall be entitled to reimbursement within a reasonable time for all properly documented and approved expenses for travel. The Company shall reimburse business expenses of Executive directly related to Company business, including, but not limited to, airfare, lodging, meals, travel expenses, medical expenses while traveling not covered by insurance, business entertainment, expenses associated with entertaining business persons, local expenses to governments or governmental officials, tariffs, applicable taxes outside of the United States, special expenses associated with travel to certain countries, supplemental life insurance or supplemental insurance of any kind or special insurance rates or charges for travel outside the United States (unless such insurance is being provided by the Company), rental cars and insurance for rental cars, and any other expenses of travel that are reasonable in nature or that have been otherwise pre-approved. Executive shall be governed by the travel and entertainment policy in effect at the Company.

3.6 Severance Benefit. In the event that Executive's employment is terminated, other than for Cause, Executive shall receive compensation pursuant to Section 4.7 herein.

3.7 Payroll Procedures and Policies. All payments required to be made by the Company to the Executive pursuant to this Article Three shall be paid on a regular basis in accordance with the Company's normal payroll procedures and policies.

#### ARTICLE FOUR

##### TERMINATION OF EMPLOYMENT

4.1 Death. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Term.

4.2 Disability. If the Company determines in good faith that the Disability (as defined below) of the Executive has occurred during the Employment Term, the Company may give the Executive notice of its intention to terminate the Executive's employment. In such event, the Executive's employment hereunder shall terminate effective on the 30<sup>th</sup> day after receipt of such notice by the Executive (the "Disability Effective Date"); *provided, that*, within the 30-day period after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties hereunder on a full-time basis for an aggregate of 180 days within any given period of 270 consecutive days (in addition to any statutorily required leave of absence and any leave of absence approved by the Company) as a result of incapacity of the Executive, despite any reasonable accommodation required by law, due to bodily injury or disease or any other mental or physical illness, which will, in the opinion of a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative, be permanent and continuous during the remainder of the Executive's life.

4.3 Termination by Company.

(a) Termination for Cause.

The Company may terminate the Executive's employment hereunder for Cause (as defined below). For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties hereunder (other than any such failure resulting from bodily injury or disease or any other incapacity due to mental or physical illness) after a written demand for substantial performance is delivered to the Executive by the Board or the Chairman of the Company, which specifically identifies the manner in which the Board or the Chairman of the Company believes the Executive has not substantially performed the Executive's duties; or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct that is materially and demonstrably detrimental to the Company and/or its affiliated companies, monetarily or otherwise.

For purposes of this provision, no act, or failure to act, on the part of the Executive shall be considered "willful" unless done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board, upon the instructions of the Chairman or another Board Member of Company, or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company and its affiliated companies. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board then in office at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(iii) the Executive's conviction of, or plea of nolo contendere to, any felony of theft, fraud, embezzlement or violent crime.

(b) Termination without Cause.

All terminations by the Company that are not for Cause, shall be considered Without Cause.

4.4 Termination by Executive. The Executive may terminate the Executive's employment hereunder at any time during the Employment Term for Good Reason (as defined below) For purposes of this Agreement, "Good Reason" shall mean any of the following (without the Executive's express written consent):

(a) The assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), duties, functions, responsibilities or authority as contemplated by Section 2.3 of this Agreement, or any other action by the Company that results in a diminution in such position, duties, functions, responsibilities or authority, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(b) Any failure by the Company to comply with any of the provisions of Section 2.3 of this Agreement, other than an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(c) The Company's requiring the Executive to be based at any office or location other than as provided in Section 2.8 of this Agreement or the Company's requiring the Executive to travel on the Company's or its affiliated companies' business to a substantially greater extent than during the three-year period immediately preceding the Effective Date;

(d) Any failure by the Company to comply with and satisfy Section 8.1 of this Agreement; or

(e) Any purported termination by the Company of the Executive's employment hereunder otherwise than as expressly permitted by this Agreement, and for purposes of this Agreement, no such purported termination shall be effective.

For purposes of this Section 4.4, any good faith determination of "Good Reason" made by the Executive shall be conclusive.

4.5 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive (other than a termination pursuant to Section 4.1) shall be communicated by a Notice of Termination (as defined below) to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which (a) indicates the specific termination provision in this Agreement relied upon, (b) in the case of a termination for Disability, Cause or Good Reason, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (c) specifies the Date of Termination (as defined in Section 4.7 below); provided, however, that notwithstanding any provision in this Agreement to the contrary, a Notice of Termination given in connection with a termination for Good Reason shall be given by the Executive within a reasonable period of time, not to exceed 120 days, following the occurrence of the event giving rise to such right of termination. The failure by the Company or the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Disability, Cause or Good Reason shall not waive any right of the Company or the Executive hereunder or preclude the Company or the Executive from asserting such fact or circumstance in enforcing the Company's or the Executive's rights hereunder.

4.6 Date of Termination. For purposes of this Agreement, the "Date of Termination" shall mean the effective date of termination of the Executive's employment hereunder, which date shall be (a) if the Executive's employment is terminated by the Executive's death, the date of the Executive's death, (b) if the Executive's employment is terminated because of the Executive's Disability, the Disability Effective Date, (c) if the Executive's employment is terminated by the Company (or applicable affiliated company) for Cause or by the Executive for Good Reason, the date on which the Notice of Termination is given, (d) if the Executive's employment is terminated pursuant to Section 2.2, the date on which the Employment Term ends pursuant to Section 2.2 due to a party's delivery of a Notice of Termination thereunder, and (e) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination, which date shall in no event be earlier than the date such notice is given; provided, however, that if within 30 days after any Notice of Termination is given, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected).

4.7 Obligations of the Company upon Termination.

(a) Good Reason or Change of Control; Other Than for Cause. If, during the Employment Term, the Company (or applicable affiliated company) shall terminate the Executive's employment hereunder other than for Cause or the Executive shall terminate the Executive's employment either for Good Reason:

(i) the Company shall pay to the Executive in a lump sum (A) the sum of (1) Executive's Base Salary, if any, which has been earned but not paid through the Termination Date, (2) the product of (x) the Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Termination Date and the denominator of which is 365, and (3) any accrued vacation or other pay pursuant to the Corporation's vacation policy, to the extent not previously paid; and (B) an amount equal to the sum of (1) an amount equal to 36 months of Executive's Base Salary and (2) the Annual Bonus multiplied by a factor of 3;

(ii) all stock options, stock appreciation rights, and restricted stock shall immediately vest;

(iii) all stock options and stock appreciation rights shall be payable in Common Stock;

(iv) all performance share shall immediately vest and

(v) the Company shall pay, on a grossed-up basis (as determined in the same manner as under Section 3.4(b) herein the amount of any excise and income taxes payable by Executive as a result of any payments in Common Stock triggered by this Agreement, or other agreements between Executive and the Company, or any of its subsidiaries.

to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy, practice or arrangement or contract or agreement of the Company and its affiliated companies (such other amounts and benefits hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Term, this Agreement shall terminate without further compensation obligations to the Executive's legal representatives under this Agreement, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 90 days of the Date of Termination) and the timely payment or settlement of any other amount pursuant the Other Benefits and (ii) treatment of all other compensation under existing plans as provided by the terms and rules of those plans.



(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Term, this Agreement shall terminate without further compensation obligations to the Executive, other than for (i) payment of Accrued Obligations (which shall be paid to the Executive in a lump sum in cash within 90 days of the Date of Termination) and the timely payment or settlement of any other amount pursuant to the Other Benefits and (ii) treatment of all other compensation under existing plans as provided by the terms and rules of those plans.

(d) Cause; Other than for Good Reason. If the Executive's employment is terminated for Cause during the Employment Term, this Agreement shall terminate without further compensation obligations to the Executive other than the obligation to pay to the Executive Base Salary through the Date of Termination plus the amount of any compensation previously deferred by the Executive and any accrued vacation or other pay pursuant to the Corporation's vacation policy, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates the Executive's employment during the Employment Term, excluding a termination either for Good Reason or (ii) a Change of Control, this Agreement shall terminate without further compensation obligations to the Executive, other than for that portion of Executive's Base Salary that was not previously paid to the Executive from the last payment date through the effective date of the Executive's voluntary termination, any accrued vacation or other pay pursuant to the Corporation's vacation policy and the timely payment or provision of the Other Benefits, as provided in any applicable plan, and the Executive shall have no further obligations nor liability to the Company. In such case, any amounts owed to the Executive shall be paid to the Executive in a lump sum in cash within 90 days of the Date of Termination subject to applicable laws and regulations.

4.8 Continuation of Payments During Disputes. The Parties agree that in the case of:

(a) termination which the Company contends is for Cause, but Executive claims is not for Cause; or

(b) termination by Executive under Section 4.4 herein, the Company shall continue to pay all compensation due to Executive hereunder until the resolution of such dispute, but the Company shall be entitled to repayment of all sums so paid, if it ultimately shall be determined by a court of competent jurisdiction, in a final non-appealable decision, that the termination was for Cause or such termination by Executive was not authorized under Section 4.4 herein, and all sums so repaid shall bear interest at the prime rate as published in *The Wall Street Journal* on the date on which such court makes such determination. Any such reimbursement of payments by Executive shall not include any legal fees or other loss, costs, or expenses incurred by the Company, notwithstanding any provision of the Indemnification Agreement, which is attached as Exhibit A and is considered a part of this Agreement.

ARTICLE FIVE

INDEMNIFICATION

5. Indemnification. The Executive shall be indemnified and held harmless pursuant to the terms and conditions set forth in the Indemnification Agreement substantially in the form attached as Exhibit A hereto.

ARTICLE SIX

CONFIDENTIALITY

6. Confidentially; Non-Competition; and Non-Solicitation.

6.1 Confidentiality. In consideration of employment by the Company and Executive's receipt of the salary and other benefits associated with Executive's employment, and in acknowledgment that (a) the Company is engaged in the oil and gas business, (b) maintains secret and confidential information, (c) during the course of Executive's employment by the Company such secret or confidential information may become known to Executive, and (d) full protection of the Company's business makes it essential that no employee appropriate for his or her own use, or disclose such secret or confidential information, Executive agrees that during the time of Executive's employment and for a period of two (2) years following the termination of Executive's employment with the Company, Executive agrees to hold in strict confidence and shall not, directly or indirectly, disclose or reveal to any person, or use for his own personal benefit or for the benefit of anyone else, any trade secrets, confidential dealings, or other confidential or proprietary information of any kind, nature, or description (whether or not acquired, learned, obtained, or developed by Executive alone or in conjunction with others) belonging to or concerning the Company or any of its subsidiaries, except (i) with the prior written consent of the Company duly authorized by its Board, (ii) in the course of the proper performance of Executive's duties hereunder, (iii) for information (x) that becomes generally available to the public other than as a result of unauthorized disclosure by Executive or his affiliates or (y) that becomes available to Executive on a nonconfidential basis from a source other than the Company or its subsidiaries who is not bound by a duty of confidentiality, or other contractual, legal, or fiduciary obligation, to the Company, or (iv) as required by applicable law or legal process.

6.2 Non-Competition. During Executive's employment with the Company and for so long as Executive receives any Severance Benefit or is receiving any Severance Amount provided under this agreement in respect of the termination of his employment, Executive shall not be engaged as an officer or executive of, or in any way be associated in a management or ownership capacity with any corporation, company, partnership or other enterprise or venture which conducts a business which is in direct competition with the business of the Company; *provided, however*, that Executive may own not more than two percent (2%) of the outstanding securities, or equivalent equity interests, of any class of any corporation, company, partnership, or either enterprise that is in direct competition with the business of the Company, which securities are listed on a national securities exchange or traded in the over-the-counter market. For purposes of this Agreement, a lump sum payment equivalent made to Executive shall be judged in relation to his most recent annual base salary to determine whether Executive is continuing to receive a Severance Benefit or Severance Amount and shall be measured from the date such payment is received. It is expressly agreed that the remedy at law for breach of this covenant is inadequate and that injunctive relief shall be available to prevent the breach thereof.

6.3 Non-Solicitation. Executive also agrees that he will not, directly or indirectly, during the term of his employment or within one (1) year after termination of his employment for any reason, in any manner, encourage, persuade, or induce any other employee of the Company to terminate his employment, or any person or entity engaged by the Company to represent it to terminate that relationship without the express written approval of the Company. It is expressly agreed that the remedy at law for breach of this covenant is inadequate and that injunctive relief shall be available to prevent the breach thereof.

ARTICLE SEVEN

CHANGE OF CONTROL

7. Certain Definitions.

7.1 Change of Control Effective Date. The “Change of Control Effective Date” shall mean the first date during the Change of Control Period (as defined in Section 7.2) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if a Change of Control occurs and if the Executive’s employment with the Company (or applicable affiliated company) is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the “Change of Control Effective Date” shall mean the date immediately prior to the date of such termination of employment.

7.2 Change of Control Period. The “Change of Control Period” shall mean the period commencing on the date of this Agreement and ending on the third anniversary of such date; *provided, however*, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof herein referred to as the “Renewal Date”), the Change of Control Period shall be automatically extended so as to terminate three years after such Renewal Date.

7.3 Change of Control. For purposes of this Agreement, a “Change of Control” shall mean:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15% or more of either (A) the then outstanding Common Shares the Company (the “Outstanding Shares”) or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Voting Securities”); *provided, however*, that for purposes of this Subsection 7.3(a) the following acquisitions shall not constitute a Change of Control: (w) Company-sponsored recapitalization that is approved by the Incumbent Board, as defined below; (x) a capital raise initiated by the Company where the Incumbent Board remains for at least at least 548 days after the closing date of the raise, or (y) an acquisition of another company or asset(s) initiated by the Company and where the Company’s shareholders immediately after the transaction own at least 51% of the shares of the combined concern; or

(b) individuals who, as of the date of this Agreement, constitute the Company’s Board (the “Incumbent Board”) cease for any reason to constitute a majority of such Board of Directors; *provided, however*, that any individual becoming a director of the Company shareholders subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders was approved by a vote of a majority of the directors of the Company then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Company Board; or

(c) consummation of a reorganization, merger, amalgamation or consolidation of the Company, with or without approval by the shareholders of the Company, in each case, unless, following such reorganization, merger, amalgamation or consolidation, (i) more than 50% of, respectively, the then outstanding shares of common stock (or equivalent security) of the company resulting from such reorganization, merger, amalgamation or consolidation and the combined voting power of the then outstanding voting securities of such company entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such reorganization, merger, amalgamation or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, amalgamation or consolidation, of the Outstanding Shares and Outstanding Voting Securities, as the case may be, (ii) no Person (excluding a parent of the Company that may come into being after the date of this Agreement through any transaction deliberately undertaken by the Company after an affirmative vote of its Incumbent Directors and the Company shareholders), any employee benefit plan (or related trust) of the Company or such company resulting from such reorganization, merger, amalgamation or consolidation, and any Person beneficially owning, immediately prior to such reorganization, merger, amalgamation or consolidation, directly or indirectly, 15% or more of the Outstanding Shares or Outstanding Voting Securities, as the case may be) beneficially owns, directly or indirectly, 15% or more of, respectively, the then outstanding shares of common stock (or equivalent security) of the company resulting from such reorganization, merger, amalgamation or consolidation or the combined voting power of the then outstanding voting securities of such company entitled to vote generally in the election of directors, and (ii) a majority of the members of the board of directors of the company resulting from such reorganization, merger, amalgamation or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger, amalgamation or consolidation; or

(d) consummation of a sale or other disposition of all or substantially all the assets of the Company, with or without approval by the shareholders of the Company, other than to a corporation, with respect to which following such sale or other disposition, (i) more than 50% of, respectively, the then outstanding shares of common stock (or equivalent security) of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all the individuals and entities who were the beneficial owners, respectively, of the Outstanding Shares and Outstanding Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Shares and Outstanding Voting Securities, as the case may be, (ii) no Person (excluding the Company, any employee benefit plan (or related trust) of the Company or such corporation, and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 15% or more of the Outstanding Shares or Outstanding Voting Securities, as the case may be) beneficially owns, directly or indirectly, 15% or more of, respectively, the then outstanding shares of common stock (or equivalent security) of such corporation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors, and (C) a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Incumbent Board providing for such sale or other disposition of assets of the Company; or

- (e) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

## ARTICLE EIGHT

### MISCELLANEOUS

#### 8. Miscellaneous.

8.1 Benefit. This Agreement shall inure to the benefit of and be binding upon each of the Parties, and their respective successors. This Agreement shall not be assignable by any Party without the prior written consent of the other Party. The Company shall require any successor, whether direct or indirect, to all or substantially all the business and/or assets of the Company to expressly assume and agree to perform, by instrument in a form reasonably satisfactory to Executive, this Agreement and any other agreements between Executive and the Company or any of its subsidiaries, in the same manner and to the same extent as the Company.

8.2 Governing Law. This Agreement shall be governed by, and construed in accordance with the laws of the State of New York without resort to any principle of conflict of laws that would require application of the laws of any other jurisdiction; *provided, however*, that Delaware law shall govern with respect to the Executive's rights under a Change of Control under Article Seven herein.

8.3 Counterparts. This Agreement may be executed in counterparts and via facsimile, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same Agreement. Each such counterpart shall become effective when one counterpart has been signed by each Party thereto.

8.4 Headings. The headings of the various articles and sections of this Agreement are for convenience of reference only and shall not be deemed a part of this Agreement or considered in construing the provisions thereof.

8.5 Severability. Any term or provision of this Agreement that shall be prohibited or declared invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or declaration, without invalidating the remaining terms and provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and if any term or provision of this Agreement is held by any court of competent jurisdiction to be void, voidable, invalid or unenforceable in any given circumstance or situation, then all other terms and provisions hereof, being severable, shall remain in full force and effect in such circumstance or situation, and such term or provision shall remain valid and in effect in any other circumstances or situation.

8.6 Construction. Use of the masculine pronoun herein shall be deemed to refer to the feminine and neuter genders and the use of singular references shall be deemed to include the plural and vice versa, as appropriate. No inference in favor of or against any Party shall be drawn from the fact that such Party or such Party's counsel has drafted any portion of this Agreement.

8.7 Equitable Remedies. The Parties hereto agree that, in the event of a breach of this Agreement by either Party, the other Party, if not then in breach of this Agreement, may be without an adequate remedy at law owing to the unique nature of the contemplated relationship. In recognition thereof, in addition to (and not in lieu of) any remedies at law that may be available to the non-breaching Party, the non-breaching Party shall be entitled to obtain equitable relief, including the remedies of specific performance and injunction, in the event of a breach of this Agreement, by the Party in breach, and no attempt on the part of the non-breaching Party to obtain such equitable relief shall be deemed to constitute an election of remedies by the non-breaching Party that would preclude the non-breaching Party from obtaining any remedies at law to which it would otherwise be entitled.

8.8 Attorney's Fees. If any Party hereto shall bring an action at law or in equity to enforce its rights under this Agreement, the prevailing Party in such action shall be entitled to recover from the Party against whom enforcement is sought its costs and expenses incurred in connection with such action (including fees, disbursements and expenses of attorneys and costs of investigation). [In the event that Executive institutes any legal action to enforce Executive's legal rights hereunder, or to recover damages for breach of this Agreement, Executive, if Executive prevails in whole or in part, shall be entitled to recover from the Company reasonable attorneys' fees and disbursements incurred by Executive with respect to the claims or matters on which Executive has prevailed.]

8.9 No Waiver. No failure, delay or omission of or by any Party in exercising any right, power or remedy upon any breach or default of any other Party, or otherwise, shall impair any such rights, powers or remedies of the Party not in breach or default, nor shall it be construed to be a waiver of any such right, power or remedy, or an acquiescence in any similar breach or default; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any provisions of this Agreement must be in writing and be executed by the Parties and shall be effective only to the extent specifically set forth in such writing.

8.10 Remedies Cumulative. All remedies provided in this Agreement, by law or otherwise, shall be cumulative and not alternative.

8.11 Amendment. This Agreement may be amended only by a writing signed by all of the Parties hereto.

8.12 Entire Contract. This Agreement and the documents and instruments referred to herein constitute the entire contract between the parties to this Agreement and supersede all other understandings, written or oral, with respect to the subject matter of this Agreement.

8.13 Survival. This Agreement shall constitute a binding obligation of the Company and any successor thereto. Notwithstanding any other provision in this Agreement, the obligations under Articles 5 and 6 shall survive termination of this Agreement.

8.14 Savings Clause. Notwithstanding any other provision of this Agreement, if the indemnification provisions in Exhibit A hereto or any portion thereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Executive as to Expenses, judgments, fines, penalties and amounts paid in settlement with respect to any Proceeding to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated and to the fullest extent permitted by applicable law.

8.15 Modifications and Waivers. Notwithstanding any other provision of this Agreement, the indemnification provisions in Exhibit A hereto and the Change of Control provisions Article Seven herein, may be amended from time to time to reflect changes in Delaware law or for other reasons.

8.16 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given (i) when delivered by hand or (ii) if mailed by certified or registered mail with postage prepaid, on the third day after the date on which it is so mailed:

(a) if to Executive:

Gino Pereira  
51 Tram Drive  
Oxford CT 06478

(b) if to the Company:

Nxt-ID, Inc.,  
4 Research Drive  
Suite 402  
Shelton, CT 06484

Attn: Chairman, Compensation Committee

or to such other address as may have been furnished to Executive by the Company or to the Company by Executive, as the case may be.

8.17 No Limitation. Notwithstanding any other provision of this Agreement, for avoidance of doubt, the parties confirm that the foregoing does not apply to or limit Executive's rights under Delaware law or the Company's Corporate Documents.

IN 'WITNESS WHEREOF, the parties have set their hands and seals hereunto on the date first above written.

NXT-ID, INC.

EXECUTIVE

By: David R. Gust  
\_\_\_\_\_  
Name: David R. Gust  
Title: Independent Director

By: /s/ Gino Pereira  
\_\_\_\_\_  
Name: Gino Pereira

**Schedule A**  
**Outside Activities**  
**Gino Pereira**

<b>Company or Project Name</b>	<b>Nature of Business</b>	<b>Date Hired or Commenced Involvement</b>	<b>Position</b>	<b>Compensation</b>	<b>Annual Time Commitment, (time away from office)</b>

Dated: August, 2012

Initials: Executive: \_\_\_\_\_ Company: \_\_\_\_\_

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**Exhibit A**  
**Indemnification Agreement**

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**AGREEMENT**

THIS AGREEMENT (this "Agreement") is made and entered into as of August 19, 2011 (the "Effective Date"), among 3D-ID, LLC., a Florida limited liability company having its principal place of business at 1721 Winding Ridge Circle SE, Palm Bay, FL 32909 ("3D-ID"), Technest Holdings, Inc., a Nevada corporation ("Technest"), and Genex Technologies, Incorporated ("Genex"), both having a principal place of business at 10411 Motor City Drive, Suite 650, Bethesda, MD 20817. 3D-ID, Technest and Genex are collectively referred to herein as the "Parties" and each sometimes referred to as a "Party".

**RECITALS**

WHEREAS, Technest and Genex have developed expertise in the area of three-dimensional imaging (the "Field") and have certain intellectual property, equipment and software in the Field, including but not limited to the contents set forth in Exhibit A attached hereto (collectively, referred to as the "Technology"), that 3D-ID is interested in further developing;

WHEREAS, in its efforts to further develop this expertise, 3D-ID wishes to obtain a license from Technest and Genex to use the Technology, and Technest and Genex wish to grant such a license to 3D-ID according to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the terms and conditions herein contained, it is hereby agreed between the Parties as follows:

1. License to 3D-ID. Subject to the terms and conditions of this Agreement, Technest and Genex hereby grant to 3D-ID a perpetual sub-licensable, exclusive, worldwide license to make, have made, use, sell, offer for sale and import products and to practice any method under the Intellectual Property (as defined below) in the Markets (as defined below), including but not limited to the use of the Technology for the manufacture and distribution of products, and a non-exclusive license to the same in all other markets outside the Markets. The "Intellectual Property" refers to, collectively, all trademarks, trade secrets, know-how, proprietary information and other intellectual property of Technest and Genex currently developed by Technest and/or Genex, including, without limitation, in each instance, all specifications, engineering drawings, schematics, bills of materials, software source and object code and algorithms, wiring diagrams, test procedures, assembly drawings, artwork, and other documents or files related to the Technology. The "Markets" shall mean products to be sold to or for use by, and services to be provided to, (a) the United States Department of Defense (including but not limited to the U.S. Army, U.S. Navy, U.S. Air Force and U.S. Marine Corp.), (b) the United States Department of Homeland Security (including the following Agencies: Federal Emergency Management Agency, Transportation Security Administration, Customs and Border Protection, Immigration and Customs Enforcement, Coast Guard, Secret Service and any successor agencies performing comparable functions), (c) the U.S. intelligence agencies (including, but not limited to, the Central Intelligence Agency, the Federal Bureau of Intelligence, the Defense Intelligence Agency, National Security Agency, National Geospatial Intelligence Agency, National Reconnaissance Office and any successor agencies performing comparable functions), (d) any local or state agencies of the United States performing comparable functions, (e) state and local law enforcement agencies, including detention centers, (f) the state departments of motor vehicles, and (g) the video games industry in the U.S. Technest shall be given prior written notice of any sublicense or transfer of 3D-ID's rights hereunder. The foregoing license will only be transferable to a party that agrees in writing to be bound by the terms of this Agreement in connection with any merger, acquisition, consolidation, or other business combination, or sale of all or substantially all of 3D-ID's assets relating to the Intellectual Property.
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1.1. Ownership of Improvements, Modifications and Additions. 3D-ID shall solely own all right, title and interest in and to all improvements, modifications, additions, inventions, original works of authorship, developments, concepts, and trade secrets, whether or not patentable or registrable under copyright or similar laws, and any and all patents issued with respect thereto, to the Technology, which 3D-ID, its affiliates, employees and/or contractors may solely make, conceive, or develop or reduce to practice, or cause to be conceived or developed or reduced to practice.

2. Duties of the Parties. In connection with the licenses granted hereunder, 3D-ID hereby acknowledges receipt of the items set forth in Exhibit A. 3D-ID shall use reasonable commercial efforts to further develop the Technology for the manufacture and distribution of products and/or services using the Technology in the Markets.

3. Compensation. In consideration of the license of rights affected by this Agreement, 3D-ID shall pay Technest a royalty equal to 5% of “Net Sales” of Royalty Bearing Products (as defined below) sold with respect to which the 3D-ID has received final payment during each calendar quarter after the date hereof, such royalty to be payable in accordance with the terms of this Section 3. “Net Sales” means revenues received and recognized in accordance with GAAP, as follows: the invoice price of Royalty-Bearing Products sold or licensed by 3D-ID to third parties. “Royalty-Bearing Product” means: (i) a product the manufacture, use, offer for sale, sale or importation of which requires and/or involves the Intellectual Property or the Technology and (ii) the provision of services by 3D-ID involving Intellectual Property and/or the Technology.

3.1. Royalty Reporting and Payment. 3D-ID shall make quarterly written reports to Technest within 30 days after the end of each calendar quarter. Each such report must in reasonable detail explain the basis for the royalty due hereunder as a result of receipts from Net Sales during the previous quarter, including the relevant markets the Royalty Bearing Products were sold in. Technest shall treat such reports as the confidential information of 3D-ID, and shall not disclose it to third parties. Concurrently with the making of each such report, 3D-ID shall pay Technest the royalty due, if any, in relation to such report.

3.2. Records; Inspection. 3D-ID shall keep complete, true and accurate books of account and records for the purpose of determining the royalty amounts payable hereunder. Such books and records must be kept at the principal place of business of 3D-ID for a period of not less than two years following the end of the calendar quarter to which they pertain. Technest may audit such books to ensure 3D-ID’s compliance with this Agreement, provided that each such audit: (i) occurs during business hours, and upon no less than ten business days notice to 3D-ID; (ii) is conducted by a certified public accountant chosen by Technest and approved by 3D-ID, such approval not to be unreasonably withheld; (iii) the results of such audit are considered the confidential information of Technest, and both Technest and the auditor will be required to sign a non-disclosure and non-use agreement limiting disclosure and use of such information; and (iv) occurs no sooner than one year after the most recent prior audit. Technest shall pay all expenses relating to each audit, unless an audit reveals an underpayment exceeding 10% of the amount stated for the period covered by the audit, in which case all costs relating to the inspection and any unpaid amounts will be paid by 3D-ID.

3.3. **Minimum Royalty Payments.** 3D-ID agrees to make royalty payments of not less than \$15,000 in the aggregate with respect to Net Sales of Royalty Bearing Products occurring in the Markets during the first two years after the date hereof, which payment is to be made within thirty (30) days of the end of the second contract year and royalty payments of not less than \$20,000 with respect to Net Sales of Royalty Bearing Products occurring in the Markets in each contract year thereafter. If 3D-ID does not make the minimum payments within thirty (30) days of the end of any contract year beginning in the second contract year, the exclusive license granted under Section 1 with respect to the Markets shall automatically become non-exclusive in nature.

4. **Representations and Warranties of the Parties.** 3D-ID, Technest and Genex hereby each represent and warrant to the other Parties that, as of the date hereof, the following statements are true and correct:

4.1. **Organization.** It is an organization duly organized and validly existing under the laws of its jurisdiction of incorporation or organization, and has the corporate power and authority to enter into and perform this Agreement.

4.2. **Authorization.** All action on its part necessary for the authorization, execution and delivery of this Agreement to which it is a party and for the performance of all of its obligations hereunder and thereunder has been taken, and this Agreement to which it is a party when, fully executed and delivered, shall constitute a valid, legally binding and enforceable obligation of such Party.

4.3. **Government and Other Consents.** No consent, authorization, license, permit, registration or approval of, or exemption or other action by, any governmental authority, or any other person, is required of it in connection with its execution, delivery and performance of this Agreement, or if any such consent is required, it has satisfied the applicable requirements.

4.4. **Effect of Agreement.** Its execution, delivery and performance of this Agreement to which it is a party will not (i) violate its organizational documents, (ii) violate any judgment, order, writ, injunction or decree of any court applicable to it, (iii) have any effect on its compliance with any applicable licenses, permits or authorizations which would materially and adversely affect such Party or its ability to perform under this, or (iv) result in the breach of, give rise to a right of termination, cancellation or acceleration of any obligation with respect to (presently or with the passage of time), or otherwise be in conflict with any term of, or affect the validity or enforceability of, any agreement or other commitment to which it is a party and which would materially and adversely affect such Party or its ability to perform under this Agreement.

4.5. Litigation. There are no actions, suits or proceedings pending or, to such Party's knowledge, threatened, against it which question its right to enter into or perform this Agreement, or which question the validity of this Agreement.

5. Confidential Information. The Parties acknowledge that each Party hereto and its employees, agents, affiliates or subcontractors (collectively, the "Recipient") may be exposed to certain Confidential Information (as defined below) of the other Parties to this Agreement (the "Disclosing Party"). Any Confidential Information of the Disclosing Party disclosed pursuant to this Agreement may be used only for the purpose related to this Agreement. The Recipient (i) will hold the Disclosing Party's Confidential Information in strict confidence; (ii) will not disclose the Confidential Information to any third party without the written consent of the Disclosing Party and will take all reasonable steps to prevent such disclosure (which steps will include, without limitation, at least the same degree of care, but not less than a reasonable degree of care, and security precautions that the Recipient uses to protect its own confidential information); and (iii) will only use or disclose such Confidential Information within the Recipient's own organization on a need-to-know basis or to the extent required to be disclosed by the Recipient to comply with applicable laws or regulations or judicial order, in which event the Recipient shall provide prior written notice of such mandated disclosure to the Disclosing Party and shall cooperate with the Disclosing Party (at the Disclosing Party's expense) in connection with any efforts thereby to prevent or limit such disclosure. Moreover, the Recipient agrees to transmit Confidential Information only to the Recipient's partners, directors, officers, employees, agents, advisors, and affiliates or those of the Recipient's affiliates only on a need-to-know basis and who are informed by the Recipient of the confidential nature of the Confidential Information and who agree to be bound by the terms of this section or a confidentiality agreement with terms at least as restrictive as those set forth herein. The Recipient will be responsible for any breach of any provision of this Agreement by the Recipient's affiliates, partners, directors, officers, employees, agents, and advisors and those of the Recipient's affiliates. Confidential Information will be maintained in confidence indefinitely. Each Party shall immediately notify the other in writing of any known or perceived misappropriation or disclosure of the Confidential Information, whether such misappropriation or disclosure is a result of a negligent or an intentional act of the Recipient or a third party. "Confidential Information" means (i) all ideas, concepts, techniques or know-how tending to give the Disclosing Party a commercial advantage (including, without limitation, any patentable inventions and original works of authorship, such as computer software, customer lists, specifications, business plans, trade secrets, and the like) and (ii) any other information labeled "CONFIDENTIAL" and provided to the Recipient by the Disclosing Party. Confidential Information shall not include any information that: (a) Is contained in a printed publication prior to the date of this Agreement; (b) Is or becomes publicly known through no wrongful act or failure to act on the part of the Recipient; (c) Is known by the Recipient without any proprietary restrictions at the time of receipt of such information from the Disclosing Party or becomes known to the Recipient without proprietary restrictions from a source other than the Disclosing Party; or (d) Is independently developed by the Recipient without reference to the Confidential Information disclosed by the Disclosing Party. The timing and content of any announcements, press releases or other public statements concerning this Agreement and the relationship of the Parties hereunder will occur upon, and be determined by, mutual agreement and consent of the Parties. The foregoing notwithstanding, nothing herein shall prohibit any Party to this Agreement from making any public disclosure regarding this Agreement and the nature and status of the transaction contemplated herein if in the opinion of counsel to such Party such disclosure is required under applicable laws.

6. Term and Termination.

- 6.1. Term. The term of this Agreement shall commence as of the Effective Date and, unless and until terminated sooner as set forth below, shall continue for an initial term of five (5) years and thereafter shall continue until either Party provides the other Party written notice at least sixty (60) days prior to the effective date of termination.
- 6.2. Events Permitting Termination. Any Party to this Agreement shall have the right to terminate this Agreement, effective immediately, upon written notice to the other Parties in the event any of the following should occur: (a) A Party engages in fraudulent conduct; (b) A Party becomes insolvent; is adjudicated bankrupt; a receiver, trustee or custodian is appointed for it; there is an assignment of a Party's business for the benefit of creditors; or one of the Parties liquidates or dissolves; (c) A Party fails to function as a viable and operative concern or to conduct its operations in the normal course of business.
- 6.3. Material Breach. Other than for occurrences covered by Section 6.2 hereof, a Party shall have the right to terminate this Agreement upon thirty (30) days written notice if a Party materially breaches or fails to perform any of its obligations, representations or undertakings hereunder and fails to cure such breach or failure within such thirty (30) day notice period.
- 6.4. Losses Due to Termination. Under no circumstances shall a Party be liable to the other Party by reason of termination of the Agreement for indemnification, compensation, reimbursement, or damages for loss of prospective compensation, goodwill or loss thereof, or expenditures, investments, leases, or any type of commitment made in connection with the business of such Party or in reliance on the existence of this Agreement including, but not limited to advertising and promotion costs, costs of supplies, termination of employees, employee salaries, and other such costs and expenses.
- 6.5. Licenses; Advertising Material. Upon the termination of this Agreement for any reason, (i) all rights and licenses granted to 3D-ID hereunder immediately shall terminate; and (ii) each Party shall return to corresponding Party all tangible manifestations of Confidential Information of the other Party in its possession, specifically 3D-ID shall return the items set forth in Exhibit A.

7. Miscellaneous.

- 7.1. Prior Agreements. This Agreement cancels and supersedes all prior agreements and understandings, oral or written, entered into by and between the Parties. This Agreement, including the Exhibits appended hereto, sets forth the entire understanding of the Parties with respect to its subject matter and may be changed or amended only by a writing signed by duly authorized officers of all of the Parties. All captions and headings contained in this Agreement are for convenience only and are not a part of this Agreement.
- 7.2. Notices. All notices under this Agreement shall be in writing and shall be by registered or certified air mail or overnight courier or sent via facsimile to the addresses or numbers listed on the signature page of this Agreement.
- 7.3. Choice of Law. The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the State of Delaware, as if performed wholly within the state and without giving effect to the principles of conflict of law.
- 7.4. No Waiver. No waiver of rights under this Agreement by any Party shall constitute a subsequent waiver of this or any other right under this Agreement.
- 7.5. Force Majeure. No Party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the Party whose performance is affected.
- 7.6. Assignment. Other than as set forth in Section 1, neither this Agreement nor any rights under this Agreement shall be assigned or otherwise transferred by any Party (by operation of law or otherwise) without the prior written consent of the other Parties. Notwithstanding the foregoing, a Party shall have the right to assign this Agreement without the other Parties' consent to an entity that acquires all or substantially all of its stock or assets, whether by way of merger, acquisition, operation of law or otherwise. This Agreement shall bind and inure to the benefit of the successors and permitted assigns of the Parties.
- 7.7. Severability. In the event that any of the terms of this Agreement become or are declared to be illegal or otherwise unenforceable by any court of competent jurisdiction, such term(s) shall be null and void and shall be deemed deleted from this Agreement. All remaining terms of this Agreement shall remain in full force and effect. Notwithstanding the foregoing, if this paragraph becomes applicable and, as a result, the value of this Agreement is materially impaired for any Party, as determined by such Party in its sole discretion, then the affected Party may terminate this Agreement by written notice to the other.

7.8. Arbitration. IN THE EVENT OF A DISPUTE HEREUNDER WHICH CANNOT BE RESOLVED BY THE PARTIES AMONG THEMSELVES, SUCH DISPUTE SHALL BE SETTLED BY BINDING ARBITRATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATION PANEL MAY BE ENTERED IN ANY COURT OR TRIBUNAL OF COMPETENT JURISDICTION. THE PARTIES AGREE THAT ALL ARBITRATIONS OCCURRING UNDER THIS SECTION SHALL BE HELD IN THE INITIATING PARTY'S CITY OF THEIR CHOICE. THE PARTIES AGREE THAT THE AAA OPTIONAL RULES FOR EMERGENCY MEASURES OF PROTECTION SHALL APPLY TO THE PROCEEDINGS. THE INITIATING PARTY WILL HAVE ARBITRATION HELD IN THE CITY OF THEIR CHOICE. NOTWITHSTANDING THE ARBITRATION PROVISIONS, IN THE EVENT OF THE NEED FOR INJUNCTIVE RELIEF BY ANY PARTY IN ORDER TO ENFORCE THE TERMS AND CONDITIONS OF THIS AGREEMENT, ANY PARTY SHALL BE FREE TO INSTITUTE LITIGATION IN ANY APPROPRIATE FORUM TO ADDRESS THE EQUITABLE ISSUES RAISED BY SUCH PARTY'S CONDUCT.



IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed. Each Party warrants and represents that its respective signatories whose signatures appear below have been and are on the date of signature duly authorized to execute this Agreement.

**3D-ID, LLC**

Name: /s/ Gino Pereira  
Gino Pereira

Title: Managing Partner

Date: August 16, 2011  
Address: 1721 Winding Ridge Circle SE  
Palm Bay, FL 32909  
FAX:203 888 7399  
Attention: Gino Pereira

**Technest Holdings, Inc.**

Name: /s/ Shekhar Wadekar  
Shekhar Wadekar

Title: Chief Executive Officer

Date: August 19, 2011  
Address: 10411 Motor City Drive, Suite 650  
Bethesda, MD 20817  
FAX: (301) 767-2811  
Attention: Shekhar Wadekar

**Genex Technologies, Incorporated**

Name : /s/ Shekhar Wadekar  
Shekhar Wadekar

Title: President

Date: August 19, 2011  
Address: 10411 Motor City Drive, Suite 650  
Bethesda, MD 20817  
FAX: (301) 767-2811  
Attention: Shekhar Wadekar

**EXHIBIT A**

<b>Item #</b>	<b>Product Description</b>	<b>QTY</b>
1	Shuttle X 3.01 GHZ mini Computer with an EuraCard frame grabber	1
2	3D FaceCam, model FACE CAM500-34	1
3	3D FaceCam (FC800-688-22651-38105-1279b)	1
4	Manfrotto Tripod	2
5	Belkin Power strip	1
6	WellCam system with monitor and power supply	1
7	WellCam camera	2
8	WellCam system in Pelican 1490 case	1
9	Pelican 1400 case	1
10	IMPERX IPX-4M15-L camera	1
11	CameraLink power supply	1
12	AXIS EVI-D30 12 variable zoom camera	1
13	Swann Security c500 CCD color camera	1
14	Color TFT LCD monitor	1
15	Micro compact KPC CCD camera lenses	12
16	Micro compact KPC CCD camera	2
17	Power supply adaptors	5
18	Network server case	1
19	More Power supply adaptors	5
20	Three level camera ring with 19 KPC-EX20H cameras	1
21	One level camera ring with 5 or 6 KPC-EX20H cameras	3
22	SOS-4 Vision system	2
23	SOS vision system (model IS 1)	1
24	Small Pelican case	1

25	AirPlus Xtreme G wireless router	1
26	Netgear Prosafe 8 port Gigabit switch (GS108)	1
27	More power supply adaptors	3
28	Battery Lithium MnO2 BA 5390/u	1
29	More power supply adaptors	4
30	Utilitech motion sensor control #182164	1
31	Sets of SOS cables	4
32	SOS power supply	1
33	DPTex Passive Infrared Detector CX-702	2
34	DS ATO Gateway	5
35	SH-5316-BZ Motion Sensor	2
36	Marshall Electronics V-LCD4-Pro-l High resolution 4" LCD monitor	1
37	Camera Ring mechanical structure for 8 sensors	1
38	S.BATT12.6 battery	5
39	Small Electronic chips	3
40	Archer Filed personal computer	1
41	STUDS SOS Vision Systems	2
42	Pelican 1150 cases	3
43	Genex camera system with two big grey cameras	1
44	Camera vision system with 3 KPC-EX20H cameras	1
45	AXIS 2120 Network Camera	1
46	IQeye3 Camera system from IQinVision	1

**Note:** (1) Items #1 to #43 are in the possession of David Tunnell;  
(2) Items #44 to #46 are in the possession of Libin Zhang on behalf of David Tunnell

**Software and Trademarks:**

WellCam  
 STUDS  
 SOS  
 Cerberus  
 FaceCam  
 3D SketchArtist  
 3D FaceMap  
 3D FaceMatch  
 3D Enroll

**Patents:**

<b>Patent Title</b>	<b>Serial/Patent/ Registration Number</b>
Method and Apparatus for High Resolution Three Dimensional Display Omni-Directional Cameras	6,064,423
High Speed Three Dimensional Imaging Method	D436,612
Method and System for Three-Dimensional Imaging Using Light Pattern Having Multiple Sub-Patterns	6,028,672
Method And Apparatus for Omnidirectional Three Dimensional Imaging	6,700,669
Face Recognition System and Method	6,744,569
A System and a Method for Three-Dimensional Imaging Systems	7,221,809
Method and Apparatus for an Interactive Volumetric Three Dimensional Display	7,349,104
Face Recognition System and Method	7,098,872
Method and Apparatus for Omni-Directional Video Surveillance System	7,876,931
A System and a Method for a Smart Surveillance System	7,940,299
A High Speed Three Dimensional Imaging Method	7,358,498
Method And Apparatus for Modeling Via a Three-Dimensional Image Mosaic System	6,147,760
Method and System for a Three Dimensional Facial Recognition System	6,819,318
Method and Apparatus for Omnidirectional Three-Dimensional Imaging	7,804,997
Method and Apparatus for Generating Structural Pattern Illumination	6,304,285
	6,937,348

**AGREEMENT**

THIS AGREEMENT (this "Agreement") is made and entered into as of January 19, 2011 (the "Effective Date"), between Aellipsys Holdings, Inc., a Florida corporation having its principal place of business at 649 SW Whitmore Drive Port St. Lucie, FL 34984 ("Aellipsys Holdings"), and 3D-ID LLC., a Florida corporation, having a principal place of business at 1721 Winding Ridge Circle SE, Palm Bay, FL 32909 ("3D-ID") Aellipsys Holdings and 3D-ID are collectively referred to herein as the "Parties" and each sometimes referred to as a "Party".

**RECITALS**

WHEREAS, Aellipsys Holdings has developed software as listed on Exhibit A attached hereto (the "Software") to be used in certain 3-D Active ID equipment (the "Equipment," the Equipment together with the Software are referred to as the "Product");

WHEREAS, 3D-ID wishes to obtain a license from Aellipsys Holdings to use the Software for the manufacture of the Product and to sell and distribute the Product, and Aellipsys wishes to grant such a license to 3D-ID according to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the terms and conditions herein contained, it is hereby agreed between the Parties as follows:

1. Intellectual Property Rights.

- 1.1. Aellipsys Holdings License to 3D-ID. Subject to the terms and conditions of this Agreement and in connection with the sale of the Products, Aellipsys Holdings hereby grants to 3D-ID a perpetual sub-licensable, non-exclusive, worldwide license to make, have made, use, sell, offer for sale and import products and to practice any method under the Aellipsys Holdings Intellectual Property (as defined below), including but not limited to the use of the Software for the manufacture and distribution of the Products. The "Aellipsys Holdings Intellectual Property" refers to, collectively, (i) any patents, patent registrations, patent applications related to the Products and all improvements or enhancements derived therefrom, of Aellipsys Holdings and including but not limited to those of GeoMetrix, Inc., (ii) all trademarks, trade secrets, know-how, proprietary information and other intellectual property of Aellipsys Holdings (including those of GeoMetrix, Inc.) currently developed or currently under development, or that may be developed during the term of this Agreement, by Aellipsys Holdings and/or any of its subsidiaries that it currently owns or has transferable rights to related to the Products, including, without limitation, in each instance, all specifications, engineering drawings, schematics, bills of materials, software source and object code and algorithms, wiring diagrams, test procedures, assembly drawings, artwork, and other documents or files that would be required to manufacture, test and/or improve the Products with no limitations.
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- 1.2. Ownership of Improvements, Modifications and Additions. 3D-ID shall solely own, all right, title and interest in and to all improvements, modifications, additions, inventions, original works of authorship, developments, concepts, and trade secrets, whether or not patentable or registrable under copyright or similar laws, and any and all patents issued with respect thereto, to the Equipment and Software, which 3D-ID, its affiliates, employees and/or contractors may solely make, conceive, or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, (the “3D-ID Sole Developments”). However, such improvements will be incorporated into the Product and available to be sold to Aellipsys consistent with section 1.4
  - 1.3. Upgrades and Support Services. Aellipsys Holdings agrees to provide 3D-ID with any new releases and versions of the Software which include, but are not limited to bug fixes, modifications, variations, or enhancements of the Software and which are delivered to 3D-ID pursuant to the terms of this Agreement. Such new releases or versions provided under this section shall constitute Aellipsys Holdings Intellectual Property for purposes of the license in Section 1.1. In all circumstances, Aellipsys Holdings shall provide technical support to 3D-ID and to 3D-ID’s customer that have purchased the Product and provide the necessary maintenance.
  - 1.4. Sale of 3D-ID manufactured Product to Aellipsys. Aellipsys shall have the ability to acquire the Product from 3D-ID at the lesser of; the lowest price that the Product was sold in the previous 12 months or; fully absorbed manufacturing cost of the product plus 15% profit.
2. Duties of the Parties. In connection with the licenses granted hereunder, Aellipsys Holdings shall, promptly after the Effective Date, deliver to 3D-ID all physical and intangible embodiments of the Aellipsys Holdings Intellectual Property necessary to enable 3D-ID to manufacture and distribute the Products. Aellipsys Holdings shall provide diagrams, bills of materials, material lists, manufacturing and assembly drawings, specifications, written instructions, and such other documentation of the Aellipsys Holdings Intellectual Property as may be reasonably necessary and useful to 3D-ID to manufacture and distribute the Products. 3D-ID shall use reasonable commercial efforts to manufacture and distribute the Products.
  3. Compensation. 3D-ID shall pay to Aellipsys Holdings a royalty for each Product manufactured by 3D-ID sold and installed at a customer equal to two thousand dollars (\$2000). In addition, 3D-ID shall pay Aellipsys Holdings an additional royalty on the sale of the Products for any recurring revenue collected by 3D-ID or its distributors upon the sale and installation of a Product. The additional royalty shall be ten percent (10%) of the revenue collected by 3D-ID. By way of example, if 3D-ID or its distributors receives an amount per month for the sale and installation of the Product at a customer site, 3D-ID shall pay Aellipsys Holdings 10% of the amount collected by 3D-ID or its distributors from customer. Within thirty (30) days after the end of each calendar quarter, until all royalties payable hereunder shall have been reported and paid, 3D-ID shall furnish to Aellipsys Holdings an itemized statement in suitable form showing all Products manufactured and sold during such calendar quarter, and the amount of royalty payable thereon. If no Products have been manufactured or sold, such facts shall be shown on such statement. In addition, within thirty (30) days after the end of each calendar quarter, 3D-ID shall pay to Aellipsys Holdings the royalties payable hereunder for such quarter.

4. Representations and Warranties of the Parties. Aellipsys Holdings and 3D-ID hereby each represent and warrant to the other Parties that, as of the date hereof, the following statements are true and correct:
- 4.1. Organization. It is a corporation duly organized and validly existing under the laws of its jurisdiction of incorporation or organization, and has the corporate power and authority to enter into and perform this Agreement.
  - 4.2. Authorization. All action on its part of necessary for the authorization, execution and delivery of this Agreement to which it is a party and for the performance of all of its obligations hereunder and thereunder has been taken, and this Agreement to which it is a party when, fully executed and delivered, shall constitute a valid, legally binding and enforceable obligation of such Party.
  - 4.3. Government and Other Consents. No consent, authorization, license, permit, registration or approval of, or exemption or other action by, any governmental authority, or any other person, is required of it in connection with its execution, delivery and performance of this Agreement, or if any such consent is required, it has satisfied the applicable requirements.
  - 4.4. Effect of Agreement. Its execution, delivery and performance of this Agreement to which it is a party will not (i) violate its organizational documents, (ii) violate any judgment, order, writ, injunction or decree of any court applicable to it, (iii) have any effect on its compliance with any applicable licenses, permits or authorizations which would materially and adversely affect such Party or its ability to perform under this, or (iv) result in the breach of, give rise to a right of termination, cancellation or acceleration of any obligation with respect to (presently or with the passage of time), or otherwise be in conflict with any term of, or affect the validity or enforceability of, any agreement or other commitment to which it is a party and which would materially and adversely affect such Party or its ability to perform under this Agreement.
  - 4.5. Litigation. There are no actions, suits or proceedings pending or, to such Party's knowledge, threatened, against it which question its right to enter into or perform this Agreement, or which question the validity of this Agreement.
5. Additional Representations and Warranties of Aellipsys Holdings. Aellipsys Holdings hereby represents and warrants to the other Parties that, as of the date hereof, the following statements are true and correct:
- 5.1. Neither Aellipsys Holdings nor any of its affiliates has previously granted, assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the Aellipsys Holdings Intellectual Property in a manner that conflicts or is inconsistent with the rights and licenses granted to 3D-ID under this Agreement.



- 5.2. To the best of Aellipsys Holdings's knowledge, Aellipsys Holdings has all right, title and interest in and to the Aellipsys Holdings Intellectual Property, including any data and materials provided to 3D-ID hereunder, and Aellipsys Holdings has the right to grant the rights and licenses granted to 3D-ID hereunder.
- 5.3. There is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation pending or relating to or, to Aellipsys Holdings's knowledge, threatened that the Aellipsys Holdings Intellectual Property infringes upon the patent rights or other intellectual property rights of any third party.
- 5.4. Any Software included as, or embedded in a Product will function substantially in accordance with the published specifications for a period of at least twelve (12) months.
6. Indemnification. Each Party agrees to indemnify, defend and hold each Party harmless from and against any all costs, expenses, liabilities, losses, damages, suits, fines, penalties, claims and demands of every kind or nature, (including reasonable attorney's fees) (the foregoing, "Damages") arising out of or in connection with (i) the indemnifying party's breach of its representations, warranties, covenants and obligations under this Agreement, (ii) any claims for personal injuries (including death) caused by the indemnifying party or the act, omission, negligence or misconduct of any employee, agent or representative thereof, and (iii) any damage to tangible personal or real property damage caused by the indemnifying party or the act, omission, negligence or misconduct of any employee, agent or representative thereof.
7. Insurance. Without limiting any Party's indemnification obligations set forth in this Agreement, each Party shall carry and maintain in force at its own expense, at all times relevant hereto insurance of the types and minimum coverage amounts as follows: (i) Commercial General liability Insurance with minimum limits of \$1,000,000 combined bodily injury and property damage per occurrence.

8. Confidential Information. The Parties acknowledge that each Party hereto and its employees, agents, affiliates or subcontractors (collectively, the “Recipient”) may be exposed to certain Confidential Information (as defined below) of the other Parties to this Agreement (the “Disclosing Party”). Any Confidential Information of the Disclosing Party disclosed pursuant to this Agreement may be used only for the purpose related to this Agreement. The Recipient (i) will hold the Disclosing Party’s Confidential Information in strict confidence; (ii) will not disclose the Confidential Information to any third party without the written consent of the Disclosing Party and will take all reasonable steps to prevent such disclosure (which steps will include, without limitation, at least the same degree of care, but not less than a reasonable degree of care, and security precautions that the Recipient uses to protect its own confidential information); and (iii) will only use or disclose such Confidential Information within the Recipient’s own organization on a need-to-know basis or to the extent required to be disclosed by the Recipient to comply with applicable laws or regulations or judicial order, in which event the Recipient shall provide prior written notice of such mandated disclosure to the Disclosing Party and shall cooperate with the Disclosing Party (at the Disclosing Party’s expense) in connection with any efforts thereby to prevent or limit such disclosure. Moreover, the Recipient agrees to transmit Confidential Information only to the Recipient’s partners, directors, officers, employees, agents, advisors, and affiliates or those of the Recipient’s affiliates only on a need-to-know basis and who are informed by the Recipient of the confidential nature of the Confidential Information and who agree to be bound by the terms of this section or a confidentiality agreement with terms at least as restrictive as those set forth herein. The Recipient will be responsible for any breach of any provision of this Agreement by the Recipient’s affiliates, partners, directors, officers, employees, agents, and advisors and those of the Recipient’s affiliates. Confidential Information will be maintained in confidence indefinitely. Each Party shall immediately notify the other in writing of any known or perceived misappropriation or disclosure of the Confidential Information, whether such misappropriation or disclosure is a result of a negligent or an intentional act of the Recipient or a third party. “Confidential Information” means (i) all ideas, concepts, techniques or know-how tending to give the Disclosing Party a commercial advantage (including, without limitation, any patentable inventions and original works of authorship, such as computer software, customer lists, specifications, business plans, trade secrets, and the like) and (ii) any other information labeled “CONFIDENTIAL” and provided to the Recipient by the Disclosing Party. Confidential Information shall not include any information that: (a) Is contained in a printed publication prior to the date of this Agreement; (b) Is or becomes publicly known through no wrongful act or failure to act on the part of the Recipient; (c) Is known by the Recipient without any proprietary restrictions at the time of receipt of such information from the Disclosing Party or becomes known to the Recipient without proprietary restrictions from a source other than the Disclosing Party; or (d) Is independently developed by the Recipient without reference to the Confidential Information disclosed by the Disclosing Party. The timing and content of any announcements, press releases or other public statements concerning this Agreement and the relationship of the Parties hereunder will occur upon, and be determined by, mutual agreement and consent of the Parties. The foregoing notwithstanding, nothing herein shall prohibit any Party to this Agreement from making any public disclosure regarding this Agreement and the nature and status of the transaction contemplated herein if in the opinion of counsel to such Party such disclosure is required under applicable laws.

9. Term and Termination.

9.1. Term. The term of this Agreement shall commence as of the Effective Date and, unless and until terminated sooner as set forth below, shall continue for an initial term of five (5) years and thereafter shall continue until either Party provides the other Party written notice at least sixty (60) days prior to the effective date of termination.

- 9.2. Events Permitting Termination. Any Party to this Agreement shall have the right to terminate this Agreement, effective immediately, upon written notice to the other Parties in the event any of the following should occur: (a) A Party engages in fraudulent conduct; (b) A Party becomes insolvent; is adjudicated bankrupt; a receiver, trustee or custodian is appointed for it; there is an assignment of a Party's business for the benefit of creditors; or one of the Parties liquidates or dissolves; (c) A Party fails to function as a viable and operative concern or to conduct its operations in the normal course of business.
- 9.3. Material Breach. Other than for occurrences covered by Section 9.2 hereof, a Party shall have the right to terminate this Agreement upon thirty (30) days written notice if a Party materially breaches or fails to perform any of its obligations, representations or undertakings hereunder and fails to cure such breach or failure within such thirty (30) day notice period.
- 9.4. Losses Due to Termination. Under no circumstances shall a Party be liable to the other Party by reason of termination of the Agreement for indemnification, compensation, reimbursement, or damages for loss of prospective compensation, goodwill or loss thereof, or expenditures, investments, leases, or any type of commitment made in connection with the business of such Party or in reliance on the existence of this Agreement including, but not limited to advertising and promotion costs, costs of supplies, termination of employees, employee salaries, and other such costs and expenses.
- 9.5. Licenses; Advertising Material. Upon the termination of this Agreement for any reason, (i) all rights and licenses granted to 3D-ID hereunder immediately shall terminate subject to Section 9.6; and (ii) each Party shall return to corresponding Party all tangible manifestations of Confidential Information of the other Party in its possession.
- 9.6. Existing Installations. As long as Aellipsys continues to receive royalty payments on existing installations, Aellipsys will continue to support the software on these installations notwithstanding termination of this agreement.

10. Miscellaneous.

- 10.1. Prior Agreements. This Agreement cancels and supersedes all prior agreements and understandings, oral or written, entered into by and between the Parties. This Agreement, including the Exhibits appended hereto, sets forth the entire understanding of the Parties with respect to its subject matter and may be changed or amended only by a writing signed by duly authorized officers of all of the Parties. All captions and headings contained in this Agreement are for convenience only and are not a part of this Agreement.
- 10.2. Notices. All notices under this Agreement shall be in writing and shall be by registered or certified air mail or overnight courier or sent via facsimile to the addresses or numbers listed on the signature page of this Agreement.
- 10.3. Choice of Law. The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the State of Florida, as if performed wholly within the state and without giving effect to the principles of conflict of law.
- 10.4. No Waiver. No waiver of rights under this Agreement by any Party shall constitute a subsequent waiver of this or any other right under this Agreement.

- 10.5. Force Majeure. No Party shall be liable in damages or have the right to terminate this Agreement for any delay or default in performing hereunder if such delay or default is caused by conditions beyond its control including, but not limited to Acts of God, Government restrictions (including the denial or cancellation of any export or other necessary license), wars, insurrections and/or any other cause beyond the reasonable control of the Party whose performance is affected.
- 10.6. Assignment. Neither this Agreement nor any rights under this Agreement, other than monies due or to become due, shall be assigned or otherwise transferred by any Party (by operation of law or otherwise) without the prior written consent of the other Parties. Notwithstanding the foregoing, a Party shall have the right to assign this Agreement without the other Parties' consent to an entity that (i) acquires all or substantially all of its stock or assets, whether by way of merger, acquisition, operation of law or otherwise, or (ii) acquires all of the related business unit engaged in this agreement. This Agreement shall bind and inure to the benefit of the successors and permitted assigns of the Parties.
- 10.7. Severability. In the event that any of the terms of this Agreement become or are declared to be illegal or otherwise unenforceable by any court of competent jurisdiction, such term(s) shall be null and void and shall be deemed deleted from this Agreement. All remaining terms of this Agreement shall remain in full force and effect. Notwithstanding the foregoing, if this paragraph becomes applicable and, as a result, the value of this Agreement is materially impaired for any Party, as determined by such Party in its sole discretion, then the affected Party may terminate this Agreement by written notice to the other.
- 10.8. Arbitration. IN THE EVENT OF A DISPUTE HEREUNDER WHICH CANNOT BE RESOLVED BY THE PARTIES AMONG THEMSELVES, SUCH DISPUTE SHALL BE SETTLED BY BINDING ARBITRATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATION PANEL MAY BE ENTERED IN ANY COURT OR TRIBUNAL OF COMPETENT JURISDICTION. THE PARTIES AGREE THAT ALL ARBITRATIONS OCCURRING UNDER THIS SECTION SHALL BE HELD IN THE INITIATING PARTY'S CITY OF THEIR CHOICE. THE PARTIES AGREE THAT THE AAA OPTIONAL RULES FOR EMERGENCY MEASURES OF PROTECTION SHALL APPLY TO THE PROCEEDINGS. THE INITIATING PARTY WILL HAVE ARBITRATION HELD IN THE CITY OF THEIR CHOICE. NOTWITHSTANDING THE ARBITRATION PROVISIONS, IN THE EVENT OF THE NEED FOR INJUNCTIVE RELIEF BY ANY PARTY IN ORDER TO ENFORCE THE TERMS AND CONDITIONS OF THIS AGREEMENT, ANY PARTY SHALL BE FREE TO INSTITUTE LITIGATION IN ANY APPROPRIATE FORUM TO ADDRESS THE EQUITABLE ISSUES RAISED BY SUCH PARTY'S CONDUCT.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed. Each Party warrants and represents that its respective signatories whose signatures appear below have been and are on the date of signature duly authorized to execute this Agreement.

**Aellipsys Holdings, Inc.**

Name: /s/ Jerome W. Rifino  
Jerome W. Rifino

Title: President

Date: January 19, 2011

Address: 649 SW Whitmore Drive  
Port St. Lucie, FL 34984  
FAX: 800-403-7150  
Attention: Jerome W. Rifino

**3D-ID Holdings, Inc.**

Name: /s/ Gino Pereira  
Gino Pereira

Title: Managing Partner

Date: January 19, 2011

Address: 1721 Winding Ridge Circle SE  
Palm Bay, FL 32909  
Attention: Gino Pereira

## EXHIBIT A

### Software

- ActiveID for Identifier
- ActiveID Identifier Plus
- ActiveID Mugshot Capture
- ActiveID Verifier
- ActiveID Verifier Plus

### Description of Software:

#### **ActiveID Identifier**

Automatic search for previously enrolled subjects at time of enrollment. One-to-many identification software includes high-speed 3D biometric template extraction software and FaceVision shape recognition software. Provides identification throughput of up to one million records in 30 seconds. Software provides high-speed matching capability for confirming live probe templates to one or more enrolled templates within the database. Automatic logging of all identification transactions.

#### **ActiveID Identifier Plus**

One-to-many Identification software plus automated enrollment software that enables insertion of an unrecognized but authorized individual into the gallery database.

#### **ActiveID Mugshot Capture**

Allows capture of front and side profile at time of enrollment for storage and export to mugshot system

#### **ActiveID Verifier**

One-to-one Verification software includes high-speed 3D biometric template extraction software and FaceVision 3D shape recognition software. Provides verification throughput of 7 seconds per ID and up to 8 ID requests per minute. Automatic logging of all verification transactions. Software provides high-speed one-to-one matching capability for confirming live probe templates to one or more enrolled templates within the enrollment database.

#### **ActiveID Verifier Plus**

One-to-one Verification software plus identification software that automatically performs a one-to-many identity search through the database after the one to one search is complete to flag duplicate Ids/aliases/imposters.

**MEMBERSHIP INTEREST PURCHASE AGREEMENT**

This Membership Interest Purchase Agreement (“Agreement”) is entered into as of June 25, 2012, by and among Nxt-ID, Inc. (the “Purchaser”) and 3D-ID, LLC (the “Seller”).

**RECITALS**

**A.** The Seller has operated a business under the name “3D-ID” (the “Company”).

**B.** The Seller is offering for sale to the Purchaser 100 percent of the equity of the Company (as identified by the “Membership Interests”) less certain selected liabilities associated with such business pursuant to the terms of this Agreement as described herein.

**NOW, THEREFORE**, in consideration of the mutual premises and covenants herein, the parties, intending to be legally bound, agree as follows:

**1. ASSUMED AND EXCLUDED ASSETS AND LIABILITIES**

**1.1** Sale of Membership Interests.

On the terms and subject to the conditions of this Agreement, and except as provided in Section 1.2, the Seller is hereby transferring, conveying and assigning (or causing to be transferred, conveyed and assigned) to the Purchaser, and the Purchaser is hereby purchasing and acquiring from the Seller, simultaneously with the execution of this Agreement, 100% of the Membership Interests of the Company, including all of the Company’s right, title and interest in and to certain assets that are used in the Company’s business (the “Purchased Assets”). As used herein the term “Purchased Assets” means those assets specifically identified on Schedule 1.1 hereto.

**1.2** Assumed Liabilities.

There are no assumed liabilities as part of this Agreement.

**1.3** Excluded Liabilities.

The Purchaser is not assuming any other obligations or liabilities of the Company or the Seller.

**1.4** Allocation of Taxes.

Not applicable.

## 2. PURCHASE PRICE

### 2.1 Purchase Price.

Upon the terms and subject to the conditions set forth in this Agreement, the aggregate purchase price (the "Purchase Price") paid by the Purchaser for the Membership Interests of the Company, simultaneously with the execution of this Agreement, is TWENTY MILLION (20,000,000) SHARES OF COMMON STOCK OF NXT-ID, INC.

### 2.2 Payment of Purchase Price.

The Purchaser has paid the Cash Consideration on the date hereof in immediately available funds. For the purposes of this Agreement, "Transactional Agreements" shall mean: (a) this Agreement; and (b) the Bill of Sale, Assignment and Assumption Agreement in the form of Exhibit A hereto.

## 3. CLOSING

### 3.1 Closing.

The closing (the "Closing") shall take place at the offices of Gersten Savage LLP, 600 Lexington Avenue, New York, New York 10022, on the date of, and simultaneously with, the execution of this Agreement (such date is hereinafter referred to as the "Closing Date").

### 3.2 Effectiveness.

The transactions contemplated by this Agreement shall be effective as of 6:00 p.m., New York Time, on the Closing Date and all references herein to the Closing Date shall be as of such time on the Closing Date.

### 3.3 Seller's Obligations.

At the Closing, the Seller has delivered or caused to be delivered to the Purchaser, each of the Transactional Agreements, duly executed by such party.

### 3.4 The Purchaser's Obligations.

At the Closing, the Purchaser has delivered:

- (a) the Purchase Price; and
- (b) the Transactional Agreements, duly executed by such party.

### 3.5 Passage of Title: Risk of Loss: Delivery.

Legal and equitable title and risk of loss with respect to Membership Interests, including all of the Purchased Assets passes to the Purchaser on transfer of such assets at the Closing. The Seller is making available to the Purchaser all of the Purchased Assets at the Closing; provided, however, that the expenses of retrieving, removing and transferring the Purchased Assets shall be borne exclusively by the Purchaser.



#### 4. REPRESENTATIONS AND WARRANTIES OF THE SELLER

Except as specifically set forth in the Disclosure Schedules attached to this Agreement, the Seller hereby represents and warrants to the Purchaser as follows:

##### 4.1 Authority; Binding Nature of Agreements.

The Seller has the absolute and unrestricted right, power and authority to enter into and to perform its respective obligations under this Agreement and the other Transactional Agreements to which it is contemplated to be a party, and the execution, delivery and performance by the Seller of this Agreement and such Transactional Agreements have been duly authorized by all necessary action on the part of the Seller. This Agreement and the other Transactional Agreements constitute, or upon execution and delivery will constitute, the legal, valid and binding obligations of the Seller, enforceable against the Seller in accordance with their respective terms.

##### 4.2 Title to Assets; Disclaimer of Warranties.

In connection with the consummation of the transactions contemplated by this Agreement, the Seller has sold, assigned, transferred and conveyed all of its right, title and interest in and to the Purchased Assets via the sale of 100% of the Membership Interests of the Company to the Purchaser “as is” and “where is.” The Purchaser has acquired the Membership Interests and all Purchased Assets free and clear of all indebtedness for borrowed money any other liens, except the following: (i) mechanics’, carriers’, worker’s and other similar liens arising in the ordinary course of business; and (ii) liens for current taxes not yet due and payable. Except as expressly provided in this Agreement, to the fullest extent permitted by law, the Seller has not made, and does not make, any representations or warranties whatsoever with respect to the Purchased Assets. To the fullest extent permitted by law, the Seller expressly disclaims, releases and renounces all other warranties, obligations and liabilities, express or implied, arising by law or otherwise, with respect to, including, but not limited to, (i) any implied warranty of merchantability or fitness for a particular purpose; and (ii) any implied warranty arising from course of performance, course of dealing or usage of trade.

#### 5. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller as follows:

##### 5.1 Organization, Qualification.

The Purchaser is a Delaware corporation. The Purchaser has all requisite corporate or other power and authority to own and operate its properties and assets, to execute and deliver this Agreement and all other Transactional Agreements contemplated to be executed and delivered by the Purchaser, and to carry out the provisions of this Agreement and such other Transactional Agreements, and to carry on its business as presently conducted and as presently proposed to be conducted.

5.2 Authority; Binding Nature of Agreements.

The Purchaser has the absolute and unrestricted right, power and authority to enter into and to perform its respective obligations under this Agreement and the other Transactional Agreements to which it is contemplated to be a party, and the execution, delivery and performance by the Purchaser of this Agreement and such Transactional Agreements have been duly authorized by all necessary action on the part of the Purchaser. This Agreement and the other Transactional Agreements constitute, or upon execution and delivery will constitute, the legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms.

5.3 Purchaser Acknowledgement.

The Purchaser acknowledges and agrees that at the Closing, the Seller is selling and conveying all of its rights, title and interest in and to the Membership Interests and Purchased Assets to the Purchaser and the Purchaser is accepting the Purchased Assets "as is, where is and with all faults," except as expressly stated herein. The Purchaser has not relied and will not rely on, and the Seller is not liable for or bound by, any express or implied warranties, guarantees, statements, representations or information pertaining to the Purchased Assets or relating thereto made or furnished by the Seller or its representatives, to whomever made or given, directly or indirectly, orally or in writing, except as expressly stated herein. The Purchaser also acknowledges that the purchase price of the Purchased Assets reflects and takes into account that the Purchased Assets are being sold "as is, where is, and with all faults," except as expressly stated herein. The Purchaser acknowledges to the Seller that the Purchaser has had the opportunity to conduct prior to the Closing such inspections and investigations of the Purchased Assets as the Purchaser deems necessary or desirable to satisfy itself as to the Purchased Assets and the Purchaser's acquisition thereof. The Purchaser hereby assumes the risk that adverse matters including, but not limited to, latent or patent defects, adverse physical or other adverse matters may not have been revealed by the Purchaser's review and inspections and investigations.

**6. POST-CLOSING COVENANTS OF THE PARTIES**

6.1 Transfer of Intellectual Property.

From and after the Closing and at the Purchaser's expense, the Seller shall execute all such instruments or documents and take all such other actions as the Purchaser may reasonably request to transfer the Intellectual Property (as defined in Schedule 1.1) from the Seller to the Purchaser. Without cost or expense to the Seller, the Seller shall cooperate with the Purchaser and any other appropriate agency in order to successfully transfer the Intellectual Property from the Seller to the Purchaser and in the protection of the Purchaser's right to the Intellectual Property in the future.

6.2 Other Transfers and Assignments.

The Seller will cooperate with the Purchaser, at the Purchaser's expense, in notifying any permitting agencies in connection with the transfer of any permits that constitute Purchased Assets. The Seller has not obtained, from the other party thereto, consent to transfer or assign to the Purchaser the agreements set forth on Schedule 6.2(a) hereof and such agreements are not being transferred or assigned by the Seller to the Purchaser at the Closing. The Seller agrees to cooperate with the Purchaser, at the Purchaser's expense, in obtaining any necessary consents to the transfer or assignment to the Purchaser of any such agreement and to assign or transfer such agreement to the Purchaser, at the Purchaser's expense, if and when such consent is obtained. Furthermore, the Seller has not obtained, from the landlord thereunder, consent to transfer or assign to the Purchaser the real estate leases set forth on Schedule 6.2(b) (the "Leases") and such Leases are not being transferred or assigned by the Seller to the Purchaser at the Closing. Notwithstanding the foregoing, the Seller may determine in its sole discretion to agree, on such terms reasonably satisfactory to the Seller and at the Purchaser's expense, to permit the Purchaser to act as the Seller's subcontractor under the Lease or to enter into a similar arrangement whereby in each case the Purchaser shall perform all of the obligations of the Seller under such Lease until the landlord under the Lease provides such consent to the transfer or assignment of the Lease or the Lease is otherwise terminated and the Purchaser is able to enter into a substitute arrangement; provided in each case that the Purchaser holds the Seller harmless against any loss, obligation, claim, liability, settlement, payment, award, judgment, fine, penalty, interest charge, expense, damage or deficiency or other charge (a "Loss") arising from or under the Lease on or after the Closing, including any breach of the Lease, any act or omission of the Purchaser or the Seller in performing under such Lease or any failure to obtain the necessary consents to the transfer or assignment of such Lease.

6.3 Further Assurance.

Each party agrees, at the other party's expense, to execute such documents and render all such assistance as such party reasonably requests from time to time for the purpose of effecting the sale of the Purchased Assets. Each party further agrees that it shall afford to the other party hereto, as may be reasonably requested, reasonable access to the books and records of such party relating to the Purchased Assets as may be necessary for purposes of effecting the sale of the Purchased Assets.

**7. INDEMNIFICATION**

7.1 Indemnification by the Seller.

The Seller shall indemnify and save harmless the Purchaser, its successors and permitted assigns, and their shareholders, affiliates, officers, directors and agents from, against, for and in respect of any Loss incurred or required to be paid by the Purchaser arising out of or relating to any breach of any representation of the Seller contained in Section 4.1 or 4.2 of this Agreement.

7.2 Indemnification by the Purchaser.

The Purchaser shall indemnify and save harmless the Seller, its successors and permitted assigns, and their shareholders, affiliates, officers, directors and agents from, against, for and in respect of any Loss incurred or required to be paid by the Seller arising out of or relating to (a) any breach of any representation of the Purchaser in this Agreement or other document delivered herewith at the Closing, (b) any failure of the Purchaser to comply with, or any breach or nonfulfillment by the Purchaser of, any covenant, agreement or obligation of the Purchaser set forth in this Agreement or other document delivered herewith at the Closing, or (c) any failure of the Purchaser to timely pay, perform or discharge any Assumed Liability.

7.3 Notice and Defense of Claims.

(a) Notice. The party seeking indemnification (the “Indemnified Party”) shall give prompt written notice to the other party to this Agreement (the “Indemnifying Party”) of any claim or event known to it which does or may give rise to a claim by the Indemnified Party against the Indemnifying Party hereunder, stating the nature and basis of said claims or events and the amounts thereof, to the extent known, and in the case of any claim, action, suit or proceeding brought by any third party, a copy of any claim, process or legal pleadings with respect thereto promptly after any such documents are received by the Indemnified Party.

(b) Third Party Claims or Actions. In the event any claim, action, suit or proceeding is made or brought by any third party against a party indemnified hereunder, with respect to which the Indemnifying Party may have liability hereunder, the Indemnifying Party shall be entitled to participate in, and, to the extent that it shall wish, to assume the defense, with independent counsel reasonably satisfactory to the Indemnified Party.

7.4 Cooperation.

The parties hereto agree, at the other party’s expense, to render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any claim, action, suit or proceeding brought by any third party.

7.5 Limits on Indemnification Obligations.

Notwithstanding anything herein to the contrary, the obligations of the Seller pursuant to Section 7.1 shall be limited to an amount equal to the Purchase Price.

**8. MISCELLANEOUS**

8.1 Governing Law.

This Agreement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of Delaware (without giving effect to principles of conflicts of laws).

8.2 Survival.

The representations, warranties, covenants and agreements made herein or in any other Transactional Agreement of the Purchaser hereto shall survive the Closing. None of the representations, warranties, covenants or agreements in this Agreement or in any other Transaction Agreement of the Seller shall survive the Closing, other than those representations and warranties set forth in Sections 4.1 and 4.2 hereof and those covenants or agreements of the Seller which by their terms apply, or are to be performed in whole or in part, after the Closing.

8.3 Notice.

Any notice required or permitted to be given under this Agreement shall be in writing and shall be personally or sent by certified or registered United States mail, postage prepaid, or sent by nationally recognized overnight express courier and addressed as follows:

(a) If to the Seller:

1721 Winding Ridge Circle SE  
Palm Bay, FL 32909

(b) If to the Purchaser:

Nxt-ID, Inc.,  
One Reservoir Corporate Centre  
4 Research Drive, Suite 402  
Shelton, CT 06484

8.4 No Assignment.

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party hereto (whether by operation of law or otherwise) without the prior written consent of the other party. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

8.5 Entire Agreement.

This Agreement, the Schedules and Exhibits hereto and the other Transactional Agreements, and the other documents delivered expressly hereby or thereby, constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof, and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

8.6 Severability.

If any provision of this Agreement, or application thereof, shall be held by a court of competent jurisdiction to be unenforceable, such provision shall be enforced to the greatest extent permitted by law and the remainder of this Agreement shall remain in full force and effect.

8.7 Amendment and Waiver.

This Agreement may be amended or modified only upon the mutual written consent of each of the parties hereto.

8.8 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

8.9 Section Headings and References.

The table of contents and headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References to Sections and subsections herein shall be to Sections and subsections hereof unless otherwise specified.

IN WITNESS WHEREOF, the parties have duly executed or caused this Agreement to be duly executed on the date first above written.

**3D-ID LLC**

By: /s/ Gino Pereira  
Name: Gino Pereira  
Title Managing Member

**HOLDERS OF MEMBERSHIP INTERESTS OF 3D-ID LLC**

<u>Gino Pereira</u>	<u>60%</u>
Holder	% Owned

<u>David Tunnell</u>	<u>40%</u>
Holder	% Owned

**NXT-ID, INC.**

By: /s/ Gino Pereira  
Name: Gino Pereira  
Title: Chief Executive Officer

**Purchased Assets**

The Purchased Assets consists of the right, pursuant to those certain license agreements, to utilize the following assets:

<b>Patent Title</b>	<b>Serial/Patent/ Registration Number</b>
Method and Apparatus for High Resolution Three Dimensional Display	6,064,423
Omni-Directional Cameras	D436,612
High Speed Three Dimensional Imaging Method	6,028,672
Method and System for Three-Dimensional Imaging Using Light Pattern Having Multiple Sub-Patterns	6,700,669
Method And Apparatus for Omnidirectional Three Dimensional Imaging	6,744,569
Face Recognition System and Method	7,221,809
A System and a Method for Three-Dimensional Imaging Systems	7,349,104
Method and Apparatus for an Interactive Volumetric Three Dimensional Display	7,098,872
Face Recognition System and Method	7,876,931
Method and Apparatus for Omni-Directional Video Surveillance System	7,940,299
A System and a Method for a Smart Surveillance System	7,358,498
A High Speed Three Dimensional Imaging Method	6,147,760
Method And Apparatus for Modeling Via a Three-Dimensional Image Mosaic System	6,819,318
Method and System for a Three Dimensional Facial Recognition System	7,804,997
Method and Apparatus for Omni-Directional Three-Dimensional Imaging	6,304,285
Method and Apparatus for Generating Structural Pattern Illumination	6,937,348
Method and apparatus for generating 3D face models from one camera	7,103,211
Interactive try-on platform for eyeglasses	7,016,824
Method and system for generating fully-textured 3D	6,999,073
Method and apparatus for generating a 3D region from a surrounding imagery	6,563,499
Generating 3D models by combining models from a video-based technique and data from a structured light source	6,529,627
Method and apparatus for generating mesh models of 3D objects	6,529,192
Method and apparatus for generating patches from a 3D mesh model	6,518,963
Generating 3-D models using a manually operated structured light source	6,415,051





**Company Subsidiaries**

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

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Registration Statement of NXT-ID, Inc. (a development stage company) on Form S-1 of our report dated January 30, 2013, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audit of the financial statements of NXT-ID, Inc. as of December 31, 2011 and for the period from February 14, 2011 (inception) to December 31, 2011, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in such Prospectus.

/s/ Marcum LLP

New York, NY  
February 4, 2013

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