

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

VerifyMe, Inc.

CIK: [1104038](#) | IRS No.: **233023677** | State of Incorp.: **NV** | Fiscal Year End: **1231**
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SIC: **2890** Miscellaneous chemical products

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported): **February 26, 2020**

VerifyMe, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation)

000-31927
(Commission
File Number)

23-3023677
(IRS Employer
Identification No.)

75 S. Clinton Ave., Suite 510, Rochester, New York
(Address of principal executive offices)

14604
(Zip Code)

Registrant's telephone number, including area code: **(585) 736-9400**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act: None.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 1.01 Entry into a Material Definitive Agreement.

On February 26, 2020 (the “Effective Date”), VerifyMe, Inc. (the “Company”) completed the initial closing of senior secured convertible debentures (the “Debentures”) and warrants (the “Warrants”) to purchase the Company’s common stock, par value \$0.001 per share (the “Common Stock”), pursuant to a securities purchase agreement dated as of the Effective Date (the “Securities Purchase Agreement”) with certain accredited investors (the “Initial Purchasers”) as part of a \$2,000,000 offering, resulting in aggregate gross proceeds from the private placement of \$932,000. The Company used \$750,000 of the proceeds from the sale of the Debentures and Warrants to redeem all of the previously outstanding Senior Secured Convertible Debentures issued on September 18, 2019 to Peak One Opportunity Fund, L.P. and TFK Investments, LLC. Remaining proceeds are expected to be used for working capital purposes. Certain of the Company’s directors and an entity in which an officer is a majority owner invested an aggregate of \$150,000 in the private placement. The Securities Purchase Agreement contains customary representations, warranties and covenants.

The Debentures are due 18 months from the dates of issuance and are a senior secured obligation of the Company secured by all of the Company’s assets, including its intellectual property, pursuant to the terms of a security agreement dated as of the Effective Date (the “Security Agreement”). The Debentures are convertible at \$0.08 per share at any time and automatically convert upon the earlier to occur of (i) the Common Stock becoming listed on a national securities exchange (an “Uplisting”) or (ii) the minimum bid price exceeding \$0.50 per share for 20 consecutive trading days and the average trading volume during the 10 trading days prior to the conversion is at least 100,000 shares if the underlying shares may be sold under an effective registration statement or may be sold under Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”). The Debentures convert upon an Uplisting at the lower of \$0.08 per share or a 30% discount to any public offering price. The Debentures accrue interest at 10% per annum paid in kind in the form of Common Stock at \$0.08 per share. Accrued interest will be converted into shares of Common Stock upon conversion of the Debentures or will be due and payable upon maturity of the Debentures. The Debentures include an adjustment provision that, subject to certain exceptions, reduces, at the Purchaser’s option, the conversion price if the Company issues Common Stock or Common Stock equivalents (including in variable rate transactions) at a price lower than the then-current conversion price of the Debentures. The Debentures are subject to a “conversion blocker” such that the each of the Purchasers cannot convert the Debentures to the extent that the conversion would result in the Purchaser and its affiliates holding more than 4.99% of the outstanding Common Stock (which the Purchaser can increase to 9.99% upon at least 61 days prior written notice to the Company).

The Company issued the Warrants for an aggregate of 11,650,000 shares of Common Stock. Each Warrant has a three-year term and is immediately exercisable at an exercise price of \$0.15 per share. If at any time after six months following the issuance date and prior to the expiration date of the Warrant, the Company fails to maintain an effective registration statement with the Securities and Exchange Commission (the “SEC”) covering the resale of the shares of Common Stock underlying the Debentures and Warrants, the Warrant may be exercised by means of a cashless exercise until such time as there is an effective registration statement. The Warrants include an adjustment provision in the event the Company issues any Common Stock or securities convertible into, exercisable for, or otherwise entitles anyone to acquire Common Stock at an effective price per share that is lower than the exercise price of the Warrants, subject to certain exceptions, then at the holder’s option, the exercise price will be adjusted down to such lower price and the number of shares of Common Stock issuable upon the exercise of the Warrant will be increased such that the aggregate exercise price payable under the Warrant for the adjusted number of shares will be the same as the aggregate exercise price in effect immediately prior to such adjustment.

The conversion price of the Debentures and Warrants into Common Stock will be adjusted to account for any stock splits, reverse splits, recapitalizations, mergers, combinations and asset sales, stock dividends, and similar events. In addition, so long as 40% of the Debentures issued in the private placement are outstanding, the consent of a majority of the then outstanding Debenture holders will be required before the Company can (i) issue equity-linked securities with a variable market rate conversion ratio; (ii) create or authorize the creation of or issue any other security convertible into or exercisable for any equity security having rights, preferences or privileges senior to or on parity with the Debentures; or (iii) amend, alter, or repeal any provision of the certificate of incorporation or bylaws of the Company in a manner adverse to the Debentures.

So long as no event of default has occurred and is continuing under the Debentures, the Company may at its option call for redemption all or part of the Debentures prior to the maturity date, upon not more than 10 calendar days written notice, for an amount equal to: (i) if the redemption date is 90 calendar days or less from the date of issuance of the Debentures, 110% of the sum of the principal amount plus accrued but unpaid interest; (ii) if the redemption date is greater than or equal to 91 calendar days from the date of issuance of the Debentures and less than or equal to 180 calendar days from the date of issuance of the Debentures, 120% of the sum of the principal amount plus accrued but unpaid interest; (iii) if the redemption date is greater than or equal to 181 calendar days from the date of issuance of the Debentures, 130% of the sum of the principal amount plus accrued but unpaid interest.

The Company has agreed to file a registration statement with the SEC registering for resale the number of shares of Common Stock equal to the principal amount of the Debentures, 18-months of interest and the shares underlying for the Warrants (in the aggregate, the “Registrable Shares”). The Company will use its best efforts to file the registration statement for the Registrable Shares within 60 days from the final closing date and have the registration statement declared effective within 120 days from the final closing date.

The Company engaged Carter, Terry & Company (“CTC”) as placement agent in connection with the private placement and in connection therewith, CTC received 608,462 restricted shares of Common Stock and a cash fee of \$93,200. The Company has agreed to provide CTC with piggy-back registration rights with respect to the restricted shares however such rights will not apply to a registration statement the Company files in connection with a listing on a national securities exchange. The Company also agreed to provide payment for a Rule 144 legal opinion for the resale of these shares if permitted by applicable law in the event they have not been registered by July 9, 2020.

The foregoing summaries of the Securities Purchase Agreement, the Debenture, the Warrant and the Security Agreement, do not purport to be complete, and are qualified in their entirety by reference to the Securities Purchase Agreement, the Debenture, the Warrant and the Security Agreement, copies of which are being filed as exhibits to this Current Report on Form 8-K and are incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On February 26, 2020, in connection with the private placement and pursuant to the terms of the Securities Purchase Agreement, the Company issued Debentures to the Purchasers for aggregate gross proceeds of \$932,000.

The disclosure regarding the terms of the private placement, to the extent required by Item 2.03 of Form 8-K, is incorporated by reference from Item 1.01 of this Current Report on Form 8-K.

Item 3.02 Unregistered Sales of Equity Securities.

On February 26, 2020, in connection with the private placement, the Company issued to the Purchasers the Debentures in the aggregate principal amount of \$932,000 and Warrants to purchase in the aggregate 11,650,000 shares of Common Stock. The securities issued in the private placement were issued in reliance upon exemptions from registration requirements pursuant to Rule 506 under Regulation D as promulgated under the Securities Act, and/or Section 4(a)(2) of the Securities Act, and the rules promulgated thereunder, and pursuant to applicable state securities laws and regulations, relative to transactions by an issuer not involving a public offering.

To the extent required by Item 3.02 of Form 8-K, the disclosure in Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
4.1	Form of Senior Secured Convertible Debenture
4.2	Form of Warrant for the Purchase of Shares of Common Stock of VerifyMe, Inc.
10.1	Securities Purchase Agreement dated February 26, 2020
10.2	Security Agreement dated February 26, 2020

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VerifyMe, Inc.

Date: March 3, 2020

By: /s/ Patrick White
Patrick White
President and Chief Executive Officer

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE OR UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES ARE RESTRICTED AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT PURSUANT TO REGISTRATION REQUIREMENTS THEREOF OR EXEMPTION THEREFROM.

VERIFYME, INC.

SENIOR SECURED CONVERTIBLE DEBENTURE DUE _____, 2021

Issuance Date: _____, 2020

Principal Amount: \$

FOR VALUE RECEIVED, VERIFYME, INC., a corporation organized and existing under the laws of the State of Nevada (the "**Company**"), hereby promises to pay to _____, having its address at _____, or its assigns (the "**Holder**"), the initial principal sum of _____ and 00/100 Dollars (\$_____.00) (subject to adjustment as provided herein, the "**Principal Amount**") together with interest accruing on the Principal Amount in the cumulative annual amount of ten percent (10%) (the "**Interest Amount**") on _____ (the "**Maturity Date**"). The Company has the option to redeem this Debenture prior to the Maturity Date pursuant to Section 2(c). All unpaid principal and accrued interest shall be due and payable on the Maturity Date. The Holder has the option to cause any outstanding principal and accrued interest on this Debenture to be converted into Common Stock of the Company, par value \$0.001 per share ("**Common Stock**") at any time pursuant to the terms set forth herein.

This Debenture is one of the Debentures referred to in that certain Securities Purchase Agreement (the "**Securities Purchase Agreement**") dated effective as of February __, 2020, between the Company, the Holder and certain other Buyers who are signatories thereto. Capitalized terms used but not defined herein shall have the meanings set forth in the Securities Purchase Agreement.

This Debenture shall be a senior secured obligation of the Company, with priority over all existing and future Indebtedness (as defined below) of the Company as provided for herein. The obligations of the Company under this Debenture are secured pursuant to the terms of the security agreement of even date (the "**Security Agreement**") by and among the Company and the Buyers (including the Holder), and such security interest includes but is not limited to all of the assets of the Company and its subsidiaries. So long as the Company shall have any obligation under this Debenture, and in addition to the rights in the Security Agreement, the Company shall not (directly or indirectly through any Subsidiary or Affiliate) incur or suffer to exist or guarantee any Indebtedness that is senior to or pari passu with (in priority of payment and performance) the Company's obligations hereunder, except as permitted in the Security Agreement, and other than Indebtedness described in clause (c) of the definition of Indebtedness. As used herein, the term "**Indebtedness**" means (a) all indebtedness of the Company for borrowed money or for the deferred purchase price of property or services, including any type of letters of credit, but not including deferred purchase price obligations in place as of the Issuance Date and as disclosed in the SEC Documents or obligations to trade creditors incurred in the ordinary course of business, (b) all obligations of the Company evidenced by notes, bonds, debentures or other similar instruments, (c) purchase money indebtedness hereafter incurred by the Company to finance the purchase of fixed or capital assets, including all capital lease obligations of the Company which do not exceed the purchase price of the assets funded, (d) all guarantee obligations of the Company in respect of obligations of the kind referred to in clauses (a) through (c) above that the Company would not be permitted to incur or enter into, and (e) all obligations of the kind referred to in clauses (a) through (d) above that the Company is not permitted to incur or enter into that are secured and/or unsecured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured and/or unsecured by) any lien or encumbrance on property (including accounts and contract rights) owned by the Company, whether or not the Company has assumed or become liable for the payment of such obligation.

This Debenture is also subject to the provisions of the Securities Purchase Agreement and further is subject to the following additional provisions:

1. This Debenture has been issued subject to investment representations of the original purchaser hereof and may be transferred or exchanged only in compliance with the Securities Act and other applicable state and foreign securities laws. The Holder may transfer or assign this Debenture (or any part thereof) without the prior consent of the Company, and the Company shall cooperate with any such transfer as permitted by the Securities Act and other applicable state laws. In the event of any proposed transfer of this Debenture, the Company may require, prior to issuance of a new Debenture in the name of such other Person, that it receive reasonable transfer documentation including legal opinions that the issuance of the Debenture in such other name does not and will not cause a violation of the Securities Act or any applicable state or foreign securities laws or is exempt from the registration requirements of the Securities Act. Prior to due presentment for transfer of this Debenture to which the Company has consented, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Company's books and records of outstanding debt securities and obligations (the "**Debenture Register**") as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture be overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

2. Conversion at Holder's Option; Mandatory Conversion; Redemption at Company's Option.

a. The Holder is entitled to, at any time or from time to time, convert the Conversion Amount (as defined below) into Conversion Shares, at a conversion price for each share of Common Stock equal to \$0.08, subject to adjustment as set forth herein (the "**Conversion Price**"). For purposes of this Debenture, the "**Conversion Amount**" shall mean the sum of (A) all or any portion of the outstanding Principal Amount of this Debenture, as designated by the Holder upon exercise of its right of conversion plus (B) all or any portion of the outstanding Interest Amount of this Debenture, as designated by the Holder upon exercise of its right of conversion.

Conversion shall be effectuated by delivering by facsimile, email or other delivery method to the Company of the completed form of conversion notice attached hereto as Annex A (the "**Notice of Conversion**"), executed by the Holder of the Debenture evidencing such Holder's intention to convert this Debenture or a specified portion hereof. No fractional shares of Common Stock or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. If so requested by the Holder, the Company shall within one (1) business day respond with its endorsement so as to confirm the outstanding principal amount of the Debenture submitted for conversion or shall reconcile any difference with Buyer promptly after receiving such Notice of Conversion. The date on which notice of conversion is given (the "**Conversion Date**") shall be deemed to be the date on which the Company receives by fax, email or other means of delivery used by the Holder the Notice of Conversion (such receipt being evidenced by electronic confirmation of delivery by facsimile or email or confirmation of delivery by such other delivery method used by the Holder). Delivery of a Notice of Conversion to the Company shall be given by the Holder pursuant to the notice provisions set forth in the Securities Purchase Agreement. The Conversion Shares must be delivered to the Holder within two (2) business days from the date of delivery of the Notice of Conversion to the Company. Conversion Shares shall be delivered by DWAC so long as the Company is then DWAC Operational, unless the Holder expressly requests delivery in certificated form or the Conversion Shares are in the form of Restricted Stock and are required to bear a restrictive legend. Conversion Shares shall be deemed delivered (i) if delivered by DWAC, upon deposit into the Holder's brokerage account, or (ii) if delivered in certificated form, upon the Holder's actual receipt of the Conversion Shares within five business days from the date of delivery of the Notice of Conversion in certificated form at the address specified by the Holder in the Notice of Conversion, as confirmed by written receipt. The Holder will not be responsible for any fees imposed by the Company's transfer agent in connection with the conversion of the Debenture and delivery of the Conversion Shares to the Holder.

If at any time the Conversion Price as determined hereunder for any conversion would be less than the par value of the Common Stock, then at the sole discretion of the Holder, the Conversion Price hereunder may equal such par value for such conversion and the Conversion Amount for such conversion may be increased to include Additional Principal, where "**Additional Principal**" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of conversion shares issuable upon such conversion to equal the same number of conversion shares as would have been issued had the Conversion Price not been adjusted by the Holder to the par value price.

Notwithstanding the foregoing, unless the Holder delivers to the Company written notice at least sixty-one (61) days prior to the effective date of such notice that the provisions of this paragraph (the “Limitation on Ownership”) shall be adjusted to 9.99% with respect to the Holder, in no event shall a holder of this Debenture have the right to convert this Debenture into, nor shall the Company issue to such Holder, shares of Common Stock to the extent that such conversion would result in the Holder and its Affiliates together beneficially owning more than 4.99% of the then issued and outstanding shares of Common Stock. For purposes hereof, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and Regulation 13D-G under the Exchange Act.

b. The Debentures shall be automatically converted into Common Stock upon the earlier to occur of: (i) the commencement of trading of the Common Stock on the NASDAQ, New York Stock Exchange or NYSE American (an “Uplist”) at the Uplist Conversion Price; or (ii) the minimum bid price of the Common Stock exceeds \$0.50 per share for twenty (20) consecutive trading days and the average trading volume during the ten (10) trading day period preceding the mandatory Conversion Date is at least 100,000 shares and the Conversion Shares are registered under an effective registration statement or are salable under Rule 144 at the Conversion Price. The “**Uplist Conversion Price**” shall mean the lesser of the Conversion Price or a 30% discount of the public offering price that a share of Common Stock is offered to the public resulting in the Uplist.

c. So long as no Event of Default (as defined in Section 10) shall have occurred and be continuing (whether such Event of Default has been declared by the Holder) (unless the Holder consents to such redemption notwithstanding such Event of Default, as described in clause (v), below), the Company may at its option call for redemption all or part of the Debenture, with the exception of any portion thereof which is the subject of a previously-delivered Notice of Conversion, prior to the Maturity Date, as follows:

(i) The Debenture called for redemption shall be redeemable by the Company, upon not less than ten (10) calendar days written notice, for an amount (the “Redemption Price”) equal to: (i) if the Redemption Date (as defined below) is ninety (90) calendar days or less from the date of issuance of this Debenture, One Hundred Ten percent (110%) of the sum of the Principal Amount plus accrued but unpaid interest; (ii) if the Redemption Date is greater than or equal to ninety-one (91) calendar days from the date of issuance of this Debenture and less than or equal to one hundred fifty (180) calendar days from the date of issuance of this Debenture, One Hundred Twenty percent (120%) of the sum of the Principal Amount plus accrued but unpaid interest; (iii) if the Redemption Date is greater than or equal to one hundred fifty eighty one (181) calendar days from the date of issuance of this Debenture, One Hundred Thirty percent (130%) of the sum of the Principal Amount plus accrued but unpaid interest. The date upon which the Debenture is redeemed and paid shall be referred to as the “**Redemption Date**” (and, in the case of multiple redemptions of less than the entire outstanding Principal Amount, each such date shall be a Redemption Date with respect to the corresponding redemption).

(ii) On the Redemption Date, the Company shall cause the Holder whose Debentures have been presented for redemption to be issued payment of the Redemption Price. In the case of a partial redemption, the Company shall also issue a new Debenture to the Holder for the Principal Amount and accrued but unpaid interest remaining outstanding after the Redemption Date promptly after the Holder’s presentation of the Debenture called for redemption.

(iii) To effect a redemption the Company shall provide a written notice to the Holder(s) not less than ten (10) business days prior to the Redemption Date (the “**Redemption Notice**”), setting forth the following:

1. the Redemption Date;
2. the Redemption Price;
3. the aggregate Principal Amount of the Debenture being called for redemption;
4. a statement advising the Holder that the Debenture (or, in the case of a partial redemption, that portion of the Principal Amount and accrued but unpaid interest being called for redemption) as of the Redemption Date will cease to be convertible into Common Stock as of the Redemption Date; and

5. in the case of a partial redemption, a statement advising the Holder that after the Redemption Date a substitute Debenture will be issued by the Company after deduction of the portion thereof called for redemption, at no cost to the Holder, if the Holder so requests.

Upon issuance of the Redemption Notice, the Debenture cannot be converted at the Holder's option pursuant to Section 2(a) hereof. Notwithstanding the foregoing, in the event the Company issues a Redemption Notice but fails to fund the redemption on the Redemption Date, then such Redemption Notice shall be null and void, and (i) the Holder(s) shall be entitled to convert the Debenture previously the subject of the Redemption Notice, and (ii) the Company may not redeem such Debenture for at least thirty (30) days following the intended Redemption Date that was voided, and the Company shall be required to pay to the Holder(s) the Redemption Price simultaneously with the issuance of a Redemption Notice in connection with any subsequent redemption pursued by the Company.

3. If the Company, at any time while this Debenture or any amounts due hereunder are outstanding, issues, sells or grants any option to purchase, or sells or grants any right to reprice, or otherwise disposes of, or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or other securities convertible into, exercisable for, or otherwise entitle any person or entity the right to acquire, shares of Common Stock (including, without limitation, upon conversion of any convertible securities outstanding following the Issuance Date) (excluding Exempt Issuances, as defined below, this Debenture, and any securities issuable pursuant to the Securities Purchase Agreement), in each or any case at an effective price per share that is lower than the then Conversion Price (such lower price, the "**Base Conversion Price**" and such issuances, collectively, a "**Dilutive Issuance**") (it being agreed that if the holder of the Common Stock or other securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced, at the option of the Holder, to a price equal to the Base Conversion Price. If the Company enters into a Variable Rate Transaction (as defined in this Debenture), despite the prohibition set forth in this Debenture, the Company shall be deemed to have issued Common Stock at the lowest possible price per share at which such securities could be issued in connection with such Variable Rate Transaction. Such adjustment shall be made at the option of the Holder whenever such Common Stock or other securities are issued. For purposes of this Section 3, "**Exempt Issuance**" means the issuance of (i) shares of Common Stock, options or other equity awards to officers, consultants, employees or directors of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (ii) securities issuable upon the exercise or exchange of or conversion of securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the Issuance Date; provided that such securities have not been amended since the Issuance Date to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (iii) securities issued pursuant to acquisitions approved by a majority of the disinterested directors of the Company, and (iv) shares of Common Stock issued pursuant to any real property leasing arrangement or financing from a national bank approved by the Board of Directors of the Company.

4. No provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional to convert this Debenture into Common Stock, at the time, place, and rate herein prescribed. This Debenture is a direct obligation of the Company.

5. If, at any time after the Issuance Date, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Company shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Company or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Company, then the Holder of this Debenture shall thereafter have the right to receive upon conversion of this Debenture, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Debenture been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Debenture to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Debenture) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Company shall not effectuate any transaction described in this Section 5 unless (a) it first gives, to the extent practicable, at least thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of stockholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Debenture) and (b) the resulting

successor or acquiring entity (if not the Company) assumes by written instrument all of the obligations of this Debenture. The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

6. If, at any time while any portion of this Debenture remains outstanding, the Company effectuates a forward stock split or reverse stock split of its Common Stock or issues a dividend on its Common Stock consisting of shares of Common Stock or otherwise recapitalizes its Common Stock, the Conversion Price shall be equitably adjusted to reflect such action.

7. All payments contemplated hereby to be made “in cash” shall be made by wire transfer of immediately available funds in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments of cash and each delivery of shares of Common Stock issuable to the Holder as contemplated hereby shall be made to the Holder to an account designated by the Holder to the Company and if the Holder has not designated any such accounts at the address last appearing on the Debenture Register of the Company as designated in writing by the Holder from time to time; except that the Holder may designate, by notice to the Company, a different delivery address for any one or more specific payments or deliveries.

8. The Holder of the Debenture, by acceptance hereof, agrees that this Debenture is being acquired for investment and that such Holder will not offer, sell or otherwise dispose of this Debenture or the Shares of Common Stock issuable upon conversion thereof except in compliance with the terms of the Securities Purchase Agreement and under circumstances which will not result in a violation of the Securities Act or any applicable state Blue Sky or foreign laws or similar laws relating to the sale of securities.

9. This Debenture shall be governed by and construed in accordance with the laws of the State of New York. Each of the parties consents to the exclusive jurisdiction and venue of the federal courts located in Monroe County, New York in connection with any dispute arising under this Agreement, and each waives any objection based on forum non conveniens. This provision is intended to be a “mandatory” forum selection clause and governed by and interpreted consistent with New York law. Each of the parties hereby consents to the exclusive jurisdiction and venue of any state or federal court having its situs in Monroe County, New York, and each waives any objection based on forum non conveniens. To the extent determined by such court, the Company shall reimburse the Holder for any reasonable legal fees and disbursements incurred by the Holder in enforcement of or protection of any of its rights under this Debenture or the Securities Purchase Agreement.

10. The following shall constitute an “Event of Default”:

a. The Company fails in the payment of principal or interest on this Debenture as required to be paid in cash hereunder, and payment shall not have been made for a period of five (5) business days following the payment due date (as to which no further cure period shall apply); or

b. Any of the representations or warranties made by the Company herein, in the Securities Purchase Agreement or in any certificate or financial or other written statements heretofore or hereafter furnished by the Company to the Holder in connection with the issuance of this Debenture, shall be false or misleading (including without limitation by way of the misstatement of a material fact or the omission of a material fact) in any material respect at the time made (as to which no cure period shall apply); or

c. The Company fails to remain listed on the OTC Pink, OTCQB, OTCQX, Nasdaq Capital Markets, NYSE, or other applicable principal trading market for the Common Stock (the “Principal Market”) any time from the date hereof to the Maturity Date for a period in excess of five (5) Trading Days (as to which no further cure period shall apply); or

d. The Company (i) fails to timely file required SEC reports when due (including extensions), becomes, is deemed to be or asserts that it is a “shell company” at any time for purposes of the 1933 Act, and Rule 144 promulgated thereunder or otherwise takes any action, or refrains from taking any action, the result of which makes Rule 144 under the 1933 unavailable to the Holder for the sale of their Securities, (ii) fails to issue shares of Common Stock to the Holder or to cause its Transfer Agent to issue shares of Common Stock upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Debenture, (iii) fails to transfer or to cause its Transfer Agent to transfer any certificate for shares of Common Stock issued to the Holder upon conversion of this Debenture as and when required by this Debenture and such transfer is otherwise lawful, (iv) fails to remove any restrictive legend when such legend removal is lawful, or (v) the Company fails to perform or observe any of its obligations under the Section 5 of the Agreement (no cure period shall apply in the case of clauses (i) through (v) above, inclusive); or

e. The Company fails to perform or observe, in any material respect (i) any other covenant, term, provision, condition, agreement or obligation set forth in the Debenture, (subject to a cure period of three (3) business days other than in the case of a failure under Section 5 hereof, as to which no cure period shall apply, and a cure period of fifteen (15) days in the case of a failure under any other Section hereof), or (ii) any other covenant, term, provision, condition, agreement or obligation of the Company set forth in the Securities Purchase Agreement and such failure shall continue uncured for a period of either (1) three (3) business days after the occurrence of the Company’s failure under Section 4(d), (e) (except as described in Section 10(c) hereof, as to which Section 10(c) hereof shall control), (f), (g) or (h) of the Securities Purchase Agreement, or (2) fifteen (15) days after the occurrence of the Company’s failure under any other provision of the Securities Purchase Agreement not otherwise specifically addressed in the Events of Default set forth in this Section 10; or

f. The Company shall (i) admit in writing its inability to pay its debts generally as they mature; (ii) make an assignment for the benefit of creditors or commence proceedings for its dissolution; or (iii) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business (as to which no cure period shall apply); or

g. A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment (as to which no cure period shall apply); or

h. Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company and shall not be dismissed within sixty (60) days thereafter (as to which no cure period shall apply); or

i. Any money judgment, writ or warrant of attachment, or similar process (including an arbitral determination), in excess of one hundred thousand dollars (\$100,000) in the aggregate shall be entered or filed against the Company or any of its properties or other assets (as to which no cure period shall apply), and such judgment, attachment or process is not satisfied, set aside, discharged, bonded against, or stayed within 30 days after the same is levied; or

j. The occurrence of a breach or an event of default under the terms of any indebtedness or financial instrument of the Company or any subsidiary (including but not limited to any Subsidiary) of the Company in an aggregate amount in excess of one hundred thousand dollars (\$100,000) or more which is not waived by the creditors under such indebtedness (as to which no cure period shall apply); or

k. Bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company and, if instituted against the Company, shall not be dismissed within sixty (60) days after such institution or the Company shall by any action or answer approve of, consent to, or acquiesce in any such proceedings or admit the material allegations of, or default in answering a petition filed in any such proceeding (as to which no further cure period shall apply); or

l. The issuance of a final, non-appealable order, ruling, finding or similar adverse determination the SEC, the Secretary of State of the State of Nevada or other applicable state of incorporation of the Company, FINRA or any other securities regulatory body (whether in the United States, Canada or elsewhere) having proper jurisdiction that the Company and/or any of its past or present directors or officers have committed a material violation of applicable securities laws or regulations (as to which no cure period shall apply); or

m. The Company shall have its Common Stock halted, suspended, or delisted from the Principal Market for a period in excess of ten (10) Trading Days (as to which no further cure period shall apply); or

n. Reserved; or

o. Notice of a Material Adverse Effect is provided by the Company or the determination in good faith by a majority of the outstanding principal amount of the Debentures that a Material Adverse Effect has occurred; or

p. Reserved; or

q. Reserved; or

r. At any time while this Debenture is outstanding, the lowest traded price on the Principal Market is equal to or less than \$0.001; or

s. The failure by Company to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future); or

t. If, at any time on or after the date which is six (6) months after the Issuance Date, assuming the Holder is not deemed to be an "affiliate" of the Company for purposes of Rule 144, due solely to the Company's action or inaction, the Holder is unable to receive unrestricted shares of the Company's Common Stock upon conversion of this Debenture.

Then, or at any time thereafter, the Company shall immediately give written notice of the occurrence of such Event of Default to the Holder, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder of the Debenture (which waiver shall not be deemed to be a waiver of any subsequent default), then at the option of the Holder and in the discretion of the Holder, take any or all of the following actions: (i) pursue remedies against the Company in accordance with any of the Holder's rights, (ii) increase the interest rate applicable to the Debenture to the lesser of eighteen percent (18%) per annum and the maximum interest rate allowable under applicable law, (iii) in the case of an Event of Default under Section 10(d)(ii) through (v) arising from an untimely delivery to the Holder of Conversion Shares or shares of Common Stock in de-legend form, if the closing bid price of the Common Stock on the Trading Day immediately prior to the actual date of delivery of Conversion Shares or de-legend shares, as the case may be, is less than the closing bid price on the Trading Day immediately prior to the date when Conversion Shares or de-legend shares were required to be delivered, increase the Principal Amount of the relevant Holder's Debenture by an amount per share equal to such difference, and (iv) accelerate the then outstanding Principal Amount under this Debenture (the "Acceleration Amount"), together with accrued and unpaid interest thereon, whereupon the Acceleration Amount shall be immediately due and payable, without presentment, demand, protest or notice of any kinds, all of which are hereby expressly waived, anything contained herein, in the Securities Purchase Agreement or in any other note or instruments to the contrary notwithstanding. In the case of an Event of Default under Section 10(d)(ii), the Holder may either (i) declare the Acceleration Amount to exclude the Conversion Amount that is the subject of the Event of Default, in which case the Acceleration Amount shall be based on the remaining Principal Amount and accrued interest (if any), in which case the Company shall continue to be obligated to issue the Conversion Shares, or (ii) declare the Acceleration Amount to include the Conversion Amount that is the subject of the Event of Default, in which case the Acceleration Amount shall be based on the full Principal Amount, including the Conversion Amount, and accrued interest (if any), whereupon the Notice of Conversion shall be deemed withdrawn. At its option, the Holder may elect to convert the Debenture pursuant to Section 2 notwithstanding the prior declaration of a default and acceleration, in the sole discretion of such Holder. The Holder may immediately enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by applicable law. Notwithstanding the foregoing, in the case of a default under Section 10(d)(ii) through (iv), the Holder of the Debenture sought to be converted, transferred or de-legend, as the case may be, acting singly, shall have the sole and absolute discretion to increase the applicable interest rate on the Debenture held by such Holder and/or to accelerate the Debenture(s) held by such Holder. The Company expressly acknowledges and agrees that the Holder's exercise of any or all of the remedies provided herein or under applicable law, including without limitation the increase(s) in the Principal Amount and the Acceleration Amount as may be declared in the case of a default, is reasonable and appropriate due to the inability to define the financial hardship that the Company's default would impose on the Holder. To the extent that the Holder's exercise of any of

its remedies in the case of an Event of Default shall be construed to exceed the maximum interest rate allowable under applicable law, then such remedies shall be reduced to equal the maximum interest rate allowable under applicable law.

11. Nothing contained in this Debenture shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent or receive notice as a stockholder in respect of any meeting of stockholders or any rights whatsoever as a stockholder of the Company, unless and to the extent converted in accordance with the terms hereof. Notwithstanding the foregoing, the Holder shall have the right to participate in any dividends or distributions with respect to Common Stock on an as-converted basis (except for dividends or distributions that result in an adjustment of the Conversion Price as provided herein.)

12. Reserved.

13. This Debenture may be amended only by the written consent of the parties hereto. Notwithstanding the foregoing, the Principal Amount of this Debenture shall automatically be reduced by any and all Conversion Amounts (to the extent that the same relate to principal hereof). In the absence of manifest error, the outstanding Principal Amount of the Debenture on the Holder's book and records shall be the correct amount.

14. In the event of any inconsistency between the provisions of this Debenture and the provisions of any other Transaction Document, the provisions of this Debenture shall prevail.

15. The Company specifically acknowledges and agrees that in the event of a breach or threatened breach by the Company of any provision hereof or of any other Transaction Document, the Holder will be irreparably damaged, and that damages at law would be an inadequate remedy if this Debenture or such other Transaction Document were not specifically enforced. Therefore, in the event of a breach or threatened breach by the Company, the Holder shall be entitled, in addition to all other rights and remedies, to an injunction restraining such breach, without being required to show any actual damage or to post any bond or other security, and/or to a decree for a specific performance of the provisions of this Debenture and the other Transaction Documents.

16. No waivers or consents in regard to any provision of this Debenture may be given other than by an instrument in writing signed by the Holder.

17. Each time, while this Debenture is outstanding, the Company enters into a Section 3(a)(9) transaction (including but not limited to the issuance of new promissory notes or debentures, or of a replacement promissory note or debenture), or Section 3(a)(10) Transaction, in which any third party has the right to convert monies owed to that third party (or receive shares pursuant to a settlement or otherwise) at a discount to market greater than the Conversion Price in effect at that time (prior to all other applicable adjustments in this Debenture), then the Conversion Price shall be automatically adjusted to such greater discount percentage (prior to all applicable adjustments in this Debenture) until this Debenture is no longer outstanding. Each time, while this Debenture is outstanding, the Company enters into a Section 3(a)(9) transaction (including but not limited to the issuance of new promissory notes or debentures, or of a replacement promissory note or debenture), or Section 3(a)(10) Transaction, in which any third party has a look back period greater than the look back period in effect under this Debenture at that time, then the Holder's look back period shall automatically be adjusted to such greater number of days until this Debenture is no longer outstanding. The Company shall give written notice to the Holder, with the adjusted Conversion Price and/or adjusted look back period (each adjustment that is applicable due to the triggering event), within one (1) business day of an event that requires any adjustment described in this section. So long as this Debenture is outstanding, the Company shall not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act (a "3(a)(10) Transaction"). In the event that the Company does enter into, or makes any issuance of Common Stock related to a 3(a)(10) Transaction while this Debenture is outstanding, a liquidated damages charge of 20% of the outstanding principal balance of this Debenture, will be assessed and will become immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Debenture.

18. Reserved.

19. From the Issuance Date until the Debenture is extinguished in its entirety, for so long as forty percent (40%) or more of the Debentures initially issued under the Securities Purchase Agreement are outstanding, the Company shall be prohibited from entering into an agreement involving a Variable Rate Transaction (as defined herein) without the consent of Buyers holding at least a majority in principle amount of the Debentures. “**Variable Rate Transaction**” means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, shares of Common Stock either at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (ii) creates or authorizes the creation of or issuance of any other security convertible or exercisable for any equity security of the Company, having rights, preferences or privileges senior to or on parity with this Debenture or (iii) amend, alter, or repeal any provision of the Company’s Certificate of Incorporation or Bylaws that would adversely impact the Holders. The Holder shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

20. Notwithstanding any provision in this Debenture or the related transaction documents to the contrary, the total liability for payments of interest and payments in the nature of interest, including, without limitation, all charges, fees, exactions, or other sums which may at any time be deemed to be interest, shall not exceed the limit imposed by the usury laws of the jurisdiction governing this Debenture or any other applicable law. In the event the total liability of payments of interest and payments in the nature of interest, including, without limitation, all charges, fees, exactions or other sums which may at any time be deemed to be interest, shall, for any reason whatsoever, result in an effective rate of interest, which for any month or other interest payment period exceeds the limit imposed by the usury laws of the jurisdiction governing this Debenture, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice by, between, or to any party hereto, be applied to the reduction of the outstanding principal balance due hereunder immediately upon receipt of such sums by the Holder hereof, with the same force and effect as though the Company had specifically designated such excess sums to be so applied to the reduction of the principal balance then outstanding, and the Holder hereof had agreed to accept such sums as a penalty-free payment of principal; provided, however, that the Holder may, at any time and from time to time, elect, by notice in writing to the Company, to waive, reduce, or limit the collection of any sums in excess of those lawfully collectible as interest, rather than accept such sums as a prepayment of the principal balance then outstanding. It is the intention of the parties that the Company does not intend or expect to pay, nor does the Holder intend or expect to charge or collect any interest under this Debenture greater than the highest non-usurious rate of interest which may be charged under applicable law.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by an officer thereunto duly authorized as of the date of issuance set forth above.

COMPANY:

VERIFYME, INC.

By: _____
Name: Patrick White
Title: Chief Executive Officer

[Signature Page to Senior Secured Convertible Debenture]

ANNEX A

VERIFYME, INC.

NOTICE OF CONVERSION

(To Be Executed by the Registered Holder in Order to Convert the Debenture)

The undersigned hereby irrevocably elects to convert \$ _____ of the Principal Amount of the above Debenture into Shares of Common Stock of VerifyMe, Inc., a Nevada corporation (the “Company”), according to the conditions hereof, as of the date written below. After giving effect to the conversion requested hereby, the outstanding Principal Amount of such debenture is \$ _____, absent manifest error.

Pursuant to the Debenture, certificates representing Common Stock upon conversion must be delivered (including delivery by DWAC or DRS) to the undersigned within two (2) business days from the date of delivery of the Notice of Conversion to the Transfer Agent.

Conversion Date

Applicable Conversion Price

Signature

Print Name

Address

The Shares shall be delivered to the following DWAC Account Number:

THIS WARRANT AND THE UNDERLYING SHARES OF COMMON STOCK HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR ANY OTHER SECURITIES LAWS, HAVE BEEN TAKEN FOR INVESTMENT, AND MAY NOT BE SOLD OR TRANSFERRED OR OFFERED FOR SALE OR TRANSFER UNLESS A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS WITH RESPECT TO SUCH SECURITIES IS THEN IN EFFECT, OR IN THE OPINION OF COUNSEL TO THE ISSUER OF THESE SECURITIES, SUCH REGISTRATION UNDER THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS IS NOT REQUIRED.

Date: February __, 2020

WARRANT FOR THE PURCHASE OF SHARES OF COMMON STOCK OF VERIFYME, INC.

THIS IS TO CERTIFY that, for value received, _____, its successors and assigns (the “**Holder**”), is entitled to purchase, subject to the terms and conditions hereinafter set forth, _____ shares of VerifyMe, Inc., a Nevada corporation (the “**Company**”) common stock, \$0.001 par value per share (“**Common Stock**”), and to receive certificates for the Common Stock so purchased. The exercise price of this Warrant is \$0.15 per share, subject to adjustment as provided below (the “**Exercise Price**”).

1. **Exercise Period and Vesting.** This Warrant is vested and shall be exercisable at any time by the Holder beginning on the date listed above (the “**Issuance Date**”), and ending at 5:00 p.m., New York, New York time, on the date that is the third (3rd) anniversary of the date of this Warrant (the “**Exercise Period**”). This Warrant will terminate automatically and immediately upon the expiration of the Exercise Period.

2. **Exercise of Warrant; Cashless Exercise.**

(a) **Exercise.** This Warrant may be exercised, in whole or in part, at any time and from time to time during the Exercise Period. Such exercise shall be accomplished by tender to the Company of an amount equal to the Exercise Price multiplied by the number of underlying shares being purchased (the “**Purchase Price**”), by wire transfer or by certified check or bank cashier’s check, payable to the order of the Company, or by a cashless exercise to the extent allowed by Section 2(b). As a condition of exercise, the Holder shall where applicable execute a customary investment letter and accredited investor questionnaire. The Holder’s right to exercise this Warrant is subject to compliance with any applicable laws and rules including Section 5 of the Securities Act of 1933, as amended (the “**Securities Act**”).

(b) **Cashless Exercise.** If at any time beginning on the date that is six (6) months after the Issuance Date and continuing thereafter throughout the Exercise Period the Company shall fail to maintain an effective registration statement with the Securities and Exchange Commission under the Securities Act covering the resale of the shares of Common Stock issuable hereunder, then the Holder may exercise this Warrant by surrendering such number of shares of Common Stock received upon exercise of this Warrant with an aggregate Fair Market Value (as defined below) equal to the Purchase Price, as described in the following paragraph (a “**Cashless Exercise**”).

If the Holder elects to conduct a Cashless Exercise, the Company shall cause to be delivered to the Holder a certificate or certificates representing the number of shares of Common Stock computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where:

X = the number of shares of Common Stock to be issued to the Holder;

Y = the portion of the Warrant (in number of shares of Common Stock) being exercised by the Holder (at the date of such calculation);

A = the Fair Market Value (as defined below) of one share of Common Stock; and

B = Exercise Price (as adjusted to the date of such calculation).

For purposes of this Warrant, “**Fair Market Value**” shall mean: (i) if the principal trading market for such securities is a national securities exchange, or the OTCQB (or a similar system then in use), the average of the last five reported sales prices on the principal market the last five trading days immediately prior to such Exercise Date (as defined in Section 2(c) below); or (ii) if (i) is not applicable, and if bid and ask prices for shares of Common Stock are reported by the principal trading market, the average of the high bid and low asked prices so reported for the trading day immediately prior to such Exercise Date. Notwithstanding the foregoing, if there is no last reported sales price or bid and ask prices, as the case may be, for the day in question, then Fair Market Value shall be determined as of the latest day prior to such day for which such last reported sales price or bid and asked prices, as the case may be, are available, unless such securities have not been traded on an exchange or in the over-the-counter market for 30 or more days immediately prior to the day in question, in which case the Fair Market Value shall be determined in good faith by and reflected in a formal resolution of the board of directors of the Company.

(c) Upon receipt of the Purchase Price in Section 2(a) or the shares of Common Stock in Section 2(b), together with presentation and surrender to the Company of this Warrant with an executed subscription form in substantially the form attached hereto as Exhibit A (the “**Subscription**”), the Company will deliver shares of Common Stock to be issued hereunder to the Holder within two (2) business days from the date of receipt of the Purchase Price and delivery of the Subscription as set forth above for shares to be delivered by DWAC and five (5) business days for certificated shares. Shares shall be delivered by DWAC so long as the Company is then DWAC Operational (as such terms are defined in that certain Securities Purchase Agreement of the Company dated February __, 2020)), unless the Holder expressly requests delivery in certificated form or the issued shares are not freely trading shares when issued and are required to bear a restrictive legend. Shares shall be deemed delivered (i) if delivered by DWAC, upon deposit into the Holder’s brokerage account, or (ii) if delivered in certificated form, upon the Holder’s actual receipt of the issued shares in certificated form at the address specified in the Ledger of the Company (as defined below), as confirmed by written receipt. With respect to any exercise of this Warrant, the Holder will for all purposes be deemed to have become the holder of record of the number of shares of Common Stock purchased hereunder on the date a properly executed Subscription and payment of the Purchase Price is received by the Company (the “**Exercise Date**”), irrespective of the date of delivery of the certificate evidencing such shares, except that, if the date of such receipt is a date on which the stock transfer books of the Company are closed, such person will be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open. Fractional shares of Common Stock will not be issued upon the exercise of this Warrant and in lieu of any fractional shares, the number of shares issuable shall be rounded to the nearest whole share. In the event this Warrant is exercised in part, the Company shall issue a New Warrant (defined below) to the Holder covering the aggregate number of shares of Common Stock as to which this Warrant remains exercisable for. The Company acknowledges and agrees that this Warrant was issued on the Issuance Date.

3. **Transferability and Exchange.**

(a) This Warrant, and the Common Stock issuable upon the exercise hereof, may not be sold, transferred, pledged or hypothecated unless the Company shall have been provided with an opinion of counsel reasonably satisfactory to the Company that such transfer is not in violation of the Securities Act and any applicable state securities laws. Subject to the satisfaction of this condition, this Warrant and the underlying shares of Common Stock if not eligible to be sold under Rule 144 of the Securities Act shall be transferable from time to time by the Holders upon written notice to the Company. If this Warrant is transferred, in whole or in part, the Company may request the transferee to sign an investment letter and shall, upon surrender of this Warrant to the Company, deliver to each transferee a Warrant evidencing the rights of such transferee to purchase the number of shares of Common Stock that such transferee is entitled to purchase pursuant to such transfer. The Company may place a legend similar to the legend at the top of this Warrant on any replacement Warrant and on each certificate representing shares issuable upon exercise of this Warrant or any replacement Warrants. Only the registered Holder may enforce the provisions of this Warrant against the Company. A transferee of the original registered Holder becomes a registered Holder only upon delivery to the Company of the original Warrant and an original Assignment, substantially in the form set forth in Exhibit B attached hereto.

(b) This Warrant is exchangeable upon its surrender by the Holder to the Company for new Warrants of like tenor and date representing in the aggregate the right to purchase the number of shares purchasable hereunder, each of such new Warrants to represent the right to purchase such number of shares as may be designated by the Holder at the time of such surrender (not to exceed the aggregate number of shares underlying this Warrant).

4. **Adjustments to Exercise Price and Number of Shares Subject to Warrant.** The Exercise Price and the number of shares of Common Stock purchasable upon the exercise of this Warrant are subject to adjustment from time to time upon the occurrence of any of the events specified in this Section 4. For the purpose of this Section 4, “**Common Stock**” means shares now or hereafter authorized of any class of common stock of the Company, however designated, that has the right to participate in any distribution of the assets or earnings of the Company without limit as to per share amount (excluding, and subject to any prior rights of, any class or series of preferred stock).

(a) In case the Company shall (i) pay a dividend or make a distribution in shares of Common Stock to holders of shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issue by reclassification of its shares of Common Stock other securities of the Company, then the Exercise Price in effect at the time of the record date for such dividend or on the effective date of such subdivision, combination or reclassification, and/or the number and kind of securities issuable on such date, shall be proportionately adjusted so that the Holder of the Warrant thereafter exercised shall be entitled to receive the aggregate number and kind of shares of Common Stock (or such other securities other than Common Stock) of the Company, at the same aggregate Exercise Price, that, if such Warrant had been exercised immediately prior to such date, the Holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, distribution, subdivision, combination or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) In case the Company shall fix a record date for the making of a distribution to all holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the surviving corporation) of cash, evidences of indebtedness or assets, or subscription rights or warrants, the Exercise Price to be in effect after such record date shall be determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Fair Market Value per share of Common Stock on such record date, less the amount of cash so to be distributed or the Fair Market Value (as determined in good faith by, and reflected in a formal resolution of, the board of directors of the Company) of the portion of the assets or evidences of indebtedness so to be distributed, or of such subscription rights or warrants, applicable to one share of Common Stock, and the denominator of which shall be the Fair Market Value per share of Common Stock. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Exercise Price shall again be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed. When determining Fair Market Value of the Company’s Common Stock, Fair Market Value shall mean: (i) if the principal trading market for such securities is a national securities exchange including The Nasdaq Stock Market, or the OTCQB (or a similar system then in use), the last reported sales price on the principal market the trading day immediately prior to such record date; or (ii) if subsection (i) is not applicable, and if bid and ask prices for shares of Common Stock are reported by the principal trading market or the OTC Markets, the average of the high bid and low ask prices so reported for the trading day immediately prior to such record date. Notwithstanding the foregoing, if there is no last reported sales price or bid and ask prices, as the case may be, for the day in question, then Fair Market Value shall be determined as of the latest day prior to such day for which such last reported sales price or bid and ask prices, as the case may be, are available, unless such securities have not been traded on an exchange or in the over-the-counter market for 30 or more days immediately prior to the day in question, in which case the Fair Market Price shall be determined in good faith by, and reflected in a formal resolution of, the board of directors of the Company.

(c) Notwithstanding any provision herein to the contrary, no adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price; provided, however, that any adjustments which by reason of this Section 4(c) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4 shall be made to the nearest cent or the nearest one-hundredth of a share, as the case may be.

(d) In the event that at any time, as a result of an adjustment made pursuant to Section 4(a) above, the Holder of any Warrant thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than shares of Common Stock, thereafter the number of such other shares so receivable upon exercise of any Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares of Common Stock contained in this Section 4, and the other provisions of this Warrant shall apply on like terms to any such other shares.

(e) If the Company merges or consolidates into or with another corporation or entity, or if another corporation or entity merges into or with the Company (excluding such a merger in which the Company is the surviving or continuing corporation and which does not result in any reclassification, conversion, exchange, or cancellation of the outstanding shares of Common Stock), or if all or substantially all of the assets or business of the Company are sold or transferred to another corporation, entity, or person, then, as a condition to such consolidation, merger, or sale (any a “**Transaction**”), lawful and adequate provision shall be made whereby the Holder shall have the right from and after the Transaction to receive, upon exercise of this Warrant and upon the terms and conditions specified herein and in lieu of the shares of the Common Stock that would have been issuable if this Warrant had been exercised immediately before the Transaction, such shares of stock, securities, or assets as the Holder would have owned immediately after the Transaction if the Holder had exercised this Warrant immediately before the effective date of the Transaction.

(f) [Reserved]

(g) If the Company, at any time while this Warrant is outstanding, issues, sells or grants any option to purchase, or sells or grants any right to reprice, or otherwise disposes of, or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or other securities convertible into, exercisable for, or otherwise entitle any person or entity the right to acquire, shares of Common Stock (including, without limitation, upon conversion of any convertible securities outstanding following the Issuance Date) (excluding Exempt Issuances, as defined below, all Senior Secured Convertible Debentures (the “**Debentures**”) and any other securities issuable pursuant to that certain Securities Purchase Agreement of the Company dated February __, 2020), in each or any case at an effective price per share that is lower than the then Exercise Price (such lower price, the “**Base Exercise Price**” and such issuances, collectively, a “**Dilutive Issuance**”) (it being agreed that if the holder of the Common Stock or other securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance), then, at the option of the Holder, the Exercise Price shall be reduced to a price equal to the Base Exercise Price and the number of shares of Common Stock issuable upon the exercise of this Warrant shall be increased such that the aggregate exercise price payable under the Warrant for the adjusted number of shares shall be the same as the aggregate exercise price in effect immediately prior to such adjustment (without regard to any limitations on exercise contained in the Warrant. If the Company enters into a Variable Rate Transaction (as defined in the Debentures), despite the prohibition set forth in the Debentures, the Company shall be deemed to have issued Common Stock at the lowest possible price per share at which such securities could be issued in connection with such Variable Rate Transaction. Such adjustment shall be made at the option of the Holder whenever such Common Stock or other securities are issued. For purposes of this Section, “**Exempt Issuance**” means the issuance of (i) shares of Common Stock, options or other equity awards to officers, consultants, employees or directors of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (ii) securities issuable upon the exercise or exchange of or conversion of securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the Issuance Date; provided that such securities have not been amended since the Issuance Date to increase the number of such securities or to decrease the exercise price, exchange price or Exercise Price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (iii) securities issued pursuant to acquisitions approved by a majority of the disinterested directors of the Company, and (iv) shares of Common Stock issued pursuant to any real property leasing arrangement or financing from a national bank approved by the Board of Directors of the Company.

5. **Registration.** Issuance of the shares underlying this Warrant has not been registered under the Securities Act. If not registered under the Securities Act, when exercised, the stock certificates shall bear the following legend unless one year has elapsed since the date of issuance of this Warrant.

“The securities represented by this certificate have not been registered under the Securities Act and may not be offered for sale or sold except pursuant to (i) an effective registration statement under the Securities Act, or (ii) an opinion of counsel to the issuer of these securities that an exemption from registration under the Securities Act is available.”

6. **Reservation of Shares.** The Company agrees at all times to reserve and hold available out of its authorized but unissued shares of Common Stock two times the number of shares of Common Stock issuable upon the full exercise of this Warrant. The Company further covenants and agrees that all shares of Common Stock that may be delivered upon the exercise of this Warrant will, upon delivery, be fully paid and nonassessable and free from all taxes, liens and charges with respect to the purchase thereof hereunder.

7. **Notices to Holder.** Upon any adjustment of the Exercise Price (or number of shares of Common Stock issuable upon the exercise of this Warrant) pursuant to Section 4, the Company shall promptly thereafter cause to be given to the Holder written notice of such adjustment. Such notice shall include the Exercise Price (and/or the number of shares of Common Stock issuable upon the exercise of this Warrant) after such adjustment, and shall set forth in reasonable detail the Company’s method of calculation and the facts upon which such calculations were based. Where appropriate, such notice shall be given in advance and included as a part of any notice required to be given under the other provisions of this Section 7.

In the event of (a) any fixing by the Company of a record date with respect to the holders of any class of securities of the Company for the purpose of determining which of such holders are entitled to dividends or other distributions, or any rights to subscribe for, purchase or otherwise acquire any shares of capital stock of any class or any other securities or property, or to receive any other right, (b) any capital reorganization of the Company, or reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all of the assets or business of the Company to, or consolidation or merger of the Company with or into, any other entity or person, or (c) any voluntary or involuntary dissolution or winding up of the Company, then and in each such event the Company will give the Holder a written notice specifying, as the case may be (i) the record date for the purpose of such dividend, distribution, or right, and stating the amount and character of such dividend, distribution, or right; or (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, conveyance, dissolution, liquidation, or winding up is to take place and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such capital stock or securities receivable upon the exercise of this Warrant) shall be entitled to exchange their shares of Common Stock (or such other securities) for securities or other property deliverable upon such event. Any such notice shall be given at least 10 days prior to the earliest date therein specified.

8. **No Rights as a Shareholder.** This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company, nor to any other rights whatsoever except the rights herein set forth; provided, however, the Company shall not enter into any merger agreement in which it is not the surviving entity, or sell all or substantially all of its assets unless the Company shall have first provided the Holder with 20 days’ prior written notice.

9. **Additional Covenants of the Company.** For so long as the Common Stock is listed for trading or trades on any national securities exchange or is quoted on any over the counter market, the Company shall, upon issuance of any shares of Common Stock for which this Warrant is exercisable, at its expense, promptly obtain and maintain the listing or qualifications for trading or quotation of such shares to the extent required.

The Company shall comply with the reporting requirements of Sections 13 and 15(d) of the Securities Exchange Act of 1934, as amended, for so long as and to the extent that such requirements apply to the Company.

The Company shall not, by amendment of its articles of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant. Without limiting the generality of the foregoing, the Company (a) shall comply with Section 6 of this Agreement and have available sufficient shares of Common Stock to be issued from time to time upon exercise of this Warrant except as provided in Section 6, (b) will not increase the par value of any shares of Common Stock issuable upon exercise of this Warrant above the amount payable therefor upon such exercise, and (c) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable stock.

10. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Company, the Holder and their respective successors and permitted assigns.

11. **Notices.** The Company agrees to maintain a ledger of the ownership of this Warrant (the “**Ledger**”). Any notice hereunder shall be given by Federal Express or other overnight delivery service for delivery on the next business day if to the Company, at its principal executive office and, if to the Holder, to his address shown in the Ledger of the Company; provided, however, that either the Company or the Holder may at any time on three days’ written notice to the other designate or substitute another address where notice is to be given. Notice shall be deemed given and received after a Federal Express or other overnight delivery service is delivered to the carrier.

12. **Severability.** Every provision of this Warrant is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the remainder of this Warrant.

13. **Governing Law; Venue.** This Warrant shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the principles of choice of laws thereof EACH OF HOLDER AND THE COMPANY CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE FEDERAL COURTS LOCATED IN MONROE COUNTY, NEW YORK IN CONNECTION WITH ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND EACH WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS. THIS PROVISION IS INTENDED TO BE A “MANDATORY” FORUM SELECTION CLAUSE AND GOVERNED BY AND INTERPRETED CONSISTENT WITH NEW YORK LAW. EACH OF THE PARTIES HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY FEDERAL COURT HAVING ITS SITUS IN MONROE COUNTY, NEW YORK, AND EACH WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS.

14. **Entire Agreement.** This Warrant (including the Exhibits attached hereto) constitutes the entire understanding between the Company and the Holder with respect to the subject matter hereof, and supersedes all prior negotiations, discussions, agreements and understandings relating to such subject matter.

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officer as of the date first set forth above.

VERIFYME, INC.

By: _____
Name: Patrick White
Title: Chief Executive Officer

Exhibit A
SUBSCRIPTION FORM

(To be Executed by the Holder to Exercise the Rights To Purchase Common Stock Evidenced by the Within Warrant)

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby notifies the Company that it is exercising this warrant pursuant to: ***[please check one]***

_____ Section 1 - Cash Exercise
_____ Section 2 - Cashless Exercise

Section 1 - Cash Exercise. If Section 1 is selected above, please complete the following:

I am exercising my right to purchase all of the shares of Common Stock which I am entitled to purchase under this warrant. The number of shares of Common Stock is _____.

I am exercising my right to purchase _____ shares of Common Stock, and request that the Company deliver to me or as I shall designate below a new Warrant representing the right to purchase _____ shares of Common Stock.

I am making payment of the full exercise price for such shares at an Exercise Price per share of \$ _____ as provided for in such Warrant. The total exercise price payable is \$ _____. Such payment takes the form of (check applicable box or boxes):

___ \$ _____ in certified or official bank check payable to the order of the Company; or
___ \$ _____ by wire transfer of immediately available funds

Section 2 - Cashless Exercise. If Section 2 is permitted under the Warrant and selected above, please complete the following:

The current Fair Market Value of the shares of Common Stock, as defined in this Warrant, is \$ _____.

I am exercising my right to purchase _____ shares of Common Stock, being the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2.

I am exercising my right to purchase _____ shares of Common Stock, and requesting that the Company deliver to me or as I shall request a new Warrant representing the right to purchase _____ shares of Common Stock.

Note - if a Holder choosing to use the Cashless Exercise option provided for in Section 2 of this Warrant is using a combination of cash and cashless means to make payment of the Warrant Exercise Price payable by such Holder, such Holder shall attach a separate schedule which provides such Holder's calculation of the amount of cash being paid, and the number of shares of Common Stock being delivered as payment. Any such cash component takes form of (check applicable box or boxes):

___ \$ _____ in certified or official bank check payable to the order of the Company; or
___ \$ _____ by wire transfer of immediately available funds

DWAC Delivery

I request that the shares of Common Stock be issued in the name of the undersigned, be delivered DWAC to the following DWAC Account Number:

If the Common Stock is not all of the shares purchasable pursuant to the Warrant, I request that a new Warrant of like tenor for the balance of the remaining shares purchasable thereunder be delivered to me at the address stated below.

Certificated Share Deliver

I request that a certificate for the Common Stock be issued in the name of the undersigned and be delivered to the undersigned at the address stated below. If the Common Stock is not all of the shares purchasable pursuant to the Warrant, I request that a new Warrant of like tenor for the balance of the remaining shares purchasable thereunder be delivered to me at the address stated below.

In connection with the issuance of the Common Stock, if the Common Stock may not be immediately publicly sold, I hereby represent to the Company that I am acquiring the Common Stock for my own account for investment and not with a view to, or for resale in connection with, a distribution of the shares within the meaning of the Securities Act of 1933, as amended (the “**Securities Act**”).

I am _____ am not _____ *[please initial one]* an accredited investor for at least one of the reasons on Exhibit A-1 to the Warrant. If the SEC has amended the rule defining the definition of accredited investor, I acknowledge that as a condition to exercise the Warrant, the Company may request updated information regarding the Holder’s status as an accredited investor. My exercise of the Warrant shall be in compliance with the applicable exemptions under the Securities Act and applicable state law

I understand that if at this time the Common Stock has not been registered under the Securities Act, I must hold such Common Stock indefinitely unless the Common Stock is subsequently registered and qualified under the Securities Act or is exempt from such registration and qualification. I shall make no transfer or disposition of the Common Stock unless (a) such transfer or disposition can be made without registration under the Securities Act by reason of a specific exemption from such registration and such qualification, or (b) a registration statement has been filed pursuant to the Securities Act and has been declared effective with respect to such disposition. I agree that each certificate representing the Common Stock delivered to me shall bear substantially the same as set forth on the front page of the Warrant.

I further agree that the Company may place stop transfer orders with its transfer agent same effect as the above legend. The legend and stop transfer notice referred to above shall be removed only upon my furnishing to the Company of an opinion of counsel to the Company to the effect that such legend may be removed.

Date: _____

Signed: _____

Name: _____

Address: _____

Exhibit A-1

For Individual Investors Only:

1. A person who has an individual net worth, or combined net worth (with his or her spouse) who has, in excess of \$1,000,000. For purposes of this question, “net worth” means the excess of total assets at fair market value, including all real property except the investor’s primary residence, home furnishings and automobiles, over total liabilities. For purposes of calculating “net worth”, (i) the primary residence shall not be included as an asset, (ii) to the extent that the indebtedness that is secured by the primary residence is in excess of the fair market value of the primary residence, the excess amount shall be included as a liability, and (iii) if the amount of outstanding indebtedness that is secured by the primary residence exceeds the amount outstanding 60 days prior to the execution of this investment letter, other than as a result of the acquisition of the primary residence, the amount of that increase in indebtedness shall be included as a liability.

2a. A person who had individual income (exclusive of any income attributable to the person’s spouse) of more than who has \$200,000 in each of the two most recently completed years and who reasonably expects to have an individual income in excess of \$200,000 this year.

2b. Alternatively, a person, who with his or her spouse, has joint income in excess of \$300,000 in each applicable year.

3. A director or executive officer of the Company.

Other Investors:

4. Any bank as defined in Section 3(a)(2) of the Securities Act of 1933, as amended (“Securities Act”) whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934, as amended; insurance company as defined in Section 2(13) of the Securities Act; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000, or if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

5. A private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940.

6. An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

7. A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of the Securities Act.

8. An entity in which all of the equity owners are accredited investors.

Exhibit B
ASSIGNMENT

(To be Executed by the Holder to Effect Transfer of the Attached Warrant)

For Value Received _____ hereby sells, assigns and transfers to _____ the Warrant attached hereto and the rights represented thereby to purchase _____ shares of Common Stock in accordance with the terms and conditions hereof, and does hereby irrevocably constitute and appoint _____ as attorney to transfer such Warrant on the books of the Company with full power of substitution.

Dated: _____

Signed: _____

Please print or typewrite
name and address of
assignee:

Please insert Social Security
or other Tax Identification
Number of Assignee:

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (the “**Agreement**”), dated as of February 26, 2020, is entered into by and between VERIFYME, INC., a Nevada corporation, (the “**Company**”) and each of the persons or entities who executes a signature page hereof, together with all other persons or entities who may become a party to this Agreement by executing and delivering to the Company a joinder in substantially the form as Exhibit B (the “**Joinder**”) hereto subsequent to the original execution and delivery of this Agreement (each referred to as a “**Buyer**” and, collectively, the “**Buyers**”).

WITNESSETH:

WHEREAS, the Company and each Buyer are executing and delivering this Agreement in accordance with and in reliance upon the exemption from securities registration afforded, *inter alia*, by Rule 506 under Regulation D (“**Regulation D**”) as promulgated by the United States Securities and Exchange Commission (the “**SEC**”) under the Securities Act of 1933, as amended (the “**1933 Act**” or, the “**Securities Act**”), and/or Section 4(a)(2) of the 1933 Act; and

WHEREAS, the Buyers wish to purchase from the Company, and the Company wishes to sell to the Buyers, upon the terms and subject to the conditions of this Agreement, securities consisting of the Company’s senior secured convertible debentures (the “**Debentures**”), each of which are in the form of Exhibit A hereto, which will be convertible into shares of the Company’s common stock, par value \$0.001 per share (the “**Common Stock**”), in the aggregate principal amount of a minimum of Nine Hundred Thousand and 00/100 Dollars (\$900,000.00) (the “**Minimum Offering Amount**”) up to a maximum of Two Million and 00/100 Dollars (\$2,000,000.00), (the “**Maximum Offering Amount**”), and three year warrants (the “**Warrants**”) to purchase up to 25,000,000 shares of the Common Stock at an exercise price of \$0.15 per share, substantially in the form attached hereto as Exhibit E, all upon the terms and subject to the conditions of this Agreement, the Debentures, the Warrants, and other related documents;

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

1. DEFINITIONS; AGREEMENT TO PURCHASE.

a. **Certain Definitions.** As used herein, each of the following terms has the meaning set forth below, unless the context otherwise requires:

- 1) “**Affiliate**” means, with respect to a specific Person referred to in the relevant provision, another Person who or which controls or is controlled by or is under common control with such specified Person.
- 2) “**Certificates**” means certificates representing the Conversion Shares issuable hereunder, each duly executed on behalf of the Company and issued hereunder.
- 3) “**Closing**” has the meaning set forth in Section 1(b)(ii).
- 4) “**Closing Date**” means the date on which Closings are held, which are the Initial Closing Date and each Subsequent Closing Date.
- 5) “**Common Stock**” shall have the meaning ascribed to such term in the Recitals.
- 6) “**Conversion Amount**” shall mean the Conversion Amount as defined in the Debentures.
- 7) “**Conversion Price**” means the Conversion Price as defined in the Debentures.

- 8) **“Conversion Shares”** means the shares of Common Stock issuable upon conversion of the Debentures.
- “DWAC Operational”** means that the Common Stock is eligible for clearing through the Depository Trust Company (“DTC”) via the DTC’s Deposit Withdrawal Agent Commission or “DWAC” system and active and in good standing for DWAC issuance by the Transfer Agent (as defined herein).
- 9) **“Dollars”** or **“\$”** means United States Dollars.
- 10) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.
- 11) **“Initial Closing Date”** shall have the meaning ascribed to such term in Section 6(a).
- 12) **“Resolutions”** has the meaning set forth in Section 8(h).
- “Market Price of the Common Stock”** means (x) the closing bid price of the Common Stock for the period indicated in the relevant provision hereof (unless a different relevant period is specified in the relevant provision), as reported by Bloomberg, LP or, if not so reported, as reported on the OTCQB, OTCQX or OTC Pink or (y) if the Common Stock is listed on a stock exchange, the closing price on such exchange, as reported by Bloomberg, LP.
- 14) **“Material Adverse Effect”** means a material adverse effect on the (i) business, operations or condition (financial or otherwise) or results of operation of the Company and its subsidiaries taken as a whole; or (ii) Company’s ability to perform in any material respect on a timely basis its obligations under the Transaction Documents. Without limiting the generality of the foregoing, the occurrence of any of the following shall be considered a Material Adverse Effect: (i) any final money, judgment, writ or warrant of attachment, or similar process (including an arbitral determination) in excess of One Hundred Thousand Dollars (\$100,000) shall be entered or filed against the Company (including, in any event, products liability claims against the Company), (ii) the suspension or withdrawal of any governmental authority or permit pertaining to a material amount of the Company’s products or services, and/or (iii) the loss of and inability to replace any material insurance coverage (including, in any case, comprehensive general liability coverage, products liability coverage or directors and officers coverage, in each case in effect at the time of execution and delivery of this Agreement).
- 15) **“Minimum Closing Purchase Price”** shall mean the greater of \$900,000.00 or the aggregate face amount of Debentures for which the Company has received signed Agreements as of the Initial Closing Date.
- 16) **“Notice of Conversion”** means a signed notice executed and delivered by a Buyer indicating an intent to exercise the conversion of the Debenture.
- 17) **“Person”** means any living person or any entity, such as, but not necessarily limited to, a corporation, partnership or trust.
- 18) **“Purchase Price”** means the price that the Buyers pay for the Debentures at each respective Closing, which shall be the face amount of the applicable Debenture.
- 19)

- 20) **“Registration Statement”** shall mean any registration statement filed or contemplated to be filed by the Company with the SEC under the Securities Act.
- 21) **“Restricted Stock”** shall mean shares of Common Stock which are not freely trading shares when issued.
- 22) **“Securities”** means the Debentures, the Warrants, and the Shares (as defined in this Agreement).
- 23) **“Security Agreement”** has the meaning set forth in Section 1(b)(iii).
- 24) **“Shares”** means the Conversion Shares.
- 25) **“Subsequent Closing Date”** shall have the meaning ascribed to such term in Section 6(b).
- “Transaction Documents”** means, collectively, this Agreement, the Debentures, the Resolutions, the Security Agreement, the Warrant and the other agreements, documents and instruments contemplated hereby or thereby.
- 26) **“Transfer Agent”** shall have the meaning ascribed to such term in Section 4(a).
- 27) **“Transfer Agent”** shall have the meaning ascribed to such term in Section 4(a).
- 28) Reserved.
- 29) **“Warrant”** shall have the meaning ascribed to such term in the Recitals.
- 30) **“Warrant Shares”** means the shares that may be issued upon exercise of the Warrants.

b. Purchase and Sale of Debentures and Warrant.

(i) Each Buyer agrees to purchase from the Company, and the Company agrees to sell to each Buyer, the Debentures in the amount set forth on the signature page executed by such Buyer, and the Warrants, on the terms and conditions set forth below in this Agreement and the other Transaction Documents.

(ii) Subject to the terms and conditions of this Agreement and the other Transaction Documents, the Buyer will purchase the Debentures at certain closings (each, a **“Closing”**) to be held on certain respective Closing Dates as set forth herein.

(iii) Repayment of the Debentures shall be secured by a pledge by the Company of all of the assets of the Company pursuant to a Security Agreement upon mutually acceptable terms (the **“Security Agreement”**). The Security Agreement will provide that the approval of the holders of a majority of the outstanding principal amount of the Debentures shall be required to take any action on behalf of the Buyers with respect to the Security Agreement.

2. BUYER’S REPRESENTATIONS, WARRANTIES, ETC.

Each Buyer, on behalf of itself only, represents and warrants to, and covenants and agrees with, the Company as follows:

a. **Investment Purpose.** Without limiting the Buyer’s right to sell the Shares pursuant to a Registration Statement or an applicable exemption under the 1933 Act, Buyer is purchasing the Debentures, and will be acquiring the Conversion Shares, and is acquiring the Warrants and any Warrant Shares thereunder, for its own account for investment purposes only and not with a view towards the public sale or distribution thereof and not with a view to or for sale in connection with any distribution thereof. The Buyer is purchasing the Debentures and the Warrants in the ordinary course of its business.

b. **Accredited Investor Status.** Buyer is (i) an “accredited investor” as that term is defined in Rule 501 of the General Rules and Regulations under the 1933 Act by reason of Rule 501(a)(3), (ii) experienced in making investments of the kind described in this Agreement, the Transaction Documents, and the related documents, (iii) able, by reason of the business and financial experience of its officers (if an entity) and professional advisors (who are not affiliated with or compensated in any way by the Company or any of its Affiliates or selling agents), to protect its own interests in connection with the transactions described in this Agreement, and the related documents, and (iv) able to afford the entire loss of its investment in the Securities.

c. **Subsequent Offers and Sales.** Buyer understands that the Securities are “restricted securities” and have not been registered under the Securities Act or any applicable state law. All subsequent offers and sales of the Securities by the Buyer shall be made pursuant to registration of the Shares under the 1933 Act or pursuant to an exemption from registration and compliance with applicable states’ securities laws.

d. **Reliance on Exemptions.** Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

e. **Information.** Buyer and its advisors have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer. Buyer and its advisors have been afforded the opportunity to ask questions of the Company and have received complete and satisfactory answers to any such inquiries. Without limiting the generality of the foregoing, Buyer has also had the opportunity to obtain and to review the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2019.

f. **Investment Risk.** Buyer understands that its investment in the Securities constitutes high risk investment and involves a high degree of risk, including the risk of loss of the Buyer’s entire investment.

g. **Governmental Review.** Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities.

h. **Organization; Authorization.** Buyer, if an entity, is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Buyer has full right and power to enter into and consummate the transactions contemplated by the Transaction Documents. This Agreement and the other Transaction Documents have been duly and validly authorized, executed and delivered on behalf of the Buyer and create a valid and binding agreement of the Buyer enforceable in accordance with its terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium and other similar laws affecting the enforcement of creditors’ rights generally.

i. **Residency.** The state in which any offer to sell Securities hereunder was made to or accepted by the Buyer is the state shown as the Buyer’s address contained herein, and Buyer is a resident of such state only.

3. COMPANY REPRESENTATIONS AND WARRANTIES, ETC.

The Company represents and warrants to the Buyer that:

a. **Concerning the Debentures and the Shares.** There are no preemptive rights of any stockholder of the Company to acquire the Debentures or the Shares.

b. **Organization; Subsidiaries; Reporting Company Status.** The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has the requisite corporate or other power to own its properties and to carry on its business as now being conducted. The Company is duly qualified as a foreign corporation or other entity to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect. The Company has no wholly-owned or majority-owned subsidiaries. The Common Stock is listed and traded on the OTCQB (trading symbol: VRME). The Company has received no notice, either oral or written, from FINRA, the SEC, or any other organization, with respect to the continued eligibility of the Common Stock for such listing, and the Company has maintained all requirements for the continuation of such listing. The Company is an operating company in that, among other things (A) it primarily engages, wholly or substantially, directly or indirectly through a majority owned subsidiary or subsidiaries, in the production or sale, or the research or development, of a product or service other than the investment of capital, (B) it is not an individual or sole proprietorship, (C) it is not an entity with no specific business plan or purpose and its business plan is not to engage in a merger or acquisition with an unidentified company or companies or other entity or person, and (D) it intends to use the proceeds from the sale of the Debentures solely for the operation of the Company's business and uses other than personal, family, or household purposes.

c. **Authorized Shares.** The Company's SEC Documents (as defined in this Agreement) set forth all capital stock and derivative securities of the Company that are authorized for issuance and that are issued and outstanding. All issued and outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable. The Company has sufficient authorized and unissued shares of Common Stock as may be necessary to effect the issuance of the Shares. The Shares and the Warrant Shares have been duly authorized and, when issued upon conversion of, or as interest on, the Debentures, or, in the case of the Warrant Shares, when issued upon exercise of the Warrant, will be duly and validly issued, fully paid and non-assessable and will not subject the holder thereof to personal liability by reason of being such holder. At all times, the Company shall keep available and reserved for issuance to the holders of the Debentures and the Warrants shares of Common Stock duly authorized for issuance against the Debentures and pursuant to the Warrants. As of the effective date of this Agreement, other than as reflected in the SEC Documents of the Company and except as set forth on Schedule 3(c), (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its subsidiaries, or arrangements by which the Company or any of its subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Securities.

d. **Authorization.** This Agreement, the issuance of the Debentures (including without limitation the incurrence of indebtedness thereunder), the issuance of the Conversion Shares under the Debentures, the issuance of the Warrants and the Warrant Shares thereunder, and the other transactions contemplated by the Transaction Documents, have been duly and validly authorized by the Company, and this Agreement has been duly executed and delivered by the Company. Each of the Transaction Documents, when executed and delivered by the Company, are and will be, valid, legal and binding agreements of the Company, enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium, and other similar laws affecting the enforcement of creditors' rights generally.

e. **Non-contravention.** The execution and delivery of the Transaction Documents, the issuance of the Securities and the consummation by the Company of the other transactions contemplated by this Agreement and the Debentures (including without limitation the incurrence of indebtedness thereunder) do not and will not conflict with or result in a breach by the Company of any of the terms or provisions of, or constitute a default under (i) the articles of incorporation or by-laws of the Company, each as currently in effect, (ii) any indenture, mortgage, deed of trust, or other material agreement or instrument to which the Company is a party or by which it or any of its properties or assets are bound, including any listing agreement for the Common Stock (if applicable), except as herein set forth or an event which results in the creation of any lien, charge or encumbrance upon any assets of the Company or the triggering of any anti-dilution rights, rights of first refusal or first offer on the part of holders of the Company's securities, or (iii) to its knowledge, any existing applicable law, rule, or regulation or any applicable decree, judgment, or order of any court, United States federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company or any of its properties or assets, unless such conflict, breach or default would not have a Material Adverse Effect.

f. **Approvals.** No authorization, approval or consent of any court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market or the stockholders of the Company is required to be obtained by the Company for the entering into and performing this Agreement and the other Transaction Documents (including without limitation the issuance and sale of the Securities to the Buyer as contemplated by this Agreement) except such authorizations, approvals and consents that have been obtained, or such authorizations, approvals and consents, the failure of which to obtain would not have a Material Adverse Effect.

g. **SEC Documents; Rule 144 Status.** None of the SEC Documents contained, at the time they were filed, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements made therein in light of the circumstances under which they were made, not misleading. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the “SEC Documents”). Except as disclosed to the Buyer in writing, the Company is not aware of any event occurring on or prior to the execution and delivery of this Agreement that would require the filing of, or with respect to which the Company intends to file, a Form 8-K after such time. The Company satisfies the requirements of Rule 144(i)(2), and the Company shall continue to satisfy all applicable requirements of Rule 144 promulgated under the 1933 Act (“**Rule 144**”) (or any successor thereto) for so long as any Securities are outstanding and not registered pursuant to an effective Registration Statement filed with the SEC.

h. **Absence of Certain Changes.** Since September 30, 2019, when viewed from the perspective of the Company, there has been no material adverse change and no material adverse development in the business, properties, operations, condition (financial or otherwise), or results of operations of the Company (including, without limitation, a change or development which constitutes, or with the passage of time is reasonably likely to become, a Material Adverse Effect), except as disclosed in the SEC Documents. Since September 30, 2019, except as provided in the SEC Documents, the Company has not (i) incurred or become subject to any material liabilities (absolute or contingent) except liabilities incurred in the ordinary course of business consistent with past practices; (ii) other than the senior secured debentures to be repaid in connection with this offering, discharged or satisfied any material lien or encumbrance or paid any material obligation or liability (absolute or contingent), other than current liabilities paid in the ordinary course of business consistent with past practices; (iii) declared or made any payment or distribution of cash or other property to stockholders with respect to its capital stock, or purchased or redeemed, or made any agreements to purchase or redeem, any shares of its capital stock; (iv) sold, assigned or transferred any other tangible assets, or canceled any debts or claims, except in the ordinary course of business consistent with past practices; (v) suffered any substantial losses or waived any rights of material value, whether or not in the ordinary course of business, or suffered the loss of any material amount of existing business; (vi) made any changes in employee compensation, except in the ordinary course of business consistent with past practices; or (vii) experienced any material problems with labor or management in connection with the terms and conditions of their employment.

i. **Full Disclosure.** There is no fact known to the Company (other than general economic conditions known to the public generally or as disclosed in the SEC Documents) that has not been disclosed in writing to the Buyer that (i) would reasonably be expected to have a Material Adverse Effect, (ii) would reasonably be expected to materially and adversely affect the ability of the Company to perform its obligations pursuant to the Transaction Documents, or (iii) would reasonably be expected to materially and adversely affect the value of the rights granted to the Buyer in the Transaction Documents.

j. **Absence of Litigation.** Except as described in the SEC Documents, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the Company, threatened against or affecting the Company, wherein an unfavorable decision, ruling or finding would have a Material Adverse Effect or which would adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, any of the Transaction Documents. The Company is not a party to or subject to the provisions of, any order, writ, injunction, judgment or decree of any court or government agency or instrumentality which could reasonably be expected to have a Material Adverse Effect.

k. **Absence of Liens.** The Company's assets are not encumbered by any liens or mortgages except as described in the SEC Documents.

l. **Absence of Events of Default.** No event of default (or its equivalent term), as defined in the respective agreement, indenture, mortgage, deed of trust or other instrument, to which the Company is a party, and no event which, with the giving of notice or the passage of time or both, would become an event of default (or its equivalent term) (as so defined in such document), has occurred and is continuing, which would have a Material Adverse Effect.

m. **No Undisclosed Liabilities or Events.** The Company has no liabilities or obligations other than those disclosed in the SEC Documents or those incurred in the ordinary course of the Company's business since September 30, 2019, and which individually or in the aggregate, do not or would not have a Material Adverse Effect. No event or circumstances has occurred or exists with respect to the Company or its properties, business, condition (financial or otherwise), or results of operations, which, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed. Except with respect to a proposal for an increase in the Company's authorized Common Stock, there are no proposals currently under consideration or currently anticipated to be under consideration by the board of directors or the executive officers of the Company which proposal would (x) change the articles of incorporation, by-laws or any other charter document of the Company, each as currently in effect, with or without stockholder approval, which change would reduce or otherwise adversely affect the rights and powers of the stockholders of the Common Stock or (y) materially or substantially change the business, assets or capital of the Company.

n. **No Integrated Offering.** Neither the Company nor any of its Affiliates nor any Person acting on its or their behalf has, directly or indirectly, at any time during the six month period immediately prior to the date of this Agreement made any offer or sales of any security or solicited any offers to buy any security under circumstances that would eliminate the availability of the exemption from registration under Rule 506 of Regulation D in connection with the offer and sale of the Securities as contemplated hereby. Neither the Company nor any of its Affiliates nor any Person acting on its or their behalf has, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the Securities Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any stockholder approval provisions applicable to the Company or its securities.

o. **Reserved.**

p. **Regulatory Permits.** The Company has all such permits, easements, consents, licenses, franchises and other governmental and regulatory authorizations from all appropriate federal, state, local or other public authorities ("Permits") as are necessary to own and lease its properties and conduct its businesses in all material respects in the manner described in the SEC Documents and as currently being conducted. All such Permits are in full force and effect and the Company has fulfilled and performed all of its material obligations with respect to such Permits, and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or will result in any other material impairment of the rights of the holder of any such Permit, subject in each case to such qualification as may be disclosed in the SEC Documents. Such Permits contain no restrictions that would materially impair the ability of the Company to conduct businesses in the manner consistent with its past practices. The Company has not received notice or otherwise has knowledge of any proceeding or action relating to the revocation or modification of any such Permit.

q. **Residency.** The state in which any offer to sell Securities hereunder was made or accepted by the Seller is the state shown as the Seller's address contained herein.

r. **Hazardous Materials.** The Company is in compliance with all applicable Environmental Laws in all respects except where the failure to comply does not have and could not reasonably be expected to have a Material Adverse Effect. For purposes of the foregoing:

“Environmental Laws” means, collectively, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, as amended, the Clean Air Act, as amended, the Clean Water Act, as amended, any other “Superfund” or “Superlien” law or any other applicable federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, the environment or any Hazardous Material.

“Hazardous Material” means and includes any hazardous, toxic or dangerous waste, substance or material, the generation, handling, storage, disposal, treatment or emission of which is subject to any Environmental Law.

s. **Independent Public Accountants.** The Company’s auditor is an independent registered public accounting firm with respect to the Company, as required by the 1933 Act, the Exchange Act and the rules and regulations promulgated thereunder.

t. **Internal Accounting Controls.** Except as disclosed in the SEC Documents, the Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

u. **Brokers.** Except with respect to Carter, Terry & Company, and Scarsdale and Emerging Growth Equity Ltd., each a registered broker-dealer, no Person (other than the Buyer and its principals, employees and agents) is entitled to receive any consideration from the Company or the Buyer arising from any finder’s agreement, brokerage agreement or other agreement to which the Company is a party in connection with the transactions contemplated by the Transaction Documents.

v. **DWAC Operational; DRS.** The Company is currently and shall remain DWAC Operational and eligible for DRS.

4. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

a. **Transfer Restrictions.** The parties acknowledge and agree that (1) the Securities, including the Debentures and the Shares, have not been registered under the provisions of the 1933 Act, and may not be transferred unless (A) subsequently registered thereunder or (B) the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; (2) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of such Securities under circumstances in which the seller, or the Person through whom the sale is made, may be deemed to be an underwriter, as that term is used in the 1933 Act, may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (3) beginning six (6) months after the Initial Closing Date, the Company shall, at its sole cost and expense, deliver to its transfer agent and registrar for the Common Stock (the **“Transfer Agent”**) a written opinion of the Company’s counsel in favor of the Buyers (only to the extent the Buyer has signed a standard representation letter addressed to the Company’s counsel, in form, scope and substance acceptable to the Company’s counsel) and the Transfer Agent, reasonably satisfactory in form, scope and substance to the Transfer Agent, to the effect that a contemporaneously requested transfer of Securities does not require registration under the 1933 Act, pursuant to the 1933 Act, Rule 144 or other regulations promulgated under the 1933 Act.

b. **Restrictive Legend.** The Buyer acknowledges and agrees that the Warrants, Warrant Shares, the Debentures, and, until such time as the Shares have been registered under the 1933 Act as contemplated hereby and sold in accordance with an effective Registration Statement, certificates and other instruments representing any of the Securities shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of any such Securities):

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

c. **Securities Filings.** The Company undertakes and agrees to make all necessary filings (including, without limitation, a Form D) in connection with the sale of the Securities to the Buyer required under any United States laws and regulations applicable to the Company (including without limitation state "blue sky" laws), or by any domestic securities exchange or trading market, and to provide a copy thereof to the Buyer promptly after such filing.

d. **Registration Rights.** Promptly following the final Closing Date but no later than sixty (60) days after the final Closing Date (the "**Filing Deadline**"), the Company shall prepare and file with the SEC one registration statement on Form S-1 (the "**Registration Statement**") covering the resale of the shares of the Company's Common Stock underlying the Debentures and Warrants (together the "**Registrable Securities**"). The Registration Statement (and each amendment or supplement thereto, and each request for acceleration of effectiveness thereof) shall be provided to the Buyers and their respective counsel for comment not less than three business days prior to its filing or other submission. The Company shall pay all expenses incurred in connection with the registration of the Registrable Securities. Notwithstanding the foregoing, if the Company shall furnish to the Buyers a certificate signed by the Chief Executive Officer of the Company stating that in the good faith judgment of the board of directors or a committee of the board of directors, it would be materially detrimental to the Company and its stockholders for such Registration Statement to be filed, then the Company shall have the right to defer such filing for a period of not more than sixty (60) days; provided, however, that the Company may not utilize this right more than once; provided, further that during such sixty (60) day period, the Company shall not file any registration statement pertaining to the public offering of any other securities of the Company. The Company shall use its best efforts to have the Registration Statement declared effective by the SEC as soon as practicable, but in no event more than one hundred twenty (120) days after the Filing Deadline. The Company shall notify the Buyers by facsimile or email as promptly as practicable, and in any event, within twenty-four (24) hours, after any Registration Statement is declared effective and shall simultaneously provide the Buyers with copies of any related prospectus to be used in connection with the sale or other disposition of the shares of Common Stock covered thereby.

e. **Use of Proceeds.** The Company shall use the proceeds from the sale of the Debentures for (i) repayment of the Company's outstanding convertible debentures in the aggregate amount of \$720,000 and its subordinated note in the principal amount of \$75,000, and (ii) the remainder, if any, for working capital purposes only subject to customary restrictions. Absent the prior written approval of holders of a majority of the outstanding principal amount of the Debentures then outstanding, the Company shall not use any portion of the proceeds of the sale of the Debentures to (i) repay any indebtedness or other obligation of the Company incurred prior to the date of this Agreement outside of the debentures referenced above or the normal course of business, (ii) pay any dividends or redemption amount on any of the Company's equity or equity equivalents, (iii) pay deferred compensation or any compensation to any of the directors or officers of the Company in excess of the rate or amount paid or accrued during the fiscal year ended December 31, 2019 (as base compensation and excluding any discretionary amounts), other than modest increases consistent with prior practice that are approved by the Company's board of directors.

f. **Available Shares.** Commencing on the date of execution and delivery of this Agreement, the Company shall have and maintain authorized and reserved for issuance, free from preemptive rights, that number of shares equal to two hundred percent (200%) of the number of shares of Common Stock issuable based upon the conversion of the then-outstanding Debentures (including accrued interest thereon) as may be required to satisfy the conversion rights of the Buyers pursuant to the terms and conditions of the Debentures (for the avoidance of doubt, this shall be calculated based on the applicable conversion price that would result after the date that is 180 calendar days after the issuance date of the respective Debenture(s) regardless of the date of calculation) (without giving effect to the 4.99% limitation on ownership as set forth in the Debentures). The Company shall monitor its compliance with the foregoing requirements on an ongoing basis. If at any time the Company does not have available an amount of authorized and non-issued Shares required to be reserved pursuant to this Section, then the Company shall, without notice or demand by the Buyer, call within sixty (60) days of such occurrence and hold within ninety (90) days of such occurrence a special meeting of stockholders, for the sole purpose of increasing the number of shares authorized. The board of directors of the Company shall recommend to stockholders to vote in favor of increasing the number of Common Stock authorized at the meeting. The Company will use its best efforts to cause members of the Company's management to vote all of their own shares in favor of increasing the number of Common Stock authorized at the meeting. If the increase in authorized shares is approved by the stockholders at the meeting, the Company shall implement the increase in authorized shares within one (1) business day following approval at such meeting. Alternatively, to the extent permitted by applicable law, in lieu of calling and holding a meeting as described above, the Company may, within thirty (30) days of the date when the Company does not have available an amount of authorized and non-issued Shares required to be reserved as described above, procure the written consent of stockholders to increase the number of shares authorized, and provide the stockholders with notice thereof as may be required under applicable law (including without limitation Section 14(c) of the Exchange Act and Regulation 14C thereunder). Upon obtaining stockholder approval as aforesaid, the Company shall cause the appropriate increase in its authorized shares of Common Stock within one (1) business day (or as soon thereafter as permitted by applicable law). Company's failure to comply with these provisions will be an Event of Default (as defined in the Debentures).

g. **Reimbursement.** If (i) any Buyer becomes a party defendant in any capacity in any action or proceeding brought by any stockholder of the Company, in connection with or as a result of the consummation of the transactions contemplated by the Transaction Documents, or if any Buyer is impleaded in any such action, proceeding or investigation by any Person, or (ii) any Buyer, other than by reason of its own gross negligence, willful misconduct or breach of law (as adjudicated by a court of law having proper jurisdiction and such adjudication is not subject to appeal), becomes a party defendant in any capacity in any action or proceeding brought by the SEC against or involving the Company or in connection with or as a result of the consummation of the transactions contemplated by the Transaction Documents, or if any Buyer is impleaded in any such action, proceeding or investigation by any Person, then in any such case, the Company shall promptly reimburse any Buyer for its or their reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith. The reimbursement obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any Affiliates of any Buyer who are actually named in such action, proceeding or investigation, and partners, directors, agents, employees and controlling Persons (if any), as the case may be, of any Buyer and any such Affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, the Buyer and any such Affiliate and any such Person. Except as otherwise set forth in the Transaction Documents, the Company also agrees that neither any Buyer nor any such Affiliate, partners, directors, agents, employees or controlling Persons shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company in connection with or as a result of the consummation of the Transaction Documents.

h. **Legal Opinions.** In addition to the obligations above, the Company will instruct its counsel to provide the Transfer Agent and/or any Buyer, or their respective brokerage and/or clearing firm with all relevant legal opinions and other documentation requested by any Buyer in connection with the issuance of the Conversion Shares or the Restricted Stock, or the sale thereof, to confirm the share issuance(s) such that the Conversion Shares and/or Restricted Stock may be deposited with the applicable brokerage and/or clearing firm.

i. **No Payments to Affiliates or Related Parties.** So long as any of the Debentures remain outstanding, if the Debentures are in default, the Company shall not, absent the prior written consent of the holders of all Debentures then outstanding, make any payments to any of the Company's or the subsidiaries' respective Affiliates or related parties, including without limitation payments or prepayments of principal or interest accrued on any indebtedness or obligation in favor of Affiliates or related parties. Notwithstanding anything to the contrary contained herein, the provisions of this Section 4(i) shall not apply to payments to businesses in which Affiliates have an interest, made in the ordinary course of business and consistent with past practice as disclosed in the SEC Documents.

j. **Conversion of Deferred Compensation.** After the Initial Closing Date, all deferred compensation amounts owed to the Company's Chief Executive Officer will be converted into shares of Common Stock at a conversion price of \$0.08 per share.

k. **Public Disclosure.** Except to the extent required by applicable law, absent that Buyer's prior written consent, the Company shall not reference the name of any Buyer in any press release, securities disclosure, business plan, marketing or funding proposal.

l. **Reserved.**

m. **No Integration.** The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the Securities Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

n. **Corporate Existence.** The Company will, so long as the Buyer beneficially owns any of the Securities, maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in compliance with the terms of the Debenture.

o. **Approval Rights.** For so long as forty percent (40%) of the Debentures issued pursuant to this Agreement are outstanding, the Company will not, without the consent of the holders of a majority of the outstanding principal amount of the Debentures: (i) issue equity linked securities with a variable market rate conversion ratio; (ii) create or authorize the creation of or issue any other security convertible into or exercisable for any equity security having rights, preferences or privileges senior to or on parity with the Debentures; or (iii) amend, alter or repeal any provision of the articles of incorporation or the by-laws of the Company in any manner that is adverse to the Debentures.

5. **Reserved.**

6. **CLOSINGS.**

a. **Initial Closing.** Promptly upon the execution and delivery of copies of this Agreement and the accompanying Debentures representing at least the Minimum Offering Amount, and satisfaction of all conditions in Sections 7 and 8 herein (the "**Initial Closing Date**"), (A) the Company shall deliver to each Buyer executing this Agreement at that time the following: (i) a Debenture reflecting the purchased amount by such Buyer; (ii) a Warrant in the name of Buyer; (iii) duly executed counterparts of the Transaction Documents; and (iv) an officer's certificate of the Company confirming the accuracy of the Company's representations and warranties contained herein, and (B) each Buyer shall deliver to the Company the following: (x) the Minimum Closing Purchase Price for such Buyer and (y) duly executed counterparts of the Transaction Documents (as applicable).

b. **Subsequent Closings.** At any time after the Initial Closing Date and until such time as the Company has issued Debentures equal to the Maximum Offering Amount, subject to the mutual agreement of the Buyer(s) executing this Agreement at that time and the Company, and subject to satisfaction of the conditions set forth in Sections 7 and 8, (each, a "**Subsequent Closing Date**") (A) the Company shall deliver to each Buyer executing this Agreement at that time the following: (i) a Debenture reflecting the purchased amount by such Buyer; (ii) a Warrant in the name of Buyer; and (iii) an officer's certificate of the Company confirming, as of the Subsequent Closing Date, the accuracy of the Company's representations and warranties contained herein as of the Subsequent Closing Date, and (B) each Buyer shall deliver to the Company the following: (i) the Purchase Price for such Buyer; (ii) duly executed Joinder; and (iii) the duly executed counterparts of the applicable Transaction Documents.

c. **Location and Time of Closings.** Each Closing shall be deemed to occur on the related Closing Date at the office of the Company or its designee and shall take place no later than 5:00 P.M., east coast time, on such day or such other time as is mutually agreed upon by the Company and the Buyers.

7. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The Company's obligation to sell the Debentures to the Buyers pursuant to this Agreement on each Closing Date is conditioned upon:

a. **Purchase Price; Transaction Documents.** Delivery to the Company of good funds as payment in full of the respective Purchase Price for the Debentures at each Closing in accordance with this Agreement and execution and delivery by each Buyer of the Transaction Documents to which it is a party;

b. **Representations and Warranties; Covenants.** The accuracy on the Closing Date of the representations and warranties of each Buyer contained in this Agreement, each as if made on such date, and the performance by each Buyer on or before such date of all covenants and agreements of each Buyer required to be performed on or before such date; and

c. **Laws and Regulations; Consents and Approvals.** There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained.

8. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE.

Each Buyer's obligation to purchase the Debentures at each Closing is conditioned upon:

a. **Transaction Documents.** The execution and delivery of this Agreement and all other Transaction Documents by the Company;

b. **Debenture(s).** Delivery by the Company to each Buyer of the Debentures to be purchased in accordance with this Agreement;

c. **Section 4(a)(2) Exemption.** The Debentures and the Conversion Shares shall be exempt from registration under the Securities Act, pursuant to Section 4(a)(2) thereof;

d. **DWAC Status.** The Common Stock shall be DWAC Operational;

e. **Representations and Warranties; Covenants.** The accuracy in all material respects on the Closing Date of the representations and warranties of the Company contained in this Agreement, each as if made on such date, and the performance by the Company on or before such date of all covenants and agreements of the Company required to be performed on or before such date;

f. **Reserved.**

g. **Legal Proceedings.** There shall be no litigation, criminal or civil, regulatory impairment or other legal and/or administrative proceedings challenging or seeking to limit the Company's ability to issue the Securities or the Common Stock;

h. **Corporate Resolutions.** Delivery by the Company to each Buyer of a copy of resolutions of the Company's board of directors, approving and authorizing the execution, delivery and performance of the Transaction Documents and the transactions contemplated thereby in the form attached hereto as Exhibit C (the "**Resolutions**");

i. **Officer's Certificate.** Delivery by the Company to the Buyer of a certificate of the Chief Executive Officer of the Company in the form attached hereto as Exhibit D;

j. **Search Results.** Delivery by the Company to the Buyers of copies of UCC search reports, issued by the Secretary of State of Nevada, dated such a date as is reasonably acceptable to the Buyers, listing all effective financing statements which name the Company under its present name and any previous names, as debtor, together with copies of such financing statements;

k. **Certificate of Good Standing.** Delivery by the Company to the Buyers of a copy of a certificate of good standing with respect to the Company, issued by the Secretary of State of the State of Nevada, dated such a date as is reasonably acceptable to each Buyer, evidencing the good standing thereof;

l. **Laws and Regulations; Consents and Approvals.** There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained; and

m. **Adverse Changes.** From and after the date hereof to and including each Closing Date, (i) the trading of the Common Stock shall not have been suspended by the SEC, FINRA, or any other governmental or self-regulatory organization, and trading in securities generally on the principal market therefor shall not have been suspended or limited, nor shall minimum prices been established for securities traded on the principal market therefor; (ii) there shall not have occurred any outbreak or escalation of hostilities involving the United States or any material adverse change in any financial market that in either case in the reasonable judgment of the Buyers makes it impracticable or inadvisable to purchase the Debentures.

9. GOVERNING LAW; MISCELLANEOUS.

a. **MANDATORY FORUM SELECTION.** ANY DISPUTE ARISING UNDER, RELATING TO, OR IN CONNECTION WITH THE AGREEMENT OR RELATED TO ANY MATTER WHICH IS THE SUBJECT OF OR INCIDENTAL TO THE AGREEMENT (WHETHER OR NOT SUCH CLAIM IS BASED UPON BREACH OF CONTRACT OR TORT) SHALL BE SUBJECT TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE FEDERAL COURTS LOCATED IN MONROE COUNTY, NEW YORK. THIS PROVISION IS INTENDED TO BE A "MANDATORY" FORUM SELECTION CLAUSE AND GOVERNED BY AND INTERPRETED CONSISTENTLY WITH NEW YORK LAW.

b. **Governing Law.** Except in the case of the Mandatory Forum Selection clause above, this Agreement shall be delivered and accepted in and shall be deemed to be contracts made under and governed by the internal laws of the State of New York, and for all purposes shall be construed in accordance with the laws of the State of New York, without giving effect to the choice of law provisions. To the extent determined by the applicable court described above, the Company shall reimburse the Buyer for any reasonable legal fees and disbursements incurred by the Buyer in enforcement of or protection of any of its rights under any of the Transaction Documents.

c. **Waivers.** Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

d. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

e. **Construction.** All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

f. **Facsimiles; E-mails.** A facsimile or email transmission of this signed Agreement or a Notice of Conversion under the Debentures shall be legal and binding on all parties hereto. Such electronic signatures shall be the equivalent of original signatures.

g. **Counterparts.** This Agreement may be signed in one or more counterparts, each of which shall be deemed an original.

h. **Headings.** The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

i. **Enforceability.** If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

j. **Amendment.** This Agreement may be amended only by the written consent of the holders of a majority of the outstanding principal amount of the Debentures and an instrument in writing signed by the Company.

k. **Entire Agreement.** This Agreement, together with the other Transaction Documents, supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

l. **No Strict Construction.** This Agreement shall be construed as if both Parties had equal say in its drafting, and thus shall not be construed against the drafter.

m. **Further Assurances.** Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

10. NOTICES.

Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be deemed effectively given on the earliest of:

- a. the date delivered, if delivered by personal delivery as against written receipt therefor or by facsimile or email transmission,
- b. the third (3rd) business day after deposit, postage prepaid, in the United States Postal Service by registered or certified mail, or
- c. the first (1st) business day after deposit with a recognized courier service (e.g. FedEx, UPS, DHL, US Postal Service) for delivery by next-day express courier, with delivery costs and fees prepaid,

in each case, addressed to each of the other parties thereunto entitled at the following addresses (or at such other addresses as such party may designate by ten (10) days' advance written notice similarly given to each of the other parties hereto):

COMPANY: VerifyMe, Inc.
75 S. Clinton Ave., Suite 510
Rochester, NY 14604
Attention: Patrick White, Chief Executive Officer
Email: patrick@verifyme.com

With copies to (which shall not constitute notice):

Harter Secrest & Emery LLP
1600 Bausch & Lomb Place
Rochester, NY 14604
Attention: Alexander R. McClean
Email: amcclean@hselaw.com

BUYER: At the Address on the Signature Page Hereof

11. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The Company's representations and warranties herein shall survive for so long as any Debentures are outstanding, and shall inure to the benefit of each Buyer, its successors and assigns.

12. FEES; EXPENSES. Each party agrees to bear its own fees and expenses in connection with the transactions contemplated herein.

[Signature Pages Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Company as of the date first set forth above.

COMPANY:

VERIFYME, INC.

By: /s/ Patrick White

Name: Patrick White

Title: Chief Executive Officer

[Signature Page to Securities Purchase Agreement]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Buyer as of the date first set forth above.
BUYER:

(Print Name)

(Signature)

(Title/Capacity)

(Address)

(Tax ID Number)

(Telephone Number)

AMOUNT OF DEBENTURES PURCHASED:

\$ _____

[Signature Page to Securities Purchase Agreement]

Schedules to the Securities Purchase Agreement

SCHEDULE 3(c)

**OPTIONS, WARRANTS, PREFERRED STOCK AND DEBENTURES
OUTSTANDING AS OF FEBRUARY 5, 2020**

DESCRIPTION	AMOUNT
Stock Options	17,913,529
Warrants	22,262,608
Series B Convertible Preferred Stock	0.85
Debentures (Principal Amount)	\$720,000

EXHIBITS

Exhibit A	FORM OF DEBENTURE
Exhibit B	FORM OF JOINDER
Exhibit C	FORM OF RESOLUTIONS OF THE BOARD OF DIRECTORS
Exhibit D	FORM OF OFFICER'S CERTIFICATE
Exhibit E	FORM OF WARRANT
Exhibit F	FORM OF SECURITY AGREEMENT
Exhibit G	ACCREDITED INVESTOR QUESTIONNAIRE

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "**Agreement**"), is entered into as of February 26, 2020, by VerifyMe, Inc., a Nevada corporation (the "**Borrower**"), on behalf of each of the persons who is a holder of the Debentures, as defined below, and each of whom shall be an express third party beneficiary of this Agreement and able to enforce the terms hereof in accordance with the provisions hereof as if such person was an original signatory hereto (each, a "**Secured Party**" or the "**Secured Parties**," as defined below). All capitalized terms not otherwise defined herein shall the meanings ascribed to them in that certain Securities Purchase Agreement by and between Borrower and the Secured Parties of even date (the "**Securities Purchase Agreement**").

RECITALS

WHEREAS, the Secured Parties have loaned monies to Borrower, as more particularly described in the Securities Purchase Agreement and as evidenced by senior secured convertible debentures issued by Borrower to the Secured Parties on February 26, 2020 (the "**Debentures**");

WHEREAS, the term "**Secured Parties**" as used in this Agreement shall mean, collectively, all holders of the Debentures, including those persons who become holders of the Debenture subsequent to the date hereof; and

WHEREAS, this Agreement is being executed and delivered by Borrower to secure the obligations of Borrower under the Debentures.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the parties hereto hereby agrees as follows:

1. Obligations Secured. This Agreement secures, in part, the prompt payment and performance of all obligations of Borrower under the Debentures, and all renewals, extensions, modifications, amendments, and/or supplements thereto (collectively, the "**Secured Obligations**").

2. Grant of Security.

a. Collateral. Borrower hereby grants, pledges, and assigns for the benefit of the Secured Parties, and there is hereby created in favor of each of the Secured Parties, a security interest in and to all of Borrower's (inclusive of all of Borrower's subsidiaries) right, title, and interest in, to, and under all of the collateral set forth on Exhibit A hereto (collectively, "**Collateral**").

b. Effective Date. This grant of security shall be effective as of the date hereof.

c. Subordination. The Debenture and the Secured Obligations shall not be subordinated, or junior in right of interest, to any other obligations of Borrower, subject to the liens incurred under clause (ii) of the definition of Permitted Liens herein.

d. Filings to Perfect Security. Borrower will (and is hereby authorized to) file with any filing office such financing statements, amendments, addenda, continuations, terminations, assignments and other records (whether or not executed by Borrower) to perfect and to maintain perfected security interests in the Collateral by the Secured Parties, whereby (a) promptly upon the execution of this Agreement, a Financing Statement on Form UCC-1 (the "**Financing Statement**") shall be filed in the appropriate jurisdiction(s) on behalf of the Secured Parties with respect to the Collateral. The Financing Statement shall designate each of the Secured Parties as a Secured Party and Borrower as the debtor, shall identify the security interest in the Collateral, and contain any other items required by law.

3. Transfers and Other Liens. Except as set forth herein or in the Debenture, Borrower shall not, without the prior written consent of all of the Secured Parties, at their sole and absolute discretion:

- a. Sell, transfer, assign, or dispose of (by operation of law or otherwise), any of the Collateral outside of the ordinary course of business; or
- b. Create or suffer to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Collateral, except (i) the security interests created hereby and (ii) Permitted Liens (as defined herein); or
- c. Permit any of the Collateral to be levied upon under any legal process.

For purposes of this Agreement, the term “**Permitted Liens**” means (i) mechanic’s, materialmen’s, warehousemen’s, carriers’, landlord’s, or manufacturer’s liens on assets acquired by the Borrower after the date of this Agreement in the ordinary course of business (which do not materially impair the use of such assets in the operation of business) with respect to obligations which are not overdue for a period longer than thirty (30) days or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with generally accepted accounting principles, (ii) purchase money liens held by a regional bank or national bank securing indebtedness incurred after the date of this Agreement for the purchase of fixed or capital assets after the date of this Agreement, which, if properly perfected, shall be senior in priority to the security interest of the Debentures as to the fixed or capital asset so purchased, (iii) liens for taxes or other governmental charges which are not delinquent or which are being contested in good faith and for which a reserve shall have been established in accordance with generally accepted accounting principles, (iv) other liens, security interests and charges in existence on the date hereof of which the Secured Parties are aware, and (v) checks deposited by the Borrower into the Borrower’s bank account which have bounced within five (5) business days thereafter due to insufficient funds in the payor’s bank account.

4. Representations and Warranties. Borrower hereby represents and warrants to the Secured Parties as follows: (a) to Borrower’s knowledge, Borrower is the owner of the Collateral (or, in the case of after-acquired Collateral, at the time Borrower acquires rights in the Collateral, will be the owner thereof) and that, except as expressly provided herein, no other person has (or, in the case of after-acquired Collateral, at the time Borrower acquires rights therein, will have) any right, title, claim or interest (by way of Lien or otherwise) in, against or to the Collateral; (b) to Borrower’s knowledge, except as expressly provided herein, upon the filing of a Financing Statement as provided herein, the Secured Parties (or in the case of after-acquired Collateral, at the time Borrower acquires rights therein, will have) will have a perfected security interest in the Collateral to the extent that a security interest in the Collateral can be perfected by such filing; (c) all Accounts Receivable (as defined in Exhibit A) are genuine and enforceable against the party obligated to pay the same; (d) Borrower has full power and authority to enter into the transactions provided for in this Agreement and the Debenture; (e) this Agreement and the Debenture, when executed and delivered by Borrower, will constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms (subject to general principles of equity and to bankruptcy, insolvency, moratorium, and other similar laws affecting the enforcement of creditors’ rights generally); (f) the execution and delivery by Borrower of this Agreement and the Debenture and the performance and consummation of the transactions contemplated hereby and thereby do not and will not violate Borrower’s articles of incorporation or by-laws or any material judgment, order, writ, decree, statute, rule or regulation applicable to Borrower; (g) there does not exist any default or violation by Borrower of or under any of the terms, conditions or obligations of (i) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which Borrower is a party or by which Borrower is bound, or (ii) any law, ordinance, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon Borrower by any law, the action of any court or any governmental authority or agency; and the execution, delivery and performance of this Agreement will not result in any such default or violation; (h) there is no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand pending or, to the knowledge, of Borrower, threatened which adversely affects Borrower’s business or financial condition and there is no basis known to Borrower for any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand which could result in the same; and (i) this Agreement and the Debenture, taken as a whole, do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements contained in this Agreement and the Debenture not misleading.

5. Events of Default. For purposes of this Agreement, the term "**Event of Default**" shall mean and refer to any of the following:

- a. Failure of Borrower to perform or observe any covenant set forth in this Agreement, or to perform or observe any other term, condition, covenant, warranty, agreement or other provision contained in this Agreement, where such failure continues for fifteen (15) days after receipt of written notice from Lender specifying such failure;
- b. Any representation or warranty made or furnished by Borrower in writing in connection with this Agreement and the Debenture or any statement or representation made in any certificate, report or opinion delivered pursuant to this Agreement or in connection with this Agreement is false, incorrect or incomplete in any material respect at the time it is furnished; or
- c. Occurrence of any Event of Default as defined in the Debenture.

6. Remedies. Upon the occurrence and during the continuance of an Event of Default (subject to the notice and cure provisions provided for herein, if any), each Secured Party shall have the rights of a secured creditor under the Uniform Commercial Code of the applicable jurisdiction(s), all rights granted by the Debenture, this Security Agreement and by law, including the right to require Borrower to assemble the Collateral and make it available to the Secured Parties at a place to be designated by Borrower. The rights and remedies provided in this Agreement and the Debenture are cumulative and may be exercised independently or concurrently, and are not exclusive of any other right or remedy provided at law or in equity. No failure to exercise or delay by the Secured Parties in exercising any right or remedy under this Agreement or the Debenture shall impair or prohibit the exercise of any such rights or remedies in the future or be deemed to constitute a waiver or limitation of any such right or remedy or acquiescence therein. Every right and remedy granted to the Secured Parties under this Agreement and the Debenture or by law or in equity may be exercised by the Secured Parties only upon the election of the Secured Parties holding at least a majority in principal amount of the outstanding Debentures at the time of the action to be taken. In the event that the Secured Parties elect to pursue remedies hereunder, the Secured Parties shall designate a Secured Party representative to act on behalf of all of the Secured Parties in all dealings with the Company under this Agreement, with such representative to serve pursuant to an agreement among the Secured Parties on mutually acceptable terms regarding the representative's authority, limitation of liability and other relevant items.

7. Further Assurances. Borrower agrees that, from time to time, at its own expense, it will:

- a. Protect and defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein, and preserve and protect Secured Party's security interest in the Collateral.
- b. Promptly execute and deliver to Secured Parties all instruments and documents, and take all further action necessary or desirable, as any Secured Party may reasonably request to (i) continue, perfect, or protect any security interest granted or purported to be granted hereby, and (ii) enable a Secured Party to exercise and enforce any of Secured Party's rights and remedies hereunder with respect to any Collateral.
- c. Permit a Secured Party's representatives to inspect and make copies of all books and records relating to the Collateral, wherever such books and records are located, and to conduct an audit relating to the Collateral at any reasonable time or times.

8. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed telex, e-mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent as follows:

If to the Borrower, to:

VERIFYME, INC.
75 S. Clinton Ave., Suite 510
Rochester, NY 14604
e-mail : ap@verifyme.com

With copies to (which shall not constitute notice):

Harter Secrest & Emery LLP
1600 Bausch & Lomb Place
Rochester, NY 14604
Attention: Alex R. McClean
Email: amcclean@hselaw.com

If to Secured Party:

At the address stated in the Securities Purchase Agreement

or to such other address or telecopy number as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

9. Amendments and Waivers. No modification, amendment or waiver of any provision of, or consent required by, this Agreement, nor any consent to any departure herefrom, shall be effective unless it is in writing and signed by each of the parties hereto. Such modification, amendment, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

10. Exclusivity and Waiver of Rights. No failure to exercise and no delay in exercising on the part of any party, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any other rights or remedies provided by law.

11. Invalidity. Any term or provision of this Agreement shall be ineffective to the extent it is declared invalid or unenforceable, without rendering invalid or enforceable the remaining terms and provisions of this Agreement.

12. Headings. Headings used in this Agreement are inserted for convenience only and shall not affect the meaning of any term or provision of this Agreement.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original instrument, but all of which collectively shall constitute one and the same agreement.

14. Assignment. This Agreement and the rights and obligations hereunder shall not be assignable or transferable by the any of the parties without the prior written consent of all Secured Parties, at their sole and absolute discretion.

15. Survival. Unless otherwise expressly provided herein, all representations warranties, agreements and covenants contained in this Agreement shall survive the execution hereof and shall remain in full force and effect until the earliest to occur of (a) the payment in full of the Debenture, and (b) the conversion of the principal and accrued and unpaid interest and all other amounts owing under the Debenture into common stock of Borrower.

16. Miscellaneous. This Agreement shall inure to the benefit of each of the parties hereto and all their respective successors and permitted assigns. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained.

17. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAWS PROVISIONS).

18. CONSENT TO JURISDICTION. EACH OF THE PARTIES CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE FEDERAL COURTS LOCATED IN MONROE COUNTY, NEW YORK IN CONNECTION WITH ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND EACH WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS. THIS PROVISION IS INTENDED TO BE A “MANDATORY” FORUM SELECTION CLAUSE AND GOVERNED BY AND INTERPRETED CONSISTENT WITH NEW YORK LAW. EACH OF THE PARTIES HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY FEDERAL COURT HAVING ITS SITUS IN MONROE COUNTY, NEW YORK, AND EACH WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS.

19. Attorneys' Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

20. Entire Agreement. This Agreement and the agreements specifically referenced herein contain the entire agreement among the parties with respect to the transactions contemplated by this Agreement and supersede all prior agreements or understandings among the parties with respect to the subject matter hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Security Agreement has been executed as of the date first set written above.

"BORROWER"

VERIFYME, INC.

By: /s/ Patrick White
Name: Patrick White
Title: Chief Executive Officer

EXHIBIT A COLLATERAL

Borrower hereby grants, pledges, and assigns for the benefit of each Secured Party, and there is hereby created in favor of the Secured Parties, a security interest in and to all of Borrower's right, title, and interest in, to, and under all assets and all personal property of Borrower and its subsidiaries, whether now or hereafter existing, or now owned or hereafter acquired, including but not limited to the following (collectively, "**Collateral**");

1. All accounts, chattel paper, contracts, contract rights, accounts receivable, tax refunds, note receivable, documents, other choses in action and general intangibles, including, but not limited to, proceeds of inventory and returned goods and proceeds from the sale of goods and services, and all rights, liens, securities, guaranties, remedies and privileges related thereto, including the right of stoppage in transit and rights and property of any kind forming the subject matter of any of the foregoing ("**Accounts Receivable**");

2. All time, savings, demand, certificate of deposit or other accounts in the name of Borrower or in which Borrower has any right, title or interest, including but not limited to all sums now or at any time hereafter on deposit, and any renewals, extensions or replacements of and all other property which may from time to time be acquired directly or indirectly using the proceeds of any of the foregoing;

3. All inventory and equipment of every type or description wherever located, including, but not limited to all raw materials, parts, containers, work in process, finished goods, goods in transit, wares, merchandise furniture, fixtures, hardware, machinery, tools, parts, supplies, automobiles, trucks, other intangible property of whatever kind and wherever located associated with the Borrower's business, tools and goods returned for credit, repossessed, reclaimed or otherwise reacquired by Borrower;

4. All documents of title and other property from time to time received, receivable or otherwise distributed in respect of, exchange or substitution for or addition to any of the foregoing including, but not limited to, any documents of title;

5. All know-how, information, permits, patents, copyrights, goodwill, trademarks, trade names, licenses and approvals held by Borrower, including all other intangible property of Borrower;

6. All assets of any type or description that may at any time be assigned or delivered to or come into possession of Borrower for any purpose for the account of Borrower or as to which Borrower may have any right, title, interest or power, and property in the possession or custody of or in transit to anyone for the account of Borrower, as well as all proceeds and products thereof and accessions and annexations thereto; and

7. All proceeds (including but not limited to insurance proceeds) and products of and accessions and annexations to any of the foregoing.