UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from _____ to _____

Commission File Number 001-36404

INPIXON
(Exact name of registrant as specified in its charter)

Nevada	**88-0434915**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2479 E. Bayshore Road
Suite 195
Palo Alto, CA 94303
(Address of principal executive offices)
(Zip Code)

(408) 702-2167
(Registrant's telephone number, including area code)

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

Title of each class	**Trading Symbol**	**Name of each exchange on which each is registered**
Common Stock, par value $0.001	INPX	The Nasdaq Stock Market LLC

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

None
(Title of class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, was $8,106,354 based upon the closing price reported for such date on the Nasdaq Capital Market.

As of February 16, 2020, there were 5,049,062 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

INPIXON

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION CONTAINED IN THIS REPORT

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "would," "should," "could," "may," or other similar expressions in this report. In particular, these include statements relating to future actions; prospective products, applications, customers and technologies; future performance or results of anticipated products; and projected expenses and financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- our limited cash and our history of losses;
- our ability to achieve profitability;
- our limited operating history with recent acquisitions, including the acquisition of Jibestream Inc. and Locality Systems, Inc.;
- our ability to successfully integrate companies we acquire;
- emerging competition and rapidly advancing technology in our industry that may outpace our technology;
- customer demand for the products and services we develop;
- the impact of competitive or alternative products, technologies and pricing;
- our ability to manufacture any products we develop;
- general economic conditions and events and the impact they may have on us and our potential customers;
- our ability to obtain adequate financing in the future;
- our ability to continue as a going concern;
- our ability to consummate strategic transactions which may include acquisitions, mergers, dispositions or investments; and
- our ability to maintain compliance with other continued listing requirements;
- lawsuits and other claims by third parties or investigations by various regulatory agencies that we may be become subject to and are required to report;
- our success at managing the risks involved in the foregoing items; and
- other factors discussed in this report.

The forward-looking statements are based upon management's beliefs and assumptions and are made as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statements included in this report. You should not place undue reliance on these forward-looking statements.

This report also contains or may contain estimates, projections and other information concerning our industry and our business, including data regarding the estimated size of our markets and their projected growth rates. Information that is based on estimates, forecasts, projections or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained these industry, business, market and other data from reports, studies and similar data prepared by third parties, industry and general publications, government data and similar sources. In some cases, we do not expressly refer to the sources from which these data are derived.

Unless otherwise stated or the context otherwise requires, the terms "Inpixon" "we," "us," "our" and the "Company" refer collectively to Inpixon and, where appropriate, its subsidiaries.

Note Regarding Reverse Stock Splits

Since January 1, 2018, the Company effected reverse splits of its outstanding common stock, par value $0.001, at a ratio of 1-for-30, effective as of February 6, 2018, 1-for-40, effective as of November 2, 2018 and 1-for-45 effective as of January 7, 2020 (collectively, the "Reverse Splits"), for the purpose of complying with Nasdaq Listing Rule 5550(a)(2). We have reflected the Reverse Splits herein, unless otherwise indicated.

PART I

ITEM 1: BUSINESS

Introduction

Inpixon is an indoor intelligence company. Our business and government customers use our solutions to secure, digitize and optimize their indoor spaces with our positioning, mapping and analytics products. Inpixon's indoor intelligence platform uses sensor technology to detect accessible cellular, Wi-Fi, Bluetooth, ultra-wide band ("UWB") and radio frequency identification ("RFID") signals emitted from devices within a venue providing positional information similar to what global positioning system ("GPS") satellite systems provide for the outdoors. Combining this positional data with our dynamic and interactive mapping solution and a high-performance analytics engine, yields near real time insights to our customers providing them with visibility, security and business intelligence within their indoor spaces. Our highly configurable platform can also ingest data from our customers' and other third-party sensors, Wi-Fi access points, Bluetooth beacons, video cameras, and big data sources, among others to maximize indoor intelligence.

Our indoor intelligence offerings consist of a variety of software and hardware products for positioning, mapping and analytics offerings, including:

- Sensors with proprietary technology that can detect accessible cellular, Wi-Fi, Bluetooth, UWB and RFID signals emitted from devices within a venue, as well as GPS technologies, to allow for the seamless positioning of people and assets homogeneously as they travel between the indoor and outdoor. Utilizing various radio signal technologies permits device positioning from several meters down to centimeter level accuracy depending on the product deployed. In retail applications, this provides a highly detailed understanding of customer journey and dwell time, and in security applications, detection and identification of authorized and unauthorized devices, prevention of rogue devices through alert notification based on rules when unknown devices are detected in restricted areas and asset tracking with centimeter level precision.

- An indoor mapping platform that provides enterprise organizations with the tools to add intelligence to complex indoor spaces by integrating business data with indoor maps. Our mapping platform gives developers the flexibility and control to create tailored map-enabled solutions that address multiple use cases with a single platform. Comprised of software development tools and a web-based content management system (CMS), our mapping platform is highly configurable and able to address the varying security, extensibility and versatility needs of our customers.

- Data science analytics, on-premise or in the cloud, along with specially optimized algorithms that are intended to both minimize data movement and maximize system performance. This enables the system to deliver data reports to the user through our mapping platform as well as dashboards, reports and tabular format. We also provide data output that can be integrated with common third-party visualization, charting, graphing and dashboard systems. Our analytics capabilities also allow for the integration of a customer's existing video surveillance feed with location data collected via radio frequency, allowing customers to ascertain radio frequency coverage and access evidentiary information that can be used for security and customer relations programs. Moreover, our platform can utilize GPS technologies to allow for seamless transitioning of people and assets as they travel between the indoor and outdoor.

We can assist a variety of organizations, including retailers, shopping malls and shopping centers, hotels and resorts, gaming operators, airports, healthcare facilities, office buildings and government agencies, to enhance security measures, offer better business intelligence, increase consumer confidence and reduce rogue device risk.

Corporate Strategy

Management continues to pursue a corporate strategy that is focused on building and developing our business as a provider of end-to-end solutions ranging from the collection of data to delivering insights from that data to our customers with a focus on securing, digitizing and optimizing premises with our indoor positioning, mapping and analytics solutions for businesses and governments. In connection with such strategy and to facilitate our long-term growth, we continue to evaluate various strategic transactions and acquisitions of companies with technologies and intellectual property ("IP") that complement those goals by adding technology, differentiation, customers and/or revenue. We are primarily looking for accretive acquisitions that have business value and operational synergies, but will be opportunistic for other strategic and/or attractive transactions. We believe these complementary technologies will add value to the Company and allow us to provide a comprehensive indoor intelligence platform, offering a one-stop shop to our customers. Candidates with proven technologies that complement our overall strategy may come from anywhere in the world, as long as there are strategic and financial reasons to make the acquisition. If we make any acquisitions in the future, we expect that we may pay for such acquisitions using our equity securities, with an assignment of our note receivable from Sysorex Inc. ("Sysorex") and/or cash and debt financings in combinations appropriate for each acquisition. In furtherance of this strategy, on May 21, 2019, we acquired Locality Systems, Inc. ("Locality"), a technology company based near Vancouver, Canada, specializing in wireless device positioning and radio frequency ("RF") augmentation of video surveillance systems. In addition, on June 27, 2019, we acquired certain GPS products, software, technologies, and intellectual property from GTX Corp ("GTX"), a U.S. based company specializing in GPS technologies. These transactions expand our patent portfolio and include certain granted or licensed patents and GPS and RF technologies. Furthermore, on August 15, 2019, we acquired Jibestream Inc. ("Jibestream"), a provider of a highly configurable intelligent indoor mapping platform to expand our suite of products.

Industry Overview

We believe that organizations are increasingly realizing the value of indoor intelligence and how it can be leveraged to understand what is happening indoors for a variety of use cases depending on the industry, including but not limited to, security; wayfinding; building management efficiency; customer experience; asset tracking; loss prevention and many other applications. Indoor intelligence solutions cross over several market segments, each of which industry researchers have forecasted for significant growth. The following information illustrates the ways in which demand for indoor intelligence and/or indoor positioning systems is expected to grow.

- The Global Indoor Positioning and Navigation market accounted for $6.92 billion in 2017 and is expected to reach $54.60 billion by 2026 growing at a compound annual growth rate ("CAGR") of 25.8% during the forecast period (source:https://www.businesswire.com/news/home/20190430005438/en/Global-Indoor-Positioning-Navigation-Market-Outlook-Report).

- The indoor location market is forecasted to grow from $7.11 billion in 2017 to $40.99 billion by 2022, at a CAGR of 42% (source: http://www.marketsandmarkets.com/PressReleases/indoor-location.asp).

- The location-based services ("LBS") and real-time location systems ("RTLS") market has grown considerably over the past few years and is expected to grow further with increasing use of smartphone and social media based advertisements and greater adoption of these technologies in various industry applications. The LBS and RTLS market is forecasted to grow from $16.0 billion in 2019 to $40.0 billion by 2024, at a CAGR of 20.1% from 2019 to 2024 (source: https://www.marketsandmarkets.com/Market-Reports/location-based-service-market-%2096994431.html).

- The Wi-Fi analytics market size is expected to grow from $5.3 billion in 2019 to $16.8 billion by 2024, at a CAGR of 26.0% during the forecast period (source: https://www.marketsandmarkets.com/PressReleases/wi-fi-analytics.asp).

We believe the desire for indoor intelligence and the adoption of indoor positioning technologies will continue to evolve and increase across a multitude of use cases. Indoor intelligence solutions can already be utilized in a wide variety of use cases, including:

- Wayfinding/navigation
- Visitor analytics (retail, public venues)
- Customer experience enhancement
- Student safety (track students w/ two-way messaging using Bluetooth wristbands)
- First responder (to understand the situation and locate those needing help)
- Security (find rogue devices, enforce no-phone zones, match with video management systems)
- Retail loss prevention
- Evacuation and muster
- Asset tracking
- Workforce productivity
- Marketing ROI measurement
- Space utilization
- Facility management and maintenance
- Building energy efficiency
- Proximity messaging
- Location sharing
- Intelligent parking
- Indoor-outdoor transition

Based on our experience with customers and others that have expressed an interest in our technology and the businesses of our primary competitors, we believe the industries with the highest adoption rates thus far include federal/state/local government; commercial real estate, enterprises, retailers, shopping centers, hospitality, healthcare, transportation, financial institutions and manufacturing, and that eventually there will be opportunities for nearly every industry segment to benefit from indoor intelligence solutions.

Corporate Structure

We have two operating subsidiaries: (i) Inpixon Canada, Inc. (100% ownership) based in Coquitlam, British Columbia ("Inpixon Canada"); and (ii) Inpixon India Limited (82.5% ownership) based in Hyderabad, India.

Although the subsidiaries are separate legal entities, the Company is currently structured by function and organized to operate in an integrated fashion as one business.

Our Products and Services

Our indoor intelligence platform uses sensor technology to detect accessible cellular, Wi-Fi, Bluetooth, ultra-wide band (UWB) and radio frequency identification (RFID) signals emitted from devices within a venue providing valuable positional. When combined with our interactive mapping solution and a high-performance analytics engine, we are able to offer our customers near real time insights for increased visibility, security and business intelligence about their indoor spaces. We provide the following products and services that may be used by any number of businesses and government agencies.

Positioning and Sensors

We design, manufacture, sell and/or resell the following sensor and tag or transponder technologies and related positioning products:

- The **Inpixon Sensor 4000** is a passive RF sensor able to detect signals ranging from simple pings to a cell tower to active wireless transmissions. The sensor combines cellular, Wi-Fi, and Bluetooth (Classic or BLE) device location detection in a single package. The ability to string multiple Sensor 4000s together adds simplicity to installation providing new superiority over competitors. Using a passive PoE (Power over Ethernet) switch, up to four Sensor 4000s can be connected to provide both power and data. This eliminates the need to have individual power connections for each sensor. These latest sensors allow up to four different chains operating from the same switch. Since up to four sensors can be on a single chain, up to 16 sensors can operate from a single switch.

- The **Inpixon IPA Pod** lowers the entry-level barriers to radio detection based Indoor Positioning for our customers for visitor analytics in retail by delivering Wi-Fi and/or Bluetooth, including BLE only based device locationing and tracking capabilities. The IPA Pod is a relatively inexpensive, lower cost first step for most retail customers, which delivers a significant amount of value at a fraction of the cost when compared to the full Sensor 4000 and other competitive solutions. It is a device that forms a self-calibrating array of IPA Pods that calibrates itself periodically to deal with ever changing RF environments and continuously deliver high positional accuracy which is designed to plug into existing electrical outlets and/or be deployed using PoE drops and can backhaul data over wire or wirelessly. The IPA Pod can be deployed in various densities in a given 3D space to match a wide array of customer use cases needing various levels of positional accuracy from the zone-level to room-level to aisle-level.

- The **Inpixon Smart School Safety Network s**olution consists of a combination of wristbands, ID badges, gateways and proprietary backend software, which rely on the Bluetooth Low-Energy protocol and a low-power enterprise wireless 2.4Ghz platform, to help school administrators identify the geographic location of students or other people or things (e.g., equipment, vehicles, tools.) in order to, among other things, ensure the safety and security of students while at school;

- **UWB Sensor Module**: The UWB module offers more reliable and precise location detection with more frequent location updates than current Bluetooth beacons or Wi-Fi. This USB-enabled device operates independently, with other sensors or third-party access points, or can be plugged into existing Inpixon hardware to identify and locate cellular, Wi-Fi and BLE in addition to UWB tags and devices. UWB tags can be customized to desired form factor. In addition, the Inpixon UWB module supports other off-the-shelf UWB tags.

- The **Inpixon GPS 900** is a personnel, vehicle and asset tracking solution designed to provide ground situational awareness and real-time surveillance of personnel and equipment traveling within a designated area, ranging from 20 – 200+ square-miles. Inpixon GPS 900 establishes a private (not Internet-connected), hybrid GPS + RF (900MHz), 256-bit AES-encrypted wide area network (WAN). This product can be used by military commanders to identify the location of persons and assets in connection with base operations and during live-fire exercises.

- **IPA Security** ***(formerly AirPatrol ZoneDefense/Zone Aware)*** – Combining positioning, wide-spectrum RF detection and video integration, this software solution, which can be integrated with either the Inpixon Sensor 4000, Inpixon IPA Pod, and/or UWB sensor module, creates situational awareness, mobile security, and detection that locates devices operating within a monitored area. In addition to identifying and visualizing the location and movement of devices, it determines their compliance with network security policies for a designated zone. If the device is not compliant, policy modification of device apps and/or features can be triggered either directly or via third party mobile device, application and network management tools.

- **Inpixon MDM Connector** - The Inpixon MDM Connector software enables two-way communication between our IPA Security platform and a 3rd-party mobile device management system (MDM), such as IBM MaaS360, VMware AirWatch, and MobileIron. This makes it possible for the MDM to execute device restrictions based on device location (e.g., to disable a phone's camera, audio recorder and transmission functions while in a high security, no-cell-phones zone).

- **Inpixon On-Premises Analytics** – launched in 2019, this software and services product provides our security customers running systems that are not connected to the internet an on-premises application to generate graphical reports on Inpixon Security historical data (e.g., to reveal the number of unknown wireless devices per month over time or other alerts generated by the system).

- **Inpixon GPS Viewer** - The Inpixon GPS Viewer is a browser-based portal used to monitor location and movements of GPS-enabled tracking devices.

Mapping

Our mapping solution, Jibestream, provides enterprise organizations with the tools to add intelligence to complex indoor spaces by integrating business data with indoor maps. This indoor mapping platform offers the flexibility and control to create tailored map-enabled solutions that address multiple use cases with a single platform. Deployed through native SDKs (Web, iOS, Android), maps are broken down into layers and objects that can be associated with third party data sources.

Analytics

Our high-performance, data analytics platform, can deliver business intelligence for commercial or government premises worldwide through the use of our products as well as by ingesting data from other sources, such as third party sensors, Wi-Fi access points, Bluetooth beacons, video cameras, and big data sources to provide even more insights and analytics for our customers. Our analytics offerings include:

- **IPA Wi-Fi (formerly Visitor Intelligence Analytics)** - IPA Wi-Fi is a high-performance cloud-based data analytics engine that provides visitor metrics and insights by ingesting diverse data from IoT, third-party and proprietary sensors. With these advanced visitor analytics, organizations are able to understand visitor behavior, visitor journey, and path analytics. Users can view their data in a customizable dashboard.

- **IPA Video** – utilizing sensor fusion to deliver a new, advanced form of video analytics to help security personnel combat crime and secure indoor locations. This unique, patent-pending process correlates Wi-Fi device presence (e.g., what phones are present) and analytics to each security video frame generated by customers' existing video management systems (VMS) in order to better understand how a device detected in one frame has moved throughout the venue and to provide security based alerts.

- **Inpixon Captive Portal** - Customers may utilize Inpixon Captive Portal with their existing Wi-Fi infrastructure to offer a splash page for their customers to accept terms and conditions before using Wi-Fi. Captive Portal can also present forms or survey tools to capture information that can used for marketing or other purposes.

- **Shoom Products** (eTearsheets; eInvoice, adDelivery) - The Shoom products are cloud-based applications and analytics for the media and publishing industry. These products also generate critical data analytics for the customers.

Product Enhancements

Our ability to adapt to the technological advancements within our industry is critical to our long-term success and growth. As a result, our senior management must continuously work to ensure that they remain informed and prepared to quickly adapt and leverage new technologies within our product and service offering as such technologies become available. In connection with that goal, our product roadmap development plans include expanding the use of ultra-wideband technology for asset tracking, furthering our efforts towards a voice-assisted analytics interface, understanding worldwide 5G deployments and enhancing our positioning capabilities to offer a "blue dot" experience.

Artificial Intelligence

In 2020, we intend to continue to expand our use of artificial intelligence ("AI") and machine learning algorithms to anonymously capture device identity, build a repository of device profiles and fingerprints, and offer intelligent solutions, which will continue to be refined over time, for enterprise security and marketing customers. Following these enhancements, our IPA AI engine will be able to assist in providing predictive, more accurate, bidirectional information to secure the indoors. These enhanced algorithms will enable better positioning of devices, predictive analytics, faster analysis of data and improved user experience.

Voice-Assisted Analytics Interface

We also intend to deploy additional enterprise voice-user interface ("VUI") technology to support our network of retail and marketing customers in making better decisions with deeper intelligence. The VUI technology in our IPA platform will perform as a digital assistant for marketers, allowing them to make quick, hands-free decisions based on vetted, predictive information provided with simple voice/speech commands while also providing a complete audit trail. While the use of platforms such as Siri, Alexa, and Google Assistant have made VUIs modern household names, our IPA VUI will be uniquely built for the enterprise marketing space digital assistant with no monitor, no keyboard, no mouse and only an audio input/output device that functions just like a search engine, listening for keywords. While the technology itself is not revolutionary, we believe it will modernize meetings and brainstorm sessions by speeding up intelligence gathering, with nearly instantaneous access to company information and big data, it will be able to predict outcomes based on past information, and make suggestions to keep business moving efficiently and effectively. At the same time, our IPA VUI will maintain a written log of all queries, reporting all statistics back to meeting attendees through an automated email.

Asset Tracking

In 2020, we will continue to build the Inpixon IPA suite of solutions and enhance our existing tag tracking solutions. Using combinations of RFID, Dash7 and UWB frequencies, we plan to leverage our hardware sensors as listeners for tracking assets including employees, visitors and physical assets. With capability for accuracy less than 0.5 meters, this solution continues to drive our capabilities in precise indoor location. Advancements in battery technology and wearables allow us to integrate and/or design new tag solutions for high value assets.

5G

Building on R&D efforts in 2019, we intend to continue to study the worldwide 5G deployments to build a robust hardware and software solution to detect and position new handsets based on this technology and explore software defined radio solutions, as well as enhancements in antenna technology to provide our customers with additional capabilities in the security field.

Blue Dot Positioning

Our comprehensive indoor mapping platform integrates and utilizes multiple options for providing indoor location services for our customers and their mobile apps. We anticipate building on our solution offerings in this space and leveraging our existing patented portfolio of algorithms and technology to provide a "blue-dot navigation" experience allowing users to track their movements indoors from an initial point of location to their final destination. We expect that our customers that utilize our security and mapping products will be able to further leverage the benefits of the ability to more precisely and accurately position devices within their indoor spaces with a "blue-dot" experience.

Research and Development Expenses

Our future plans include significant investments in research and development and related product enhancement opportunities. Our management believes that we must continue to dedicate a significant amount of resources to research and development efforts to maintain a competitive position. Research and development expenses for the years ended December 31, 2019 and 2018 totaled approximately $3.9 million and $1.2 million, respectively.

Sales and Marketing

We utilize direct sales and marketing through approximately 10 sales representatives, who are compensated with a base salary and, in certain instances, may participate in incentive plans such as commissions or bonuses. We also utilize webinars, conferences, tradeshows and other direct and indirect marketing activities to generate demand for our products and services. We also have relationships with channel partners to directly engage with customers, to perform the installation as well as manufacturers (OEM) and systems integrators to assist with the implementation of certain of our products and services. We train our partners and we have our own channel/partner managers to support and augment partners as needed. We are in the process of expanding our channel partners in both commercial and government markets.

Our Inpixon products are primarily sold on a license (up-front one-time fee) or software-as-a-service (SaaS) model. In our licensing model, we also typically charge an annual maintenance fee. The SaaS model is typically for a 2-3 year contract and includes maintenance upgrades. The SaaS model generates a recurring revenue stream. Our Shoom product is on a monthly subscription model based on 2-3 year contracts.

Customers

The Company's customers include shopping malls, corporate offices, healthcare facilities, government agencies, local publications, among others. Our top three customers accounted for approximately 66% and 49% of our gross revenue during the years ended December 31, 2019 and 2018, respectively. One customer accounted for 42% of our gross revenue in 2019 and 33% in 2018. From time to time, one or two customers can represent a significant portion of our revenue as a result of one-time projects.

Competition

Our products compete with positioning companies such as Aruba, Cisco, Mist Networks/Juniper Networks, Aislelabs and Bluevision/HID. For our mapping product, we compete with companies such as MappedIn and Mapwize. For asset tracking, we compete with Zebra Technologies, Stanley Healthcare and other mostly vertical focused RTLS companies. The positioning companies primarily offer only Wi-Fi and/or Bluetooth detection and, therefore, we believe they cannot achieve the same accuracy and comprehensive detection that we do. We have partnered with or replaced some of these companies because we offer Wi-Fi, cellular, RFID, UWB and Bluetooth and have several meters to centimeter level location accuracy depending on the product. Most of the companies above are focused on one product and/or vertical and, at this time, we believe none of them have the complete offering of positioning, mapping, RTLS and analytics.

Mobile device management companies like AirWatch, MobileIron and Good Technology have also integrated with us instead of developing competing products. MerlinOne and PressTeligence compete with the functionality of our Shoom products, but typically provide information only for the specific customer and not for the customer's competitors or for the industry.

We believe we offer a unique and differentiated approach to the market with our indoor intelligence offering which is:

- Comprehensive. We integrate a myriad of indoor data inputs and outputs. The technology supports a multitude of use cases including asset tracking, navigation, facility management, analytics, and security across numerous industries in both the private and public sector.

- Scalable. We are built to support customers' expanding needs and use cases. Unlike other competitive point-solutions, we can offer expansion paths and support for a wide variety of location based use cases. Our multi-layered depiction of indoor data allows users to see the information layer(s) most relevant to their role, in the optimal format for them (e.g., charts, tables, maps, etc.).

- Technology-agnostic. We embrace an ecosystem of hardware, software, integration and distribution partners welcoming integration and synchronization with third party data and systems in combination with our platform. Our open architecture is designed to enable the integration of disparate technologies, preserve investment and avoid obsolesce. APIs make it possible to move data in and out of our platform. Our SDKs enable developers to build new apps or to integrate location data into their existing mobile apps, websites or kiosks.

Intellectual Property

We own U.S. trademark registrations for the following seven marks: Inpixon, IPA, Indoor Positioning Analytics, Security Dome, Shoom, ZoneDefense, and Find and Follow. Each of these registrations is in the first 10-year registration term and we intend to renew each registration for additional 10-year renewal terms, as available. We also have a pending application for the following mark: ZoneAware. We have nine registered patents and eleven pending applications in the United States relating to the Inpixon products, along with similar patents and applications in other jurisdictions including Mexico, Australia, and the European Patent Organization. The registered patents in the United States were issued in 2014, 2016, 2017, 2018, and 2019 and will expire in the years 2025, 2029, 2031, 2032, 2033, 2034 and 2035.

Government Regulation

In general, we are subject to numerous federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anticorruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition.

Violations of one or more of these diverse legal requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations. To date, compliance with these regulations has not been financially burdensome.

Employees

As of February 5, 2020, we have 109 employees, including 3 part-time employees. This includes 3 officers, 10 sales personnel, 5 marketing personnel, 80 technical and engineering personnel and 11 finance, legal and administration personnel.

Corporate History

We were originally formed in the State of Nevada in April 1999. Prior to the spin-off in August 2018 of our wholly owned subsidiary, Sysorex, Inc. (formerly Lilien Systems or "Lilien" and later renamed Inpixon USA), our business was primarily focused on providing information technology and telecommunications solutions and services to commercial and government customers primarily in the United States in order to enable their customers to manage, protect, and monetize their enterprise assets whether on-premises, in the cloud, or via mobile. The product and service offerings included enterprise infrastructure solutions for business operations, continuity, data protection, software development, collaboration, IT security, and physical security needs, that help organizations tackle challenges and accelerate business goals, including, third party hardware, software and related maintenance and warranty products and services resold from well-known brands and a full range of information technology development and implementation professional services, from enterprise architecture design to custom application development.

In 2013, we acquired our Shoom business with the acquisition of 100% of the outstanding capital stock of

Shoom, Inc. (“Shoom”), allowing us to expand our product offerings to include cloud-based data analytics and enterprise solutions to the media, publishing and entertainment industries.

In 2014, we acquired our IPA Security (previously Zone Defense and ZoneAware) product lines with the acquisition of 100% of the outstanding capital stock of AirPatrol Corporation (“AirPatrol”), with its Canadian based subsidiary AirPatrol Research, initiating our entry into the indoor location positioning market, where are business is focused today.

In 2015, we enhanced our analytics capabilities with the acquisition of substantially all of the assets of LightMiner Systems, Inc. (“LightMiner”), including its in-memory, real-time, data analysis system designed to support traditional SQL-based business intelligence and analytics applications as well as a host of integrated statistical, machine learning and artificial intelligence algorithms.

Effective January 1, 2016, we completed a reorganization pursuant to which (1) AirPatrol and Shoom were merged into Lilien (which changed its name to “Sysorex USA”, and later Inpixon USA) and (2) the Company changed its name to “Sysorex Global” with completion of a statutory merger. Immediately prior to the consummation of these mergers, the Company carried out (i) an assignment from AirPatrol to the Company of all shares of capital stock of AirPatrol Research, pursuant to which AirPatrol Research became a direct subsidiary of the Company; (ii) the amendment of AirPatrol Research’s Notice of Articles to change its name to “Sysorex Canada Corp.”; (iii) the dissolution and winding up of Sysorex Federal, in which Sysorex Federal assigned and transferred all of its assets, including all outstanding shares of capital stock of Sysorex Government, to the Company, and the Company assumed Sysorex Federal’s debts and liabilities; (iv) an assignment from the Company to Lilien of all outstanding shares of capital stock of Sysorex Government, pursuant to which Sysorex Government became a direct subsidiary of Lilien.

In 2016, we completed the acquisition of the business and certain assets of Integrio Technologies, LLC (“Integrio” or “Integrio Technologies”) and Emtec Federal, LLC (“Emtec Federal”). Integrio, together with Emtec Federal, was an IT integration and engineering company that provided solutions for network performance, secure wireless infrastructure, software application lifecycle support, and physical cyber security for federal, state and local government agencies. The Integrio business was spun-off in connection with the spin-off of Sysorex in August of 2018

In 2017, we completed a short form statutory merger with our newly formed wholly-owned subsidiary Inpixon formed solely for the purpose of changing our corporate name from Sysorex Global to Inpixon. As part of the name change, each of our then-existing subsidiaries also amended their corporate charters to change their names from Sysorex USA, Sysorex Government Services, Inc. and Sysorex Canada Corp. to Inpixon USA, Inpixon Federal, Inc. and Inpixon Canada, Inc., respectively, effective as of March 1, 2017. In addition, effective March 1, 2017, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-15 reverse stock split of the Company's common stock for the purpose of complying with Nasdaq Listing Rule 5550(a)(2).

Effective as of December 31, 2017, we acquired approximately 82.5% of the outstanding equity securities of Inpixon India Limited ("Inpixon India") from Sysorex Consulting, Inc. ("SCI") pursuant to that certain Stock Purchase Agreement dated as of December 31, 2017 by and among us, SCI and Inpixon India, for aggregate consideration for the assignment by us of $666,000 of outstanding receivables.

On January 18, 2018, we sold our 50.2% interest in Sysorex Arabia to SCI in consideration for SCI's assumption of 50.2% of the assets and liabilities of Sysorex Arabia, totaling approximately $11,400 and $1,031,000, respectively.

On February 2, 2018, we filed a Certificate of Amendment to our Articles of Incorporation with the Secretary of State of the State of Nevada to increase the total number of authorized shares of common stock from 50,000,000 to 250,000,000, as approved by our stockholders at a special meeting held on February 2, 2018 and effective upon filing (the "Authorized Share Amendment").

On February 2, 2018, we filed a Certificate of Amendment to our Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-30 reverse stock split of our issued and outstanding shares of common stock, effective as of February 6, 2018 for the purpose of complying with Nasdaq Listing Rule 5550(a)(2).

On August 31, 2018, we completed the spin-off of Sysorex to separate our legacy enterprise infrastructure solution business from our indoor positioning analytics business.

On November 2, 2018, we effected, a reverse split of our outstanding common stock, at a ratio of 1-for-40, for the purpose of complying with Nasdaq Listing Rule 5550(a)(2).

On May 21, 2019, we completed the acquisition of 100% of the outstanding capital stock of Locality, including its wireless device positioning and RF augmentation of video surveillance systems through our subsidiary, Inpixon Canada. The video management system ("VMS") integration, which is currently available for a number of VMS vendors, can assist security personnel in identifying potential suspects and tracking their movements cross-camera and from one facility to another. The solution is designed to enhance traditional security video feeds by correlating RF signals with video images. Based on third-party market research, the video surveillance market is forecasted to grow from $36.9 billion in 2018 to $68.3 billion by 2023, at a compound annual growth rate, or CAGR, of 13.1%. In addition, this technology can be used within the casino management market, which is estimated to grow to $12 billion by 2025, at a CAGR of 14.8% and can help retail customers mitigate the harm caused by organized retail crime, which is estimated to cost the retail industry nearly $30 billion per year.

On June 27, 2019, we acquired certain assets from GTX consisting of a portfolio of GPS technologies and IP, including, but not limited to (a) an IP portfolio that includes a registered patent, along with more than 20 pending patent applications or licenses to registered patents or pending applications relating to GPS technologies; (b) a smart school safety network solution that consists of a combination of wristbands, gateways and proprietary backend software, which rely on the Bluetooth Low-Energy protocol and a low-power enterprise wireless 2.4Ghz platform, to help school administrators identify the geographic location of students or other people or things (e.g., equipment, vehicles, tools, etc.) in order to, among other things, ensure the safety and security of students while at school; (c) a personnel equipment tracking system and ground personnel safety system, which includes a combination of hardware and software components, for a GPS and RF based personnel, vehicle and asset-tracking solution designed to provide ground situational awareness and near real-time surveillance of personnel and equipment traveling within a designated area for, among other things, government and military applications and (d) a right to 30% of royalty payments that may be received by GTX in connection with its ownership interest in Inventergy LBS, LLC, which is the owner of certain patents related to methods and systems for communicating with a tracking device.

On August 15, 2019, we also completed the acquisition of Jibestream, which was amalgamated into Inpixon Canada on January 1, 2020, and its highly configurable indoor mapping and location technology through our subsidiary, Inpixon Canada. The technology provides customers with a full-featured geospatial platform that integrates business data with high-fidelity indoor maps to create smart indoor spaces. This allows customers to create multi-dimensional and multi-layered indoor maps, which can be added to existing web or mobile applications. The technology also integrates with a variety of third-party indoor positioning systems to allow for clear, contextualized indoor wayfinding and directions. We are now able to utilize Jibestream's mapping technology with our existing indoor positioning offerings to offer our customers a more comprehensive suite of products going forward. Jibestream's products have applications in indoor spaces where location and wayfinding is a concern. Jibestream's existing product solutions have been deployed in hundreds of venues worldwide and within numerous customer segments including government, airports, malls, office buildings, and hospitals.

On October 31, 2019, we received stockholder approval for, and subsequently effected, a reverse split of our outstanding common stock at a ratio of 1-for-45, effective as of January 7, 2020 for the purpose of complying with Nasdaq Listing Rule 5550(a)(2).

Corporate Information

Our principal executive offices are located at 2479 E. Bayshore Road, Suite 195, Palo Alto, CA 94303, and our telephone number is (408) 702-2167. Our subsidiaries maintain offices in Coquitlam, British Columbia, New Westminster, British Columbia, Toronto, Ontario and Hyderabad, India. Our Internet website is www.inpixon.com. The information on, or that can be accessed through, our website is not part of this report, and you should not rely on any such information in making any investment decision relating to our common stock.

ITEM 1A: RISK FACTORS

We are subject to various risks that may materially harm our business, prospects, financial condition and results of operations. An investment in our common stock is speculative and involves a high degree of risk. In evaluating an investment in shares of our common stock, you should carefully consider the risks described below, together with the other information included in this report.

If any of the events described in the following risk factors actually occurs, or if additional risks and uncertainties later materialize, that are not presently known to us or that we currently deem immaterial, then our business, prospects, results of operations and financial condition could be materially adversely affected. In that event, the trading price of our common stock could decline, and investors in our common stock may lose all or part of their investment in our shares. The risks discussed below include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risks Related to Our Operations

We have completed eight acquisitions since 2013, including Lilien, Shoom, AirPatrol, LightMiner, Integrio, and most recently Locality Systems and Jibestream and acquired certain assets from GTX. In addition, we completed the Spin-off our VAR business in August 2018, which included the businesses acquired from Lilien and Integrio, which may make it difficult for potential investors to evaluate our future business. Furthermore, due to the risks and uncertainties related to the acquisition of new businesses, any such acquisition does not guarantee that we will be able to attain profitability.

Between March 2013 and November 2016, we completed five acquisitions. In August 2018, we completed the Spin-off of our VAR business, which included the businesses acquired from Lilien and Integrio and in 2019 we acquired Locality System and Jibestream, in addition to certain assets from GTX. Our limited operating history after such acquisitions and divestiture makes it difficult for potential investors to evaluate our business or prospective operations or the merits of an investment in our securities. With respect to the Spin-off, the risks inherent in such divestiture are described below under "*Risks Related to the Spin-off.*" With respect to acquisitions, we are subject to the risks inherent in the financing, expenditures, complications and delays characteristic of a newly combined business. These risks are described below under the risk factor titled *"Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results."* In addition, while the Company has received indemnification protections in connection with these acquisitions from undisclosed liabilities, there may not be adequate resources to cover such indemnity. Furthermore, there are risks that the vendors, suppliers and customers of these acquired entities may not renew their relationships for which there is no indemnification. Accordingly, our business and success faces risks from uncertainties inherent to developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

We may not be able to successfully integrate the business and operations of entities that we have acquired or may acquire in the future into our ongoing business operations, which may result in our inability to fully realize the intended benefits of these acquisitions, or may disrupt our current operations, which could have a material adverse effect on our business, financial position and/or results of operations.

We continue to integrate the operations of Locality and Jibestream and the assets acquired from GTX and this process involves complex operational, technological and personnel-related challenges, which are time-consuming and expensive and may disrupt our ongoing business operations. Furthermore, integration involves a number of risks, including, but not limited to:

- difficulties or complications in combining the companies' operations;
- differences in controls, procedures and policies, regulatory standards and business cultures among the combined companies;
- the diversion of management's attention from our ongoing core business operations;
- increased exposure to certain governmental regulations and compliance requirements;
- the potential loss of key personnel;
- the potential loss of key customers or suppliers who choose not to do business with the combined business;
- difficulties or delays in consolidating the acquired companies' technology platforms, including implementing systems designed to maintain effective disclosure controls and procedures and internal control over financial reporting for the combined company and enable the Company to continue to comply with U.S. GAAP and applicable U.S. securities laws and regulations;
- unanticipated costs and other assumed contingent liabilities;
- difficulty comparing financial reports due to differing financial and/or internal reporting systems;
- making any necessary modifications to internal financial control standards to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder; and/or
- possible tax costs or inefficiencies associated with integrating the operations of the combined company.

These factors could cause us to not fully realize the anticipated financial and/or strategic benefits of the acquisitions and the recent reorganization, which could have a material adverse effect on our business, financial condition and/or results of operations.

Even if we are able to successfully operate the acquired businesses, we may not be able to realize the revenue and other synergies and growth that we anticipated from these acquisitions in the time frame that we currently expect, and the costs of achieving these benefits may be higher than what we currently expect, because of a number of risks, including, but not limited to:

- the possibility that the acquisition may not further our business strategy as we expected;

- the possibility that we may not be able to expand the reach and customer base for the acquired companies current and future products as expected; and

- the possibility that the carrying amounts of goodwill and other purchased intangible assets may not be recoverable.

As a result of these risks, the acquisitions and integration may not contribute to our earnings as expected, we may not achieve expected revenue synergies or our return on invested capital targets when expected, or at all, and we may not achieve the other anticipated strategic and financial benefits of the acquisitions and the reorganization.

The risks arising with respect to the historic business and operations of our recent acquisition targets may be different from what we anticipate, which could significantly increase the costs and decrease the benefits of the acquisition and materially and adversely affect our operations going forward.

Although we performed significant financial, legal, technological and business due diligence with respect to our recent acquisition targets, we may not have appreciated, understood or fully anticipated the extent of the risks associated with the acquisitions. We have secured indemnification for certain matters in connection with our recent acquisitions in order to mitigate the consequences of breaches of representations, warranties and covenants under the merger agreements and the risks associated with historic operations, including those with respect to compliance with laws, accuracy of financial statements, financial reporting controls and procedures, tax matters and undisclosed liabilities, and certain matters known to us. We believe that the indemnification provisions of the merger agreements, together with any applicable holdback escrows and insurance policies that we have in place will limit the economic consequences of the issues we have identified in our due diligence to acceptable levels. Notwithstanding our exercise of due diligence and risk mitigation strategies, the risks of the acquisition and the costs associated with these risks may be greater than we anticipate. We may not be able to contain or control the costs associated with unanticipated risks or liabilities, which could materially and adversely affect our business, liquidity, capital resources or results of operations.

A significant portion of the purchase price for our acquisition of Shoom, AirPatrol LightMiner, Locality and Jibestream is allocated to goodwill and intangible assets that are subject to periodic impairment evaluations. An impairment loss could have a material adverse impact on our financial condition and results of operations.

The Company acquired $1.2 million of goodwill and $2.8 million of intangible assets relating to our acquisition of Shoom, $7.4 million of goodwill and $13.3 million of intangible assets relating to our acquisition of AirPatrol, $3.5 million of intangible assets relating to our acquisition of LightMiner, approximately $0.7 million of goodwill and $1.7 million of intangible assets relating to our acquisition of Locality, and approximately $1.5 million of goodwill and approximately $4.9 million of intangible assets relating to our acquisition of Jibestream. As required by current accounting standards, we review intangible assets for impairment either annually or whenever changes in circumstances indicate that the carrying value may not be recoverable. The risk of impairment to goodwill is higher during the early years following an acquisition. This is because the fair values of these assets align very closely with what we paid to acquire the reporting units to which these assets are assigned. As a result, the difference between the carrying value of the reporting unit and its fair value (typically referred to as “headroom”) is smaller at the time of acquisition. Until this headroom grows over time, due to business growth or lower carrying value of the reporting unit, a relatively small decrease in reporting unit fair value can trigger impairment charges. When impairment charges are triggered, they tend to be material due to the size of the assets involved. Our business would be adversely affected, and impairment of goodwill could be triggered, if any of the following were to occur: higher attrition rates than planned as a result of the competitive environment or our inability to provide products and services that are competitive in the marketplace, lower-than-planned adoption rates by customers, higher-than-expected expense levels to provide services to customers, and changes in our business model that may impact one or more of these variables. During the year ended December 31, 2019 we did not record a goodwill impairment charge. During the year ended December 31, 2018 we recorded an impairment charge for goodwill in the amount of $636,000.

Our acquisitions may expose us to additional liabilities, and insurance and indemnification coverage may not fully protect us from these liabilities.

Upon completion of acquisitions, we may be exposed to unknown or contingent liabilities associated with the acquired entity, and if these liabilities exceed our estimates, our results of operations and financial condition may be materially and negatively affected.

Our ability to successfully execute our business plan may require additional debt or equity financing, which may otherwise not be available on reasonable terms or at all.

Based on our current business plan, we will need additional capital to support our operations, which may be satisfied with additional debt or equity financings. Future financings through equity offerings by us will be dilutive to existing stockholders. In addition, the terms of securities we may issue in future capital transactions may be more favorable to new investors than our current investors. Newly issued securities may include preferences, superior voting rights, and the issuance of warrants or other derivative securities. We may also issue incentive awards under our equity incentive plans, which may have additional dilutive effects. We may also be required to recognize non-cash expenses in connection with certain securities we may issue in the future such as convertible notes and warrants, which would adversely impact our financial condition and results of operations. Our ability to obtain needed financing may be impaired by factors, including the condition of the economy and capital markets, both generally and specifically in our industry, and the fact that we are not profitable, which could affect the availability or cost of future financing. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, we may need to reduce our operations by, for example, selling certain assets or business segments.

Failure to manage or protect growth may be detrimental to our business because our infrastructure may not be adequate for expansion.

Our recent acquisitions required a substantial expansion of our systems, workforce and facilities and we anticipate that we may need to consummate additional acquisitions in connection with the expansion of our IPA business after the Spin-off. We may fail to adequately manage our anticipated future growth. The substantial growth in our operations as a result of our acquisitions has, and is expected to continue to, place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. There can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems.

Our corporate strategy contemplates potential future acquisitions and to the extent we acquire other businesses, we will also need to integrate and assimilate new operations, technologies and personnel. The integration of new personnel will continue to result in some disruption to ongoing operations. The ability to effectively manage growth in a rapidly evolving market requires effective planning and management processes. We will need to continue to improve operational, financial and managerial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force. There can be no assurance that the Company would be able to accomplish such an expansion on a timely basis. If the Company is unable to effect any required expansion and is unable to perform its contracts on a timely and satisfactory basis, its reputation and eligibility to secure additional contracts in the future could be damaged. The failure to perform could also result in contract terminations and significant liability. Any such result would adversely affect the Company's business and financial condition.

Our financial status raises doubt about our ability to continue as a going concern.

Our cash and cash equivalents were approximately $4.8 million at December 31, 2019, compared with approximately $1 million at December 31, 2018. We continue to incur significant operating losses, and management expects that significant on-going operating expenditures will be necessary to successfully implement our business plan and develop and market our products. These circumstances raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements included elsewhere in this Annual Report on Form 10-K are issued. Implementation of our plans and our ability to continue as a going concern will depend upon our ability to market our technology and raise additional capital.

Management believes that we have access to capital resources through possible public or private equity offerings, exchange offers, debt financings, corporate collaborations or other means. In addition, we continue to explore opportunities to strategically monetize our technology and our services, although there can be no assurance that we will be successful with such plans. We have historically been able to raise capital through debt and equity offerings, although no assurance can be provided that we will continue to be successful in the future. If we are unable to raise sufficient capital to fund our operations, we will not be able to pay our obligations as they become due.

We will need to increase the size of our organization, and we may experience difficulties in managing growth, which could hurt our financial performance.

In addition to employees hired in connection with our recent acquisitions and any other companies, which we may acquire in the future, we anticipate that we will need to expand our employee infrastructure for managerial, operational, financial and other resources at the parent company level. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively.

In order to manage our future growth, we will need to continue to improve our management, operational and financial controls and our reporting systems and procedures. All of these measures will require significant expenditures and will demand the attention of management. If we do not continue to enhance our management personnel and our operational and financial systems and controls in response to growth in our business, we could experience operating inefficiencies that could impair our competitive position and could increase our costs more than we had planned. If we are unable to manage growth effectively, our business, financial condition and operating results could be adversely affected.

We have a history of operating losses and working capital deficiency and there is no assurance that we will be able to achieve profitability or raise additional financing.

We have a history of operating losses and working capital deficiency. We have incurred net losses of approximately $34.0 million and $24.6 million for the fiscal years ended 2019 and 2018, respectively, which includes a $10.6 million valuation allowance on the Sysorex note for the year ended December 31, 2019, and the net losses of the entities we spun-off on August 31, 2018 of $4.8 million for the year ended December 31, 2018. We had a working capital deficiency of approximately $7.0 million and $3.9 million as of December 31, 2019 and December 31, 2018, respectively. The continuation of our Company is dependent upon attaining and maintaining profitable operations and raising additional capital as needed, but there can be no assurance that we will be able to raise any further financing.

Our ability to generate positive cash flow from operations is dependent upon sustaining certain cost reductions and generating sufficient revenues. While our revenues have increased by 68% as compared to the same period for 2018, they are not sufficient to fund our operations and cover our operating losses. Our management is evaluating options and strategic transactions and continuing to market and promote our new products and technologies, however, there is no guarantee that these efforts will be successful or that we will be able to achieve or sustain profitability. We have funded our operations primarily with proceeds from public and private offerings of our common stock and secured and unsecured debt instruments. Our history of operating losses and cash uses, our projections of the level of cash that will be required for our operations to reach profitability, and the terms of the financing transactions that we completed in the past, may impair our ability to raise capital on terms that we consider reasonable and at the levels that we will require over the coming months. We cannot provide any assurances that we will be able to secure additional funding from public or private offerings or debt financings on terms acceptable to us, if at all. If we are unable to obtain the requisite amount of financing needed to fund our planned operations, it would have a material adverse effect on our business and ability to continue as a going concern, and we may have to curtail, or even to cease, certain operations. If additional funds are raised through the issuance of equity securities or convertible debt securities, it will be dilutive to our stockholders and could result in a decrease in our stock price.

The reorganization transactions we carried out in 2015 and subsequent name changes may cause us to be in a technical breach of certain third-party agreements.

In 2015, we carried out a series of reorganization transactions to streamline the organizational structure within the Company and both its direct and indirect subsidiaries. In addition, we have changed our corporate name and the names of our subsidiaries. Although these transactions occurred solely within the Company and its subsidiaries, there still may have been an obligation to either provide notice and/or seek consent from certain third parties pursuant to the contracts we have with these parties. We have reviewed and addressed these requirements; however, our failure to comply with any of these notice or consent requirements may have left us in a technical breach, thus possibly subjecting us to potential liabilities or an early termination under the applicable contracts. As of the date of this filing, there are no known breaches.

Our business depends on experienced and skilled personnel, and if we are unable to attract and integrate skilled personnel, it will be more difficult for us to manage our business and complete contracts.

The success of our business depends on the skill of our personnel. Accordingly, it is critical that we maintain, and continue to build, a highly experienced management team and specialized workforce, including those who create software programs and sales professionals. Competition for personnel with skill sets specific to our industry is high, and identifying candidates with the appropriate qualifications can be costly and difficult. We may not be able to hire the necessary personnel to implement our business strategy given our anticipated hiring needs, or we may need to provide higher compensation or more training to our personnel than we currently anticipate.

Our business is labor intensive and our success depends on our ability to attract, retain, train and motivate highly skilled employees, including employees who may become part of our organization in connection with our acquisitions. The increase in demand for consulting, technology integration and managed services has further increased the need for employees with specialized skills or significant experience in these areas. Our ability to expand our operations will be highly dependent on our ability to attract a sufficient number of highly skilled employees and to retain our employees and the employees of companies that we have acquired. We may not be successful in attracting and retaining enough employees to achieve our desired expansion or staffing plans. Furthermore, the industry turnover rates for these types of employees are high and we may not be successful in retaining, training or motivating our employees. Any inability to attract, retain, train and motivate employees could impair our ability to adequately manage and complete existing projects and to accept new customer engagements. Such inability may also force us to increase our hiring of independent contractors, which may increase our costs and reduce our profitability on customer engagements. We must also devote substantial managerial and financial resources to monitoring and managing our workforce. Our future success will depend on our ability to manage the levels and related costs of our workforce.

In the event we are unable to attract, hire and retain the requisite personnel and subcontractors, we may experience delays in completing contracts in accordance with project schedules and budgets, which may have an adverse effect on our financial results, harm our reputation and cause us to curtail our pursuit of new contracts. Further, any increase in demand for personnel may result in higher costs, causing us to exceed the budget on a contract, which in turn may have an adverse effect on our business, financial condition and operating results and harm our relationships with our customers.

Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results.

If we are successful in consummating acquisitions, those acquisitions could subject us to a number of risks, including, but not limited to:

- the purchase price we pay and/or unanticipated costs could significantly deplete our cash reserves or result in dilution to our existing stockholders;
- we may find that the acquired company or technologies do not improve our market position as planned;

- we may have difficulty integrating the operations and personnel of the acquired company, as the combined operations will place significant demands on the Company's management, technical, financial and other resources;
- key personnel and customers of the acquired company may terminate their relationships with the acquired company as a result of the acquisition;
- we may experience additional financial and accounting challenges and complexities in areas such as tax planning and financial reporting;
- we may assume or be held liable for risks and liabilities (including environmental-related costs) as a result of our acquisitions, some of which we may not be able to discover during our due diligence investigation or adequately adjust for in our acquisition arrangements;
- our ongoing business and management's attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically or culturally diverse enterprises;
- we may incur one-time write-offs or restructuring charges in connection with the acquisition;
- we may acquire goodwill and other intangible assets that are subject to amortization or impairment tests, which could result in future charges to earnings; and
- we may not be able to realize the cost savings or other financial benefits we anticipated.

We cannot assure you that, following any acquisition, our continued business will achieve sales levels, profitability, efficiencies or synergies that justify the acquisition or that the acquisition will result in increased earnings for us in any future period. These factors could have a material adverse effect on our business, financial condition and operating results.

Insurance and contractual protections may not always cover lost revenue, increased expenses or liquidated damages payments, which could adversely affect our financial results.

Although we maintain insurance and intend to obtain warranties from suppliers, obligate subcontractors to meet certain performance levels and attempt, where feasible, to pass risks we cannot control to our customers, the proceeds of such insurance or the warranties, performance guarantees or risk sharing arrangements may not be adequate to cover lost revenue, increased expenses or liquidated damages payments that may be required in the future.

Our obligations to our senior secured lender, Payplant LLC ("Payplant"), are secured by a security interest in substantially all of our assets, so if we default on our obligations, Payplant could foreclose on, liquidate and/or take possession of our assets. If that were to happen, we could be forced to curtail, or even to cease, our operations.

Pursuant to that certain Loan and Security Agreement, dated as of November 14, 2016, we issued a revolving secured promissory note to GemCap Lending I, LLC, dated as of November 14, 2016 (the "Secured Promissory Note"). The Secured Promissory Note was assigned to Payplant on August 14, 2017 in accordance with the terms of the Payplant Loan and Security Agreement, dated as of August 14, 2017 (as amended, the "Payplant Loan Agreement"). As of December 31, 2019, we had approximately $150,000 in outstanding revolving credit loans. All amounts due under the Secured Promissory Note are secured by our assets. As a result, if we default on our obligations under the Secured Promissory Note, Payplant could foreclose on its security interest and liquidate or take possession of some or all of these assets, which would harm our business, financial condition and results of operations and could require us to curtail, or even to cease our operations.

Payplant has certain rights upon an event of default under their respective agreements that could harm our business, financial condition and results of operations and could require us to curtail or cease our operations.

Payplant has certain rights upon an event of default. Such rights include an increase in the interest rate on any advances made pursuant to the Payplant Loan Agreement, the right to accelerate the payment of any outstanding advances made pursuant to the Payplant Loan Agreement, the right to directly receive payments made by account debtors and the right to foreclose on our assets, among other rights. The Payplant Loan Agreement includes in its definition of an event of default, among other occurrences, the failure to pay any principal when due within two business days, the termination, winding up, liquidation or dissolution of any borrower and the filing of a tax lien by a governmental agency against any borrower.

The exercise of any of these rights upon an event of default could substantially harm our financial condition and force us to curtail, or even to cease, our operations.

If we are unable to comply with certain financial and operating restrictions required by the Payplant Loan Agreement, we may be limited in our business activities and access to credit or may default under the Payplant Loan Agreement.

Provisions in the Payplant Loan Agreement impose restrictions or require prior approval on our ability, and the ability of certain of our subsidiaries to, among other things:

- sell, lease, transfer, convey, or otherwise dispose of any or all of our assets or collateral, except in the ordinary course of business;
- make any loans to any person, as that term is defined in the Payplant Loan Agreement, with the exception of employee loans made in the ordinary course of business;
- declare or pay cash dividends, make any distribution on, redeem, retire or otherwise acquire directly or indirectly, any of our Equity Interests, as defined in the Payplant Loan Agreement;
- guarantee the indebtedness of any Person;
- compromise, settle or adjust any claims in any amount relating to any of the collateral;
- incur, create or permit to exist any lien on any of our property or assets;
- engage in new lines of business;
- change, alter or modify, or permit any change, alteration or modification of our organizational documents in any manner that might adversely affect Payplant's rights;
- sell, assign, transfer, discount or otherwise dispose of any accounts or any promissory note payable to us, with or without recourse;
- incur, create, assume, or permit to exist, any indebtedness or liability on account of either borrowed money or the deferred purchase price of property; and
- make any payments of cash or other property to any affiliate.

The Payplant Loan Agreement also contains other customary covenants. We may not be able to comply with these covenants in the future. Our failure to comply with these covenants may result in the declaration of an event of default and cause us to be unable to borrow under the Payplant Loan Agreement. In addition to preventing additional borrowings under the Payplant Loan Agreement, an event of default, if not cured or waived, may result in the acceleration of the maturity of indebtedness outstanding under the Payplant Loan Agreement, which would require us to pay all amounts outstanding. If the maturity of our indebtedness is accelerated, we may not have sufficient funds available for repayment or we may not have the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us or at all. Our failure to repay the indebtedness would result in Payplant foreclosing on all or a portion of our assets and force us to curtail, or even to cease, our operations.

We have a significant amount of debt outstanding. Such indebtedness, along with the other contractual commitments of our Company, could adversely affect our business, financial condition and results of operations.

As of February 16, 2020, we have an aggregate outstanding balance of approximately $5.7 million underlying the promissory notes issued to Iliad Research and Trading, L.P., Chicago Venture Partners, L.P. and St. George Investments LLC, which are affiliates of each other. These promissory notes mature at different times between March 2020 and May 2020. In addition, Iliad Research and Trading, L.P and Chicago Venture Partners, L.P may, subject to current standstill agreements, require us to redeem 1/3 of the initial principal balance of their promissory notes each month in cash. The ability to meet payment and other obligations under these notes depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control as described in this Annual Report on Form 10-K. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure debt, exchange debt for other securities, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet debt payment and other obligations, which could have a material adverse effect on our financial condition.

In addition, so long as the notes are outstanding, the holders will have a right of first refusal on more favorable equity-linked financings and will be entitled to participate in certain equity or debt financings, in each case, subject to certain exceptions. The existence of these rights may deter potential financing sources and may lead to delays in our ability to close proposed financings. Any delay or inability to complete a financing when needed could have a material adverse effect on our financial condition.

We may also incur additional indebtedness in the future. If new debt or other liabilities are added to our current consolidated debt levels, the related risks that we now face could intensify.

We may be required to consolidate the financial results of our former subsidiary, Sysorex, Inc., which could have a material adverse effect on our operating results and financial condition.

On August 31, 2018, we completed the spin-off of our value-added reseller business from its indoor positioning analytics business by way of a distribution of all the shares of common stock of its wholly-owned subsidiary, Sysorex, Inc. (“Sysorex”), to its stockholders of record as of August 21, 2018 and certain warrant holders. As of such time, Sysorex’s financial results was deconsolidated from the Company’s financial statements.

As of the date of this Annual Report on Form 10-K, the Company has concluded that Sysorex does not meet the definition of a variable interest entity (“VIE”); however, in the event that in the future Sysorex meets the definition of a VIE under applicable accounting rules, and we are deemed to be the primary beneficiary, we will be required to consolidate line by line Sysorex’s financial results in our consolidated financial statements for reporting purposes. If Sysorex’s financial results were negative, this would have a corresponding negative impact on our operating results for reporting purposes and could have a material adverse effect on our operating results and financial condition.

We may be subject to damages resulting from claims that the Company or our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Upon completion of any acquisitions by the Company, we may be subject to claims that our acquired companies and their employees may have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of former employers or competitors. Litigation may be necessary to defend against these claims. We may be subject to unexpected claims of infringement of third party intellectual property rights, either for intellectual property rights of which we are not aware, or for which we believe are invalid or narrower in scope than the accusing party. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel or be enjoined from selling certain products or providing certain services. A loss of key research personnel or their work product could hamper or prevent our ability to commercialize certain products, which could severely harm our business.

Responding to governmental inquiries or an adverse finding by a governmental regulator could have a materially adverse effect on our business.

Pursuant to our operations, the Company regularly interacts with governmental regulators including, among others, the U.S. Securities and Exchange Commission (the “SEC”). In certain instances, responding to inquiries from regulators could have a materially adverse effect on our business through, among other things, increased legal fees and the time and attention required of the Company’s management and employees. Moreover, if a regulator were to make an adverse finding relating to the Company or its business practices it could have a material adverse effect on our business, financial condition, results of operations and cash flows. To the extent that any governmental or regulatory inquiries arise from time to time, the Company can make no assurances with respect to the amount of resources the Company will need to devote to such matters, final outcomes, or the impact on the Company’s business, financial condition, results of operations and cash flows.

Adverse judgments or settlements in legal proceedings could materially harm our business, financial condition, operating results and cash flows.

We may be a party to claims that arise from time to time in the ordinary course of our business, which may include those related to, for example, contracts, sub-contracts, protection of confidential information or trade secrets, adversary proceedings arising from customer bankruptcies, employment of our workforce and immigration requirements or compliance with any of a wide array of state and federal statutes, rules and regulations that pertain to different aspects of our business. Additionally, we may be made a party to claims against Sysorex that were pending at the time of the Spin-off, or future claims resulting from the Spin-off as described below under the risk factor section titled *"Risks Related to the Spin-off."* We may also be required to initiate expensive litigation or other proceedings to protect our business interests. There is a risk that we will not be successful or otherwise be able to satisfactorily resolve any such claims or litigation. In addition, litigation and other legal claims are subject to inherent uncertainties. Those uncertainties include, but are not limited to, litigation costs and attorneys' fees, unpredictable judicial or jury decisions and the differing laws and judicial proclivities regarding damage awards among the states in which we operate. Unexpected outcomes in such legal proceedings, or changes in management's evaluation or predictions of the likely outcomes of such proceedings (possibly resulting in changes in established reserves), could have a material adverse effect on our business, financial condition, results of operations and cash flows. Due to recurring losses and net capital deficiency, our current financial status may increase our default and litigation risks and may make us more financially vulnerable in the face of threatened litigation.

The loss of our Chief Executive Officer or other key personnel may adversely affect our operations.

Our success depends to a significant extent upon the operation, experience, and continued services of certain of our officers, including our CEO, as well as other key personnel. While our CEO and key personnel are employed under employment contracts, there is no assurance we will be able to retain their services. The loss of our CEO or several of the other key personnel could have an adverse effect on the Company. If our CEO or other executive officers were to leave we would face substantial difficulty in hiring a qualified successor and could experience a loss in productivity while any successor obtains the necessary training and experience. Furthermore, we do not maintain "key person" life insurance on the lives of any executive officer and their death or incapacity would have a material adverse effect on us. The competition for qualified personnel is intense, and the loss of services of certain key personnel could adversely affect our business.

Internal system or service failures could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.

Any system or service disruptions, on our hosted Cloud infrastructure or those caused by ongoing projects to improve our information technology systems and the delivery of services, if not anticipated and appropriately mitigated, could have a material adverse effect on our business including, among other things, an adverse effect on our ability to bill our customers for work performed on our contracts, collect the amounts that have been billed and produce accurate financial statements in a timely manner. We are also subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, cyber security threats, natural disasters, power shortages, terrorist attacks or other events, which could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our future results could be adversely affected.

Systems failures could damage our reputation and adversely affect our revenues and profitability.

Many of the systems and networks that we develop, install and maintain for our customers on premise or host on our infrastructure involve managing and protecting confidential information and other sensitive corporate and government information. While we have programs designed to comply with relevant privacy and security laws and restrictions, if a system or network that we develop, install or maintain were to fail or experience a security breach or service interruption, whether caused by us, third-party service providers, cyber security threats or other events, we may experience loss of revenue, remediation costs or face claims for damages or contract termination. Any such event could cause serious harm to our reputation and prevent us from having access to or being eligible for further work on such systems and networks. Our errors and omissions liability insurance may be inadequate to compensate us for all of the damages that we may incur and, as a result, our future results could be adversely affected.

We may enter into joint venture, teaming and other arrangements, and these activities involve risks and uncertainties. A failure of any such relationship could have material adverse results on our business and results of operations.

We may enter into joint venture, teaming and other arrangements. These activities involve risks and uncertainties, including the risk of the joint venture or applicable entity failing to satisfy its obligations, which may result in certain liabilities to us for guarantees and other commitments, the challenges in achieving strategic objectives and expected benefits of the business arrangement, the risk of conflicts arising between us and our partners and the difficulty of managing and resolving such conflicts, and the difficulty of managing or otherwise monitoring such business arrangements. A failure of our business relationships could have a material adverse effect on our business and results of operations.

Our business and operations expose us to numerous legal and regulatory requirements and any violation of these requirements could harm our business.

We are subject to numerous federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anticorruption, import/export controls, trade restrictions, internal control and disclosure control obligations, securities regulation and anti-competition. Compliance with diverse and changing legal requirements is costly, time-consuming and requires significant resources. We are also focused on expanding our business in certain identified growth areas, such as health information technology, energy and environment, which are highly regulated and may expose us to increased compliance risk. Violations of one or more of these diverse legal requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations.

If we do not adequately protect our intellectual property rights, we may experience a loss of revenue and our operations and growth prospects may be materially harmed.

We have not registered copyrights on any of the software we have developed, and while we may register copyrights in the software if needed before bringing suit for copyright infringement, such registration can introduce delays before suit of over three years and can constrain damages for infringement. We rely upon confidentiality agreements signed by our employees, consultants and third parties to protect our intellectual property. We cannot assure you that we can adequately protect our intellectual property or successfully prosecute actual or potential infringement of our intellectual property rights. In addition, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. Our failure to protect our intellectual property rights may result in a loss of revenue and could materially adversely affect our operations and financial condition.

In addition, any patents issued in the future may not provide us with any competitive advantages, and our patent applications may never be granted. The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are complex and often uncertain and are subject to change that can affect validity of patents issued under previous legal standards, particularly with respect to the law of subject matter eligibility. Our inability to protect our property rights could adversely affect our financial condition, operating results and growth prospects.

Our proprietary software is protected by common law copyright laws, as opposed to registration under copyright statutes. We have not registered copyrights on any of the proprietary software we have developed. Our performance and ability to compete are dependent to a significant degree on our proprietary technology. Common law protection may be narrower than that which we could obtain under registered copyrights. As a result, we may experience difficulty in enforcing our copyrights against certain third party infringements. As part of our confidentiality-protection procedures, we generally enter into agreements with our employees and consultants and limit access to, and distribution of, our software, documentation and other proprietary information. There can be no assurance that the steps we have taken will prevent misappropriation of our technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford us little or no protection of our intellectual property. We also rely on a variety of technology that we license from third parties. There can be no assurance that these third party technology licenses will continue to be available to us on commercially reasonable terms, if at all. The loss of or inability to maintain or obtain upgrades to any of these technology licenses could result in delays in completing software enhancements and new development until equivalent technology could be identified, licensed or developed and integrated. Any such delays would materially and adversely affect our business.

The growth of our business is dependent on increasing sales to our existing customers and obtaining new customers, which, if unsuccessful, could limit our financial performance.

Our ability to increase revenues from existing customers by identifying additional opportunities to sell more of our products and services and our ability to obtain new customers depends on a number of factors, including our ability to offer high quality products and services at competitive prices, the strength of our competitors and the capabilities of our sales and marketing departments. If we are not able to continue to increase sales of our products and services to existing customers or to obtain new customers in the future, we may not be able to increase our revenues and could suffer a decrease in revenues as well.

Decreases, or slow growth, in the newspaper publishing industry may negatively affect our results from operation as it relates to our Shoom products.

The newspaper industry as a whole is experiencing challenges to maintain and grow print circulation and revenues. This results from, among other factors, increased competition from other media, particularly the growth of electronic media, and shifting preferences among some consumers to receive all or a portion of their news other than from a newspaper. The customer base for our Shoom products is focused on the newspaper publishing industry and therefore sales from this operating sector will be subject to the future of the newspaper industry.

Our competitiveness depends significantly on our ability to keep pace with the rapid changes in our industry. Failure by us to anticipate and meet our customers' technological needs could adversely affect our competitiveness and growth prospects.

We operate and compete in an industry characterized by rapid technological innovation, changing customer needs, evolving industry standards and frequent introductions of new products, product enhancements, services and distribution methods. Our success depends on our ability to develop expertise with these new products, product enhancements, services and distribution methods and to implement solutions that anticipate and respond to rapid changes in technology, the industry, and customer needs. The introduction of new products, product enhancements and distribution methods could decrease demand for current products or render them obsolete. Sales of products and services can be dependent on demand for specific product categories, and any change in demand for or supply of such products could have a material adverse effect on our net sales if we fail to adapt to such changes in a timely manner.

Through our acquisition of certain assets of GTX and our acquisitions of Locality and Jibestream, we have attempted to adjust our product offerings to address changing market conditions by offering products such as indoor maps, enhanced video management system, GPS tracking products, and a Wi-Fi only POD sensor. These products have met with short-term or limited commercial success, and there can be no assurances that consumer or commercial demand for our future products will meet, or even approach, our expectations. In addition, our pricing and marketing strategies may not be successful. Lack of customer demand, a change in marketing strategy and changes to our pricing models could dramatically alter our financial results. Unless we are able to release location based products that meet a significant market demand, we will not be able to improve our financial condition or the results of our future operations.

If we unable to sell additional products and services to our customers and increase our overall customer base, our future revenue and operating results may suffer.

Our future success depends, in part, on our ability to expand the deployment of the Jibestream platform and technologies acquired from GTX and Locality with existing customers and finding new customers to sell our products and services to. This may require increasingly sophisticated and costly sales efforts and may not result in additional sales. In addition, the rate at which our customers purchase additional products and services, and our ability to attract new customers, depends on a number of factors, including the perceived need for indoor mapping products and services, as well as general economic conditions. If our efforts to sell additional products and services are not successful, our business may suffer.

We operate in a highly competitive market and we may be required to reduce the prices for some of our products and services to remain competitive, which could adversely affect our results of operations.

Our industry is developing rapidly and related technology trends are constantly evolving. In this environment, we face, among other things, significant price competition from our competitors. As a result, we may be forced to reduce the prices of the products and services we sell in response to offerings made by our competitors and may not be able to maintain the level of bargaining power that we have enjoyed in the past when negotiating the prices of our products and services.

Our profitability is dependent on the prices we are able to charge for our products and services. The prices we are able to charge for our products and services are affected by a number of factors, including:

- our customers' perceptions of our ability to add value through our products and services;
- introduction of new products or services by us or our competitors;
- our competitors' pricing policies;
- our ability to charge higher prices where market demand or the value of our products or services justifies it;
- procurement practices of our customers; and
- general economic and political conditions.

If we are not able to maintain favorable pricing for our products and services, our results of operations could be adversely affected.

A delay in the completion of our customers' budget processes could delay purchases of our products and services and have an adverse effect on our business, operating results and financial condition.

We rely on our customers to purchase products and services from us to maintain and increase our earnings, and customer purchases are frequently subject to budget constraints, multiple approvals and unplanned administrative, processing and other delays. If sales expected from a specific customer are not realized when anticipated or at all, our results could fall short of public expectations and our business, operating results and financial condition could be materially adversely affected.

Digital threats such as cyber-attacks, data protection breaches, computer viruses or malware may disrupt our operations, harm our operating results and damage our reputation, and cyber-attacks or data protection breaches on our customers' networks, or in cloud-based services provided by or enabled by us, could result in liability for us, damage our reputation or otherwise harm our business.

Despite our implementation of network security measures, the products and services we sell to customers, and our servers, data centers and the cloud-based solutions on which our data, and data of our customers, suppliers and business partners are stored, are vulnerable to cyber-attacks, data protection breaches, computer viruses, and similar disruptions from unauthorized tampering or human error. Any such event could compromise our networks or those of our customers, and the information stored on our networks or those of our customers could be accessed, publicly disclosed, lost or stolen, which could subject us to liability to our customers, business partners and others, and could have a material adverse effect on our business, operating results, and financial condition and may cause damage to our reputation. Efforts to limit the ability of malicious third parties to disrupt the operations of the Internet or undermine our own security efforts may be costly to implement and meet with resistance, and may not be successful. Breaches of network security in our customers' networks, or in cloud-based services provided by or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, could result in liability for us, damage our reputation or otherwise harm our business.

Any failures or interruptions in our services or systems could damage our reputation and substantially harm our business and results of operations.

Our success depends in part on our ability to provide reliable remote services, technology integration and managed services to our customers. The operations of our Cloud based applications and analytics are susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failure, terrorist attacks and similar events. We could also experience failures or interruptions of our systems and services, or other problems in connection with our operations, as a result of:

- damage to or failure of our computer software or hardware or our connections;
- errors in the processing of data by our systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events;
- increased capacity demands or changes in systems requirements of our customers; and
- errors by our employees or third-party service providers.

Any production interruptions for any reason, such as a natural disaster, epidemic, capacity shortages, or quality problems, at one of our manufacturing partners would negatively affect sales of product lines manufactured by that manufacturing partner and adversely affect our business and operating results.

Any interruptions in our systems or services could damage our reputation and substantially harm our business and results of operations. While we maintain disaster recovery plans and insurance with coverage we believe to be adequate, claims may exceed insurance coverage limits, may not be covered by insurance or insurance may not continue to be available on commercially reasonable terms.

We rely on a limited number of key customers, the importance of which may vary dramatically from year to year, and a loss of one or more of these key customers may adversely affect our operating results.

Our top three customers accounted for approximately 66% and 49% of our gross revenue during the years ended December 31, 2019 and 2018, respectively. One customer accounted for 42% of our gross revenue in 2019 and 33% in 2018; however, this customer may or may not continue to be a significant contributor to revenue in 2020. The loss of a significant amount of business from one of our major customers would materially and adversely affect our results of operations until such time, if ever, as we are able to replace the lost business. Significant customers or projects in any one period may not continue to be significant customers or projects in other periods. To the extent that we are dependent on any single customer, we are subject to the risks faced by that customer to the extent that such risks impede the customer's ability to stay in business and make timely payments to us.

We may need additional cash financing and any failure to obtain cash financing, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We expect that we will need to raise funds in order to continue our operations and implement our plans to grow our business. However, if we decide to seek additional capital, we may be unable to obtain financing on terms that are acceptable to us or at all. If we are unable to raise the required cash, our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges could be limited.

If we cannot collect our receivables or if payment is delayed, our business may be adversely affected by our inability to generate cash flow, provide working capital or continue our business operations.

Our business depends on our ability to successfully obtain payment from our customers of the amounts they owe us for products received from us and any work performed by us. The timely collection of our receivables allows us to generate cash flow, provide working capital and continue our business operations. Our customers may fail to pay or delay the payment of invoices for a number of reasons, including financial difficulties resulting from macroeconomic conditions or lack of an approved budget. An extended delay or default in payment relating to a significant account will have a material and adverse effect on the aging schedule and turnover days of our accounts receivable. If we are unable to timely collect our receivables from our customers for any reason, our business and financial condition could be adversely affected.

If our products fail to satisfy customer demands or to achieve increased market acceptance our results of operations, financial condition and growth prospects could be materially adversely affected.

The market acceptance of our products are critical to our continued success. Demand for our products is affected by a number of factors beyond our control, including continued market acceptance, the timing of development and release of new products by competitors, technological change, and growth or decline in the mobile device management market. We expect the proliferation of mobile devices to lead to an increase in the data security demands of our customers, and our products may not be able to scale and perform to meet those demands. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of these products, our business operations, financial results and growth prospects will be materially and adversely affected.

Defects, errors, or vulnerabilities in our products or services or the failure of such products or services to prevent a security breach, could harm our reputation and adversely affect our results of operations.

Because our location based security products and services are complex, they have contained and may contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by customers. Defects may cause such products to be vulnerable to advanced persistent threats (APTs) or security attacks, cause them to fail to help secure information or temporarily interrupt customers' networking traffic. Because the techniques used by hackers to access sensitive information change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques and provide a solution in time to protect customers' data. In addition, defects or errors in our subscription updates or products could result in a failure to effectively update customers' hardware products and thereby leave customers vulnerable to APTs or security attacks.

Any defects, errors or vulnerabilities in our products could result in:

- expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate, or work-around errors or defects or to address and eliminate vulnerabilities;
- delayed or lost revenue;
- loss of existing or potential customers or partners;
- increased warranty claims compared with historical experience, or increased cost of servicing warranty claims, either of which would adversely affect gross margins; and
- litigation, regulatory inquiries, or investigations that may be costly and harm our reputation

Our current research and development efforts may not produce successful products or features that result in significant revenue, cost savings or other benefits in the near future. If we do not realize significant revenue from our research and development efforts, our business and operating results could be adversely affected.

Developing products and related enhancements in our field is expensive. Investments in research and development may not result in significant design improvements, marketable products or features or may result in products that are more expensive than anticipated. We may not achieve the cost savings or the anticipated performance improvements expected, and we may take longer to generate revenue from products in development, or generate less revenue than expected.

Our future plans include significant investments in research and development and related product opportunities. Our management believes that we must continue to dedicate a significant amount of resources to research and development efforts to maintain a competitive position. However, we may not receive significant revenue from these investments in the near future, or these investments may not yield the expected benefits, either of which could adversely affect our business and operating results.

Misuse of our products could harm our reputation.

Our products, particularly our location based security and detection products, may be misused by customers or third parties that obtain access to such products. For example, location information combined with other information about the same users in the hands of criminals could result in misuse of the data and privacy law violations and result in negative press coverage and negatively affect our reputation.

If the general level of advanced attacks declines, or is perceived by current or potential customers to have declined, this could harm our location based security and detection operating segment, and our financial condition, operating results and growth prospects.

Our location based security and detection-operating segment is substantially dependent upon enterprises and governments recognizing that advanced persistent threats ("APTs") and other security attacks are pervasive and are not effectively prevented by legacy security solutions. High visibility attacks on prominent enterprises and governments have increased market awareness of the problem of APTs and security attacks and help to provide an impetus for enterprises and governments to devote resources to protecting against attacks, such as testing our platform, purchasing it, and broadly deploying it within their organizations. If APTs and other security attacks were to decline, or enterprises or governments perceived that the general level of attacks has declined, our ability to attract new customers and expand its offerings for existing customers could be materially and adversely affected, which would, in turn, have a material adverse effect on our financial condition, results of operations and growth prospects.

If our location based security and detection products do not effectively interoperate with our customers' IT infrastructure, installations could be delayed or cancelled, which would harm our financial condition, operating results and growth prospects.

Our products must effectively interoperate with our customers' existing or future IT infrastructure, which often has different specifications, utilizes multiple protocol standards, deploys products from multiple vendors, and contains multiple generations of products that have been added over time. As a result, when problems occur in a company's infrastructure, it may be difficult to identify the sources of these problems. If we find errors in the existing software or defects in the hardware used in our customers' infrastructure, we may have to modify its software or hardware so that our products will interoperate with the infrastructure of our customers. In such cases, our products may be unable to provide significant performance improvements for applications deployed in the infrastructure of our customers. These issues could cause longer installation times for our products and could cause order cancellations, either of which would adversely affect our business, results of operations and financial condition. In addition, other customers may require products to comply with certain security or other certifications and standards. If our products are late in achieving or fail to achieve compliance with these certifications and standards, or competitors sooner achieve compliance with these certifications and standards, we may be disqualified from selling our products to such customers, or may otherwise be at a competitive disadvantage, either of which would harm our business, results of operations, and financial condition.

Our international business exposes us to geo-political and economic factors, legal and regulatory requirements, public health and other risks associated with doing business in foreign countries

We provide our products and services to customers worldwide. These risks differ from and potentially may be greater than those associated with our domestic business.

Our international business is sensitive to changes in the priorities and budgets of international customers and geo-political uncertainties, which may be driven by changes in threat environments and potentially volatile worldwide economic conditions, various regional and local economic and political factors, risks and uncertainties, as well as U.S. foreign policy.

Our international sales are also subject to local government laws, regulations and procurement policies and practices, which may differ from U.S. Government regulations, including regulations relating to import-export control, investments, exchange controls and repatriation of earnings, as well as to varying currency, geo-political and economic risks. Our international contracts may include industrial cooperation agreements requiring specific in-country purchases, manufacturing agreements or financial support obligations, known as offset obligations, and provide for penalties if we fail to meet such requirements. Our international contracts may also be subject to termination at the customer's convenience or for default based on performance, and may be subject to funding risks. We also are exposed to risks associated with using foreign representatives and consultants for international sales and operations and teaming with international subcontractors, partners and suppliers in connection with international programs. As a result of these factors, we could experience award and funding delays on international programs and could incur losses on such programs, which could negatively affect our results of operations and financial condition.

We are also subject to a number of other risks including:

- the absence in some jurisdictions of effective laws to protect our intellectual property rights;
- multiple and possibly overlapping and conflicting tax laws;
- restrictions on movement of cash;
- the burdens of complying with a variety of national and local laws;
- political instability;
- currency fluctuations;
- longer payment cycles;
- restrictions on the import and export of certain technologies;
- price controls or restrictions on exchange of foreign currencies; and
- trade barriers.

In addition, our international operations (or those of our business partners) could be subject to natural disasters such as earthquakes, tsunamis, flooding, typhoons and volcanic eruptions that disrupt manufacturing or other operations. There may be conflict or uncertainty in the countries in which we operate, including public health issues (for example, an outbreak of a contagious disease such as 2019-Novel Coronavirus (2019-nCoV), avian influenza, measles or Ebola), safety issues, natural disasters, fire, disruptions of service from utilities, nuclear power plant accidents or general economic or political factors. For example, as a result of the Coronavirus outbreak, our ability to source internal connection cables for certain of our sensors has been delayed, which will require us to source these components from other vendors at a higher price that may result in an increase in our costs to produce our products In the event our customers are materially impacted by these events, it may impact anticipated orders and planned shipments for our products. With respect to political factors, the United Kingdom's 2016 referendum, commonly referred to as "Brexit," has created economic and political uncertainty in the European Union. Also, the European Union's General Data Protection Regulation imposes significant new requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. Any of the above risks, should they occur, could result in an increase in the cost of components, production delays, general business interruptions, delays from difficulties in obtaining export licenses for certain technology, tariffs and other barriers and restrictions, longer payment cycles, increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on our business.

Our international operations are subject to special U.S. government laws and regulations, such as the Foreign Corrupt Practices Act, and regulations and procurement policies and practices, including regulations to import-export control, which may expose us to liability or impair our ability to compete in international markets.

Our international operations are subject to the U.S. Foreign Corrupt Practices Act ("FCPA"), and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. and other business entities for the purpose of obtaining or retaining business. We have operations and deal with governmental customers in countries known to experience corruption, including certain countries in the Middle East and in the future, the Far East. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants or contractors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. We are also subject to import-export control regulations restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work.

Difficult conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations, and we do not expect these conditions to improve in the near future.

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. Weak economic conditions generally, sustained uncertainty about global economic conditions, or a prolonged or further tightening of credit markets could cause our customers and potential customers to postpone or reduce spending on technology products or services or put downward pressure on prices, which could have an adverse effect on our business, results of operations or cash flows. Concerns over inflation, energy costs, geopolitical issues and the availability of credit, in the U.S. have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices and wavering business and consumer confidence, have precipitated an economic slowdown and uncertain global outlook. Domestic and international equity markets have been experiencing heightened volatility and turmoil. These events and the continuing market upheavals may have an adverse effect on our business. In the event of extreme prolonged market events, such as the global economic recovery, we could incur significant losses.

Changes in U.S. administrative policy, including changes to existing trade agreements and any resulting changes in international relations, could adversely affect our financial performance and supply chain economics.

As a result of changes to U.S. administrative policy, among other possible changes, there may be (i) changes to existing trade agreements; (ii) greater restrictions on free trade generally; and (iii) significant increases in tariffs on goods imported into the United States, particularly those manufactured in China. China is currently a leading global source of hardware products, including the hardware products that we use. In January 2020, the U.S. and China entered into Phase One of the Economic and Trade Agreement Between the United States of America and the People's Republic of China (the "Phase One Trade Agreement"). The Phase One Trade Agreement takes steps to ease certain trade tensions between the U.S. and China, including tensions involving intellectual property theft and forced intellectual property transfers by China. Although the Phase One Trade Agreement is an encouraging sign of progress in the trade negotiations between the U.S. and China, questions still remain as to the enforcement of its terms, the resolution of a number of other points of dispute between the parties, and the prevention of further tensions. If the U.S.-China trade dispute re-escalates or relations between the United States and China deteriorate, these conditions could adversely affect our ability to source our hardware products and therefore our ability to manufacture our products. Our ability to manufacture our products could also be affected by economic uncertainty, in China or by our failure to establish a positive reputation and relationships in China. The occurrence of any of these events could have an adverse effect on our ability to source the components necessary to manufacture our products, which, in turn, could cause our long-term business, financial condition and operating results to be materially adversely affected.

There is also a possibility of future tariffs, trade protection measures, import or export regulations or other restrictions imposed on our products or on our customers by the United States, China or other countries that could have a material adverse effect on our business. A significant trade disruption or the establishment or increase of any tariffs, trade protection measures or restrictions could result in lost sales adversely impacting our reputation and business. A trade war, other governmental action related to tariffs or international trade agreements, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently do business or any resulting negative sentiments towards the United States could adversely affect our supply chain economics, consolidated revenue, earnings and cash flow.

We may use open source blockchain technology in our IPA platform as requested by customers. This technology has been scrutinized by regulatory agencies and therefore we may be impacted by unfavorable regulatory action in one or more jurisdictions.

We may use open source blockchain technology as a secure repository for "device reputation" acquired by our IPA platform if requested by customers. Blockchain technologies have been the subject of scrutiny by various regulatory bodies around the world. We could be impacted by one or more regulatory inquiries or actions, including but not limited to restrictions on the use of blockchain technology, which could impede or limit the use of this technology within our product offerings.

We intend to use and leverage open source technology in our IPA platform which may create risks of security weaknesses.

Some parts of our technology may be based on open-source technology, including the blockchain technology that we may use in our IPA platform. There is a risk that the development team or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructure elements of our technology solutions interfering with the use of such technology or causing loss to the Company.

We may not be able to develop new products orenhance our product to keep pace with our industry's rapidly changing technology and customer requirements.

The industry in which we operate is characterized by rapid technological changes, new product introductions, enhancements, and evolving industry standards. Our business prospects depend on our ability to develop new products and applications for our technology in new markets that develop as a result of technological and scientific advances, while improving performance and cost-effectiveness. New technologies, techniques or products could emerge that might offer better combinations of price and performance than the blockchain technology solutions that are being developed by the Company. It is important that we anticipate changes in technology and market demand. If we do not successfully innovate and introduce new technology into our anticipated technology solutions or effectively manage the transitions of our technology to new product offerings, our business, financial condition and results of operations could be harmed.

Domestic and foreign government regulation and enforcement of data practices and data tracking technologies is expansive, broadly defined and rapidly evolving. Such regulation could directly restrict portions of our business or indirectly affect our business by constraining our customers' use of our technology and services or limiting the growth of our markets.

Federal, state, municipal and/or foreign governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, and regulations covering user privacy, data security, technologies that are used to collect, store and/or process data, and/or the collection, use, processing, transfer, storage and/or disclosure of data associated with individuals. The categories of data regulated under these laws vary widely, are often broadly defined, and subject to new applications or interpretation by regulators. The uncertainty and inconsistency among these laws, coupled with a lack of guidance as to how these laws will be applied to current and emerging indoor positioning analytics technologies, creates a risk that regulators, lawmakers or other third parties, such as potential plaintiffs, may assert claims, pursue investigations or audits, or engage in civil or criminal enforcement. These actions could limit the market for our services and technologies or impose burdensome requirements on our services and/or customers' use of our services, thereby rendering our business unprofitable.

Some features of our services may trigger the data protection requirements of certain foreign jurisdictions, such as the EU General Data Protection Regulation (the "GDPR"), and the EU ePrivacy Directive. In addition, our services may be subject to regulation under current or future laws or regulations. For instance, the EU ePrivacy Directive is soon to be replaced in its entirety by the ePrivacy Regulation, which will bring with it an updated set of rules relevant to many aspects of our business. If our treatment of data, privacy practices or data security measures fail to comply with these current or future laws and regulations in any of the jurisdictions in which we collect and/or process information, we may be subject to litigation, regulatory investigations, civil or criminal enforcement, financial penalties, audits or other liabilities in such jurisdictions, or our customers may terminate their relationships with us. In addition, data protection laws, such as the GDPR, foreign court judgments or regulatory actions could affect our ability to transfer, process and/or receive transnational data that is critical to our operations, including data relating to users, customers, or partners outside the United States. For instance, the GDPR restricts transfers of personal data outside of the European Economic Area, including to the United States, subject to certain requirements. Such data protection laws, judgments or actions could affect the manner in which we provide our services or adversely affect our financial results if foreign customers and partners are not able to lawfully transfer data to us.

This area of the law is currently under intense government scrutiny and many governments, including the U.S. government, are considering a variety of proposed regulations that would restrict or impact the conditions under which data obtained from individuals could be collected, processed, stored, transferred, sold or shared with third parties. In addition, regulators such as the Federal Trade Commission and the California Attorney General are continually proposing new regulations and interpreting and applying existing regulations in new ways. For example, in June 2018, California passed the California Consumer Privacy Act (the "CCPA"), which provides new data privacy rights for consumers and new informational, disclosure and operational requirements for companies, effective January 2020. Fines for non-compliance may be up to $7,500 per violation. The burdens imposed by the GDPR and CCPA, and changes to existing laws or new laws regulating the solicitation, collection, processing, or sharing of personal and consumer information, and consumer protection could affect our customers' utilization of our services and technology and could potentially reduce demand, or impose restrictions that make it more difficult or expensive for us to provide our services.

In addition, ongoing legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the European Economic Area to the United States could result in further limitations on the ability to transfer data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that support cross-border data transfers, such as the EU-U.S. and Swiss-U.S. Privacy Shield frameworks and the European Commission's Model Contractual Clauses, each of which are currently under particular scrutiny. Additionally, certain countries have passed or are considering passing laws requiring local data residency. The costs of compliance with, and other burdens imposed by, privacy laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, make it more difficult to meet expectations from or commitments to customers, lead to significant fines, penalties or liabilities for noncompliance, impact our reputation, or slow the pace at which we close sales transactions, any of which could harm our business.

Furthermore, the uncertain and shifting regulatory environment and trust climate may cause concerns regarding data privacy and may cause our customers or our customers' customers to resist providing the data necessary to allow our customers to use our services effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services and could limit adoption of our cloud-based solutions.

If our customers fail to abide by applicable privacy laws or to provide adequate notice and/or obtain any required consent from end users, we could be subject to litigation or enforcement action or reduced demand for our services.

Our customers utilize our services and technologies to track connected devices anonymously and we must rely on our customers to implement and administer notice and choice mechanisms required under applicable laws. If we or our customers fail to abide by these laws, it could result in litigation or regulatory or enforcement action against our customers or against us directly.

Any actual or perceived failure by us to comply with our privacy policy or legal or regulatory requirements in one or multiple jurisdictions could result in proceedings, actions or penalties against us.

Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personal data or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business.

Evolving and changing definitions of what constitutes "Personal Information" and "Personal Data" within the EU, the United States and elsewhere, may limit or inhibit our ability to operate or expand our business, including limiting technology alliance partners that may involve the sharing of data.

If we are perceived to cause, or are otherwise unfavorably associated with, violations of privacy or data security requirements, it may subject us or our customers to public criticism, financial penalties and potential legal liability. Existing and potential privacy laws and regulations concerning privacy and data security and increasing sensitivity of consumers to unauthorized processing of personal data may create negative public reactions to technologies, products and services such as ours. Public concerns regarding personal data processing, privacy and security may cause some of our customers' end users to be less likely to visit their venues or otherwise interact with them. If enough end users choose not to visit our customers' venues or otherwise interact with them, our customers could stop using our platform. This, in turn, may reduce the value of our service, and slow or eliminate the growth of our business, or cause our business to contract.

Around the world, there are numerous lawsuits in process against various technology companies that process personal information and personal data. If those lawsuits are successful, it could increase the likelihood that our company may be exposed to liability for our own policies and practices concerning the processing of personal data and could hurt our business. Furthermore, the costs of compliance with, and other burdens imposed by laws, regulations and policies concerning privacy and data security that are applicable to the businesses of our customers may limit the use and adoption of our technologies and reduce overall demand for it. Privacy concerns, whether or not valid, may inhibit market adoption of our technologies. Additionally, concerns about security or privacy may result in the adoption of new legislation that restricts the implementation of technologies like ours or require us to make modifications to our existing services and technology, which could significantly limit the adoption and deployment of our technologies or result in significant expense.

Risks Related to the Spin-off

We incurred significant transaction and transaction-related costs in connection with the Spin-off.

In 2018, we incurred significant costs in connection with the Spin-off, including legal, accounting, consulting, financial advisory, and related fees. Although we expect the Spin-off to benefit both us and Sysorex as independent public companies, we cannot assure you these benefits will be achieved in the near term, or at all.

The Spin-off could give rise to disputes or other unfavorable effects, which could have a material adverse effect on our business, financial position and results of operations.

Disputes with third parties could arise out of the Spin-off, and we could experience unfavorable reactions to the Spin-off from employees, investors, or other interested parties. These disputes and reactions of third parties could have a material adverse effect on our business, financial position, and results of operations. In addition, following the Spin-off, disputes between us and Sysorex could arise in connection with any of the Spin-off related agreements.

We agreed to indemnify Sysorex for certain liabilities.

Pursuant to the terms of that certain Separation and Distribution Agreement, dated August 7, 2018, as amended, the Company agreed to indemnify Sysorex for certain liabilities. Although no such liabilities are currently anticipated, if we have to indemnify Sysorex for unanticipated liabilities, the cost of such indemnification obligations may have a material and adverse effect on our financial performance.

A court could deem the Spin-off to be a fraudulent conveyance and void the transaction or impose substantial liabilities upon us.

If a third party challenged the transaction, a court could deem the Spin-off or certain internal restructuring transactions undertaken in connection with the Spin-off to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. In such circumstances, a court could void the transactions or impose substantial liabilities upon us, which could adversely affect our financial condition and our results of operations. Among other things, the court could require our stockholders to return to us some or all of the shares of Sysorex common stock issued in the Spin-off or require us to fund liabilities of Sysorex for the benefit of creditors.

We entered into a loan arrangement with Sysorex and there can be no guarantee Sysorex will be able to repay any amounts borrowed.

As described further within "Part I—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" below, we entered into a note purchase agreement with Sysorex, as amended from time to time, pursuant to which we agreed to loan Sysorex up to an aggregate principal amount of $10,000,000. On March 1, 2020, we agreed to extend the maturity date of the note from December 31, 2020 to December 31, 2022. Pursuant to Accounting Standards Codification 310 - Receivables, the Sysorex note has been classified as "held for sale" as of December 31, 2019. In connection with such classification, the Company, with the assistance of a third-party valuation firm, estimated the fair value of such using Sysorex financial projections, a discounted cash flow model and a 12.3% discount rate. As a result, the Company established a full valuation allowance as of December 31, 2019. We are required to periodically re-evaluate the carrying value of the note and the related valuation allowance based on various factors, including, but not limited to, Sysorex's performance and collectability of the note. Sysorex's performance against those financial projections will directly impact future assessments of the fair value of the note.

There are no assurances that Sysorex will be able to repay any amounts borrowed when due, and there can be no guarantee that the collateral Sysorex provided pursuant to the loan arrangement would be sufficient to cover any borrowed amounts in the event of a default. If Sysorex were to default, it could have an adverse material impact on our financial condition and cash flows.

We currently generate less revenue as a result of the Spin-off.

As described further within "Part I—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" below, following the Spin-off, we generate significantly less revenue as compared to historical periods prior to the completion of the Spin-off. Although we believe that the Spin-off has positioned us for future revenue growth, there can be no guarantee that such growth will be realized or achieved.

Risks Related to Our Securities

We do not intend to pay cash dividends to our stockholders, so it is unlikely that stockholders will receive any return on their investment in our Company prior to selling our stock.

We have never paid any dividends to our common stockholders as a public company. We currently intend to retain any future earnings for funding growth and, therefore, do not expect to pay any cash dividends in the foreseeable future. If we determine that we will pay cash dividends to the holders of our common stock, we cannot assure that such cash dividends will be paid on a timely basis. The success of your investment in our Company will likely depend entirely upon any future appreciation. As a result, you will not receive any return on your investment prior to selling your shares in our Company and, for the other reasons discussed in this "Risk Factors" section, you may not receive any return on your investment even when you sell your shares in our Company.

Some provisions of our Articles of Incorporation and bylaws may deter takeover attempts, which may inhibit a takeover that stockholders consider favorable and limit the opportunity of our stockholders to sell their shares at a favorable price.

Under our Articles of Incorporation, our Board may issue additional shares of common or preferred stock. Our Board has the ability to authorize "blank check" preferred stock without future shareholder approval. This makes it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us by means of a merger, tender offer, proxy contest or otherwise, including a transaction in which our stockholders would receive a premium over the market price for their shares and/or any other transaction that might otherwise be deemed to be in their best interests, and thereby protects the continuity of our management and limits an investor's opportunity to profit by their investment in the Company. Specifically, if in the due exercise of its fiduciary obligations, the Board were to determine that a takeover proposal was not in our best interest, shares could be issued by our Board without stockholder approval in one or more transactions that might prevent or render more difficult or costly the completion of the takeover by:

- diluting the voting or other rights of the proposed acquirer or insurgent stockholder group,
- putting a substantial voting bloc in institutional or other hands that might undertake to support the incumbent Board, or
- effecting an acquisition that might complicate or preclude the takeover.

Nevada Anti-Takeover Law may discourage acquirers and eliminate a potentially beneficial sale for our stockholders.

We are subject to the provisions of Section 78.438 of the Nevada Revised Statutes concerning corporate takeovers. This section prevents many Nevada corporations from engaging in a business combination with any interested stockholder, under specified circumstances. For these purposes, a business combination includes a merger or sale of more than 5% of our assets, and an interested stockholder includes a stockholder who owns 10% or more of our outstanding voting stock, as well as affiliates and associates of these persons. Under these provisions, this type of business combination is prohibited for three years following the date that the stockholder became an interested stockholder unless:

- the transaction in which the stockholder became an interested stockholder is approved by the Board prior to the date the interested stockholder attained that status;
- on consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 90% of the voting stock of the corporation outstanding at the time the transaction was commenced, excluding those shares owned by persons who are directors and also officers; or
- on or subsequent to that date, the business combination is approved by the Board and authorized at an annual or special meeting of stockholders by the affirmative vote of at least a majority of the outstanding voting stock that is not owned by the interested stockholder.

This statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Our indemnification of our officers and directors may cause us to use corporate resources to the detriment of our stockholders.

Our Articles of Incorporation eliminate the personal liability of our directors for monetary damages arising from a breach of their fiduciary duty as directors to the fullest extent permitted by Nevada law. This limitation does not affect the availability of equitable remedies, such as injunctive relief or rescission. Our Articles of Incorporation require us to indemnify our directors and officers to the fullest extent permitted by Nevada law, including in circumstances in which indemnification is otherwise discretionary under Nevada law.

Under Nevada law, we may indemnify our directors or officers or other persons who were, are or are threatened to be made a named defendant or respondent in a proceeding because the person is or was our director, officer, employee or agent, if we determine that the person:

- conducted himself or herself in good faith, reasonably believed, in the case of conduct in his or her official capacity as our director or officer, that his or her conduct was in our best interests, and, in all other cases, that his or her conduct was at least not opposed to our best interests; and
- in the case of any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

These persons may be indemnified against expenses, including attorneys' fees, judgments, fines, including excise taxes, and amounts paid in settlement, actually and reasonably incurred by the person in connection with the proceeding. If the person is found liable to the corporation, no indemnification will be made unless the court in which the action was brought determines that the person is fairly and reasonably entitled to indemnity in an amount that the court will establish.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us under the above provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

The obligations associated with being a public company require significant resources and management attention, which may divert from our business operations.

We are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Exchange Act requires that we file annual, quarterly and current reports, proxy statements, and other information. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Our principal executive officer and principal financial officer are required to certify that our disclosure controls and procedures are effective in ensuring that material information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As a result, we incur significant legal, accounting and other expenses. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, if necessary, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs could materially increase our selling, general and administrative expenses.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies. Additionally, in the event we are no longer a smaller reporting company, as defined under the Exchange Act, and we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act of 2002, then we may not be able to obtain the independent registered public accountants' certifications required by that act, which may preclude us from keeping our filings with the SEC current, and interfere with the ability of investors to trade our securities and our shares to continue to be listed on the Nasdaq Capital Market.

We have identified a material weakness in our internal control over financial reporting for the year ended December 31, 2019 and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or could have a material adverse effect on our business and trading price of our securities.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the Nasdaq Capital Market. Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to perform system and process evaluation and testing of our internal control over financial reporting to allow our management to report on the effectiveness of our internal control over financial reporting.

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2019, we identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis. The material weakness resulted from a determination following initial audit procedures that the documentation underlying the preparation of forward projections which included copies of customer contracts underlying the basis of projecting revenues and support for the projected cost structures associated with determining the fair value of the Sysorex note as of December 31, 2019 was not supportable thereby requiring material adjustments to be made to the carrying value of the note as determined by management as of December 31, 2019.

We are in the process of designing and implementing measures to remediate the underlying causes of the control deficiencies that gave rise to the material weakness through the enhancement of our internal technical accounting capabilities augmented by the use of third-party advisors and consultants to assist with areas requiring specialized technical accounting expertise. We will continue to monitor the effectiveness of these controls and will make any further changes management determines appropriate.

Additionally, with each prospective acquisition we may make we will conduct whatever due diligence is necessary or prudent to assure us that the acquisition target can comply with the internal controls requirements of the Sarbanes-Oxley Act. Notwithstanding our diligence, certain internal controls deficiencies may not be detected. As a result, any internal control deficiencies may adversely affect our financial condition, results of operations and access to capital. We have not performed an in-depth analysis to determine if historical undiscovered failures of internal controls exist and may in the future discover areas of our internal controls that need improvement.

We cannot assure you that the measures we have taken to date, together with any measures we may take in the future, will be sufficient to remediate the control deficiencies that led to the material weakness in our internal control over financial reporting or to avoid potential future material weaknesses. If we are unable to successfully remediate our existing or any future material weakness in our internal control over financial reporting, or if we identify any additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected. If we are unable to maintain effective internal controls, we may not have adequate, accurate or timely financial information, and we may be unable to meet our reporting obligations as a public company, including the requirements of the Sarbanes-Oxley Act , we may be unable to accurately report our financial results in future periods, or report them within the timeframes required by the requirements of the SEC, Nasdaq or the Sarbanes-Oxley Act . Failure to comply with the Sarbanes-Oxley Act , when and as applicable, could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in identification of additional material weaknesses or significant deficiencies, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Furthermore, if we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed and investors could lose confidence in our reported financial information.

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

The Sarbanes-Oxley Act and rules implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, these rules and regulations increase our compliance costs and make certain activities more time consuming and costly. As a public company, these rules and regulations may make it more difficult and expensive for us to maintain our director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board or as executive officers, and to maintain insurance at reasonable rates, or at all.

Our stock price may be volatile.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- our ability to execute our business plan and complete prospective acquisitions;
- changes in our industry;
- competitive pricing pressures;
- our ability to obtain working capital financing;
- additions or departures of key personnel;
- limited "public float" in the hands of a small number of persons whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock;
- sales of our common stock (particularly following effectiveness of this registration statement);
- operating results that fall below expectations;
- regulatory developments;
- economic and other external factors;
- period-to-period fluctuations in our financial results;
- our inability to develop or acquire new or needed technologies;
- the public's response to press releases or other public announcements by us or third parties, including filings with the SEC;
- changes in financial estimates or ratings by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock;
- the development and sustainability of an active trading market for our common stock; and
- any future sales of our common stock by our officers, directors and significant stockholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

If our stockholders sell substantial amounts of our common stock in the public market upon the expiration of any statutory holding period under Rule 144, or shares issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an "overhang" and, in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

In general, a non-affiliated person who has held restricted shares for a period of six months, under Rule 144, may sell into the market our common stock all of their shares, subject to the Company being current in its periodic reports filed with the SEC. As of February 16, 2020, except for approximately 14 shares, which are subject to control restrictions, the remainder of the 5,049,062 shares of common stock outstanding were free trading.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. For example, in June 2018, the SEC declared effective a shelf registration statement filed by us. This shelf registration statement allows us to issue any combination of our common stock, preferred stock, warrants, units, debt securities and subscription rights from time to time until expiry in June 2021 for an aggregate initial offering price of up to $300 million, subject to certain limitations if our public float is less than $75 million. The specific terms of future offerings, if any, under this shelf registration statement would be established at the time of such offering. Depending on a variety of factors, including market liquidity of our common stock, the sale of shares under this shelf registration statement may cause the trading price of our common stock to decline. The sale of a substantial number of shares of our common stock under this shelf registration statement, or anticipation of such sales, could cause the trading price of our common stock to decline or make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise desire.

In addition, as of February 20, 2020, there were 5 shares issuable upon conversion of 1 share of Series 4 Convertible Preferred Stock, 841 shares of common stock issuable upon conversion of 126 shares of Series 5 Convertible Preferred Stock, 93,252 shares subject to outstanding warrants, 121,403 shares subject to outstanding options under the Company's equity incentive plans, 1 share subject to options not under such plans, an additional 417,214 shares reserved for future issuance under the Company's Amended and Restated 2011 Employee Stock Incentive Plan and up to an additional 9,695,029 shares of common stock which may be issued under the Company's 2018 Employee Stock Incentive Plan that will become, or have already become, eligible for sale in the public market to the extent permitted by any applicable vesting requirements, lock-up agreements, if any, Rule 144 under the Securities Act or in connection with their registration under the Securities Act.

Historically, we have used our shares of common stock to satisfy our outstanding debt obligations, and, in the future, we expect to continue to issue our securities to raise additional capital or satisfy outstanding debt obligations. The number of new shares of our common stock issued in connection with raising additional capital or satisfying our outstanding debt obligations could constitute a material portion of the then-outstanding shares of our common stock.

Our common stock may be delisted from the Nasdaq Capital Market if we cannot satisfy Nasdaq's continued listing requirements in the future.

If we fail to maintain compliance with the continued listing requirements of the Nasdaq Capital Market, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively affected.

Our common stock currently trades on the Nasdaq Capital Market under the symbol "INPX." This market has continued listing standards that we must comply with in order to maintain the listing of our common stock. The continued listing standards include, among others, a minimum bid price requirement of $1.00 per share and any of: (i) a minimum stockholders' equity of $2.5 million; (ii) a market value of listed securities of at least $35.0 million; or (iii) net income from continuing operations of $500,000 in the most recently completed fiscal year or in the two of the last three fiscal years. Our results of operations and fluctuating stock price directly affect our ability to satisfy these continued listing standards. In the event we are unable to maintain these continued listing standards, our common stock may be subject to delisting from the Nasdaq Capital Market.

Between November 2015 and May 2018, we received four deficiency letters from Nasdaq indicating that we did not comply with certain Nasdaq continued listing requirements. Such deficiencies were later cured. However, on May 30, 2019, we received another deficiency letter from Nasdaq indicating that, based on our closing bid price for the last 30 consecutive business days, we did not comply with the minimum bid price requirement of $1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2). In accordance with the Nasdaq Listing Rules, the Company was provided with a 180 calendar day period, through November 26, 2019 (the "Compliance Deadline"), to regain compliance with the Minimum Bid Price Requirement. On November 27, 2019, the Company received notice from the Nasdaq Listing Qualifications Department (the "Staff") of the Nasdaq Stock Market LLC ("Nasdaq") that based upon the Company's continued non-compliance with the Minimum Bid Price Requirement (as defined below), the Company's common stock would be subject to delisting from Nasdaq (the "Staff Delisting Determination"), unless the Company timely requested an appeal hearing before the Nasdaq Hearings Panel (the "Panel"). The Company requested such hearing, which was held on January 23, 2020, following the Company's implementation of a reverse stock split effective on January 7, 2020.

On February 5, 2020, we received a letter from the Office of General Counsel of Nasdaq informing us that the Nasdaq Hearings Panel (the "Panel") granted our request to continue the listing of our common stock on Nasdaq. The Panel also determined to impose a Panel Monitor pursuant to Nasdaq Listing Rule 5815(d)(4)(A) to last until February 5, 2021 ("Panel Monitor Period"). If at any time before February 5, 2021, the Staff or the Panel determines that we have failed to meet the minimum bid price requirement for a period of 30 consecutive trading days or any other requirement for continued listing on Nasdaq, the Panel will direct the Staff to issue a Staff Delisting Determination and the Hearings Department will promptly schedule a new hearing, with the initial Panel or a newly convened Panel if the initial Panel is unavailable. During the monitor period, we are obligated to notify the Panel immediately, in writing, in the event our bid price falls below the minimum requirement for any reason, or if we fall out of compliance with any applicable listing requirement.

The Nasdaq Listing and Hearing Review Council (the "Listing Council") may, on its own motion, determine to review any Panel decision within 45 days. If the Listing Council determines to review the Panel's decision, it may affirm, modify, reverse, dismiss or remand the decision to the Panel.

While the Company is currently compliance with all continued listing rules and it believes that it will be able to maintain compliance with Nasdaq's continued listing rules, it has received a notice of deficiency five times since 2015 and there are no assurances that it will be able to meet all continued listing requirements to maintain its listing.

Nasdaq has advised us that our common stock may be delisted from The Nasdaq Capital Market due to public policy concerns even if we are technically able to meet Nasdaq's continued listing requirements.

In addition to the failure to comply with Nasdaq Listing Rule 5550(a)(2), the Nasdaq Staff has advised us that our history of non-compliance with Nasdaq's minimum bid price requirement, the corresponding history of reverse stock splits, the dilutive effect of historical offerings and an inability to cure the bid price deficiency organically without effecting a reverse stock split prior may raise public interest concerns under Nasdaq Listing Rule 5101 and could result in the Nasdaq Staff issuing a delisting determination with respect to our common stock (subject to any appeal we might file). Nasdaq rules provide that Nasdaq may suspend or delist particular securities based on any event, condition or circumstance that exists or occurs that makes continued listing of the securities on Nasdaq inadvisable or unwarranted in the opinion of the Nasdaq Staff, even though the securities meet all enumerated criteria for continued listing on Nasdaq. In that regard, the Nasdaq Staff has discretion to determine that our failure to comply with the minimum bid price rule or any subsequent price-based market value requirement or the dilutive effect of any transaction in which we issue securities, constitutes a public interest concern and while we will have an opportunity to appeal, we cannot assure you that Nasdaq will not exercise such discretionary authority or that we will be successful if such discretion is exercised and we appeal.

If our common stock is delisted from the Nasdaq Capital Market and we become subject to the penny stock rules, it would become more difficult to trade our shares.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on The Nasdaq Capital Market, and if the price of our common stock is less than $5.00, our common stock will be deemed a penny stock. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. If our common stock is delisted, market liquidity for our common stock could be severely affected and our stockholders' ability to sell their shares of our common stock could be limited. A delisting of our common stock from Nasdaq would negatively affect the value of our common stock. A delisting of our common stock could also result in negative publicity and adversely affect our ability to obtain financing for our operations and could result in the loss of confidence in our company.

Further, if we were delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. If Nasdaq delisted our common stock, our common stock may be eligible to trade on an over-the-counter quotation system, such as the OTCQB market, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. We cannot assure you that our common stock, if delisted from Nasdaq, will be listed on another national securities exchange or quoted on an over-the counter quotation system.

If our common stock is delisted from the Nasdaq Capital Market, U.S. holders of our outstanding warrants may not be able to exercise their warrants without compliance with applicable state securities laws and the value of your warrants may be significantly reduced.

If our common stock is delisted from the Nasdaq Capital Market, the exercise of our outstanding warrants by U.S. holders may not be exempt from state securities laws. As a result, depending on the state of residence of a holder of our warrants, a U.S. holder may not be able to exercise its warrants unless we comply with any state securities law requirements necessary to permit such exercise or an exemption applies. Although we plan to use our reasonable efforts to assure that U.S. holders will be able to exercise their warrants under applicable state securities laws if no exemption exists, there is no assurance that we will be able to do so. As a result, your ability to exercise your warrants may be limited. The value of the warrants may be significantly reduced if U.S. holders are not able to exercise their warrants under applicable state securities laws.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

We are generally not restricted from issuing additional common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. Our articles of incorporation allows us to issue up to 250,000,000 shares of our common stock, par value $0.001 per share, and to issue and designate the rights of, without stockholder approval, up to 5,000,000 shares of preferred stock, par value $0.001 per share. To raise additional capital, we may in the future sell additional shares of our common stock or other securities convertible into or exchangeable for our common stock at prices that are lower than the prices paid by existing stockholders, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders, which could result in substantial dilution to the interests of existing stockholders. The market price of our common stock could decline as a result of sales of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive common stock or the perception that such sales could occur.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our common stock could decline if one or more equity research analysts downgrade our common stock or if they issue other unfavorable commentary or cease publishing reports about us or our business.

We may be or may become the target of securities litigation, which is costly and time-consuming to defend.

Following periods of market volatility in the price of a company's securities or the reporting of unfavorable news, security holders may institute class action litigation. If the market value of our securities experience adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management's attention could be diverted from the operation of our business, causing our business to suffer.

ITEM 1B: UNRESOLVED STAFF COMMENTS

As a smaller reporting company, we are not required to provide this information.

ITEM 2: PROPERTIES

We lease office space in several locations in the United States, including Palo Alto, CA where we house our principal headquarters, research and development, sales and marketing and certain administrative functions. Outside of the U.S., through our subsidiary, Inpixon Canada we lease offices in Coquitlam, BC, Toronto, ON, New Westminster, BC for research and development, sales and marketing and administrative activities. Through our majority owned subsidiary Inpixon India Limited, we also lease offices in Hyderabad, India primarily for research and development purposes. We also lease certain property in Encino, CA which is subleased to a third party and not used for our operations. We believe our facilities are adequate for our current and reasonably anticipated future needs.

ITEM 3: LEGAL PROCEEDINGS

There are no material pending legal proceedings as defined by Item 103 of Regulation S-K, to which we are a party or of which any of our property is the subject, other than ordinary routine litigation incidental to the Company's business.

There are no proceedings in which any of the directors, officers or affiliates of the Company, or any registered or beneficial holder of more than 5% of the Company's voting securities, is an adverse party or has a material interest adverse to that of the Company.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock currently trades under the symbol "INPX" on the Nasdaq Capital Market.

Holders of Record

According to our transfer agent, as of February 20, 2020, we had approximately 203 shareholders of record of our common stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name. Our stock transfer agent is Computershare Trust Company, N.A., Meidinger Tower, 462 S. 4th Street, Louisville, KY 40202.

Dividends

We have not declared or paid any cash dividends on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, therefore, we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our Board, in their discretion, and will depend on our financial condition, results of operations, capital requirements and other factors that our Board considers significant. Holders of Series 4 Convertible Preferred Stock and Series 5 Convertible Preferred Stock will not be entitled to receive any dividends, unless and until specifically declared by our Board.

Securities Authorized for Issuance under Equity Compensation Plans

For information required by this item with respect to our equity compensation plans, please see Item 11 of this report.

Recent Sales of Unregistered Equity Securities

During the period covered by this Annual Report on Form 10-K, we have not sold any equity securities that were not registered under the Securities Act that were not previously reported in a quarterly report on Form 10-Q or in a current report on Form 8-K.

ITEM 6: SELECTED FINANCIAL DATA.

As a smaller reporting company, we are not required to provide this information.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical information, this discussion and analysis here and throughout this Annual Report on Form 10-K contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements, due to a number of factors, including but not limited to, risks described in the section entitled "Risk Factors."

Except where indicated, all share and per share data in this section, as well as the consolidated financial statements, reflect the 1-for-30 reverse split of our outstanding common stock effected on February 6, 2018, the 1-for-40 reverse split of our outstanding common stock effected on November 2, 2018 and the 1-for-45 reverse split of our common stock effective on January 7, 2019 (collectively, the "Reverse Splits"). We have reflected the Reverse Splits herein, unless otherwise indicated.

Overview of Our Business

We are an indoor intelligence company. Our business and government customers use our solutions to secure, digitize and optimize their indoor spaces with our positioning, mapping and analytics products. Our indoor intelligence platform uses sensor technology to detect accessible cellular, Wi-Fi, Bluetooth, ultra-wide band (UWB) and radio frequency identification (RFID) signals emitted from devices within a venue providing positional information similar to what global positioning system ("GPS") satellite systems provide for the outdoors. Combining this positional data with our dynamic and interactive mapping solution and a high-performance analytics engine, yields near real time insights to our customers providing them with visibility, security and business intelligence within their indoor spaces. Our highly configurable platform can also ingest data from our customers' and other third party sensors, Wi-Fi access points, Bluetooth beacons, video cameras, and big data sources, among others to maximize indoor intelligence. We also offer digital tear-sheets with optional invoice integration, digital ad delivery, and an e-edition designed for reader engagement for the media, publishing and entertainment industry.

Effective August 31, 2018, the Company completed a spin-off of its then wholly owned subsidiary Sysorex, Inc. and the associated infrastructure business and it is no longer a part of our reporting in the current year. For prior years' the consolidated financial data, revenue and expense of Sysorex's infrastructure business are shown as discontinued operations. Our Indoor Intelligence products secure, digitize and optimize the interior of any premises with indoor positioning and data analytics that provide rich positional information, similar to a global positioning system, and browser-like intelligence for the indoors.

Revenues increased in the year ended December 31, 2019 over the same period in 2018 by approximately 68% because of an increase in our Indoor Intelligence revenues resulting from an increased focus on the Indoor Intelligence product line following the spin-off, the completion of certain acquisitions in 2019 and the addition of a new customer that accounted for approximately 42% of our revenues for the year ended December 31, 2019. We expect to continue to grow our Indoor Intelligence product line in 2020. The Indoor Intelligence product line does have long sales cycles, which result from customer-related issues such as budget and procurement processes but also because of the early stages of indoor-positioning technology and the learning curve required for customers to implement such solutions. Customers also often engage in a pilot program first which prolongs sales cycles and is typical of most emerging technology adoption curves. We anticipate sales cycles to improve in 2020 as our customer base moves from early adopters to mainstream customers. The sales cycle is also improving with the increased presence and awareness of beacon and Wi-Fi locationing technologies in the market. Indoor Intelligence sales can be licensed-based with government customers but commercial customers typically prefer a SaaS or subscription model. Our other digital solutions are also delivered on a SaaS model and allow us to generate industry analytics that complement our indoor-positioning solutions.

We experienced a net loss of approximately $34.0 million and $24.6 million for the years ended December 31, 2019 and 2018, respectively. We cannot assure that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. In order to continue our operations, we have supplemented the revenues we earned with proceeds from the sale of our equity and debt securities and proceeds from loans and bank credit lines. Furthermore, except for our Payplant facility, we have no committed source of financing and we cannot assure that we will be able to raise money as and when we need it to continue our operations. If we cannot raise funds as and when we need them, we may be required to scale back our business operations by reducing expenditures for employees, consultants, business development and marketing efforts, selling assets or one or more products in our business, or otherwise severely curtailing our operations.

Recent Events

Reverse Stock Split

On January 7, 2020, we effected a 1-for-45 reverse split of our outstanding common stock.

Sysorex Loan Transaction

On December 31, 2018, the Company and Sysorex entered into a note purchase agreement, as amended (the "Note Purchase Agreement"), pursuant to which the Company agreed to purchase from Sysorex at a purchase price equal to the Loan Amount (as defined below), a secured promissory note, as amended (the "Secured Note"), for up to an aggregate principal amount of $3 million which amount was increased to an aggregate of $10 million as described below (the "Principal Amount"), including any amounts advanced through the date of the Secured Note (the "Prior Advances"), to be borrowed and disbursed in increments (such borrowed amount, together with the Prior Advances, collectively referred to as the "Loan Amount"), with interest to accrue at a rate of 10% percent per annum on all such Loan Amounts, beginning as of the date of disbursement with respect to any portion of such Loan Amount. In addition, Sysorex agreed to pay $20,000 to the Company to cover the Company's legal fees, accounting costs, due diligence, monitoring and other transaction costs incurred in connection with the purchase and sale of the Secured Note (the "Transaction Expense Amount"), all of which amount is included in the Principal Amount. Sysorex may borrow repay and borrow under the Secured Note, as needed, for a total outstanding balance, exclusive of any unpaid accrued interest, not to exceed the Principal Amount at any one time.

All sums advanced by the Company to the Maturity Date (as defined below) pursuant to the terms of the Note Purchase Agreement are part of the aggregate Loan Amount underlying the Secured Note. All outstanding principal amounts and accrued unpaid interest owing under the Secured Note is due and payable on the earlier to occur of (i) December 31, 2022 (the "Maturity Date"), (ii) at such date when declared due and payable by the Company upon the occurrence of an Event of Default (as defined in the Secured Note), or (iii) at any such earlier date as set forth in the Secured Note. All accrued unpaid interest shall be payable in cash. On February 4, 2019, April 2, 2019, and May 22, 2019, the Secured Note was amended to increase the Principal Amount that may be outstanding at any time from $3 million to $5 million, $5 million to $8 million and $8 million to $10 million, respectively. On March 1, 2020, the Secured Note was amended to extend the maturity date from December 31, 2020 to December 31, 2022 as noted above. In addition, the default interest rate was increased from 18% to 21% or the maximum rate allowable by law and a cash payment to the Company by Sysorex against the Loan Amount in an amount equal to no less than 6% of the aggregate gross proceeds raised following the completion of any financing, or series of related financings, in which Sysorex raises aggregate gross proceeds of at least $5 million.

The amount owed for principal and accrued interest by Sysorex to the Company as of December 31, 2018 and December 31, 2019 was approximately $2.2 million and $10.6 million, respectively. The Secured Note has been classified as "held for sale" and the Company, with the assistance of a third-party valuation firm, estimated the fair value of such using Sysorex financial projections, a discounted cash flow model and a 12.3% discount rate. As a result, the Company established a full valuation allowance as of December 31, 2019. We are required to periodically re-evaluate the carrying value of the note and the related valuation allowance based on various factors, including, but not limited to, Sysorex's performance and collectability of the note. Sysorex's performance against those financial projections will directly impact future assessments of the fair value of the note.

January 2019 Capital Raise

On January 15, 2019, in a rights offering, we issued and sold an aggregate of 12,000 units consisting of an aggregate of 12,000 shares of Series 5 Convertible Preferred Stock and 80,000 warrants to purchase common stock exercisable for one share of common stock at an exercise price of $149.85 per share in accordance with the terms and conditions of a warrant agency agreement, resulting in gross proceeds to the Company of approximately $12 million, and net proceeds of approximately $10.77 million after deducting expenses relating to dealer-manager fees and expenses, and excluding any proceeds received upon exercise of any warrants.

Following the rights offering, the conversion price of the Series 4 Convertible Preferred Stock was reduced to the floor price of $223.20, the exercise price of the warrants issued in the April 2018 public offering were also reduced to the floor price of $223.20 and the number of shares issuable upon exercise of such warrants was increased to 61,562 shares of common stock. The maximum deemed dividend under the Series 4 Convertible Preferred Stock has been recognized so there is no accounting effect from the conversion price reduction of the Series 4 Convertible Preferred Stock. However, the Company recorded a $1.3 million deemed dividend for the reduction to the exercise price of the April 2018 warrants. As of December 31, 2019, there were 126 shares of Series 5 Convertible Preferred Stock outstanding.

Atlas Technology Settlement

On February 20, 2019, the Company, Sysorex and Atlas Technology Group, LLC (“Atlas”) entered into a settlement agreement (the “Settlement Agreement”) in connection with the satisfaction of an arbitration award granted to Atlas in an aggregate amount of $1,156,840 plus pre-judgment interest equal to an aggregate of $59,955 (the “Award”) arising out of an engagement agreement, dated September 8, 2016, by and between Atlas and the Company as well as its subsidiaries, including the predecessor to Sysorex (the “Engagement Agreement”). Pursuant to the Settlement Agreement, Atlas agreed to (a) reduce the Award by $275,000 resulting in a net award of $941,796 (the “Net Award”) and (b) accept an aggregate of 16,655 shares of freely-tradable common stock of the Company (the “Settlement Shares”), in full satisfaction of the Award. Atlas also agreed to apply an amount equal to the difference between the proceeds received from the sale of the Settlement Shares and the Net Award, against legal fees incurred by the Company and Sysorex in connection with the Settlement Agreement.

In connection with the Spin-off, pursuant to the terms and conditions of that certain Separation and Distribution Agreement, dated August 7, 2018, 50% of the costs and liabilities related to the arbitration action arising from the Engagement Agreement are required to be shared by Sysorex.

Locality Acquisition

On May 21, 2019, Inpixon, through its wholly owned subsidiary, Inpixon Canada as purchaser, completed its acquisition of Locality in which Locality’s stockholders sold all of the outstanding capital stock of Locality to the purchaser in exchange for consideration of (i) $1,500,000 (the “Aggregate Cash Consideration”) plus or minus the amount by which the estimated working capital is more or less than the working capital target (as defined in the purchase agreement), and (ii) 14,444 shares of common stock of Inpixon.

The Aggregate Cash Consideration, less the working capital adjustment to be applied against the Aggregate Cash Consideration of $85,923, will be paid in installments as follows: (i) the initial installment representing $250,000 minus $46,422 of the working capital adjustment was paid on the closing date; (ii) $210,499 was paid on November 21, 2019 which is comprised of a $250,000 installment less $39,501 of the working capital adjustment; (iii) two additional installments, each equal to $250,000, will be paid twelve months and eighteen months after the closing date; and (iv) one final installment representing $500,000 will be paid on the second anniversary of the closing date, in each case minus the cash fees payable to the advisor in connection with the acquisition. Inpixon Canada will have the right to offset any loss, as defined in the purchase agreement, first, against any installment of the installment cash consideration that has not been paid and second, against the sellers and the advisor on a several basis, in accordance with the indemnification provisions of the purchase agreement.

The total recorded purchase price for the transaction was approximately $1,928,000, which consisted of cash at closing of $204,000, approximately $1,210,000 of cash that will be paid in installments as discussed above and $514,000 representing the value of the stock issued upon closing.

GTX Acquisition

On June 27, 2019, Inpixon completed its acquisition of certain assets of GTX, consisting of a portfolio of GPS technologies and intellectual property (the "Assets"). The Assets were acquired for aggregate consideration consisting of (i) $250,000 in cash delivered at the closing and (ii) 22,223 shares of Inpixon's restricted common stock. The total recorded purchase price for the transaction was $900,000, which consisted of the cash paid of $250,000 and $650,000 representing the value of the stock issued upon closing.

Promissory Notes

During the year ended December 31, 2019, the Company issued an aggregate of 92,831 shares of the Company's common stock to the holder (the "Note Holder") of an unsecured promissory note originally issued on October 12, 2018 (the "October 2018 Note") in exchange for the full satisfaction of an aggregate of $2.73 million of the outstanding principal and interest due under the October 2018 Note at a price per share between $22.95 and $40.45. In each case, the shares of common stock were issued at a price per share equal to or greater than the Minimum Price as defined by the Nasdaq Listing Rules.

On December 21, 2018, the Company entered into a note purchase agreement with an institutional investor and affiliate of the Note Holder (the "Affiliated Note Holder"), pursuant to which the Company agreed to issue and sell to the Affiliated Note Holder an unsecured promissory note (the "December 2018 Note") in an aggregate principal amount of $1.895 million (the "December Note Initial Principal Amount"), for an aggregate purchase price equal to $1.5 million which was payable on or before the date that was 10 months from the issuance date. The December Note Initial Principal Amount included an original issue discount of $375,000 and $20,000 that the Company agreed to pay to the Affiliated Note Holder to cover the Affiliated Note Holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. Subsequently, the December Note Initial Principal Amount was increased in connection with certain amendments. Interest on the December 2018 Note accrued at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the December 2018 Note.

During the year ended December 31, 2019, the Company issued an aggregate of 707,071 shares of the Company's common stock to the Affiliated Note Holder in exchange for the full satisfaction of an aggregate of $2.112 million of the outstanding principal and interest due under the December 2018 Note at a price per share between $1.80 and $4.95. In each case, the shares of common stock were issued at a price per share equal to or greater than the Minimum Price as defined by the Nasdaq Listing Rules.

The outstanding balance of the December 2018 Note was approximately $217,516 as of December 31, 2019 and approximately $220,374 as of February 16, 2020.

On May 3, 2019, we issued a promissory note (the "May 2019 Note") to the Note Holder, in the initial principal amount of $3.77 million, payable on or before the date that is 10 months from the issuance date for an aggregate purchase price equal to $3.0 million. The initial principal amount includes an original issue discount of $750,000 and $20,000 that we agreed to pay the Note Holder to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. As of December 31, 2019, the outstanding balance of the note was approximately $1.95 million. During the year ended December 31, 2019, the Company issued an aggregate of 738,889 shares of the Company's common stock to the Note Holder in exchange for the satisfaction of an aggregate of $2.076 million of the outstanding principal and interest due under the May 2019 Note at a price per share between $1.80 and $3.51. Subsequent to the period covered by this report, the Company issued an aggregate of 524,140 shares of common stock to the Note Holder in exchange for the full satisfaction of the outstanding balance of the May 2019 Note, including principal and interest at a price per share between $3.65 and $4.05. In each case, the shares of common stock were issued at a price per share equal to or greater than the Minimum Price as defined by the Nasdaq Listing Rules.

On June 27, 2019, we issued a second promissory note (the "June 2019 Note") to the Note Holder in the initial principal amount of $1.895 million, which is payable on or before the date that is 9 months from the issuance date. The initial principal amount includes an original issue discount of $375,000 and $20,000 that we agreed to pay to the Note Holder to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the note, the Note Holder paid an aggregate purchase price of $1.5 million. Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. Pursuant to the terms of the note purchase agreement entered into in connection with the issuance of the note, the Company agreed to make a cash payment immediately following the completion of any offering of its equity securities in the following amounts: (a) twenty-five percent (25%) of the outstanding balance of the June 2019 Note if the Company receives net proceeds equal to $2,500,000.00 or less; (b) fifty percent (50%) of the outstanding balance of the June 2019 Note if the Company receives net proceeds of more than $2.5 million but less than $5.0 million; and (c) one hundred percent (100%) of the outstanding balance of the June 2019 Note if the Company receives net proceeds equal to $5.0 million or more. In August 2019, the June 2019 Note was amended to defer the effectiveness of the repayment provision in the event of a financing to December 27, 2019. We have requested that the Note Holder waive such repayment. As of December 31, 2019, the outstanding balance of the June 2019 was approximately $2,195,568. Subsequent to the period covered by this report, the Company issued an aggregate of 290,000 shares of common stock to the Note Holder in exchange for the satisfaction of $840,290 of outstanding principal and accrued interest under the June 2019 Note at a price per share between $2.80 and $3.046. In each case, the shares of common stock were issued at a price per share equal to or greater than the Minimum Price as defined by the Nasdaq Listing Rules.

On August 8, 2019, we issued a third promissory note to the Note Holder in the initial principal amount of $1.895 million, which is payable on or before the date that is 9 months from the issuance date. The initial principal amount includes an original issue discount of $375,000 and $20,000 that we agreed to pay to the Note Holder to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the note, the Note Holder paid an aggregate purchase price of $1.5 million. Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. As of December 31, 2019, the outstanding balance of the note was approximately $1,972,873.

On September 17, 2019, we issued a second promissory note to the Affiliated Note Holder in the initial principal amount of $952,500, which is payable on or before the date that is 9 months from the issuance date. The initial principal amount includes an original issue discount of $187,500 and $15,000 that we agreed to pay to the Affiliated Note Holder to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the note, the paid an aggregate purchase price of $750,000. Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. Under the terms of the note, since it was still outstanding on December 17, 2019, a one-time monitoring fee equal to ten percent (10%) of the then outstanding balance, or $97,661, was added to the note. As of December 31 2019, the outstanding balance of the note was approximately $1,078,728.

On November 22, 2019, we issued a promissory note to an affiliate of the Note Holder and Affiliated Note Holder, in the initial principal amount of $952,500, which is payable on or before the date that is 6 months from the issuance date, subject to extension in accordance with the terms of the note. The initial principal amount includes an original issue discount of $187,500 and $15,000 that we agreed to pay to this note holder to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the note, St. George paid an aggregate purchase price of $750,000. Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. As of December 31 2019, the outstanding balance of the note was approximately $962,873. Under the terms of the note, since it was still outstanding on February 22, 2020, a one-time monitoring fee equal to ten percent (10%) of the then-current outstanding balance, or approximately $97,688, was added to the note.

Jibestream Acquisition

On August 15, 2019, Inpixon, through its wholly owned subsidiary, Inpixon Canada as purchaser (the "Purchaser"), completed its acquisition of Jibestream for consideration consisting of: (i) CAD $5,000,000, plus an amount equal to all cash and cash equivalents held by Jibestream at the closing, minus, if a negative number, the absolute value of the Estimated Working Capital Adjustment (as defined in the acquisition agreement), minus any amounts loaned by the Purchaser to Jibestream to settle any Indebtedness (as defined in the Purchase Agreement) or other fees, minus any cash payments to the holders of outstanding options to settle any in-the-money options, minus the deferred revenue costs of CAD $150,000, and minus the costs associated with the audit and review of the financial statements of Jibestream required by the Purchase Agreement (collectively, the "Estimated Cash Closing Amount"); plus (ii) 176,289 shares of the Company's common stock which was equal to CAD $3,000,000 converted to U.S. dollars based on the exchange rate at the time of the closing, divided by $12.4875 which was the price per share at which shares of the Company's common stock were issued in the Company's public offering on August 12, 2019 ("Inpixon Shares").

The Nasdaq listing rules required the Company to obtain stockholder approval for the issuance of 63,645 of the Inpixon Shares (the "Excess Shares"), which was obtained on October 31, 2019 and the shares were issued on November 5, 2019. A number of Inpixon Shares representing fifteen percent (15%) of the value of the Purchase Price (as defined in the Purchase Agreement) (the "Holdback Amount") will be subject to stop transfer restrictions and forfeiture to secure the indemnification and other obligations of the Vendors in favor of the Company arising out of or pursuant to Article VIII of the Purchase Agreement and, at the option of the Company, to secure the obligation of the Vendors' to pay any adjustment to the Purchase Price pursuant to Section 2.5 of the Purchase Agreement.

The total recorded purchase price for the transaction was approximately $5,062,000, which consisted of cash at closing of approximately $3,714,000 and $1,348,000 representing the value of the stock issued upon closing determined based on the closing price of the Company's common stock as of the closing date on August 15, 2019. Subsequently, the Company agreed not to enforce any right of setoff resulting from a Working Capital Adjustment as defined above.

August 2019 Financing

On August 12, 2019, the Company sold an aggregate of (i) 144,387 shares of our common stock, (ii) 2,997 shares of our Series 6 Convertible Preferred Stock, with a stated value $1,000 per share, convertible into shares of our common stock (the "Series 6 Preferred Stock"), and (iii) Series A warrants to purchase up to an aggregate of 384,387 shares of common stock at an exercise price per share of $12.4875, resulting in gross proceeds to the Company of approximately $4.8 million, and net proceeds of approximately $4 million after deducting the underwriting discounts and offering expenses. As of December 31, 2019, there were 0 shares of Series 6 Convertible Preferred Stock outstanding.

At-The-Market Program

During the year ended December 31, 2019 under an at-the-market ("ATM") program, we sold an aggregate of 1,470,900 shares of common stock, at a weighted average price of approximately $4.42 per share resulting in gross proceeds of approximately $6.5 million and net proceeds of approximately $5.9 million to us after deduction of sales commissions equal to 4.5% of the gross sales and other offering expenses.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). In connection with the preparation of our consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 of the audited consolidated financial statements for the years ended December 31, 2019 and 2018 which are included elsewhere in this Annual Report on Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. There have been no changes to estimates during the periods presented in the filing. Historically changes in management estimates have not been material.

Revenue Recognition

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-08, "Revenue from Contracts with Customers - Principal versus Agent Considerations", in April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing" and in May 9, 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606)", or ASU 2016-12. This update provides clarifying guidance regarding the application of ASU No. 2014-09 - Revenue From Contracts with Customers (Topic 606), ("ASU 2014-09"). These new standards provide for a single, principles-based model for revenue recognition that replaces the existing revenue recognition guidance. In July 2015, the FASB deferred the effective date of ASU 2014-09 until annual and interim periods beginning on or after December 15, 2017 and has replaced most existing revenue recognition guidance under GAAP. ASU 2016-12 may be applied retrospectively to historical periods presented or as a cumulative-effect adjustment as of the date of adoption. We have adopted ASU 2016-12 using a modified retrospective approach and will be applied prospectively in our financial statements from January 1, 2018 forward. Revenues under ASU 2016-12 are required to be recognized either at a "point in time" or "over time", depending on the facts and circumstances of the arrangement, and will be evaluated using a five-step model. The adoption of Topic 606 did not have a material impact on our consolidated financial statements, neither at initial implementation nor will it have a material impact on an ongoing basis.

Software As A Service Revenue Recognition

With respect to sales of our maintenance, consulting and other service agreements including our digital advertising and electronic services, customers pay fixed monthly fees in exchange for the Company's service. The Company's performance obligation is satisfied over time as the digital advertising and electronic services are provided continuously throughout the service period. The Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous access to its service.

Design and Implementation Revenue Recognition

Design and implementation revenue is accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the consolidated statement of operations in proportion to the stage of completion of the contract. Contract costs are expensed as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract.

Professional Services Revenue Recognition

The Company's professional services include fixed fee and time and materials contracts. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts including maintenance service provided by in house personnel, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the years ended December 31, 2019 and 2018, the Company did not incur any such losses. These amounts are based on known and estimated factors.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by our customers. We record a receivable when revenue is recognized prior to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately $912,000 and $234,000 as of December 31, 2019 and 2018, respectively, related to cash received in advance for product maintenance services and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for these maintenance services and professional services, and recognize the deferred revenue and related contract costs over the next twelve months.

Long-lived Assets

We account for our long-lived assets in accordance with Accounting Standards Codification ("ASC") 360, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("ASC 360"), which requires that long-lived assets be evaluated whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. Some of the events or changes in circumstances that would trigger an impairment test include, but are not limited to:

- significant under-performance relative to expected and/or historical results (negative comparable sales growth or operating cash flows for two consecutive years);
- significant negative industry or economic trends;
- knowledge of transactions involving the sale of similar property at amounts below our carrying value; or
- our expectation to dispose of long-lived assets before the end of their estimated useful lives, even though the assets do not meet the criteria to be classified as "held for sale."

Long-lived assets are grouped for recognition and measurement of impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. The impairment test for long-lived assets requires us to assess the recoverability of our long-lived assets by comparing their net carrying value to the sum of undiscounted estimated future cash flows directly associated with and arising from our use and eventual disposition of the assets. If the net carrying value of a group of long-lived assets exceeds the sum of related undiscounted estimated future cash flows, we would be required to record an impairment charge equal to the excess, if any, of net carrying value over fair value.

When assessing the recoverability of our long-lived assets, which include property and equipment and finite-lived intangible assets, we make assumptions regarding estimated future cash flows and other factors. Some of these assumptions involve a high degree of judgment and also bear a significant impact on the assessment conclusions. Included among these assumptions are estimating undiscounted future cash flows, including the projection of comparable sales, operating expenses, capital requirements for maintaining property and equipment and residual value of asset groups. We formulate estimates from historical experience and assumptions of future performance, based on business plans and forecasts, recent economic and business trends, and competitive conditions. In the event that our estimates or related assumptions change in the future, we may be required to record an impairment charge. Based on our evaluation we did not record a charge for impairment for the years ended December 31, 2019 and 2018.

The benefits to be derived from our acquired intangibles, will take additional financial resources to continue the development of our technology. Management believes our technology has significant long-term profit potential, and to date, management continues to allocate existing resources to the develop products and services to seek returns on its investment. We continue to seek additional resources, through both capital raising efforts and meeting with industry experts, as part of our continued efforts. Although there can be no assurance that these efforts will be successful, we intend to allocate financial and personnel resources when deemed possible and/or necessary. If we choose to abandon these efforts, or if we determine that such funding is not available, the related development of our technology (resulting in our lack of ability to expand our business), may be subject to significant impairment.

As described previously, we continue to experience weakness in market conditions, a depressed stock price, and challenges in executing our business plans. The Company will continue to monitor these uncertainties in future periods, to determine the impact.

We evaluate the remaining useful lives of long-lived assets and identifiable intangible assets whenever events or circumstances indicate that a revision to the remaining period of amortization is warranted. Such events or circumstances may include (but are not limited to): the effects of obsolescence, demand, competition, and/or other economic factors including the stability of the industry in which we operate, known technological advances, legislative actions, or changes in the regulatory environment. If the estimated remaining useful lives change, the remaining carrying amount of the long-lived assets and identifiable intangible assets would be amortized prospectively over that revised remaining useful life. We have determined that there were no events or circumstances during the years ended December 31, 2019 and 2018, which would indicate a revision to the remaining amortization period related to any of our long-lived assets. Accordingly, we believe that the current estimated useful lives of long-lived assets reflect the period over which they are expected to contribute to future cash flows and are therefore deemed appropriate.

Goodwill and Indefinite-lived Assets

We have recorded goodwill and other indefinite-lived assets in connection with our acquisitions of Shoom, Locality and Jibestream. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of the acquired company, is not amortized. Indefinite-lived intangible assets are stated at fair value as of the date acquired in a business combination. The recoverability of goodwill is evaluated at least annually and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

We analyze goodwill first to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a detailed goodwill impairment test as required. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The Company has determined that the reporting unit is the entire company, due to the integration of the Company's activities.

Events and circumstances for an entity to consider in conducting the qualitative assessment are:

- Macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets.
- Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for an entity's products or services, or a regulatory or political development.
- Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows.
- Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

- Other relevant entity-specific events such as changes in management, key personnel, strategy, or customers, contemplation of bankruptcy, or litigation.

- Events affecting a reporting unit such as a change in the composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

- If applicable, a sustained decrease in share price (considered in both absolute terms and relative to peers).

Impairment of Long-Lived Assets Subject to Amortization

We amortize intangible assets with finite lives over their estimated useful lives and review them for impairment whenever an impairment indicator exists. We continually monitor events and changes in circumstances that could indicate carrying amounts of our long-lived assets, including our intangible assets, may not be recoverable. When such events or changes in circumstances occur, we assess recoverability by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. We did not recognize any intangible asset impairment charges for the year ended December 31, 2019.

Deferred Income Taxes

In accordance with ASC 740 "Income Taxes" ("ASC 740"), management routinely evaluates the likelihood of the realization of its income tax benefits and the recognition of its deferred tax assets. In evaluating the need for any valuation allowance, management will assess whether it is more likely than not that some portion, or all, of the deferred tax asset may not be realized on a jurisdictional basis. Ultimately, the realization of deferred tax assets is dependent upon the generation of future taxable income during those periods in which temporary differences become deductible and/or tax credits and tax loss carry-forwards can be utilized. In performing its analyses, management considers both positive and negative evidence including historical financial performance, previous earnings patterns, future earnings forecasts, tax planning strategies, economic and business trends and the potential realization of net operating loss carry-forwards within a reasonable timeframe. To this end, management considered (i) that we have had historical losses in the prior years and cannot anticipate generating a sufficient level of future profits in order to realize the benefits of our deferred tax asset; (ii) tax planning strategies; and (iii) the adequacy of future income as of and for the year ended December 31, 2019, based upon certain economic conditions and historical losses through December 31, 2019. After consideration of these factors, management deemed it appropriate to establish a full valuation allowance with respect to the deferred tax assets for Inpixon and Inpixon Canada.

A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax filings that do not meet these recognition and measurement standards. As of December 31, 2019 and 2018, no liability for unrecognized tax benefits was required to be reported. The guidance also discusses the classification of related interest and penalties on income taxes. The Company's policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. No interest or penalties were recorded during the years ended December 31, 2019 and 2018.

Allowance for Doubtful Accounts

We maintain our reserves for credit losses at a level believed by management to be adequate to absorb potential losses inherent in the respective balances. We assign an internal credit quality rating to all new customers and update these ratings regularly, but no less than annually. Management's determination of the adequacy of the reserve for credit losses for our accounts and notes receivable is based on the age of the receivable balance, the customer's credit quality rating, an evaluation of historical credit losses, current economic conditions, and other relevant factors.

As of December 31, 2019 and December 31, 2018, reserves for credit losses included a reserve for doubtful accounts of approximately $646,000 and $464,000, respectively, due to the aging of the items greater than 90 days outstanding and other potential non-collections.

Business Combinations

We account for business combinations using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. Any changes in the estimated fair values of the net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will change the amount of the purchase price allocable to goodwill. Any subsequent changes to any purchase price allocations that are material to our consolidated financial results will be adjusted. All acquisition costs are expensed as incurred and in-process research and development costs are recorded at fair value as an indefinite-lived intangible asset and assessed for impairment thereafter until completion, at which point the asset is amortized over its expected useful life. Separately recognized transactions associated with business combinations are generally expensed subsequent to the acquisition date. The application of business combination and impairment accounting requires the use of significant estimates and assumptions.

Upon acquisition, the accounts and results of operations are consolidated as of and subsequent to the acquisition date and are included in our Consolidated Financial Statements from the acquisition date.

Stock-Based Compensation

We account for equity instruments issued to non-employees in accordance with accounting guidance, which requires that such equity instruments are recorded at their fair value on the measurement date, which is typically the date the services are performed.

We account for equity instruments issued to employees in accordance with accounting guidance that requires that awards are recorded at their fair value on the date of grant and are amortized over the vesting period of the award. We recognize compensation costs over the requisite service period of the award, which is generally the vesting term of the equity instrument issued.

The Black-Scholes option valuation model is used to estimate the fair value of the options or the equivalent security granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the average of historical volatilities for industry peers.

The principal assumptions used in applying the Black-Scholes model along with the results from the model were as follows:

	For the Years Ended December 31,	
	2019	**2018**
Risk-free interest rate	1.77-2.66%	2.79-3.01%
Expected life of option grants	7 years	5-6 years
Expected volatility of underlying stock	49.48-106.16%	45.64-46.18%
Dividends assumption	$ --	$ --

During the year ended December 31, 2019 and 2018, the Company recorded a charge of $3,247,000 and $949,000, respectively, for the amortization of employee stock options.

Results of Operations

Year Ended December 31, 2019 compared to the Year Ended December 31, 2018

The following table sets forth selected consolidated financial data as a percentage of our revenue and the percentage of period-over-period change:

	For the Years Ended				
	December 31, 2019		December 31, 2018		
(in thousands, except percentages)	Amount	% of Revenues	Amount	% of Revenues	% Change*
Revenues	$ 6,301	100%	$ 3,756	100%	68%
Cost of revenues	$ 1,609	26%	$ 1,076	29%	50%
Gross profit	$ 4,692	74%	$ 2,680	71%	75%
Operating expenses	$ 25,502	405%	$ 21,082	561%	21%
Loss from operations	$ (20,810)	(330)%	$ (18,402)	(490)%	13%
Net loss	$ (33,982)	(539)%	$ (24,561)	(654)%	38%
Net loss attributable to stockholders of Inpixon	$ (33,991)	(539)%	$ (24,572)	(654)%	38%

* Amounts used to calculate dollar and percentage changes are based on numbers in the thousands. Accordingly, calculations in this item, which may be rounded to the nearest hundred thousand, may not produce the same results.

Revenues

Revenues for the year ended December 31, 2019 were $6.3 million compared to $3.8 million for the comparable period in the prior year for an increase of $2.5 million, or approximately 68%. Revenues increased from the comparable period due to an increase in our IPA product and services revenues and by approximately $750,000 of mapping product revenue.

Our revenues for the year ended December 31, 2019 include our IPA and other product lines that remain following the spin-off. Such revenues do not include the revenues of our historical infrastructure business, as such business was part of the spin-off of Sysorex.

Cost of Revenues

Cost of revenues for the year ended December 31, 2019 were $1.6 million compared to $1.1 million for the comparable period in the prior year. This increase of $533,000, or approximately 50%, was primarily attributable the increase in IPA revenue and revenues from the Jibestream acquisition during the year ended December 31, 2019.

The gross profit margin for the year ended December 31, 2019 was 74% compared to 71% for the year ended December 31, 2018. This increase in margin is primarily due to the sales mix of products and services sold during the year ended December 31, 2019.

Operating Expenses

Operating expenses for the year ended December 31, 2019 were $25.5 million and $21.1 million for the comparable period ended December 31, 2018. This increase of $4.4 million is primarily attributable to $1.2 million of higher acquisition costs, approximately $1.2 million of Jibestream's operating expenses, approximately $2.0 million of higher stock based compensation expense offset by $690,000 of deconsolidation costs of the Sysorex entities that was incurred in the year ended December 31, 2018.

Loss From Operations

Loss from operations for the year ended December 31, 2019 was $20.8 million as compared to $18.4 million for the comparable period in the prior year. This increase of $2.4 million was primarily attributable to the higher operating expenses during the year ended December 31, 2019 as discussed in the reporting caption above.

Other Income/Expense

Other income/expense for the year ended December 31, 2019 was a loss of $13.8 million compared to a loss of $1.4 million for the comparable period in the prior year. This increase in loss of $12.4 million is primarily attributable to a $10.6 million fair value adjustment related to the uncertainty of being repaid in connection with that certain note receivable from Sysorex, which has been classified as "held for sale" and for which the Company has established a full valuation allowance, the interest income from a related party note offset by an increase in interest expense and debt discount on promissory notes in the year ended December 31, 2019. The need for future fair value adjustments in connection with our note receivable from Sysorex will be dependent on Sysorex's performance vis-à-vis its current financial projections.

Provision for Income Taxes

There was an income tax benefit of $584,000 for the year ended December 31, 2019 related to the acquisition of intangibles and net operating losses of Locality and Jibestream. There was no provision for income taxes for the year ended December 31, 2018 as the Company was in a net taxable loss position. Deferred tax assets resulting from such losses are fully reserved as of December 31, 2019 and 2018 for Inpixon and Inpixon Canada since, at present, the Company has no history of taxable income and it is more likely than not that such assets will not be realized.

Net Gain Attributable To Non-Controlling Interest

Net gain attributable to non-controlling interest for the years ended December 31, 2019 and 2018 was $9,000 and $11,000, respectively.

Net Loss Attributable To Stockholders of Inpixon

Net loss attributable to stockholders for the year ended December 31, 2019 was $34.0 million compared to $24.6 million for the comparable period in the prior year. This increase in loss of $9.4 million was primarily attributable to the $10.6 million fair value adjustment related to the uncertainty of being repaid in connection with that certain note receivable from Sysorex, which has been classified as "held for sale" and for which the Company has established a full valuation allowance, higher operating and interest expense offset by higher margin IPA revenue during the year ended December 31, 2019.

Non-GAAP Financial information

EBITDA

EBITDA is defined as net income (loss) before interest, provision for (benefit from) income taxes, and depreciation and amortization. Adjusted EBITDA is used by our management as the matrix in which it manages the business. It is defined as EBITDA plus adjustments for other income or expense items, non-recurring items and non-cash stock-based compensation.

Adjusted EBITDA for the year ended December 31, 2019 was a loss of $11.1 million compared to a loss of $15.0 million for the prior year period.

The following table presents a reconciliation of net income/loss attributable to stockholders of Inpixon, which is our GAAP operating performance measure, to Adjusted EBITDA for the years ended December 31, 2019 and 2018 (in thousands):

	For the Years Ended December 31,	
	2019	2018
Net loss attributable to common stockholders	$ (35,241)	$ (44,624)
Adjustments:		
Non-recurring one-time charges:		
Impairment of goodwill	--	636
Write off project expenses	--	726
Gain on earnout	--	(934)
Gain on the sale of Sysorex Arabia	--	(23)
Change in the fair value of derivative liability	--	(48)
Gain on the sale of contracts	--	(601)
Gain on the settlement of obligations	--	(307)
Provision for valuation allowance on held for sale loan	10,627	--
Loss on exchange of debt for equity	294	--
Settlement of litigation	6	559
Acquisition transaction/financing costs	1,277	108
Costs associated with public offering	50	327
Severance	161	15
Provision for doubtful accounts	558	(659)
Deemed dividend to preferred stockholders	--	6,407
Deemed dividend for triggering of warrant down round feature	1,250	13,645
Stock-based compensation - compensation and related benefits	3,489	1,494
Interest expense, net	2,277	2,044
Income tax benefit	(584)	--
Depreciation and amortization	4,752	6,186
Adjusted EBITDA	$ (11,084)	$ (15,049)

We rely on Adjusted EBITDA, which is a non-GAAP financial measure for the following:

- To review and assess the operating performance of our Company as permitted by Accounting Standards Codification Topic 280, Segment Reporting;
- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a basis for allocating resources to various projects;
- As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- To evaluate internally the performance of our personnel.

We have presented Adjusted EBITDA above because we believe it conveys useful information to investors regarding our operating results. We believe it provides an additional way for investors to view our operations, when considered with both our GAAP results and the reconciliation to net income (loss). By including this information, we can provide investors with a more complete understanding of our business. Specifically, we present Adjusted EBITDA as supplemental disclosure because of the following:

- We believe Adjusted EBITDA is a useful tool for investors to assess the operating performance of our business without the effect of interest, income taxes, depreciation and amortization and other non-cash items including stock based compensation, amortization of intangibles, change in the fair value of shares to be issued, change in the fair value of derivative liability, impairment of goodwill and one time charges including gain/loss on the settlement of obligations, severance costs, provision for doubtful accounts, acquisition costs and the costs associated with the public offering.

- We believe that it is useful to provide to investors with a standard operating metric used by management to evaluate our operating performance; and
- We believe that the use of Adjusted EBITDA is helpful to compare our results to other companies.

Even though we believe Adjusted EBITDA is useful for investors, it does have limitations as an analytical tool. Thus, we strongly urge investors not to consider this metric in isolation or as a substitute for net income (loss) and the other consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include the fact that:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect income or other taxes or the cash requirements to make any tax payments; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, thereby potentially limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of performance in compliance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and providing Adjusted EBITDA only as supplemental information.

Proforma Non-GAAP Net Loss per Share

Basic and diluted net loss per share for the year ended December 31, 2019 was ($47.52) compared to ($2,600.77) for the prior year period. The decreased loss per share in 2019 was attributable to the changes discussed in our results of operations.

Proforma non-GAAP net income (loss) per share is used by our Company's management as an evaluation tool as it manages the business and is defined as net income (loss) per basic and diluted share adjusted for non-cash items including stock based compensation, amortization of intangibles and one time charges including gain on the settlement of obligations, severance costs, provision for doubtful accounts, change in the fair value of shares to be issued, acquisition costs and the costs associated with the public offering.

Proforma non-GAAP net loss per basic and diluted common share for the year ended December 31, 2019 was ($18.75) compared to a loss of ($1,087.66) per share for the prior year period.

The following table presents a reconciliation of net loss per basic and diluted share, which is our GAAP operating performance measure, to proforma non-GAAP net loss per share for the periods reflected (in thousands, except per share data):

	For the Years Ended December 31,	
(thousands, except per share data)	2019	2018
Net loss attributable to common stockholders	$ (35,241)	$ (44,624)
Adjustments:		
Non-recurring one-time charges:		
Impairment of goodwill	--	636
Write off of project expenses	--	726
Gain on earnout	--	(934)
Gain on the sale of Sysorex Arabia	--	(23)
Change in the fair value of derivative liability	--	(48)
Gain on the sale of contracts	--	(601)
Gain on the settlement of obligations	--	(307)
Loss on the exchange of debt for equity	294	--
Provision for valuation allowance on held for sale loan	10,627	--
Settlement of litigation	6	559
Acquisition transaction/financing costs	1,277	108
Costs associated with public offering	50	327
Severance	161	15
Provision for doubtful accounts	558	(659)
Deemed dividend to preferred stockholders	--	6,407
Deemed dividend for triggering of warrant down round feature	1,250	13,645
Stock-based compensation - compensation and related benefits	3,489	1,494
Amortization of intangibles	3,629	4,617
Proforma non-GAAP net loss	$ (13,900)	$ (18,662)
Proforma non-GAAP net loss per basic and diluted common share	$ (18.75)	$ (1,087.66)
Weighted average basic and diluted common shares outstanding	741,530	17,158

We rely on proforma non-GAAP net loss per share, which is a non-GAAP financial measure:

- To review and assess the operating performance of our Company as permitted by Accounting Standards Codification Topic 280, Segment Reporting;
- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- To evaluate internally the performance of our personnel.

We have presented proforma non-GAAP net loss per share above because we believe it conveys useful information to investors regarding our operating results. We believe it provides an additional way for investors to view our operations, when considered with both our GAAP results and the reconciliation to net income (loss), and that by including this information we can provide investors with a more complete understanding of our business. Specifically, we present proforma non-GAAP net loss per share as supplemental disclosure because:

- We believe proforma non-GAAP net loss per share is a useful tool for investors to assess the operating performance of our business without the effect of non-cash items including stock based compensation, amortization of intangibles and one time charges including gain on the settlement of obligations, severance costs, provision for doubtful accounts, change in the fair value of shares to be issued, acquisition costs and the costs associated with the public offering.

- We believe that it is useful to provide to investors a standard operating metric used by management to evaluate our operating performance; and
- We believe that the use of proforma non-GAAP net loss per share is helpful to compare our results to other companies.

Liquidity and Capital Resources as of December 31, 2019

Our current capital resources and operating results as of and through December 31, 2019, consist of:

1) an overall working capital deficit of $7.0 million;

2) cash of $4.8 million;

3) the Payplant credit facility which we may borrow against based on eligible assets of which approximately $150,000 is utilized; and

4) net cash used by operating activities for the year ended December 31, 2019 of $10.7 million.

The breakdown of our overall working capital deficit is as follows (in thousands):

Working Capital	Assets	Liabilities	Net
Cash and cash equivalents	$ 4,777	$ --	$ 4,777
Accounts receivable, net / accounts payable	1,108	2,383	(1,275)
Operating lease obligation	--	776	(776)
Prepaid licenses and maintenance contracts/deferred revenue	--	912	(912)
Notes and other receivables / Short-term debt	74	7,304	(7,230)
Other	806	2,365	(1,559)
Total	$ 6,765	$ 13,740	$ (6,975)

Net cash used in operating activities during the year ended December 31, 2019 of $10.7 million consists of net loss of $34.0 million offset by non-cash adjustments of approximately $21.6 million less net cash changes in operating assets and liabilities of approximately $1.7 million.

The Company's capital resources as of December 31, 2019, availability on the Payplant facility to finance purchase orders and invoices in an amount equal to 80% of the face value of purchase orders received and funds from higher margin business line expansion will not be sufficient to fund planned operations during the next twelve months from the date the financial statements are issued based on current projections. In addition, the Company is pursuing possible strategic transactions. Therefore, the Company may raise such additional capital as needed, through the issuance of equity, equity-linked or debt securities.

Going Concern and Management Plans

Our consolidated financial statements as of December 31, 2019 have been prepared under the assumption that we will continue as a going concern for the next twelve months from the date the financial statements are issued. Footnote 1 to the notes to our consolidated financial statements as of December 31, 2019 include language referring to our recurring and continuing losses from operations and expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Management's plans and assessment of the probability that such plans will mitigate and alleviate any substantial doubt about the Company's ability to continue as a going concern, is dependent upon the ability to obtain additional equity or debt financing, attain further operating efficiency, reduce expenditures, and, ultimately, to generate sufficient levels of revenue, which together represent the principal conditions that raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements as of December 31, 2019 do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and Capital Resources – Payplant

In accordance with the Payplant Loan and Security Agreement, dated as of August 14, 2017 (the "Loan Agreement"), the Loan Agreement allows the Company to request loans from the Lender (in the manner provided therein) with a term of no greater than 360 days in amounts that are equivalent to 80% of the face value of purchase orders received. The Lender is not obligated to make the requested loan, however, if the Lender agrees to make the requested loan, before the loan is made, the Company must provide Lender with (i) one or more promissory notes for the amount being loaned in favor of Lender, (ii) one or more guaranties executed in favor of Lender and (iii) other documents and evidence of the completion of such other matters as Lender may request. The principal amount of each loan shall accrue interest at a 30 day rate of 2% (the "Interest Rate"), calculated per day on the basis of a year of 360 days and, when combined with all fees that may be characterized as interest will not exceed the maximum rate allowed by law. Upon the occurrence and during the continuance of any event of default, interest shall accrue at a rate equal to the Interest Rate plus 0.42% per 30 days. All computations of interest shall be made on the basis of a year of 360 days. The promissory note is subject to the interest rates described in the Loan Agreement and is secured by the assets of the Company pursuant to the Loan Agreement and will be satisfied in accordance with the terms of the Payplant Client Agreement.

On August 31, 2018, in connection with the Spin-off, Inpixon, Sysorex, including its wholly owned subsidiary, and Payplant executed Amendment 1 to Payplant Client Agreement (the "Amendment"). Pursuant to the Amendment, Sysorex and SGS are no longer parties to the Payplant Client Agreement, originally entered into on August 14, 2017, and have been released from any and all obligations and liabilities arising under the Payplant Client Agreement, whether such obligations and liabilities were in existence prior to or on the date of the Amendment or arise after the date of the Amendment.

As of December 31, 2019, the principal amount outstanding under the Loan Agreement was $150,000.

Liquidity and Capital Resources as of December 31, 2019 Compared With December 31, 2018

The Company's net cash flows used in operating, investing and financing activities for the years ended December 31, 2019 and 2018 and certain balances as of the end of those periods are as follows (in thousands):

	For the Years Ended December 31,	
	2019	**2018**
Net cash provided by (used in) operating activities	$ (10,665)	$ (26,765)
Net cash used in investing activities	(5,108)	(1,429)
Net cash (used in) provided by financing activities	19,406	28,996
Effect of foreign exchange rate changes on cash	68	(5)
Net increase (decrease) in cash	$ 3,701	$ 797

	As of December 31, 2019	As of December 31, 2018
Cash and cash equivalents	$ 4,777	$ 1,008
Working capital (deficit)	$ (6,975)	$ (3,927)

Operating Activities for the year ended December 31, 2019

Net cash used in operating activities during the years ended December 31, 2019 was $10.7 million. The cash flows related to the year ended December 31, 2019 consisted of the following (in thousands):

Net loss	$	(33,982)
Non-cash income and expenses		21,602
Net change in operating assets and liabilities		1,715
Net cash used in operating activities	$	(10,665)

The non-cash income and expense of $21.6 million consisted primarily of the following (in thousands):

$ 4,756	Depreciation and amortization expenses (including amortization of intangibles) primarily attributable to the Shoom, AirPatrol, LightMiner, Locality, GTX, and Jibestream, which were acquired effective August 31, 2013, April 16, 2014, November 21, 2016, May 21, 2019, June 27, 2019, and August 15, 2019, respectively.
398	Amortization of right of use asset
66	Amortization of technology
3,489	Stock-based compensation expense attributable to warrants and options issued as part of Company operations and for the Jibestream acquisition
294	Loss on exchange of debt for equity
2,221	Amortization of debt discount
10,627	Provision for the valuation allowance held for sale loan
(584)	Income tax benefit
558	Provision for doubtful accounts
(223)	Other
$ 21,602	Total non-cash expenses

The net cash provided in the change in operating assets and liabilities aggregated $1.7 million and consisted primarily of the following (in thousands):

$ 46	Decrease in accounts receivable and other receivables
(85)	Increase in inventory, other current assets and other assets
1,189	Increase in accounts payable
1,072	Increase in accrued liabilities and other liabilities
(507)	Decrease in deferred revenue
$ 1,715	Net cash provided in the changes in operating assets and liabilities

Operating Activities for the year ended December 31, 2018

Net cash used in operating activities during the years ended December 31, 2018 was $26.8 million. The cash flows related to the year ended December 31, 2018 consisted of the following (in thousands):

Net loss	$	(24,561)
Non-cash income and expenses		7,041
Net change in operating assets and liabilities		(9,245)
Net cash used in operating activities	$	(26,765)

The non-cash income and expense of $7.0 million consisted primarily of the following (in thousands):

$ 6,186	Depreciation and amortization expenses (including amortization of intangibles) primarily attributable to the Shoom, AirPatrol, and LightMiner and operations, which were acquired effective August 31, 2013, April 16, 2014, and November 21, 2016, respectively and Lilien and Integrio operations through August 31, 2018, the date of the spin-off.
636	Impairment of goodwill
(48)	Change in the fair value of derivative liability
1,494	Stock-based compensation expense attributable to warrants and options issued as part of Company operations
(307)	Gain on settlement of obligations of vendor liabilities
703	Amortization of debt discount
(23)	Gain on the sale of Sysorex Arabia
(659)	Provision for doubtful accounts
(941)	Other
$ 7,041	Total non-cash expenses

The net use of cash in the change in operating assets and liabilities aggregated $9.2 million and consisted primarily of the following (in thousands):

$	744	Decrease in accounts receivable and other receivables
	(5)	Increase in prepaid licenses and maintenance contracts
	681	Decrease in inventory, other current assets and other assets
	(8,445)	Decrease in accounts payable
	(2,466)	Decrease in accrued liabilities and other liabilities
	246	Increase in deferred revenue
$	(9,245)	Net use of cash in the changes in operating assets and liabilities

Cash Flows from Investing Activities as of December 31, 2019 and 2018

Net cash flows used in investing activities during 2019 was $5.1 million compared to net cash flows used in investing activities during 2018 of $1.4 million. Cash flows related to investing activities during the year ended December 31, 2019 include $89,000 for the purchase of property and equipment, $927,000 investment in capitalized software, $250,000 for cash paid for the GTX asset acquisition, $204,000 for cash paid for the Locality acquisition, $70,000 of cash acquired in the Locality acquisition, $3.7 million for cash paid for the Jibestream acquisition, and $6,000 of cash acquired in the Jibestream acquisition. Cash flows related to investing activities during the year ended December 31, 2018 include $88,000 for the purchase of property and equipment, $804,000 investment in capitalized software, $175,000 for the investment in our IPA Pod technology, and $362,000 related to the deconsolidation activity.

Cash Flows from Financing Activities as of December 31, 2019 and 2018

Net cash flows provided by financing activities during the year ended December 31, 2019 was $19.4 million. Net cash flows provided by financing activities during the year ended December 31, 2018 was $29.0 million. During the year ended December 31, 2019, the Company received incoming cash flows of $20.7 million from the issuance of common stock, preferred stock and warrants, $1.8 million of repayments from a related party note, $7.5 million from promissory notes and $127,000 of net proceeds from a bank facility, offset by $10.3 million of loans to related party, $210,000 repayments of an acquisition liability, $141,000 loan to Jibestream, $50,000 loan to GTX, $31,000 of advances to a related party and $70,000 repayments of notes payable. During the year ended December 31, 2018, the Company received incoming cash flows of $29.0 million from the issuance of common stock, preferred stock and warrants, $1.0 million of repayments from a related party, $3.5 million from promissory notes offset by $3.2 million of loans to related party, $1.1 million of net repayments to the credit line and $181,000 repayments of notes payable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

Recently Issued Accounting Standards

For a discussion of recently issued accounting pronouncements, please see Note 2 to our financial statements, which are included in this report beginning on page F-1.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide this information.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INPIXON

INDEX TO FINANCIAL STATEMENTS

ANNUAL FINANCIAL INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

Inpixon and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Inpixon and Subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America**.**

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Marcum llp

Marcum llp

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

New York NY
March 3, 2020

INPIXON AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except number of shares and par value data)

	As of December 31, 2019	As of December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 4,777	$ 1,008
Accounts receivable, net	1,108	1,280
Notes and other receivables	74	4
Inventory	400	568
Prepaid assets and other current assets	406	496
Total Current Assets	6,765	3,356
Property and equipment, net	145	202
Operating lease right-of-use asset, net	1,585	--
Software development costs, net	1,544	1,690
Intangible assets, net	8,400	4,509
Goodwill	2,070	--
Loan to related party – held for sale	--	2,204
Receivable from related party	616	--
Other assets	94	217
Total Assets	$ 21,219	$ 12,178

The accompanying notes are an integral part of these financial statements

INPIXON AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands, except number of shares and par value data)

	As of December 31, 2019	As of December 31, 2018
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 2,383	$ 1,129
Accrued liabilities	1,863	1,793
Operating lease obligation	776	--
Deferred revenue	912	234
Short-term debt	7,304	4,127
Acquisition liability	502	--
Total Current Liabilities	13,740	7,283
Long Term Liabilities		
Long-term debt	--	74
Operating lease obligation, noncurrent	837	--
Other liabilities	7	19
Deferred tax liability, noncurrent	87	--
Acquisition liability, noncurrent	500	--
Total Liabilities	15,171	7,376
Commitments and Contingencies		
Stockholders' Equity		
Pref Stock - $0.001 par value; 5,000,000 shares auth, consisting of Series 4 Convertible Pref Stock - 10,415 shares auth; 1 and 1 issued, and 1 and 1 outstanding as of Dec. 31, 2019 and Dec. 31, 2018, respectively, Series 5 Convertible Pref Stock - 12,000 shares auth; 126 and 0 issued, and 126 and 0 outstanding as of Dec. 31, 2019 and Dec. 31, 2018, respectively.	--	--
Common Stock - $0.001 par value; 250,000,000 shares authorized; 4,234,922 and 35,159 issued and 4,234,922 and 35,158 outstanding as of December 31, 2019 and December 31, 2018, respectively.	4	--
Additional paid-in capital	158,382	123,226
Treasury stock, at cost, 1 share	(695)	(695)
Accumulated other comprehensive income	94	26
Accumulated deficit (excluding $2,442 reclassified to additional paid in capital in quasi-reorganization)	(151,763)	(117,773)
Stockholders' Equity Attributable to Inpixon	6,022	4,784
Non-controlling Interest	26	18
Total Stockholders' Equity	6,048	4,802
Total Liabilities and Stockholders' Equity	$ 21,219	$ 12,178

The accompanying notes are an integral part of these financial statements

INPIXON AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	For the Years Ended December 31,	
	2019	**2018**
Revenues	6,301	3,756
Cost of Revenues	1,609	1,076
Gross Profit	4,692	2,680
Operating Expenses		
Research and development	3,893	1,231
Sales and marketing	3,043	1,726
General and administrative	13,660	14,149
Acquisition-related costs	1,277	108
Impairment of goodwill	--	636
Amortization of intangibles	3,629	3,232
Total Operating Expenses	25,502	21,082
Loss from Operations	(20,810)	(18,402)
Other Income (Expense)		
Interest expense, net	(2,277)	(1,241)
Loss on exchange of debt for equity	(294)	--
Change in fair value of derivative liability	--	48
Gain on the sale of Sysorex Arabia	--	23
Provision for valuation allowance on related party loan - held for sale	(10,627)	--
Other income/(expense)	(558)	(211)
Total Other Income (Expense)	(13,756)	(1,381)
Net Loss from Continuing Operations, before tax	(34,566)	(19,783)
Income tax benefit	584	--
Net Loss from Continuing Operations	(33,982)	(19,783)
Loss from Discontinued Operations, Net of Tax	--	(4,778)
Net Loss	(33,982)	(24,561)
Net Income/(Loss) Attributable to Non-controlling Interest	9	11
Net Loss Attributable to Stockholders of Inpixon	$ (33,991)	$ (24,572)
Deemed dividend to preferred stockholders	--	(6,407)
Deemed dividend for triggering of warrant down round feature	(1,250)	(13,645)
Net Loss Attributable to Common Stockholders	(35,241)	(44,624)
Net Loss Per Basic and Diluted Common Share		
Loss from continuing operations	$ (47.52)	$ (2,322.30)
Loss from discontinued operations	$ --	$ (278.47)
Net Loss Per Share - Basic and Diluted	$ (47.52)	$ (2,600.77)
Weighted Average Shares Outstanding		
Basic and Diluted	741,530	17,158

The accompanying notes are an integral part of these financial statements

INPIXON AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	For the Years Ended December 31,	
	2019	**2018**
Net Loss	$ (33.982)	$ (24,561)
Unrealized foreign exchange gain/(loss) from cumulative translation adjustments	68	(5)
Comprehensive Loss	$ (33.914)	$ (24,566)

The accompanying notes are an integral part of these financial statements

INPIXON AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands, except per share data)

	Series 3 Convertible Preferred Stock		Series 4 Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount				
Balance - January 1, 2018	--	$ --	--	$ --	535	$ --	$ 78,303	(1)	$ (695)	$ 31	$ (94,485)	$ (2,006)	$ (18,852)
Common shares issued for services	--	--	--	--	5	--	80	--	--	--	--	--	80
Stock options granted to employees for services	--	--	--	--	--	--	206	--	--	--	--	--	206
Fractional shares issued for stock split	--	--	--	--	6	--	--	--	--	--	--	--	--
Common and preferred shares issued for net cash proceeds from a public offering	4,105.5252	--	--	--	2,181	--	18,942	--	--	--	--	--	18,942
Redemption of convertible series 3 preferred stock	(3,694.2752)	--	--	--	874	--	--	--	--	--	--	--	--
Common shares issued for extinguishment of debenture liability	--	--	--	--	153	--	1,456	--	--	--	--	--	1,456
Sale of Sysorex Arabia	--	--	--	--	--	--	--	--	--	--	--	2,013	2,013
Adoption of accounting standards (Note 2)	--	--	--	--	--	--	--	--	--	--	1,287	--	1,287
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	(7)	--	--	(7)
Net loss	--	--	--	--	--	--	--	--	--	--	(6,244)	--	(6,244)
Balance - March 31, 2018	411.2500	$ --	--	$ --	3,754	$ --	$ 98,987	(1)	$ (695)	$ 24	$ (99,442)	$ 7	$ (1,119)
Stock options granted to employees for services	--	--	--	--	--	--	571	--	--	--	--	--	571
Common and preferred shares issued for net cash proceeds from a public offering	--	--	10,115.0000	--	--	--	9,021	--	--	--	--	--	9,021
Redemption of convertible series 3 preferred stock	(411.2500)	--	--	--	1,535	--	(2)	--	--	--	--	--	(2)
Redemption of convertible series 4 preferred stock			(7,796.7067)	--	15,966	--	--	--	--	--	--	--	--
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	2	--	--	2
Net loss	--	--	--	--	--	--	--	--	--	--	(5,857)	2	(5,855)
Balance - June 30, 2018	--	$ --	2,318.2933	$ --	21,255	$ --	$ 108,577	(1)	$ (695)	$ 26	$ (105,299)	$ 9	$ 2,618
Stock options granted to employees for services	--	--	--	--	--	--	122	--	--	--	--	--	122
Redemption of convertible series 4 preferred stock	--	--	(2,311.2933)	--	7,218	--	--	--	--	--	--	--	--

Deconsolidation of Sysorex as a result of spin-off	--	--	--	--	--	--	11,476	--	--	--	--	--	11,476
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	(10)	--	--	(10)
Net loss	--	--	--	--	--	--	--	--	--	--	(5,183)	4	(5,179)
Balance - September 30, 2018	--	$ --	7	$ --	28,473	$ --	$ 120,175	(1)	$ (695)	$ 16	$ (110,482)	$ 13	$ 9,027
Fractional shares issued for stock split	--	--	--	--	615	--	--	--	--	--	--	--	--
Common shares issued for services	--	--	--	--	834	--	465	--	--	--	--	--	465
Stock options granted to employees for services	--	--	--	--	--	--	50	--	--	--	--	--	50
Redemption of convertible series 4 preferred stock	--	--	(6)	--	19	--	--	--	--	--	--	--	--
Common shares issued for extinguishment of debt	--	--	--	--	3,162	--	1,537	--	--	--	--	--	1,537
Common shares issued for net proceeds from warrants exercised	--	--	--	--	2,051	--	999	--	--	--	--	--	999
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	10		--	10
Net loss	--	--	--	--	--	--	--	--	--	--	(7,291)	5	(7,286)
Balance - December 31, 2018	--	$ --	1	$ --	35,154	$ --	$ 123,226	(1)	$ (695)	$ 26	$ (117,773)	$ 18	$ 4,802

The accompanying notes are an integral part of these financial statements

INPIXON AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands, except per share data)

	Series 4 Convertible Preferred Stock		Series 5 Convertible Preferred Stock		Series 6 Convertible Preferred Stock		Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Non-Controlling	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Income (Loss)	Deficit	Interest	Equity
Balance - January 1, 2019	1	$ --	--	$ --	--	$ --	35,154	$ --	$ 123,226	(1)	$ (695)	$ 26	$ (117,773)	$ 18	$ 4,802
Preferred Shares issued for net cash proceeds of a public offering	--	--	12,000	--	--	--	--	--	10,814	--	--	--	--	--	10,814
Common shares issued for extinguishment of debt	--	--	--	--	--	--	3,842	--	384	--	--	--	--	--	384
Common shares issued for net proceeds from warrants exercised	--	--	--	--	--	--	306	--	46	--	--	--	--	--	46
Common shares issued for warrants exercised	--	--	--	--	--	--	27,741	--	--	--	--	--	--	--	--
Redemption of convertible Series 5 Preferred Stock	--	--	(10,062)	--	--	--	67,149	--	--	--	--	--	--	--	--
Common shares issued for extinguishment of liability	--	--	--	--	--	--	16,655	--	1,130	--	--	--	--	--	1,130
Common shares issued for services	--	--	--	--	--	--	4,445	--	242	--	--	--	--	--	242
Stock options granted to employees and consultants for services	--	--	--	--	--	--	--	--	648	--	--	--	--	--	648
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	--	--	(8)	--	--	(8)
Net loss	--	--	--	--	--	--	--	--	--	--	--	--	(5,144)	(5)	(5,149)
Balance - March 31, 2019	1	$ --	1,938	$ --	--	$ --	155,292	$ --	$ 136,490	(1)	$ (695)	$ 18	$ (122,917)	$ 13	$ 12,909
Common shares issued for extinguishment of debt	--	--	--	--	--	--	61,636	--	2,005	--	--	--	--	--	2,005
Common shares issued for warrants exercised	--	--	--	--	--	--	18,572	--	--	--	--	--	--	--	--
Redemption of convertible Series 5 Preferred Stock	--	--	(1,812)	--	--	--	12,093	--	--	--	--	--	--	--	--
Stock options granted to employees and consultants for services	--	--	--	--	--	--	--	--	858	--	--	--	--	--	858
Issuance of Locality Acquisition Shares	--	--	--	--	--	--	14,445	--	513	--	--	--	--	--	513
Issuance of GTX Acquisition Shares	--	--	--	--	--	--	22,223	--	650	--	--	--	--	--	650
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	--	--	39	--	--	39
Net loss	--	--	--	--	--	--	--	--	--	--	--	--	(5,240)	9	(5,231)
Balance - June 30, 2019	1	$ --	126	$ --	--	$ --	284,261	$ --	$ 140,516	(1)	$ (695)	$ 57	$ (128,157)	$ 22	$ 11,743

Common shares issued for extinguishment of debt	--	--	--	--	--	--	31,195	--	724	--	--	--	--	--	724
Common shares issued for warrants exercised	--	--	--	--	--	--	310,154	1	(1)	--	--	--	--	--	--
Stock options granted to employees and consultants for services	--	--	--	--	--	--	--	--	872	--	--	--	--	--	872
Issuance of Jibestream Acquisition Shares	--	--	--	--	--	--	112,644	--	862	--	--	--	--	--	862
Common and Preferred Shares issued for net cash proceeds of a public offering	--	--	--	--	2,997	--	144,387	--	3,931	--	--	--	--	--	3,931
Redemption of convertible Series 6 Preferred Stock	--	--	--	--	(2,997)	--	240,001	--	--	--	--	--	--	--	--
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	--	--	(67)	--	--	(67)
Net loss	--	--	--	--	--	--	--	--	--	--	--	--	(6,584)	4	(6,580)
Balance - September 30, 2019	1	$ --	126	$ --	--	$ --	1,122,642	$ 1	$ 146,904	(1)	$ (695)	$ (10)	$ (134,741)	$ 26	$ 11,485
Stock options granted to employees and consultants for services	--	--	--	--	--	--	--	--	869	--	--	--	--	--	869
Issuance of Jibestream Acquisition Shares	--	--	--	--	--	--	63,645	--	487	--	--	--	--	--	487
Common and Preferred Shares issued for net cash proceeds of a public offering	--	--	--	--	--	--	1,470,900	2	5,934	--	--	--	--	--	5,936
Common shares issued for extinguishment of debt	--	--	--	--	--	--	1,445,960	1	4,188	--	--	--	--	--	4,189
Common shares issued for warrants exercised	--	--	--	--	--	--	69,485	--	--	--	--	--	--	--	--
Common shares issued for stock options exercised	--	--	--	--	--	--	14	--	--	--	--	--	--	--	--
Fractional shares issued for stock split	--	--	--	--	--	--	62,276	--	--	--	--	--	--	--	--
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	--	--	104	--	--	104
Net loss	--	--	--	--	--	--	--	--	--	--	--	--	(17,022)	--	(17,022)
Balance - December 31, 2019	1	$ --	126	$ --	--	$ --	4,234,922	$ 4	$ 158,382	(1)	$ (695)	$ 94	$ (151,763)	$ 26	$ 6,048

The accompanying notes are an integral part of these financial statements

INPIXON AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Years Ended December 31,	
	2019	**2018**
Cash Flows Used in Operating Activities		
Net loss	$ (33,982)	$ (24,561)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,123	1,570
Amortization of intangible assets	3,633	4,616
Impairment of goodwill	--	636
Amortization of right of use asset	398	--
Stock based compensation	3,489	1,494
Amortization of technology	66	66
Loss on exchange of debt for equity	294	--
Change in fair value of derivative liability	--	(48)
Amortization of debt discount	2,221	703
Provision for doubtful accounts	558	(659)
Gain on earnout	--	(934)
Gain on the settlement of liabilities	--	(307)
Provision for the valuation allowance held for sale loan	10,627	--
Gain on the sale of Sysorex Arabia	--	(23)
Income tax benefit	(584)	--
Other	(223)	(73)
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	46	744
Inventory	171	222
Other current assets	156	481
Prepaid licenses and maintenance contracts	--	(5)
Other assets	(412)	(22)
Accounts payable	1,189	(8,445)
Accrued liabilities	521	(2,412)
Deferred revenue	(507)	246
Other liabilities	551	(54)
Total Adjustments	23,317	(2,204)
Net Cash Used in Operating Activities	(10,665)	(26,765)
Cash Flows Used in Investing Activities		
Purchase of property and equipment	(89)	(88)
Investment in capitalized software	(927)	(804)
Investment in Pod technology	--	(175)
Cash spun off as a result of de-consolidation	--	(362)
Cash paid for the acquisition of GTX	(250)	--
Cash paid for the acquisition of Locality	(204)	--
Cash paid for the acquisition of Jibestream	(3,714)	--
Cash acquired in the Locality acquisition	70	--
Cash acquired in the Jibestream acquisition	6	--
Net Cash Flows Used in Investing Activities	(5,108)	(1,429)
Cash Flows From Financing Activities		
Net proceeds (repayments) to bank facility	127	(1,119)
Net proceeds from issuance of common stock, preferred stock and warrants	20,725	28,960
Repayment of notes payable	(70)	(181)
Loans to related party	(10,276)	(3,244)
Repayments from related party	1,832	1,040
Advances to related party	(31)	--
Loan to Jibestream	(141)	--
Loan to GTX	(50)	--
Net proceeds from promissory notes	7,500	3,540
Repayment of acquisition liability to Locality shareholders	(210)	--
Net Cash Provided By Financing Activities	19,406	28,996
Effect of Foreign Exchange Rate on Changes on Cash	68	(5)
Net Increase in Cash, Cash Equivalents and Restricted Cash	3,701	797
Cash, Cash Equivalents and Restricted Cash - Beginning of period	1,148	351
Cash, Cash Equivalents and Restricted Cash - End of period (Note 2)	$ 4,849	$ 1,148
Supplemental Disclosure of cash flow information:		
Cash paid for:		
Interest	$ 20	$ 853
Income Taxes	$ --	$ --
Non-cash investing and financing activities		
Common shares issued for extinguishment of debenture liability	$ --	$ 1,457
Adjustment to opening retained earnings for the adoption of ASC 606	$ --	$ 1,287
Deconsolidation of Sysorex as a result of spin-off	$ --	$ 11,838
Common shares issued for extinguishment of liability	$ 1,130	$ --
Common shares issued for extinguishment of debt	$ 7,302	$ 1,537
Right of use asset obtained in exchange for lease liability	$ 1,675	$ --
Common shares issued for GTX acquisition	$ 650	$ --
Common shares issued for Locality acquisition	$ 513	$ --
Common shares issued for Jibestream acquisition	$ 1,349	$ --

See accompanying notes.

Note 1 - Organization and Nature of Business and Going Concern

Inpixon, and its wholly-owned subsidiaries, Inpixon Canada, Inc. ("Inpixon Canada") and Jibestream, Inc. ("Jibestream"), which was amalgamated into Inpixon Canada on January 1, 2020, and its majority-owned subsidiary Inpixon India Limited ("Inpixon India") (unless otherwise stated or the context otherwise requires, the terms "Inpixon" "we," "us," "our" and the "Company" refer collectively to Inpixon and the aforementioned subsidiaries), provide Big Data analytics and location based products and related services. The Company is headquartered in Palo Alto, California, and has subsidiary offices in Coquitlam, Canada, New Westminster, Canada, Toronto, Canada and Hyderabad, India.

On August 31, 2018, the Company completed the spin-off of its enterprise infrastructure business from its indoor positioning analytics business by way of a distribution of all the shares of common stock of its wholly-owned subsidiary, Sysorex, Inc. ("Sysorex"), to its stockholders of record as of August 21, 2018 and certain warrant holders.

On May 21, 2019, the Company acquired Locality Systems Inc. ("Locality"), a technology company based near Vancouver, Canada, specializing in wireless device positioning and radio frequency augmentation of video surveillance systems (See Note 3). On June 27, 2019, the Company acquired certain global positioning system ("GPS") products, software, technologies, and intellectual property from GTX Corp ("GTX"), a U.S. based company specializing in GPS technologies (See Note 4). These transactions expanded our patent portfolio and included certain granted or licensed patents and GPS and radio frequency ("RF") technologies. Additionally, on August 15, 2019, the Company acquired Jibestream, a provider of indoor mapping and location technology based in Toronto, Canada (See Note 5).

Going Concern and Management's Plans

As of December 31, 2019, the Company has a working capital deficiency of approximately $7.0 million. For the year ended December 31, 2019, the Company incurred a net loss of approximately $34.0 million. The aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern within one year after the date the financial statements are issued.

On January 15, 2019, the Company completed a rights offering whereby it sold 12,000 units at a price to the public of $1,000 per unit for aggregate net proceeds of approximately $10.77 million after commissions and expenses. On August 12, 2019, the Company completed a capital raise whereby the Company sold an aggregate of (i) 144,387 shares of our common stock, (ii) 2,997 shares of its Series 6 Convertible Preferred Stock, and (iii) Series A warrants to purchase up to an aggregate of 384,387 shares of common stock at an exercise price per share of $12.4875, resulting in net proceeds of approximately $4 million after deducting the underwriting discounts and offering expenses. The Company also raised approximately $3 million, $1.5 million, $1.5 million, $750,000 and $750,000 in net proceeds from the sale of promissory notes on May 3, 2019, June 26, 2019, August 8, 2019, September 17, 2019 and November 22, 2019, respectively. From October 16, 2019 through December 20, 2019 under an at-the-market ("ATM") program, the Company sold an aggregate of 1,470,900, shares of common stock, at a weighted average price of approximately $4.42 per share resulting in net proceeds of approximately $5.9 million to the Company after deduction of sales commissions and other offering expenses.

Note 1 - Organization and Nature of Business and Going Concern (continued)

Going Concern and Management's Plans (continued)

The Company does not expect its capital resources as of December 31, 2019, availability on the Payplant facility to finance purchase orders and invoices in an amount equal to 80% of the face value of purchase orders received (as described in Note 14), and funds from revenue to be sufficient to fund planned operations for the next twelve months from the date the financial statements are issued. In addition, the Company is pursuing possible strategic transactions and may raise such additional capital as needed, through the issuance of equity, equity-linked or debt securities.

The Company's consolidated financial statements as of December 31, 2019 have been prepared under the assumption that the Company will continue as a going concern for the next twelve months from the date the financial statements are issued. Management's plans and assessment of the probability that such plans will mitigate and alleviate any substantial doubt about the Company's ability to continue as a going concern is dependent upon the ability to attain further operating efficiency, reduce expenditures, and, ultimately, to generate sufficient levels of revenue. The Company's consolidated financial statements as of December 31, 2019 do not include any adjustments that might result from the outcome of this uncertainty.

Note 2 - Summary of Significant Accounting Policies

Consolidations

The consolidated financial statements have been prepared using the accounting records of Inpixon, Inpixon Canada, Jibestream and Inpixon India. All material inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each of the reporting periods. Actual results could differ from those estimates. The Company's significant estimates consist of:

- the valuation of stock-based compensation;
- the valuation of the assets and liabilities acquired of Locality, GTX and Jibestream as described in Notes 3, 4 and 5, respectively, as well as the valuation of the Company's common shares issued in the transaction;
- the allowance for doubtful accounts;
- The valuation of loans receivable;
- the valuation allowance for deferred tax assets; and
- impairment of long-lived assets and goodwill.

Business Combinations

The Company accounts for business combinations under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 "Business Combinations" using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair value is recorded as goodwill. All acquisition costs are expensed as incurred. Upon acquisition, the accounts and results of operations are consolidated as of and subsequent to the acquisition date.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking accounts, money market accounts and temporary investments with maturities of three months or less when purchased. As of December 31, 2019 and 2018, the Company had no cash equivalents.

Restricted Cash

In connection with certain transactions, the Company may be required to deposit assets, including cash or investment shares, in escrow accounts. The assets held in escrow are subject to various contingencies that may exist with respect to such transactions. Upon resolution of those contingencies or the expiration of the escrow period, some or all the escrow amounts may be used and the balance released to the Company. As of December 31, 2019 and 2018, the Company had $72,000 and $140,000, respectively, deposited in escrow as restricted cash for the Shoom acquisition, of which any amounts not subject to claims shall be released to the pre-acquisition stockholders of Shoom pro-rata on the next anniversary dates of the closing date of the Shoom acquisition. As of December 31, 2019 and 2018, $72,000 and $70,000, respectively, was current and included in Prepaid Assets and Other Current Assets on the consolidated balance sheets. As of December 31, 2019 and 2018, $0 and $70,000 was non-current and included in Other Assets on the consolidated balance sheet.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the balance sheets that sum to the total of the same amounts show in the statement of cash flows.

	For the Years Ended December 31,	
(in thousands)	**2019**	**2018**
Cash and cash equivalents	$ 4,777	$ 1,008
Restricted cash	72	70
Restricted cash included in other assets, noncurrent	--	70
Total cash, cash equivalents, and restricted cash in the balance sheet	$ 4,849	$ 1,148

Accounts Receivable, net and Allowance for Doubtful Accounts

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for doubtful accounts to ensure accounts receivables are not overstated due to un-collectability. Bad debt reserves are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in such customer's operating results or financial position. If circumstances related to a customer change, estimates of the recoverability of receivables would be further adjusted. The Company has recorded an allowance for doubtful accounts of approximately $646,000 and $464,000 as of December 31, 2019 and 2018, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value utilizing the first-in, first-out method. The Company continually analyzes its slow-moving, excess and obsolete inventories. Based on historical and projected sales volumes and anticipated selling prices, the Company establishes reserves. If the Company does not meet its sales expectations, these reserves are increased. Products that are determined to be obsolete are written down to net realizable value. As of December 31, 2019 and 2018, the Company deemed any such allowance nominal.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment, net

Property and equipment are recorded at cost less accumulated depreciation and amortization. The Company depreciates its property and equipment for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the initial lease term. Expenditures for maintenance and repairs, which do not extend the economic useful life of the related assets, are charged to operations as incurred, and expenditures, which extend the economic life, are capitalized. When assets are retired, or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized.

Intangible Assets

Intangible assets primarily consist of developed technology, customer lists/relationships, non-compete agreements, export licenses and trade names/trademarks. They are amortized ratably over a range of 1 to 15 years, which approximates customer attrition rate and technology obsolescence. The Company assesses the carrying value of its intangible assets for impairment each year. Based on its assessments, the Company did not incur any impairment charges for the years ended December 31, 2019 and 2018.

Goodwill

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company's activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

The Company calculates the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, the Company uses internally developed discounted cash flow models that include the following assumptions, among others: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, the Company uses internal analyses based primarily on market comparables. The Company bases these assumptions on its historical data and experience, third party appraisals, industry projections, micro and macro general economic condition projections, and its expectations.

The Company performed the annual impairment test and recorded an impairment charge for goodwill of $0 and $636,000 during the years ended December 31, 2019 and 2018, respectively.

Software Development Costs

The Company develops and utilizes internal software for the processing of data provided by its customers. Costs incurred in this effort are accounted for under the provisions of ASC 350-40, Internal Use Software and ASC 985-20, Software – Cost of Software to be Sold, Leased or Marketed, whereby direct costs related to development and enhancement of internal use software is capitalized, and costs related to maintenance are expensed as incurred. The Company capitalizes its direct internal costs of labor and associated employee benefits that qualify as development or enhancement. These software development costs are amortized over the estimated useful life which management has determined ranges from 1 to 5 years.

Note 2 - Summary of Significant Accounting Policies (continued)

Research and Development

Research and development costs consist primarily of professional fees and compensation expense. All research and development costs are expensed as incurred.

Loans and Notes Receivable

The Company evaluates loans and notes receivable that don't qualify as securities pursuant to ASC 310 – Receivables, wherein such loans would first be classified as either "held for investment" or 'held for sale". Loans would be classified as "held for investment", if the Company has the intent and ability to hold the loan for the foreseeable future, or to maturity or pay-off. Loans would be classified as "held for sale", if the Company intends to sell the loan. Loan receivables classified as "held for investment" are carried on the balance sheet at their amortized cost and are periodically evaluated for impairment. Loan receivables classified as "held for sale" are carried on the balance sheet at the lower of their amortized cost or fair value, with a valuation allowance being recorded (with a corresponding income statement charge) if the amortized cost exceeds the fair value. For loans carried on the balance sheet at fair value, changes to the fair value amount that relate solely to the passage of time will be recorded as interest income.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Income tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain.

Non-Controlling Interest

The Company has an 82.5% equity interest in Inpixon India as of December 31, 2019. The portion of the Company's equity attributable to this third party non-controlling interest was approximately $26,000 and $18,000 as of December 31, 2019 and 2018, respectively.

Foreign Currency Translation

Assets and liabilities related to the Company's foreign operations are calculated using the Indian Rupee and Canadian Dollar and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Translation adjustments are recorded as a separate component of consolidated stockholders' equity, totaling a gain of $68,000 and a loss of $5,000 for the years ended December 31, 2019 and 2018, respectively. Gains or losses resulting from transactions denominated in foreign currencies are included in other income (expense) in the consolidated statements of operations. The Company engages in foreign currency denominated transactions with customers that operate in functional currencies other than the U.S. dollar. Aggregate foreign currency net transaction losses were not material for the years ended December 31, 2019 and 2018.

Comprehensive Income (Loss)

The Company reports comprehensive income (loss) and its components in its consolidated financial statements. Comprehensive loss consists of net loss, foreign currency translation adjustments and unrealized gains and losses from marketable securities, affecting stockholders' (deficit) equity that, under GAAP, are excluded from net loss.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-08, "Revenue from Contracts with Customers - Principal versus Agent Considerations", in April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing" and in May 9, 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606)", or ASU 2016-12. This update provides clarifying guidance regarding the application of ASU No. 2014-09 - Revenue From Contracts with Customers (Topic 606), ("ASU 2014-09"). These new standards provide for a single, principles-based model for revenue recognition that replaces the existing revenue recognition guidance. In July 2015, the FASB deferred the effective date of ASU 2014-09 until annual and interim periods beginning on or after December 15, 2017 and has replaced most existing revenue recognition guidance under GAAP. ASU 2016-12 may be applied retrospectively to historical periods presented or as a cumulative-effect adjustment as of the date of adoption. The Company has adopted ASU 2016-12 using a modified retrospective approach and will be applied prospectively in the Company's financial statements from January 1, 2018 forward. Revenues under ASU 2016-12 are required to be recognized either at a "point in time" or "over time", depending on the facts and circumstances of the arrangement, and will be evaluated using a five-step model. The adoption of Topic 606 did not have a material impact on the Company's consolidated financial statements, neither at initial implementation nor will it have a material impact on an ongoing basis.

Software As A Service Revenue Recognition

With respect to sales of the Company's maintenance, consulting and other service agreements including the Company's digital advertising and electronic services, customers pay fixed monthly fees in exchange for the Company's service. The Company's performance obligation is satisfied over time as the digital advertising and electronic services are provided continuously throughout the service period. The Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous access to its service.

Mapping Services Revenue Recognition

Mapping services revenue is accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the consolidated statement of operations in proportion to the stage of completion of the contract. Contract costs are expensed as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract.

Professional Services Revenue Recognition

The Company's professional services include fixed fee and time and materials contracts. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts including maintenance service provided by in house personnel, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the years ended December 31, 2019 and 2018, the Company did not incur any such losses. These amounts are based on known and estimated factors.

Note 2 - Summary of Significant Accounting Policies (continued)

Contract Balances

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately $912,000 and $234,000 as of December 31, 2019 and 2018, respectively, related to cash received in advance for product maintenance services and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for these maintenance services and professional services, and recognize the deferred revenue and related contract costs over the next twelve months.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred as part of cost of revenues. These costs were deemed to be nominal during each of the reporting periods.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs, which are included in selling, general and administrative expenses, were deemed to be nominal during each of the reporting periods.

Stock-Based Compensation

The Company accounts for options granted to employees by measuring the cost of services received in exchange for the award of equity instruments based upon the fair value of the award on the date of grant. The fair value of that award is then ratably recognized as an expense over the period during which the recipient is required to provide services in exchange for that award.

Options and warrants granted to consultants and other non-employees are recorded at fair value as of the grant date and subsequently adjusted to fair value at the end of each reporting period until such options and warrants vest, and the fair value of such instruments, as adjusted, is expensed over the related vesting period.

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. The fair value of the award is measured on the grant date and recognized over the period services are required to be provided in exchange for the award, usually the vesting period. Forfeitures of unvested stock options are recorded when they occur.

The Company incurred stock-based compensation charges of $3.5 million and $1.5 million for each of the years ended December 31, 2019 and 2018, respectively, which are included in general and administrative expenses. The following table summarizes the nature of such charges for the periods then ended (in thousands):

	For the Years Ended December 31,	
	2019	**2018**
Compensation and related benefits	$ 3,247	$ 949
Professional and legal fees	242	545
Totals	$ 3,489	$ 1,494

Note 2 - Summary of Significant Accounting Policies (continued)

Net Loss Per Share

The Company computes basic and diluted earnings per share by dividing net loss by the weighted average number of common shares outstanding during the period. Basic and diluted net loss per common share were the same since the inclusion of common shares issuable pursuant to the exercise of options and warrants in the calculation of diluted net loss per common shares would have been anti-dilutive.

The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net loss per common share for the years ended December 31, 2019 and 2018:

	For the Years Ended December 31,	
	2019	**2018**
Options	121,796	1,624
Warrants	93,252	52,632
Convertible preferred stock	846	5
Convertible note	--	3,811
Reserved for service providers	--	25
Totals	215,894	58,097

Preferred Stock

The Company applies the accounting standards for distinguishing liabilities from equity under GAAP when determining the classification and measurement of its convertible preferred stock. Preferred shares subject to mandatory redemption are classified as liability instruments and are measured at fair value. Conditionally redeemable preferred shares (including preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) are classified as temporary equity. At all other times, preferred shares are classified as permanent equity.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and short-term debt. The Company determines the estimated fair value of such financial instruments presented in these financial statements using available market information and appropriate methodologies. These financial instruments, except for short-term debt, are stated at their respective historical carrying amounts, which approximate fair value due to their short-term nature. Short-term debt approximates market value based on similar terms available to the Company in the market place.

Reclassification

Certain accounts in the prior year's consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's consolidated financial statements. These reclassifications have no effect on previously reported earnings.

Note 2 - Summary of Significant Accounting Policies (continued)

Carrying Value, Recoverability and Impairment of Long-Lived Assets

The Company has adopted Section 360-10-35 of the FASB Accounting Standards Codification for its long-lived assets. Pursuant to ASC Paragraph 360-10-35-17, an impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment shall be based on the carrying amount of the asset (asset group) at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. Pursuant to ASC Paragraph 360-10-35-20 if an impairment loss is recognized, the adjusted carrying amount of a long-lived asset shall be its new cost basis. For a depreciable long-lived asset, the new cost basis shall be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.

Pursuant to ASC Paragraph 360-10-35-21, the Company's long-lived asset (asset group) is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company considers the following to be some examples of such events or changes in circumstances that may trigger an impairment review: (a) significant decrease in the market price of a long-lived asset (asset group); (b) a significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition; (c) a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator; (d) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group); (e) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group); and (f) a current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company tests its long-lived assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

Pursuant to ASC Paragraphs 360-10-35-29 through 35-36, estimates of future cash flows used to test the recoverability of a long-lived asset (asset group) shall include only the future cash flows (cash inflows less associated cash outflows) that are directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset (asset group). Estimates of future cash flows used to test the recoverability of a long-lived asset (asset group) shall incorporate the entity's own assumptions about its use of the asset (asset group) and shall consider all available evidence. The assumptions used in developing those estimates shall be reasonable in relation to the assumptions used in developing other information used by the entity for comparable periods, such as internal budgets and projections, accruals related to incentive compensation plans, or information communicated to others. However, if alternative courses of action to recover the carrying amount of a long-lived asset (asset group) are under consideration or if a range is estimated for the amount of possible future cash flows associated with the likely course of action, the likelihood of those possible outcomes shall be considered. A probability-weighted approach may be useful in considering the likelihood of those possible outcomes. Estimates of future cash flows used to test the recoverability of a long-lived asset (asset group) shall be made for the remaining useful life of the asset (asset group) to the entity. For long-lived assets (asset groups) that have uncertainties both in timing and amount, an expected present value technique will often be the appropriate technique with which to estimate fair value.

Pursuant to ASC Paragraphs 360-10-45-4 and 360-10-45-5 an impairment loss recognized for a long-lived asset (asset group) to be held and used shall be included in income from continuing operations before income taxes in the income statement of a business entity. If a subtotal such as income from operations is presented, it shall include the amount of that loss. A gain or loss recognized on the sale of a long-lived asset (disposal group) that is not a component of an entity shall be included in income from continuing operations before income taxes in the income statement of a business entity. If a subtotal such as income from operations is presented, it shall include the amounts of those gains or losses.

Based on its assessments, the Company did not record any impairment charges for the years ended December 31, 2019 and 2018.

Note 2 - Summary of Significant Accounting Policies (continued)

Recently Issued and Adopted Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," ("ASU 2016-02"). ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. ASU 2016-02 will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. As a result of the new standard, all of the Company's leases greater than one year in duration are recognized in its balance sheets as both operating lease liabilities and right-of-use assets upon adoption of the standard. The Company adopted the standard using the modified-retrospective method effective January 1, 2019. This adoption primarily affected the Company's consolidated balance sheet based on the recording of right-of-use assets and the lease liability, current and noncurrent, for its operating leases. The adoption of ASU 2016-02 did not change the Company's historical classification of these leases or the straight-line recognition of related expenses. Upon adoption, the Company recorded approximately $0.6 million in right-of-use assets and $0.7 million in operating lease liabilities on the Company's balance sheet.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," ("ASU 2018-07"). ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Revenue from Contracts with Customers (Topic 606). ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company has adopted this standard and the adoption of this standard did not have a material impact on its financial statements or disclosures.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement," ("ASU 2018-13"). ASU 2018-13 requires application of the prospective method of transition (for only the most recent interim or annual period presented in the initial fiscal year of adoption) to the new disclosure requirements for (1) changes in unrealized gains and losses included in other comprehensive income and (2) the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. ASU 2018-13 also requires prospective application to any modifications to disclosures made because of the change to the requirements for the narrative description of measurement uncertainty. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. The Company has evaluated this standard and adoption does not have a material impact on its financials or disclosures.

Note 2 - Summary of Significant Accounting Policies (continued)

Recently Issued and Adopted Accounting Standards (continued)

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. For public business entities that meet the definition of a Securities and Exchange Commission filer and smaller reporting company, ASU 2016-13 is effective for annual and interim reporting periods beginning after December 15, 2022, and the guidance is to be applied using the modified retrospective approach. Earlier adoption is permitted for annual and interim reporting periods beginning after December 15, 2018. The Company has evaluated this standard and adoption does not have a material impact on its financials or disclosures.

In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04") and in May 2019, the FASB issued Accounting Standards Update No. 2019-05, Financial Instruments--Credit Losses (Topic 326) ("ASU 2019-05"). The Company is currently evaluating ASU 2016-13 and the related ASU 2019-04 and ASU 2019-05 to determine the impact to its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning in fiscal 2021. The Company is currently assessing the impact that this pronouncement will have on its consolidated financial statements.

Reverse Stock Split

On February 6, 2018, the Company effected a 1-for-30 reverse stock split of its outstanding common stock, on November 2, 2018, the Company effected a 1-for-40 reverse stock split of its outstanding common stock and on January 7, 2020, the Company effected a 1-for-45 reverse stock split of its outstanding common stock. The consolidated financial statements and accompanying notes give effect to each of these reverse stock splits as if they occurred at the beginning of the first period presented.

Subsequent Events

The Company evaluates events and/or transactions occurring after the balance sheet date and before the issue date of the consolidated financial statements to determine if any of those events and/or transactions requires adjustment to or disclosure in the consolidated financial statements.

Note 3 - Locality Acquisition

On May 21, 2019, the Company, through its wholly owned subsidiary, Inpixon Canada as purchaser, completed its acquisition of Locality in which Locality's stockholders sold all of their shares to the purchaser in exchange for consideration of (i) $1,500,000 (the "Aggregate Cash Consideration") minus a working capital adjustment equal to $39,501 calculated in accordance with the terms of the purchase agreement), and (ii) 14,445 shares of common stock of Inpixon with a fair market value of $514,000. Locality is a technology company specializing in wireless device positioning and radio frequency augmentation of video surveillance systems. The Locality acquisition allows us to accept wireless device positioning from third-party Wi-Fi access points as well as surveillance systems and combine that information with our own location data into our analytics platform providing our customers with additional data and ability to see video and radio frequency data concurrently.

The Aggregate Cash Consideration, less the working capital adjustment applied against the Aggregate Cash Consideration of $85,923, is payable in installments as follows: (i) the initial installment representing $250,000 minus $46,422 of the working capital adjustment was paid on the closing date; (ii) $210,499 was paid on November 21, 2019, which was comprised of a $250,000 installment less $39,501 of the working capital adjustment; (iii) two additional installments, each equal to $250,000, will be paid twelve months and eighteen months after the closing date; and (iv) one final installment representing $500,000 will be paid on the second anniversary of the closing date, in each case minus the cash fees payable to the advisor in connection with the acquisition. Inpixon Canada will have the right to offset any loss, as defined in the purchase agreement, first, against any installment of the installment cash consideration that has not been paid and second, against the sellers and the advisor on a several basis, in accordance with the indemnification provisions of the purchase agreement.

Note 3 - Locality Acquisition (continued)

The total recorded purchase price for the transaction was approximately $1,928,000, which consisted of cash at closing of $204,000, approximately $1,210,000 of cash that will be paid in installments as discussed above and $514,000 representing the value of the stock issued upon closing.

The preliminary purchase price was allocated and modified for measurement period adjustments due to the receipt of the valuation report and updated tax provision estimates as follows (in thousands):

	Preliminary Allocation	Valuation Measurement Period Adjustments	Tax Provision Measurement Period Adjustments	Adjusted Allocation
Assets Acquired:				
Cash	$ 70	$ --	$ --	$ 70
Accounts receivable	7	--	--	7
Other current assets	4	--	--	4
Inventory	2	--	--	2
Fixed assets	1	--	--	1
Developed technology	1,523	(78)	--	1,445
Customer relationships	216	(31)	--	185
Non-compete agreements	49	--	--	49
Goodwill	619	80	(46)	653
	$ 2,491	$ (29)	$ (46)	$ 2,416
Liabilities Assumed:				
Accounts payable	$ 13	$ --	$ --	$ 13
Accrued liabilities	48	--	--	48
Deferred revenue	28	--	--	28
Deferred tax liability	474	(29)	(46)	399
	563	(29)	(46)	488
Total Purchase Price	$ 1,928	$ --	$ --	$ 1,928

The value of the intangibles and goodwill were calculated by a third party valuation firm based on projections and financial data provided by management of the Company. The deferred revenue included in the financial statements is the expected liability to service the projects. The goodwill represents the excess fair value after the allocation to the intangibles. The calculated goodwill is not deductible for tax purposes. The financial data of Locality is included in the Company's financial statements starting on the acquisition date through the year ended December 31, 2019. Proforma information has not been presented as it has been deemed to be immaterial.

A final valuation of the assets and purchase price allocation of Locality has not been completed as of the end of this reporting period as the third party valuation has not been finalized. Consequently, the purchase price was preliminarily allocated based upon our best estimates at the time of this filing. These amounts are subject to revision upon the completion of formal studies and valuations, as needed, which the Company expects to occur during the first quarter of 2020.

Note 4 - GTX Acquisition

On June 27, 2019, the Company completed its acquisition of certain assets of GTX, consisting of a portfolio of GPS technologies and intellectual property (the "Assets"). GTX allows us to seamlessly locate devices/assets/people from the indoors to the outdoors. Prior to this asset acquisition the Company was only providing indoor location.

The Assets were acquired for aggregate consideration consisting of (i) $250,000 in cash delivered at the closing and (ii) 22,223 shares of Inpixon's restricted common stock.

The total recorded purchase price for the transaction was $900,000, which consisted of the cash paid of $250,000 and $650,000 representing the value of the stock issued upon closing.

Assets acquired (in thousands):

Developed technology	$ 850
Non-compete agreements	50
Total Purchase Price	$ 900

A final valuation of the assets and purchase price allocation of GTX has not been completed as of the end of this reporting period as the third party valuation has not been finalized. Consequently, the purchase price was preliminarily allocated based upon our best estimates at the time of this filing. These amounts are subject to revision upon the completion of formal studies and valuations, as needed, which the Company expects to occur during the first quarter of 2020.

Note 4 - GTX Acquisition (continued)

On September 16, 2019, the Company loaned GTX $50,000 in accordance with the terms of the asset purchase agreement. The note accrues interest at a rate of 5% per annum and has a maturity date of April 13, 2020. Interest accrues beginning on the date that is the earlier of (i) 180 days from the issue date of the note and (ii) the registration effective date as defined in the acquisition agreement. This note is included as part of other receivables in the Company's consolidated financial statements. As of December 31, 2019, the balance of the note including interest was $50,425.

Note 5 - Jibestream Acquisition

On August 15, 2019, the Company, through its wholly owned subsidiary, Inpixon Canada as purchaser (the "Purchaser"), completed its acquisition of Jibestream, a provider of indoor mapping and location technology, for consideration consisting of: (i) CAD $5,000,000, plus an amount equal to all cash and cash equivalents held by Jibestream at the closing, minus, if a negative number, the absolute value of the Estimated Working Capital Adjustment (as defined in the acquisition agreement), minus any amounts loaned by the Purchaser to Jibestream to settle any Indebtedness (as defined in the Purchase Agreement) or other fees, minus any cash payments to the holders of outstanding options to settle any in-the-money options, minus the deferred revenue costs of CAD $150,000, and minus the costs associated with the audit and review of the financial statements of Jibestream required by the Purchase Agreement (collectively, the "Estimated Cash Closing Amount"); plus (ii) 176,289 shares of the Company's common stock which was equal to CAD $3,000,000, converted to U.S. dollars based on the exchange rate at the time of the closing, divided by $12.4875 which was the price per share at which shares of the Company's common stock are issued in of the Company's common stock the Offering on August 12, 2019 ("Inpixon Shares").

Jibestream, provides a dynamic interactive map that allows customers to put their digitized map into their mobile app or provide the map on a kiosk or other interface. Using the Jibestream map allows Inpixon to offer a more intuitive interface to see its locationing data and analytics.

The Nasdaq listing rules required the Company to obtain the approval of the Company's stockholders for the issuance of 63,645 of the Inpixon Shares (the "Excess Shares"), which was obtained on October 31, 2019 and the shares were issued on November 5, 2019. A number of Inpixon Shares representing fifteen percent (15%) of the value of the Purchase Price (the "Holdback Amount") were subject to stop transfer restrictions and forfeiture to secure the indemnification and other obligations of the Vendors in favor of the Company arising out of or pursuant to Article VIII of the Purchase Agreement and, at the option of the Company, to secure the obligation of the Vendors' to pay any adjustment to the Purchase Price pursuant to Section 2.5 of the Purchase Agreement.

The total recorded purchase price for the transaction was approximately $5,062,000, which consisted of cash at closing of approximately $3,714,000 and $1,348,000 representing the value of the stock issued upon closing determined based on the closing price of the Company's common stock as of the closing date on August 15, 2019. Subsequently, the Company agreed not to enforce any right of setoff resulting from a Working Capital Adjustment.

Note 5 - Jibestream Acquisition (continued)

The preliminary purchase price was allocated and modified for measurement period adjustments due to updated tax provision estimates as follows (in thousands):

	Preliminary Allocation	Tax Provision Measurement Period Adjustments	Adjusted Allocation
Assets Acquired:			
Cash	$ 5	$ --	$ 5
Accounts receivable	309	--	309
Other current assets	137	--	137
Fixed assets	10	--	10
Other assets	430	--	430
Developed technology	3,193	--	3,193
Customer relationships	1,253	--	1,253
Non-compete agreements	420	--	420
Goodwill	2,407	(919)	1,488
	$ 8,165	$ (919)	$ 7,245
Liabilities Assumed:			
Accounts payable	51	--	51
Accrued liabilities	94	--	94
Deferred revenue	1,156	--	1,156
Other liabilities	513	--	513
Deferred tax liability	1,289	(919)	370
	3,103	(919)	2,183
Total Purchase Price	$ 5,062	$ --	$ 5,062

The value of the intangibles and goodwill were calculated by a third party valuation firm based on projections and financial data provided by management of the Company. The deferred revenue included in the financial statements is the expected liability to service the projects. The goodwill represents the excess fair value after the allocation to the intangibles. The calculated goodwill is not deductible for tax purposes. As part of the acquisition, the Company acquired a lease obligation with an operating lease right of use asset of approximately $371,000 and an operating lease obligation of approximately $371,000 which are included in other assets and other liabilities, respectively, in the purchase price allocation. The financial data of Jibestream is included in the Company's financial statements starting on the acquisition date through the year ended December 31, 2019.

A final valuation of the assets and purchase price allocation of Jibestream has not been completed as of the end of this reporting period as the third party valuation has not been finalized. Consequently, the purchase price was preliminarily allocated based upon our best estimates at the time of this filing. These amounts are subject to revision upon the completion of formal studies and valuations, as needed, which the Company expects to occur during the first quarter of 2020.

Note 6 - Proforma Financial Information

The following unaudited proforma financial information presents the consolidated results of operations of the Company and Jibestream for the years ended December 31, 2019 and 2018, as if the acquisition had occurred as of the beginning of the first period presented instead of on August 15, 2019. The proforma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

(in thousands, except per share data)	For the Years Ended December 31,	
	2019	2018
Revenues	$ 7,558	6,088
Net loss attributable to common stockholders	$ (36,513)	(47,038)
Net loss per basic and diluted common share	$ (36.59)	(171.55)
Weighted average common shares outstanding:		
Basic and Diluted	997,856	274,189

Note 7 - Inventory

Inventory as of December 31, 2019 and December 31, 2018 consisted of the following (in thousands):

	As of December 31,	
	2019	2018
Raw materials	$ 13	$ 143
Finished goods	387	425
Total Inventory	**$ 400**	**$ 568**

Note 8 - Property and Equipment, net

Property and equipment as of December 31, 2019 and 2018 consisted of the following (in thousands):

	As of December 31,	
	2019	2018
Computer and office equipment	$ 774	$ 1,133
Furniture and fixtures	228	199
Leasehold improvements	25	16
Software	39	109
Total	1,066	1,457
Less: accumulated depreciation and amortization	(921)	(1,255)
Total Property and Equipment, Net	**$ 145**	**$ 202**

Depreciation and amortization expense were $98,000 and $355,000 for the years ended December 31, 2019 and 2018, respectively.

Note 9 - Software Development Costs

Capitalized software development costs as of December 31, 2019 and 2018 consisted of the following (in thousands):

	As of December 31,	
	2019	2018
Capitalized software development costs	$ 6,029	$ 5,102
Accumulated amortization	(4,485)	(3,412)
Software development costs, net	**$ 1,544**	**$ 1,690**

The weighted average remaining amortization period for the Company's software development costs is 1.61 years.

Amortization expense for capitalized software development costs was $1.025 million and $1.2 million for each of the years ended December 31, 2019 and 2018.

Future amortization expense on the computer software is anticipated to be as follows (in thousands):

For the Years Ending December 31,	Amount
2020	$ 994
2021	487
2022	59
2023	4
Total	**$ 1,544**

Note 10 - Intangible Assets

Intangible assets at December 31, 2019 and 2018 consisted of the following (in thousands):

Amortized Intangible Assets	Gross Carrying Amount December 31,		Accumulated Amortization December 31,	
	2019	2018	2019	2018
Trade Name/Trademarks	$ 780	$ 780	$ (724)	$ (574)
Customer Relationships	4,070	2,620	(2,574)	(2,318)
Developed Technology	21,422	15,871	(14,996)	(11,873)
Non-compete Agreements	923	400	(501)	(400)
Export License	13	13	(13)	(10)
Totals	**$ 27,208**	**$ 19,684**	**$ (18,808)**	**$ (15,175)**

Aggregate Amortization Expense:

Aggregate amortization expense for the years ended December 31, 2019 and 2018 were $3.6 million and $3.2 million, respectively.

Future amortization expense on intangibles assets is anticipated to be as follows (in thousands):

For the Years Ending December 31,	Amount
2020	2,041
2021	808
2022	667
2023	643
2024 and thereafter	4,241
Total	**$ 8,400**

The weighted average remaining amortization periods for the Company's trade names/trademarks, customer relationships, developed technology, non-compete agreements, and export license are 0, 1.41, 8.43, 0.9, and 0 years, respectively.

Note 11 - Goodwill

The Company has recorded goodwill and other indefinite-lived assets in connection with its acquisition of Shoom, Locality and Jibestream. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of the acquired company, is not amortized. Indefinite-lived intangible assets are stated at fair value as of the date acquired in a business combination. The Company's goodwill balance and other assets with indefinite lives were evaluated for potential impairment during the years ended December 31, 2019 and 2018, as certain indications on a qualitative and quantitative basis were identified that an impairment exists as of the reporting date.

During the years ended December 31, 2019 and 2018, the Company recognized $0 and $636,000 of impairment charges, respectively. The impairment charge was primarily precipitated by the continued decline in Company's stock price during those years, accumulated losses and the lack of required working capital to fund our continuing operations. The Company used a market approach to determine if the carrying amounts of the Company's reporting units exceeded the fair value of the Company.

During the year ended December 31, 2019, the corporate income tax returns were filed for the periods ending as of the acquisition dates of Locality and Jibestream. After reviewing those tax returns, it was determined that there were additional tax benefits the Company would receive primarily related to net operating losses and research tax credits. As a result, the deferred tax asset of Jibestream was increased by approximately $1,023,000 and the deferred tax asset of Locality was increased by $48,000 with a corresponding decrease to goodwill. Additionally, during the year ended December 31, 2019, upon receipt of the Locality valuation report, the values of the intangibles were updated with a corresponding $80,000 increase to goodwill.

Note 11 - Goodwill (continued)

The following table summarizes the changes in the carrying amount of Goodwill for the year ended December 31, 2019 (in thousands):

	Shoom	Locality	Jibestream	Total
Balance as of January 1, 2018	$ 636	$ --	$ --	$ 636
Goodwill impairment (level 3 fair value adjustment)	(636)	--	--	(636)
Balance as of December 31, 2018	--	--	--	--
Goodwill additions through acquisitions	--	619	2,407	3,026
Valuation Measurement Period Adjustments	--	80	--	80
Tax Provision Measurement Period Adjustments	--	(46)	(919)	(965)
Adjusted Allocation	--	653	1,488	2,141
Exchange rate fluctuation at December 31, 2019	--	19	(90)	(71)
Balance as of December 31, 2019	$ --	$ 672	$ 1,398	$ 2,070

Note 12 - Discontinued Operations

Sale of Sysorex Arabia

As of December 31, 2015, the Company's management decided to close its Saudi Arabia legal entity as business activities and operations have been strategically shifted according to the business plan of the Company. On January 18, 2018, the Company sold its 50.2% interest in Sysorex Arabia to SCI in consideration for SCI's assumption of 50.2% of the assets and liabilities of Sysorex Arabia, totaling approximately $11,500 and $1 million, respectively.

The Company did not recognize any depreciation or amortization expense related to discontinued operations during the years ended December 31, 2019 and 2018. There were no significant capital expenditures or non-cash operating or investing activities of discontinued operations during the periods presented. The operations of Sysorex Arabia were insignificant for the January 1 – 18, 2018 period. On January 18, 2018, the Company sold its 50.2% interest in Sysorex Arabia to SCI (Abdus Salam Qureishi, the former Chairman of the Board, is the majority stockholder of SCI and is the father in law of Nadir Ali the Company's CEO) in consideration for SCI's assumption of 50.2% of the assets and liabilities of Sysorex Arabia.

S***pin-Off of Sysorex, Inc. and its wholly owned subsidiary, Sysorex Government Services, Inc.***

On August 31, 2018, the Company completed the spin-off (the "Spin-off") of its enterprise infrastructure business from its indoor positioning analytics business by way of a distribution of all the shares of common stock of the Company's wholly-owned subsidiary, Sysorex, Inc. ("Sysorex"), to the Company's stockholders of record as of August 21, 2018 (the "Record Date") and certain warrant holders. The distribution occurred by way of a pro rata stock distribution to such common stock, preferred stock and warrant holders, each of whom received one share of Sysorex's common stock for every 3 shares of the Company's common stock held on the Record Date (without taking into effect the 1-for-40 reverse stock split) or such number of shares of common stock issuable upon complete conversion of the preferred stock or exercise of the warrants.

As a result of the Spin-off, the Company's common stock continues trading on the Nasdaq Stock Market ("Nasdaq"), and Sysorex is an independent public company with common stock that is quoted on the OTC Markets.

In accordance with ASC 205-20, "*Discontinued Operations*," the results of Sysorex, including Inpixon's former subsidiary, Sysorex Government Services, Inc., formerly Inpixon Federal, Inc. ("SGS"), are reflected in Inpixon's consolidated financial statements as discontinued operations and, therefore, are presented as loss from discontinued operations on the consolidated statements of operations.

Note 12 - Discontinued Operations (continued)

Gain on Earnout

Under the terms of the asset purchase agreement between Integrio Technologies, LLC and Emtec Federal, LLC (its wholly owned subsidiary) (collectively, the "Seller") and the Company and SGS, the Seller was eligible for an earnout that was included as part of the purchase consideration. During the year ended December 31, 2018, the Company determined that the Seller was ineligible for a portion of the earnout as the Seller did not meet the terms of the earnout provisions under the agreement and therefore recorded a gain on earnout of $934,000, which is included in the net loss from discontinued operations section of the consolidated statements of operations.

The assets and liabilities that were divested as part of the Spin-off completed on August 31, 2018 were as follows:

Sysorex/SGS Assets/Liabilities (In thousands)	
Assets:	
Accounts receivable, net	$ 651
Notes and other receivables	473
Prepaid licenses and maintenance contracts	5
Other current assets	146
Property and equipment, net	41
Intangible assets, net	3,728
Other assets	34
Total Assets	$ 5,078
Liabilities:	
Accounts payable	$ (15,952)
Accrued liabilities	(792)
Deferred revenue	(70)
Other liabilities	(40)
Acquisition liability - Integrio	(62)
Total Liabilities	$ (16,916)
Total Net Liabilities Deconsolidated as Result of Spin-off	$ (11,838)

Note 13 - Deferred Revenue

Deferred revenue as of December 31, 2019 and 2018 consisted of the following (in thousands):

	As of December 31,	
	2019	**2018**
Deferred Revenue, Current		
Maintenance agreements	$ 633	$ 2
Service agreements	279	232
Total Deferred Revenue, Current	912	234
Total Deferred Revenue	**$ 912**	**$ 234**

The fair value of the deferred revenue approximates the services to be rendered.

Note 14 - Debt

Debt as of December 31, 2019 and 2018 consisted of the following (in thousands):

	As of December 31,	
	2019	**2018**
Short-Term Debt		
Notes payable, less debt discount of $628 and $752, respectively (A)	$ 7,080	$ 4,035
Revolving line of credit (B)	150	23
Other short term debt (C)	74	69
Total Short-Term Debt	**$ 7,304**	**$ 4,127**
Long-Term Debt		
Notes payable	$ --	$ 74
Total Long-Term Debt	**$ --**	**$ 74**

(A) Notes Payable

November 2017 Note Purchase Agreement and Promissory Note

On October 5, 2018, in connection with the issuance of exchange shares, the exercise price of the warrants issued in the Company's public offering on April 24, 2018 (as described in Note 15) was adjusted to $486.00 per share and increased the number of shares of common stock issuable upon exercise of such warrants to 30,315 shares of common stock. The Company has presented a deemed dividend of $8,817,000 on the consolidated statements of operations for this price reset.

On January 29, 2019, the Company and Chicago Venture Partners, L.P., the holder of that certain outstanding convertible promissory note ("Chicago Venture" or the "Note Holder"), issued on November 17, 2017 (as amended, supplemented or otherwise modified, the "Original Note"), with an outstanding balance of $383,768 (the "Remaining Balance"), entered into an exchange agreement (the "Exchange Agreement"), pursuant to which the Company and the Note Holder agreed to (i) partition a new convertible promissory note in the form of the Original Note (the "Partitioned Note") in the original principal amount equal to the Remaining Balance (the "Exchange Amount") and then cause the Remaining Balance to be reduced by the Exchange Amount; and (ii) exchange the Partitioned Note for the delivery of 3,842 shares of the Company's common stock at an effective price share equal to $99.90. Following such partition of the Original Note, the Original Note was deemed paid in full, was automatically deemed cancelled, and shall not be reissued.

October 2018 Note Purchase Agreement and Promissory Note

On October 12, 2018, the Company entered into a note purchase agreement with Iliad Research and Trading, L.P. (the "Holder" or "Iliad"), which is affiliated with Chicago Venture, pursuant to which the Company agreed to issue and sell to the Holder an unsecured promissory note in an aggregate principal amount of $2,520,000, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount includes an original issue discount of $500,000 and $20,000 that the Company agreed to pay to the Holder to cover the holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the note, the Holder paid an aggregate purchase price of $2,000,000. Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. Beginning as of the date that was 6 months from the issuance date and at the intervals indicated below until the note is paid in full, the Holder has the right to redeem up to an aggregate of 1/3 of the initial principal balance of the note each month (each monthly exercise, a "Monthly Redemption Amount") by providing written notice (each, a "Monthly Redemption Notice") to the Company; provided, however, that if the Monthly Redemption Amount is not exercised in its corresponding month then such Monthly Redemption Amount will be available for the Holder to redeem in any future month in addition to such future month's Monthly Redemption Amount. Upon receipt of any Monthly Redemption Notice, the Company is required to pay the applicable Monthly Redemption Amount in cash to the Holder within 5 business days of the Company's receipt of such Monthly Redemption Notice.

Note 14 - Debt (continued)

(A) Notes Payable (continued)

October 2018 Note Purchase Agreement and Promissory Note (continued)

During the year ended December 31, 2019, the Company exchanged approximately $2,729,000 of the outstanding principal and interest under the note for 92,831 shares of the Company's common stock at exchange prices between $22.95 and $40.45 per share. The Company analyzed the exchange of principal under the note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded a $188,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the consolidated statements of operations for the year ended December 31, 2019. These exchanges satisfied the liability in full and the balance owed under the note was $0 as of December 31, 2019.

December 2018 Note Purchase Agreement and Promissory Note

On December 21, 2018, the Company entered into a note purchase agreement with Iliad, pursuant to which the Company agreed to issue and sell to Iliad an unsecured promissory note (the "December 2018 Note") in an aggregate principal amount of $1,895,000, which is payable on or before December 31, 2019 (as provided in the Exchange Agreement, dated October 24, 2019, described below (the "October 24th Exchange Agreement")). The initial principal amount includes an original issue discount of $375,000 and $20,000 that the Company agreed to pay to the Holder to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the December 2018 Note, the Holder paid an aggregate purchase price of $1,500,000. Interest on the Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the December 2018 Note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it will pay 115% of the portion of the outstanding balance the Company elects to prepay. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the December 2018 Note is paid in full, the Holder has the right to redeem up to an aggregate of 1/3 of the initial principal balance of the December 2018 Note each month (each monthly exercise, a "Monthly Redemption Amount") by providing written notice (each, a "Monthly Redemption Notice") delivered to the Company; provided, however, that if any Monthly Redemption Amount is not exercised in its corresponding month then such Monthly Redemption Amount will be available for the Holder to redeem in any future month in addition to such future month's Monthly Redemption Amount. Upon receipt of any Monthly Redemption Notice, the Company shall pay the applicable Monthly Redemption Amount in cash within 5 business days of the Company's receipt of such Monthly Redemption Notice. Pursuant to the October 24th Exchange Agreement described below, the Holder agreed that the exercise of any redemption rights described above would be deferred until no earlier than December 31, 2019.

Amendment to Note Purchase Agreements

On February 8, 2019, the Company entered into a global amendment (the "Global Amendment") to the note purchase agreements entered into on October 12, 2018 and December 21, 2018, in connection with the notes issued as of such dates, to delete the phrase "by cancellation or exchange of the Note, in whole or in part" from Section 8.1 of those agreements. The Company also agreed to pay Iliad's fees and other expenses in an aggregate amount of $80,000 (the "Fee") in connection with the preparation of the Global Amendment by adding $40,000 of the Fee to the outstanding balance of each of the notes.

Standstill Agreement

On August 8, 2019, the Company and Iliad entered into a standstill agreement with respect to the December 2018 Note (the "Standstill Agreement"). Pursuant to the Standstill Agreement, Iliad agreed that it will not redeem all or any portion of the December 2018 Note for a period beginning on August 8, 2019, and ending on the date that is 90 days from August 8, 2019. As consideration for this, the outstanding balance of the December 2018 Note was increased by $206,149.

Note 14 - Debt (continued)

(A) Notes Payable (continued)

Note Exchanges

During the year ended December 31, 2019, the Company exchanged approximately $2,112,000 of the outstanding principal and interest under the note for 707,071 shares of the Company's common stock at exchange prices between $1.80 and $4.95 per share. The Company analyzed the exchange of principal under the note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately $10,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the consolidated statements of operations for the year ended December 31, 2019. As of December 31, 2019, the outstanding balance of the December 2018 Note was approximately $28,749.

May 2019 Note Purchase Agreement and Promissory Note

On May 3, 2019, the Company entered into a note purchase agreement (the "Purchase Agreement") with Chicago Venture, pursuant to which the Company agreed to issue and sell to the investor an unsecured promissory note (the "May 2019 Note") in an aggregate principal amount of $3,770,000, which is payable on or before the date that is 10 months from the issuance date. The initial principal amount includes an original issue discount of $750,000 and $20,000 that the Company agreed to pay to the holder to cover the holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the May 2019 Note, the holder paid an aggregate purchase price of $3,000,000. Interest on the May 2019 Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the May 2019 Note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the holder 115% of the portion of the outstanding balance the Company elects to prepay. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the May 2019 Note is paid in full, the holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the May 2019 Note each month (each monthly exercise, a "Monthly Redemption Amount") by providing written notice (each, a "Monthly Redemption Notice") delivered to the Company; provided, however, that if the holder does not exercise any Monthly Redemption Amount in its corresponding month then such Monthly Redemption Amount shall be available for the holder to redeem in any future month in addition to such future month's Monthly Redemption Amount. Upon receipt of any Monthly Redemption Notice, the Company shall pay the applicable Monthly Redemption Amount in cash to the holder within five business days of the Company's receipt of such Monthly Redemption Notice.

During the year ended December 31, 2019, the Company exchanged approximately $2,076,000 of the outstanding principal and interest under the note for 738,889 shares of the Company's common stock at exchange prices between $1.80 and $3.51 per share. The Company analyzed the exchange of principal under the note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately $96,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the consolidated statements of operations for the year ended December 31, 2019. As of December 31, 2019, the outstanding balance of the May 2019 Note was approximately $1,694,000.

Note 14 - Debt (continued)

(A) Notes Payable (continued)

June 2019 Note Purchase Agreement and Promissory Note

On June 27, 2019, the Company entered into a note purchase agreement (the "Purchase Agreement") with Chicago Venture, pursuant to which the Company agreed to issue and sell to the holder an unsecured promissory note (the "June 2019 Note") in an aggregate principal amount of $1,895,000, which is payable on or before the date that is 9 months from the issuance date. The initial principal amount includes an original issue discount of $375,000 and $20,000 that the Company agreed to pay to the holder to cover the holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the June 2019 Note, the holder paid an aggregate purchase price of $1,500,000. Interest on the June 2019 Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the June 2019 Note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the holder 115% of the portion of the outstanding balance the Company elects to prepay. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the June 2019 Note is paid in full, the holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the June 2019 Note each month by providing written notice delivered to the Company; provided, however, that if the holder does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the holder to redeem in any future month in addition to such future month's monthly redemption amount. Upon receipt of any monthly redemption notice, the Company shall pay the applicable monthly redemption amount in cash to the holder within five business days. The June 2019 Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings (the "Bankruptcy-Related Event of Default")), the holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the June 2019 Note to be immediately due and payable at an amount equal to 115% of the outstanding balance of the June 2019 Note (the "Mandatory Default Amount"). Upon the occurrence of a Bankruptcy-Related Event of Default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the June 2019 Note will become immediately due and payable at the Mandatory Default Amount. Pursuant to the terms of the Purchase Agreement, if the Company consummates an offering of its equity securities, the Company is required to make a cash payment to the holder in the following amount: (a) twenty-five percent (25%) of the outstanding balance of the June 2019 Note if the Company receives net proceeds equal to $2,500,000.00 or less; (b) fifty percent (50%) of the outstanding balance of the June 2019 Note if the Company receives net proceeds of more than $2,500,000.00 but less than $5,000,000.00; and (c) one hundred percent (100%) of the outstanding balance of the June 2019 Note if the Company receives net proceeds equal to $5,000,000.00 or more.

Effective as of August 12, 2019, the Company and Chicago Venture entered into an amendment agreement, dated as of August 14, 2019, to provide that the Company's obligation to repay all or a portion of the outstanding balance of the June 2019 Note upon the completion of any offering of equity securities of the Company would not apply or be effective until December 27, 2019. As consideration for the amendment, a fee of $191,883 was added to the outstanding balance of the June 2019 Note. As of December 31, 2019, the outstanding balance of the June 2019 Note was approximately $2,086,883.

Note 14 - Debt (continued)

(A) Notes Payable (continued)

August 2019 Note Purchase Agreement and Promissory Note

On August 8, 2019, the Company entered into a note purchase agreement with Chicago Venture, pursuant to which the Company agreed to issue and sell to the holder an unsecured promissory note (the "August 2019 Note") in an aggregate principal amount of $1,895,000, which is payable on or before the date that is 9 months from the issuance date. The Initial Principal Amount includes an original issue discount of $375,000 and $20,000 that the Company agreed to pay to the holder to cover the holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the August 2019 Note, the holder paid an aggregate purchase price of $1,500,000. Interest on the Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the August 2019 Note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the Holder 115% of the portion of the outstanding balance the Company elects to prepay. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the August 2019 Note is paid in full, the holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the August 2019 Note each month by providing written notice to the Company; provided, however, that if the holder does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the holder to redeem in any future month in addition to such future month's monthly redemption amount. Upon receipt of any monthly redemption notice, the Company shall pay the applicable monthly redemption amount in cash to the holder within five business days of the Company's receipt of such monthly redemption notice. The August 2019 Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings (the "Bankruptcy-Related Event of Default")), the Holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the August 2019 Note to be immediately due and payable at an amount equal to 115% of the outstanding balance of the Note (the "Mandatory Default Amount"). Upon the occurrence of a Bankruptcy-Related Event of Default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the Note will become immediately due and payable at the Mandatory Default Amount. As of December 31, 2019, the outstanding balance of the August 2019 Note was approximately $1,895,000.

September 2019 Note Purchase Agreement and Promissory Note

On September 17, 2019, the Company entered into a note purchase agreement with Iliad, pursuant to which the Company agreed to issue and sell to the Holder an unsecured promissory note (the "September 2019 Note") in an aggregate principal amount of $952,500, which is payable on or before the date that is 9 months from the issuance date. The Initial Principal Amount includes an original issue discount of $187,500 and $15,000 that the Company agreed to pay to the Holder to cover the Holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the Note, the Holder paid an aggregate purchase price of $750,000. Interest on the Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the September 2019 Note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the Holder 115% of the portion of the outstanding balance the Company elects to prepay. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the September 2019 Note is paid in full, the holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the September 2019 Note each month by providing written notice to the Company; provided, however, that if the holder does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the holder to redeem in any future month in addition to such future month's monthly redemption amount. Upon receipt of any monthly redemption notice, the Company shall pay the applicable monthly redemption amount in cash to the holder within five business days of the Company's receipt of such monthly redemption notice. The September 2019 Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%.

Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings (the "Bankruptcy-Related Event of Default")), the Holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the September 2019 Note to be immediately due and payable at an amount equal to 115% of the outstanding balance of the Note (the "Mandatory Default Amount"). Upon the occurrence of a Bankruptcy-Related Event of Default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the Note will become immediately due and payable at the Mandatory Default Amount. Under the terms of the September 2019 Note, since it was still outstanding on December 17, 2019, a one-time monitoring fee equal to ten percent (10%) of the then outstanding balance, or $97,661, was added to the September 2019 Note. As of December 31, 2019, the outstanding balance of the September 2019 Note was approximately $1,050,161.

Note 14 - Debt (continued)

(A) Notes Payable (continued)

November 2019 Note Purchase Agreement and Promissory Note

On November 22, 2019, we issued a promissory note to St. George Investments LLC ("St. George"), an affiliate of Iliad and Chicago Venture, pursuant to which the Company agreed to issue and sell to the Holder an unsecured promissory note (the "November 2019 Note") in the initial principal amount of $952,500, which is payable on or before the date that is 6 months from the issuance date, subject to extension in accordance with the terms of the note. The initial principal amount includes an original issue discount of $187,500 and $15,000 that the Company agreed to pay to St. George to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the note, St. George paid an aggregate purchase price of $750,000. Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the Holder 115% of the portion of the outstanding balance the Company elects to prepay. The November 2019 Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings (the "Bankruptcy-Related Event of Default")), the Holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the November 2019 Note to be immediately due and payable at an amount equal to 115% of the outstanding balance of the Note (the "Mandatory Default Amount"). Upon the occurrence of a Bankruptcy-Related Event of Default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the Note will become immediately due and payable at the Mandatory Default Amount. Under the terms of the note, since it was still outstanding on February 22, 2020, a one-time monitoring fee equal to ten percent (10%) of the then-current outstanding balance, or approximately $97,688, was added to the note. As of December 31, 2019, the outstanding balance of the November 2019 Note was approximately $952,500.

(B) Revolving Line of Credit

Payplant Accounts Receivable Bank Line

In accordance with the Payplant Loan and Security Agreement, dated as of August 14, 2017 (the "Loan Agreement"), the Loan Agreement allows the Company to request loans from the Lender (in the manner provided therein) with a term of no greater than 360 days in amounts that are equivalent to 80% of the face value of purchase orders received. The Lender is not obligated to make the requested loan, however, if the Lender agrees to make the requested loan, before the loan is made, the Company must provide Lender with (i) one or more promissory notes for the amount being loaned in favor of Lender, (ii) one or more guaranties executed in favor of Lender and (iii) other documents and evidence of the completion of such other matters as Lender may request. The principal amount of each loan shall accrue interest at a 30 day rate of 2% (the "Interest Rate"), calculated per day on the basis of a year of 360 days and, when combined with all fees that may be characterized as interest will not exceed the maximum rate allowed by law. Upon the occurrence and during the continuance of any event of default, interest shall accrue at a rate equal to the Interest Rate plus 0.42% per 30 days. All computations of interest shall be made on the basis of a year of 360 days. The promissory note is subject to the interest rates described in the Loan Agreement and is secured by the assets of the Company pursuant to the Loan Agreement and will be satisfied in accordance with the terms of the Payplant Client Agreement.

On August 31, 2018, Inpixon, Sysorex, SGS, and Payplant executed Amendment 1 to Payplant Client Agreement (the "Amendment"). Pursuant to the Amendment, Sysorex and SGS are no longer parties to the Payplant Client Agreement, originally entered into on August 14, 2017, and have been released from any and all obligations and liabilities arising under the Payplant Client Agreement, whether such obligations and liabilities were in existence prior to or on the date of the Amendment or arise after the date of the Amendment. As of December 31, 2019, the outstanding balance of the revolving line of credit was approximately $150,000.

(C) Other Short Term Debt

As of December 31, 2019, the Company owed approximately $74,065 to the pre-acquisition stockholders of Shoom. Any amounts not subject to claims shall be released to the pre-acquisition stockholders of Shoom pro-rata on the next anniversary date of the closing date of the Shoom acquisition, August 31, 2020.

Note 15 - Capital Raises

January 2018 Capital Raise

On January 5, 2018, the Company entered into that certain Securities Purchase Agreement (the "January 2018 SPA") with certain investors (the "January 2018 Investors") pursuant to which the Company agreed to sell an aggregate of 334 shares (the "January 2018 Shares") of the Company's common stock, at a purchase price of $9,558.00 per share (the "January 2018 Offering") and warrants to purchase up to 334 shares (the "January 2018 Warrant Shares") of common stock (the "January 2018 Warrants"). The aggregate gross proceeds for the sale of the January 2018 Shares and January 2018 Warrants was approximately $3.2 million. After deducting placement agent fees and other expenses, the net proceeds from the offering was approximately $2.8 million. The January 2018 Warrants were initially exercisable at an exercise price per share equal to $11,880.00, subject to certain adjustments, and will expire on the five year anniversary of the initial exercise date. Following the February offering described below, the exercise price of the January 2018 Warrants was reduced to $5,400.00 per share.

February 2018 Public Offering

On February 20, 2018, the Company completed a public offering for approximately $18 million in securities, consisting of an aggregate of 1,848 Class A units, at a price to the public of $4,230.00 per Class A unit, each consisting of one share of the Company's common stock and a five-year warrant to purchase one share of common stock at an exercise price of $6,300.00 per share ("February 2018 Warrants"), and 10,184.9752 Class B units, at a price to the public of $1,000 per Class B unit, each consisting of one share of the Company's newly designated Series 3 convertible preferred stock ("Series 3 Preferred") with a stated value of $1,000 and initially convertible into approximately 1 share of our common stock at a conversion price of $4,230.00 per share for up to an aggregate of 2,408 shares of common stock and February 2018 Warrants exercisable for the number of shares of common stock into which the shares of Series 3 Preferred were initially convertible.

The Company received approximately $18 million in gross proceeds from the offering, including $1 million in amounts payable to service providers that participated in the offering, and before placement agent fees and offering expenses payable by the Company. After satisfying the amounts due to service providers and deducting placement agent fees, the net proceeds from the offering were approximately $15.4 million.

The embedded conversion option associated with the Series 3 Preferred shares has a beneficial conversion feature, which has a value of $1,508,000. The Company recorded this amount as a deemed dividend on the consolidated statement of operations for these beneficial conversion features.

Following the April offering described below, the exercise price of the February 2018 Warrants was reduced to the floor price of $1,141.20 and the number of shares issuable upon exercise of such warrants was increased to 24,055 shares of common stock.

April 2018 Public Offering

On April 24, 2018, the Company completed a public offering consisting of 10,115 units at a price to the public of $1,000 per unit, each consisting of (i) one share of our newly designated Series 4 convertible preferred stock (the "Series 4 Preferred") with a stated value of $1,000 and initially convertible into approximately 2 shares of common stock, at a conversion price of $828.00 per share (subject to adjustment) and (ii) one warrant to purchase such number of shares of common stock as each share of Series 4 Preferred is convertible into. The warrants are immediately exercisable at an initial exercise price of $1,206.00 per share (subject to adjustment). The Company received approximately $10.1 million in gross proceeds from this offering, before deducting placement agent fees and offering expenses payable by the Company. After deducting placement agent fees and expenses, the net proceeds from this offering were approximately $9.2 million.

The embedded conversion option associated with the Series 4 Preferred shares has a beneficial conversion feature, which has a value of $673,000. Additionally, the embedded conversion option had a price reset feature, which resulted in the reduction of the conversion price from $828.00 to $320.40 on June 25, 2018, which has a value of $4,226,000. The Company recorded $4,899,000 as a deemed dividend on the consolidated statement of operations for these beneficial conversion features.

As described above, the April offering reset the price of the February 2018 Warrants to the floor price of $1,141.20 and the number of shares issuable upon exercise of such warrants was increased to 24,055 shares of common stock. The Company has presented a deemed dividend of $4,828,000 on the consolidated statement of operations for this price reset.

Following the rights offering in January 2019 as described below, the conversion price of the Series 4 Preferred was reduced to the floor price of $223.20 and the exercise price of the warrants issued in the April offering were also reduced to the floor price of $223.20 and the number of shares issuable upon exercise of such warrants was increased to 61,562 shares of common stock.

Note 15 - Capital Raises (continued)

January 2019 Capital Raise

On January 15, 2019, the Company closed a rights offering whereby it sold an aggregate of 12,000 units consisting of an aggregate of 12,000 shares of Series 5 Convertible Preferred Stock and 80,000 warrants to purchase common stock exercisable for one share of common stock at an exercise price of $149.85 per share in accordance with the terms and conditions of a warrant agency agreement, resulting in gross proceeds to the Company of approximately $12 million, and net proceeds of approximately $10.77 million after deducting expenses relating to dealer-manager fees and expenses, and excluding any proceeds received upon exercise of any warrants.

Following the rights offering, the conversion price of the Series 4 Convertible Preferred Stock was reduced to the floor price of $223.20, the exercise price of the warrants issued in the April 2018 public offering were also reduced to the floor price of $223.20 and the number of shares issuable upon exercise of such warrants was increased to 61,562 shares of common stock. The maximum deemed dividend under the Series 4 Convertible Preferred Stock has been recognized so there is no accounting effect from the conversion price reduction of the Series 4 Convertible Preferred Stock. However, the Company recorded a $1.3 million deemed dividend for the reduction to the exercise price of the April 2018 warrants. As of December 31, 2019, there were 126 shares of Series 5 Convertible Preferred Stock outstanding.

August 2019 Financing

On August 12, 2019, the Company sold an aggregate of (i) 144,387 shares of our common stock, (ii) 2,997 shares of our Series 6 Convertible Preferred Stock, with a stated value $1,000 per share, convertible into shares of our common stock (the "Series 6 Preferred Stock"), and (iii) Series A warrants to purchase up to an aggregate of 384,387 shares of common stock at an exercise price per share of $12.4875, resulting in gross proceeds to the Company of approximately $4.8 million, and net proceeds of approximately $4 million after deducting the underwriting discounts and offering expenses. As of December 31, 2019, there were 0 shares of Series 6 Convertible Preferred Stock outstanding.

At-The-Market Program

During the year ended December 31, 2019 under an at-the-market ("ATM") program, we sold an aggregate of 1,470,900 shares of common stock, at a weighted average price of approximately $4.42 per share resulting in net proceeds of approximately $5.9 million to us after deduction of sales commissions equal to 4.5% of the gross sales and other offering expenses. We raised total aggregate gross proceeds of approximately $6.5 million in connection with the ATM program.

Note 16 - Common Stock

On January 5, 2018, the Company issued 5 shares of common stock pursuant to a subscription agreement with a service provider at a purchase price of $18,360.00 per share, in satisfaction of $80,000 payable to the provider.

On January 5, 2018, the Company entered into a securities purchase agreement with certain investors pursuant to which the Company agreed to sell an aggregate of 334 shares of the Company's common stock, at a purchase price of $9,558.00 per share (see Note 15).

On February 5, 2018, the holder of the Debenture delivered a conversion notice to the Company pursuant to which it converted $300,000 of principal of the Debenture into 28 shares of the Company's common stock. Such shares of common stock were issued on February 6, 2018.

On February 7, 2018, the holder of the Debenture delivered a conversion notice to the Company pursuant to which it converted $400,000 of principal of the Debenture into 67 shares of the Company's common stock.

On February 9, 2018, the holder of the Debenture delivered a final conversion notice to the Company pursuant to which it converted $317,000 of principal of the Debenture into 59 shares of the Company's common stock, which paid the Debenture in full.

Note 16 - Common Stock (continued)

On February 20, 2018, the Company completed a public offering including an aggregate of 1,848 Class A units, at a price to the public of $4,230.00 per Class A unit, each consisting of one share of the Company's common stock and a five-year warrant to purchase one share of common stock (see Note 15).

During the three months ended March 31, 2018, 9,773.7252 shares of Series 3 Preferred were converted into 2,311 shares of the Company's common stock.

During the three months ended March 31, 2018, the Company issued 6 shares of common stock for fractional shares due to the reverse stock split effective February 6, 2018.

During the three months ended June 30, 2018, 411.25 shares of Series 3 Preferred were converted into 98 shares of the Company's common stock.

During the three months ended June 30, 2018, 7,796.7067 shares of Series 4 Preferred were converted into 15,966 shares of the Company's common stock.

During the three months ended September 30, 2018, 2,311.2933 shares of Series 4 Preferred were converted into 7,218 shares of the Company's common stock.

On October 8, 2018, the Company issued 3,162 shares of the Company's common stock at an effective price per share of $486.00 to pay $1,536,649 towards the balance of the November Note (see Note 14).

During the three months ended December 31, 2018, 6 shares of Series 4 Preferred were converted into 19 shares of the Company's common stock.

During the three months ended December 31, 2018, the Company issued 834 shares of common stock for services, which were fully vested upon the date of issuance. The Company recorded an expense of approximately $465,000 for the fair value of those shares.

During the three months ended December 31, 2018, the Company issued 615 shares of common stock for fractional shares due to the reverse stock split effective November 2, 2018.

During the three months ended December 31, 2018, the Company issued 2,056 shares of common stock in connection with the exercise of 2,056 warrants at $486.00 a share.

On January 29, 2019, the Company issued 3,842 shares of common stock under an exchange agreement to settle the outstanding balance of $383,768 under a partitioned note. (see Note 14)

On February 20, 2019, the Company issued 16,655 shares of common stock under a settlement agreement for an arbitration proceeding.

During the three months ended March 31, 2019, the Company issued 306 shares of common stock in connection with the exercise of 306 warrants at $149.85 per share.

During the three months ended March 31, 2019, the Company issued 27,741 shares of common stock in connection with the exercise of 46,235 warrants through cashless exercises.

During the three months ended March 31, 2019, 10,062 shares of Series 5 Convertible Preferred Stock were converted into 67,149 shares of the Company's common stock.

Note 16 - Common Stock (continued)

During the three months ended March 31, 2019, the Company issued 4,445 shares of common stock for services, which were fully vested upon grant. The Company recorded an expense of approximately $242,000.

During the three months ended June 30, 2019, the Company issued 61,636 shares of common stock under an exchange agreement to settle the outstanding balance of $2,005,000 under a partitioned note (See Note 14).

During the three months ended June 30, 2019, the Company issued 18,572 shares of common stock in connection with the exercise of 30,954 warrants through cashless exercises.

During the three months ended June 30, 2019, 1,812 shares of Series 5 Convertible Preferred Stock were converted into 12,093 shares of the Company's common stock.

On May 21, 2019, the Company issued 14,445 shares of common stock to Locality as part of an acquisition (See Note 3).

On June 27, 2019, the Company issued 22,223 shares of common stock to GTX as part of an acquisition (See Note 4).

On August 12, 2019, the Company issued 144,387 shares of common stock as part of a public offering (See Note 15).

On August 15, 2019, the Company issued 112,644 shares of common stock to security holders of Jibestream as part of an acquisition (See Note 5).

During the three months ended September 30, 2019, the Company issued 31,195 shares of common stock under an exchange agreement to settle the outstanding balance of approximately $725,000 under a partitioned note (See Note 14).

During the three months ended September 30, 2019, the Company issued 310,154 shares of common stock in connection with the exercise of 310,154 warrants through cashless exercises.

During the three months ended September 30, 2019, 2,997 shares of Series 6 Convertible Preferred Stock were converted into 240,001 shares of the Company's common stock.

On November 5, 2019, the Company issued 63,645 shares of common stock to security holders of Jibestream as part of an acquisition (See Note 5).

During the three months ended December 31, 2019, the Company issued 1,470,900 shares of common stock as part of an ATM program (See Note 15).

During the three months ended December 31, 2019, the Company issued 1,445,960 shares of common stock under an exchange agreement to settle the outstanding balance of approximately $4.2 million under a partitioned note (See Note 14).

During the three months ended December 31, 2019, the Company issued 69,485 shares of common stock in connection with the exercise of 69,485 warrants through cashless exercises.

During the three months ended December 31, 2019, the Company issued 14 shares of common stock in connection with the exercise of 14 employee stock options.

Note 17 - Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of preferred stock with a par value of $0.001 per share with rights, preferences, privileges and restrictions as to be determined by the Company's Board of Directors.

Series 3 Convertible Preferred Stock

On February 15, 2018, the Company filed with the Secretary of State of the State of Nevada the Certificate of Designation that created the Series 3 Convertible Preferred Stock ("Series 3 Preferred"), authorized 10,184.9752 shares of Series 3 Preferred and designated the preferences, rights and limitations of the Series 3 Preferred. The Series 3 Preferred is non-voting (except to the extent required by law). The Series 3 Preferred was convertible into the number of shares of Common Stock, determined by dividing the aggregate stated value of the Series 3 Preferred of $1,000 per share to be converted by $4,230.00.

On February 20, 2018, the Company completed a public offering including an aggregate of 10,184.9752 Class B units, at a price to the public of $1,000 per Class B unit, each consisting of 1 share of the Series 3 Preferred with a stated value of $1,000 and initially convertible into approximately 1 share of our common stock at a conversion price of $4,230.00 per share (See Note 15).

During the three months ended March 31, 2018, 9773.7252 shares of Series 3 Preferred were converted into 2,311 shares of the Company's common stock. During the three months ended June 30, 2018, 411.25 shares of Series 3 Preferred were converted into 98 shares of the Company's common stock. As of December 31, 2019 and 2018, there are no Series 3 Preferred shares outstanding.

Series 4 Convertible Preferred Stock

On April 20, 2018, the Company filed with the Secretary of State of the State of Nevada the Certificate of Designation that created the Series 4 Convertible Preferred Stock ("Series 4 Preferred"), authorized 10,415 shares of Series 4 Preferred and designated the preferences, rights and limitations of the Series 4 Preferred. The Series 4 Preferred is non-voting (except to the extent required by law) and was convertible into the number of shares of common stock, determined by dividing the aggregate stated value of the Series 4 Preferred of $1,000 per share to be converted by $828.00 (the "Conversion Price").

On April 24, 2018, the Company completed a public offering consisting of 10,115 units at a price to the public of $1,000 per unit, each consisting of (i) one share of our newly designated Series 4 Preferred and (ii) one warrant to purchase such number of shares of common stock as each share of Series 4 Preferred is convertible into (see Note 15).

On June 25, 2018, in accordance with the terms of the price reset provisions described in the Certificate of Designations the Conversion Price of the Series 4 Preferred was adjusted to $320.40. On January 15, 2019, following the rights offering described above (See Note 15), the Conversion Price of the Series 4 Preferred was reduced to the floor price of $223.20.

During the three months ended June 30, 2018, 7,796.7067 shares of Series 4 Preferred were converted into 15,966 shares of the Company's common stock. During the three months ended September 30, 2018, 2,311.2933 shares of Series 4 Preferred were converted into 7,218 shares of the Company's common stock. During the three months ended December 31, 2018, 6 shares of Series 4 Preferred were converted into 19 shares of the Company's common stock. As of December 31, 2019 and 2018, there was 1 share of Series 4 Preferred outstanding.

Note 17 - Preferred Stock (continued)

Series 5 Convertible Preferred Stock

On January 14, 2019, the Company filed with the Secretary of State of the State of Nevada the Certificate of Designation that created the Series 5 Convertible Preferred Stock, authorized 12,000 shares of Series 5 Convertible Preferred Stock and designated the preferences, rights and limitations of the Series 5 Convertible Preferred Stock. The Series 5 Convertible Preferred Stock is non-voting (except to the extent required by law). The Series 5 Convertible Preferred Stock is convertible into the number of shares of Common Stock, determined by dividing the aggregate stated value of the Series 5 Convertible Preferred Stock of $1,000 per share to be converted by $149.85.

On January 15, 2019, the Company closed a rights offering whereby it sold an aggregate of 12,000 units consisting of an aggregate of 12,000 shares of Series 5 Convertible Preferred Stock and 80,000 warrants to purchase common stock exercisable for one share of common stock at an exercise price of $149.85 per share.

During the three months ended March 31, 2019, 10,062 shares of Series 5 Convertible Preferred Stock were converted into 67,149 shares of the Company's common stock.

During the three months ended June 30, 2019, 1,812 shares of Series 5 Convertible Preferred Stock were converted into 12,093 shares of the Company's common stock.

As of December 31, 2019, there were 126 shares of Series 5 Convertible Preferred Stock outstanding.

Series 6 Convertible Preferred Stock

On August 13, 2019, the Company filed the Certificate of Designation of Preferences, Rights and Limitations of Series 6 Convertible Preferred Stock (the "Series 6 Preferred Certificate of Designation") with the Secretary of State of Nevada, establishing the rights, preferences, privileges, qualifications, restrictions, and limitations relating to the Series 6 Convertible Preferred Stock with a stated value of $1,000 and convertible into a number of shares of the Company's common stock equal to $1,000 divided by $12.4875.

On August 12, 2019, the Company closed a public offering whereby it sold an aggregate of 2,997 shares of Series 6 Convertible Preferred Stock, 144,387 shares of our common stock and 384,387 warrants to purchase common stock exercisable for one share of common stock at an exercise price of $12.4875 per share.

During the three months ended September 30, 2019, 2,997 shares of Series 6 Convertible Preferred Stock were converted into 240,001 shares of the Company's common stock.

As of December 31, 2019, there were 0 shares of Series 6 Convertible Preferred Stock outstanding.

Note 18 - Authorized Share Increase and Reverse Stock Split

On February 2, 2018, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to increase the total number of authorized shares of common stock from 50,000,000 to 250,000,000, as approved by the Company's stockholders at a special meeting held on February 2, 2018.

On February 2, 2018, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-30 reverse stock split of the Company's issued and outstanding shares of common stock, effective as of February 6, 2018.

Note 18 - Authorized Share Increase and Reverse Stock Split (continued)

On October 31, 2018, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-40 reverse stock split of the Company's issued and outstanding shares of common stock, effective as of November 2, 2018.

On January 3, 2020, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-45 reverse stock split of the Company's issued and outstanding shares of common stock, effective as of January 7, 2020.

The consolidated financial statements and accompanying notes give effect to the 1-for-30, 1-for-40 and 1-for-45 reverse stock splits and increase in authorized shares as if they occurred at the first period presented.

Note 19 - Stock Options

In September 2011, the Company adopted the 2011 Employee Stock Incentive Plan (the "2011 Plan") which provides for the granting of incentive and non-statutory common stock options and stock based incentive awards to employees, non-employee directors, consultants and independent contractors. The plan was amended and restated in May 2014. Unless terminated sooner by the Board of Directors, this plan will terminate on August 31, 2021.

In February 2018, the Company adopted the 2018 Employee Stock Incentive Plan (the "2018 Plan" and together with the 2011 Plan, the "Option Plans"), which will be utilized with the 2011 Plan for employees, corporate officers, directors, consultants and other key persons employed. The 2018 Plan will provide for the granting of incentive stock options, NQSOs, stock grants and other stock-based awards, including Restricted Stock and Restricted Stock Units (as defined in the 2018 Plan).

Incentive stock options granted under the Option Plans are granted at exercise prices not less than 100% of the estimated fair market value of the underlying common stock at date of grant. The exercise price per share for incentive stock options may not be less than 110% of the estimated fair value of the underlying common stock on the grant date for any individual possessing more that 10% of the total outstanding common stock of the Company. Options granted under the Option Plans vest over periods ranging from immediately to four years and are exercisable over periods not exceeding ten years.

The aggregate number of shares that may be awarded as of December 31, 2019 under the 2011 Plan and the 2018 Plan were 3,521 and 8,316,376, respectively. As of December 31, 2019, 121,796 of options were granted to employees, directors and consultants of the Company (including 1 share outside of our plan) and 8,198,102 options were available for future grant under the Option Plans.

During the year ended December 31, 2018, the Company granted options under the 2018 Plan for the purchase of 1,690 shares of common stock to employees and consultants of the Company. These options are 100% vested or vest pro-rata over 48 months, have a life of ten years and an exercise price between $288.90 and $570.60 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the awards was determined to be $428,000. The fair value of the common stock as of the grant date was determined to be between $288.90 and $570.60 per share.

During the year ended December 31, 2019, the Company granted options under the 2018 Plan for the purchase of 130,651 shares of common stock to employees and consultants of the Company. These options are 100% vested or vest pro-rata over 12, 36, 40 or 48 months, have a life of ten years and an exercise price between $6.30 and $101.70 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the awards was determined to be $4,364,000. The fair value of the common stock as of the grant date was determined to be between $6.30 and $101.70 per share.

During the year ended December 31, 2019 and 2018, the Company recorded a charge of $3,247,000 and $949,000, respectively, for the amortization of employee stock options.

Note 19 - Stock Options (continued)

As of December 31, 2019, the fair value of non-vested options totaled approximately $1,010,000, which will be amortized to expense over the weighted average remaining term of 0.81 years.

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during the years ended December 31, 2019 and 2018 were as follows:

	For the Years Ended December 31,	
	2019	2018
Risk-free interest rate	1.77-2.66%	2.79-3.01%
Expected life of option grants	7 years	5-6 years
Expected volatility of underlying stock	49.48-106.16%	45.64-46.18%
Dividends assumption	$ --	$ --

The expected stock price volatility for the Company's stock options was determined by the historical volatilities for industry peers and used an average of those volatilities. The Company attributes the value of stock-based compensation to operations on the straight-line single option method. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods. The dividends assumptions was $0 as the Company historically has not declared any dividends and does not expect to.

The following table summarizes the changes in options outstanding during the years ended December 31, 2018 and 2019:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2018	9	$ 1,223,157.60	$ --
Granted	1,690	564.75	--
Exercised	--	--	--
Expired	(59)	26,750.25	--
Forfeitures	(16)	45,779.85	--
Outstanding at December 31, 2018	1,624	$ 5,229.00	$ --
Granted	130,651	61.79	--
Exercised	(14)	6.30	--
Expired	(2,106)	353.19	--
Forfeitures	(8,359)	91.67	--
Outstanding at December 31, 2019	121,796	$ 123.66	$ --
Exercisable at December 31, 2018	1,497	$ 4,705.65	$ --
Exercisable at December 31, 2019	77,576	$ 167.88	$ --

Note 20 - Warrants

During the three months ended December 31, 2018, the Company issued 2,056 shares of common stock in connection with the exercise of 2,056 warrants at $12.15 a share.

On January 15, 2019, the Company issued warrants for the purchase of 80,000 shares of common stock in connection with a rights offering more fully described in Note 15. The warrants are exercisable for 5 years at an exercise price of $149.85 per share. Following the rights offering, the exercise price of the warrants issued in the April 2018 public offering were reduced to the floor price of $223.20 and the number of shares issuable upon exercise of such warrants was increased by 33,366 shares of common stock.

On August 12, 2019, the Company issued Series A warrants to purchase up to an aggregate of 384,387 shares of common stock in connection with the August 2019 capital raise more fully described in Note 15. The warrants are exercisable for 5 years at an exercise price per share of $12.4875.

During the three months ended March 31, 2019, the Company issued 306 shares of common stock in connection with the exercise of 306 warrants at $149.85 per share.

During the three months ended March 31, 2019, the Company issued 27,741 shares of common stock in connection with the exercise of 46,235 warrants through cashless exercises.

During the three months ended June 30, 2019, the Company issued 18,572 shares of common stock in connection with the exercise of 30,952 warrants through cashless exercises.

During the three months ended September 30, 2019, the Company issued 310,154 shares of common stock in connection with the exercise of 310,154 warrants through cashless exercises.

During the three months ended December 31, 2019, the Company issued 69,485 shares of common stock in connection with the exercise of 69,485 warrants through cashless exercises.

The following table summarizes the changes in warrants outstanding during the years ended December 31, 2018 and 2019:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2018	25	$ 17,424.00	$ --
Granted	54,664	803.70	--
Exercised	(2,056)	12.15	--
Expired	(1)	810,000.00	--
Cancelled	--	--	--
Outstanding at December 31, 2018	52,632	$ 866.70	$ --
Granted	497,753	$ 48.66	--
Exercised	(457,132)	35.78	--
Expired	(1)	6,075,000.00	--
Cancelled	--	--	--
Outstanding at December 31, 2019	93,252	$ 503.09	$ --
Exercisable at December 31, 2018	52,632	$ 866.70	--
Exercisable at December 31, 2019	93,252	$ 503.09	--

Note 21 - Income Taxes

The domestic and foreign components of income (loss) before income taxes from continuing operations for the years ended December 31, 2019 and 2018 are as follows (in thousands):

	For the Years Ended December 31,	
	2019	2018
Domestic	$ (32,116)	$ (18,336)
Foreign	(2,450)	(1,447)
Loss from Continuing Operations before Provision for Income Taxes	$ (34,566)	$ (19,783)

The income tax provision (benefit) for the years ended December 31, 2019 and 2018 consists of the following (in thousands):

	For the Years Ended December 31,	
	2019	2018
Foreign		
Current	$ --	$ 17
Deferred	(844)	(142)
U.S. federal	--	--
Current	--	--
Deferred	(5,177)	734
State and local	--	--
Current	--	7
Deferred	(898)	391
	(6,919)	1,007
Change in valuation allowance	6,335	(1,007)
Income Tax Provision	$ (584)	$ --

The reconciliation between the U.S. statutory federal income tax rate and the Company's effective rate for the years ended December 31, 2019 and 2018 is as follows:

	For the Years Ended December 31,	
	2019	2018
U.S. federal statutory rate	21.0%	21.0%
State income taxes, net of federal benefit	2.0	(0.2)
Impairment of goodwill	--	(0.7)
Impairment of net operating loss	--	(4.5)
Incentive stock options	(0.7)	(0.5)
Additional Beneficial Conversion Feature	--	(0.5)
Federal and state rate change and other	--	0.8
US-Foreign income tax rate difference	0.4	0.4
Other permanent items	0.1	(0.5)
Provision to return adjustments	--	--
Deferred rate change	--	--
Deferred only adjustment	(2.7)	--
Change in valuation allowance	(18.3)	(15.3)
Effective Rate	1.8%	0.0%

Note 21 - Income Taxes (continued)

As of December 31, 2019 and 2018, the Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

(in 000s)	As of December 31, 2019	2018
Deferred Tax Asset		
Net operating loss carryovers	$ 8,918	$ 4,892
Deferred revenue	--	--
Stock based compensation	1,114	646
Debt debenture	--	--
Research credits	135	133
Accrued compensation	36	55
Reserves	242	191
Intangibles	2,361	1,741
Fixed assets	39	--
Other	3.046	470
Total Deferred Tax Asset	15,891	8,128
Less: valuation allowance	(13,902)	(7,677)
Deferred Tax Asset, Net of Valuation Allowance	$ 1,989	$ 451

Deferred Tax Liabilities	As of December 31, 2019	2018
Intangible assets	$ (1,671)	$ --
Fixed assets	--	--
Other	(53)	(36)
Prepaid maintenance	--	--
Capitalized research	(352)	(415)
Total deferred tax liabilities	(2,076)	(451)
Net Deferred Tax Asset (Liability)	$ (87)	$ --

The transition tax is based on total post-1986 earnings and profits which were previously deferred from U.S. income taxes. At December 31, 2019, the Company did not have any undistributed earnings of our foreign subsidiaries. As a result, no additional income or withholding taxes have been provided for. The Company does not anticipate any impacts of the global intangible low taxed income ("GILTI") and base erosion anti-abuse tax ("BEAT) and as such, the Company has not recorded any impact associated with either GILTI or BEAT.

Note 21 - Income Taxes (continued)

In accordance with Section 382 of the Internal Revenue Code, deductibility of the Company's NOL carryover is subject to an annual limitation in the event of a change of control, as defined by the regulations. The Company performed an analysis to determine the annual limitation as a result of the changes in ownership that occurred during 2018 and 2019. Based on the Company's analysis, the NOL available to offset future taxable income after these ownership changes was approximately $6.2 million and $16.3 million, respectively. These NOLs, if not utilized, expire beginning in December 31, 2037.

As of December 31, 2019 and 2018, Inpixon Canada, which was acquired on April 18, 2014 as part of the AirPatrol Merger Agreement, had approximately $12.0 million and $10.9 million, respectively, of Canadian NOL carryovers available to offset future taxable income. These NOLs, if not utilized, begin expiring in the year 2026.

As of December 31, 2019, Jibestream, which was acquired on August 15, 2019, had approximately $4.3 million Canadian NOL carryovers available to offset future taxable income. These NOLs, if not utilized, begin expiring in the year 2033.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realization of deferred tax assets, management considers, whether it is "more likely than not", that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible.

ASC 740, "Income Taxes" requires that a valuation allowance be established when it is "more likely than not" that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. After consideration of all the information available, management believes that uncertainty exists with respect to future realization of its deferred tax assets with respect to Inpixon and Inpixon Canada and has, therefore, established a full valuation allowance as of December 31, 2019 and 2018. As of December 31, 2019 and December 31, 2018, the change in valuation allowance was $6.3 million and $(1.0) million, respectively.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is required to file income tax returns in the United States (federal), Canada, India, and in various state jurisdictions in the United States. Based on the Company's evaluation, it has been concluded that there are no material uncertain tax positions requiring recognition in the Company's consolidated financial statements for the years ended December 31, 2019 and 2018.

The Company's policy for recording interest and penalties associated with unrecognized tax benefits is to record such interest and penalties as interest expense and as a component of selling, general and administrative expense, respectively. There were no amounts accrued for interest or penalties for the years ended December 31, 2019 and 2018. Management does not expect any material changes in its unrecognized tax benefits in the next year.

The Company operates in multiple tax jurisdictions and, in the normal course of business, its tax returns are subject to examination by various taxing authorities. Such examinations may result in future assessments by these taxing authorities. The Company is subject to examination by U.S. tax authorities beginning with the year ended December 31, 2015. In general, the Canadian Revenue Authority may reassess taxes four years from the date the original notice of assessment was issued. The tax years that remain open and subject to Canadian reassessment are 2015 – 2019. The tax years that remain open and subject to Indian reassessment are tax years beginning March 31, 2014.

Note 22 - Credit Risk and Concentrations

Financial instruments that subject the Company to credit risk consist principally of trade accounts receivable and cash and cash equivalents. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, consequently, believes that its accounts receivable credit risk exposure beyond such allowances is limited.

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Cash is also maintained at foreign financial institutions for its Canadian subsidiary and its majority-owned India subsidiary. Cash in foreign financial institutions as of December 31, 2019 and 2018 was immaterial. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

The following table sets forth the percentages of revenue derived by the Company from those customers, which accounted for at least 10% of revenues during the years ended December 31, 2019 and 2018 (in thousands):

	For the Year Ended December 31, 2019		For the Year Ended December 31, 2018	
	$	%	$	%
Customer A	2,661	42%	--	--
Customer B	1,224	19%	1,238	33%

As of December 31, 2019, Customer C represented approximately 29%, Customer A represented approximately 14%, and Customer D represented approximately 10 % of total accounts receivable. As of December 31, 2018, Customer E represented approximately 30%, Customer C represented approximately 26%, Customer F represented approximately 13%, Customer D represented approximately 10% and Customer G represented approximately 10% of total accounts receivable.

As of December 31, 2019, three vendors represented approximately 36%, 12%, and 10% of total gross accounts payable. Purchases from these vendors during the year ended December 31, 2019 was $0. As of December 31, 2018, one vendor represented approximately 49% of total gross accounts payable. Purchases from this vendor during the year ended December 31, 2018 was $0.

For the year ended December 31, 2019, three vendors represented approximately 32%, 27%, and 21% of total purchases. For the year ended December 31, 2018, one vendor represented approximately 97% of total purchases.

Note 23 - Foreign Operations

The Company's operations are located primarily in the United States, Canada, and India. Revenues by geographic area are attributed by country of domicile of our subsidiaries. The financial data by geographic area are as follows (in thousands):

	United States	Canada	India	Eliminations	Total
For the Year Ended December 31, 2019:					
Revenues by geographic area	$ 5,786	$ 1,516	$ 569	$ (1,570)	$ 6,301
Operating income (loss) by geographic area	$ (18,371)	$ (2,488)	$ 49	$ --	$ (20,810)
Net income (loss) by geographic area	$ (32,117)	$ (1,914)	$ 49	$ --	$ (33,982)
For the Year Ended December 31, 2018:					
Revenues by geographic area	$ 3,737	$ 19	$ 301	$ (301)	$ 3,756
Operating income (loss) by geographic area	$ (16,956)	$ (1,509)	$ 63	$ --	$ (18,402)
Net income (loss) by geographic area	$ (23,111)	$ (1,513)	$ 63	$ --	$ (24,561)
As of December 31, 2019:					
Identifiable assets by geographic area	$ 11,061	$ 9,675	$ 483	$ --	$ 21,219
Long lived assets by geographic area	$ 4,347	$ 6,981	$ 345	$ --	$ 11,673
As of December 31, 2018:					
Identifiable assets by geographic area	$ 11,872	$ 187	$ 119	$ --	$ 12,178
Long lived assets by geographic area	$ 6,233	$ 140	$ 28	$ --	$ 6,401

Note 24 - Related Party Transactions

Nadir Ali, the Company's Chief Executive Officer and a member of its Board of Directors, is also a member of the Board of Directors of Sysorex.

Sysorex Note Purchase Agreement

On December 31, 2018, the Company and Sysorex entered into a note purchase agreement (the "Note Purchase Agreement") pursuant to which the Company agreed to purchase from Sysorex at a purchase price equal to the Loan Amount (as defined below), a secured promissory note (the "Secured Note") for up to an aggregate principal amount of $3 million (the "Principal Amount"), including any amounts advanced through the date of the Secured Note (the "Prior Advances"), to be borrowed and disbursed in increments (such borrowed amount, together with the Prior Advances, collectively referred to as the "Loan Amount"), with interest to accrue at a rate of 10% percent per annum on all such Loan Amounts, beginning as of the date of disbursement with respect to any portion of such Loan Amount. In addition, Sysorex agreed to pay $20,000 to the Company to cover the Company's legal fees, accounting costs, due diligence, monitoring and other transaction costs incurred in connection with the purchase and sale of the Secured Note (the "Transaction Expense Amount"), all of which amount is included in the Principal Amount. Sysorex may borrow repay and borrow under the Secured Note, as needed, for a total outstanding balance, exclusive of any unpaid accrued interest, not to exceed the Principal Amount at any one time.

All sums advanced by the Company to the Maturity Date (as defined below) pursuant to the terms of the Note Purchase Agreement will become part of the aggregate Loan Amount underlying the Secured Note. All outstanding principal amounts and accrued unpaid interest owing under the Secured Note shall become immediately due and payable on the earlier to occur of (i) 24 month anniversary of the date the Secured Note is issued (the "Maturity Date"), (ii) at such date when declared due and payable by the Company upon the occurrence of an Event of Default (as defined in the Secured Note), or (iii) at any such earlier date as set forth in the Secured Note. All accrued unpaid interest shall be payable in cash. On February 4, 2019, April 2, 2019, and May 22, 2019, the Secured Note was amended to increase the Principal Amount that may be outstanding at any time from $3 million to $5 million, $5 million to $8 million and $8 million to $10 million, respectively. On March 1, 2020, the Company extended the maturity date of the Secured Note to December 31, 2022. In addition, the Secured Note was amended to increase the default interest rate from 18% to 21% or the maximum rate allowable by law and to require a cash payment to the Company by Sysorex against the Loan Amount in an amount equal to no less than 6% of the aggregate gross proceeds raised following the completion of any financing, or series of related financings, in which Sysorex raises aggregate gross proceeds of at least $5 million.

The amount owed for principal and accrued interest by Sysorex to the Company as of December 31, 2018 was $2.2 million and as of December 31, 2019 was approximately $10.6 million. The Secured Note has been classified as "held for sale" and the Company, with the assistance of a third-party valuation firm, estimated the fair value of such using Sysorex financial projections, a discounted cash flow model and a 12.3% discount rate. As a result, the Company established a full valuation allowance as of December 31, 2019. We are required to periodically re-evaluate the carrying value of the note and the related valuation allowance based on various factors, including, but not limited to, Sysorex's performance and collectability of the note. Sysorex's performance against those financial projections will directly impact future assessments of the fair value of the note.

Sysorex Receivable

On February 20, 2019, the Company, Sysorex and Atlas Technology Group, LLC ("Atlas") entered into a settlement agreement resulting in a net award of $941,796 whereby Atlas agreed to accept an aggregate of 16,655 shares of freely-tradable common stock of the Company in full satisfaction of the award. The Company and Sysorex each agreed pursuant to the terms and conditions of that certain Separation and Distribution Agreement, dated August 7, 2018, as amended, that 50% of the costs and liabilities related to the arbitration action would be shared by each party following the Spin-off. As a result, Sysorex owes the Company $559,121 for the settlement plus the interest accrued during the fiscal year ended December 31, 2019 of $57,238. The total owed to the Company for this settlement as of December 31, 2019 was $616,359.

Jibestream Promissory Note

On August 12, 2019, prior to the acquisition of Jibestream, the Company loaned Jibestream $140,600 for operating expenses. The note accrues interest at a rate of 5% per annum and has a maturity date of December 31, 2019. This note is recorded as a current note receivable on the Company books, however, it is eliminated in the consolidated financial statements. As of December 31, 2019, the balance of the note including principal and interest was approximately $143,000.

Note 25 - Leases

The Company has an operating lease for its administrative office in Palo Alto, California, effective October 1, 2014, for 8.3 years. The initial lease rate was $14,225 per month with escalating payments. In connection with the lease, the Company is obligated to pay $8,985 monthly for operating expenses for building repairs and maintenance. The Company also has an operating lease for its administrative office in Encino, CA. This lease was effective June 1, 2014 and will end on July 31, 2021. The current lease rate is $6,984 per month and $276 per month for the common area maintenance. Additionally, the Company has an operating lease for its administrative office in Coquitlam, Canada, from October 1, 2016 through September 30, 2021. The initial lease rate was $8,931 CAD per month with escalating payments. In connection with the lease, the Company is obligated to pay $6,411 CAD monthly for operating expenses for building repairs and maintenance. The Company has an operating lease for its administrative office in Toronto, Canada, from August 15, 2019 through July 31, 2021. The monthly lease rate is $24,506 CAD per month with no escalating payments. In connection with the lease, the Company is obligated to pay $9,651 CAD monthly for operating expenses for building repairs and maintenance. Additionally, the Company has an operating lease for its administrative office in New Westminster, Canada, from August 1, 2019 through July 31, 2021. The initial lease rate was $575 CAD per month. The Company has an operating lease for its administrative office in Hyderabad, India, from January 1, 2019 through February 28, 2024. The monthly lease rate is 482,720 INR per month with 5% escalating payments. In connection with the lease, the Company is obligated to pay 68,960 INR monthly for operating expenses for building repairs and maintenance. The Company has no other operating or financing leases with terms greater than 12 months.

The Company adopted ASC Topic 842, Leases ("ASC Topic 842") effective January 1, 2019 using the modified-retrospective method, and thus, the prior comparative period continues to be reported under the accounting standards in effect for that period.

The Company elected to use the package of practical expedients permitted which allows (i) an entity not to reassess whether any expired or existing contracts are or contain leases; (ii) an entity need not reassess the lease classification for any expired or existing leases; and (iii) an entity need not reassess any initial direct costs for any existing leases. At the time of adoption, the Company did not have any leases with terms of 12 months or less, which would have resulted in short-term lease payments being recognized in the consolidated statements of income on a straight-line basis over the lease term. All of the Company's leases were previously classified as operating and are similarly classified as operating lease under the new standard.

On January 1, 2019, upon adoption of ASC Topic 842, the Company recorded right-of-use asset of $641,992, lease liability of $683,575 and eliminated deferred rent of $41,583. The adoption of ASC 842 did not have a material impact to prior year comparative periods and a result, a cumulative-effect adjustment was not required. The Company determined the lease liability using the Company's estimated incremental borrowing rate of 8.0% to estimate the present value of the remaining monthly lease payments. With the Locality acquisition, the Company adopted ASC Topic 842 effective May 21, 2019 for the Westminster, Canada office operating lease. With the Jibestream acquisition, the Company adopted ASC Topic 842 effective August 15, 2019 for the Toronto, Canada office operating lease. With the India acquisition, the Company adopted ASC Topic 842 effective January 1, 2019 for the Hyderabad, India office operating lease.

Right-of-use assets is summarized below (in thousands):

	As of December 31, 2019
Palo Alto, CA Office	$ 808
Encino, CA Office	188
Hyderabad, India Office	375
Coquitlam, Canada Office	273
Westminster, Canada Office	10
Toronto, Canada Office	405
Less accumulated amortization	(474)
Right-of-use asset, net	$ 1,585

Lease expense for operating leases recorded in the balance sheet is included in operating costs and expenses and is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in our consolidated statement of income for the period ended December 31, 2019 was $839,000.

Note 25 - Leases (continued)

During the year ended December 31, 2019, the Company recorded $568,715 as rent expense to the right-of-use assets.

Lease liability is summarized below (in thousands):

	As of December 31, 2019
Total lease liability	$ 1,613
Less: short term portion	(776)
Long term portion	$ 837

Maturity analysis under the lease agreement is as follows (in thousands):

Year ending December 31, 2020	$ 736
Year ending December 31, 2021	592
Year ending December 31, 2022	335
Year ending December 31, 2023	118
Year ending December 31, 2024	16
Total	$ 1,797
Less: Present value discount	(184)
Lease liability	$ 1,613

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of Topic 842. As of December 31, 2019, the weighted average remaining lease term is 2.61 years and the weighted average discount rate used to determine the operating lease liabilities was 8.0%.

Note 26 - Commitments and Contingencies

Litigation

Certain conditions may exist as of the date the consolidated financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company’s consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company’s business, financial position, and results of operations or cash flows.

Note 26 - Commitments and Contingencies (continued)

Atlas Settlement

On February 20, 2019, the Company, Sysorex and Atlas Technology Group, LLC ("Atlas") entered into a settlement agreement (the "Settlement Agreement") in connection with the satisfaction of an arbitration award granted to Atlas in an aggregate amount of $1,156,840 plus pre-judgment interest equal to an aggregate of $59,955 (the "Award") arising out of an engagement agreement, dated September 8, 2016, by and between Atlas and the Company as well as its subsidiaries, including the predecessor to Sysorex (the "Engagement Agreement"). Pursuant to the Settlement Agreement, Atlas agreed to (a) reduce the Award by $275,000 resulting in a net award of $941,796 (the "Net Award") and (b) accept an aggregate of 16,655 shares of freely-tradable common stock of the Company (the "Settlement Shares"), in full satisfaction of the Award. Atlas also agreed to apply an amount equal to the difference between the proceeds received from the sale of the Settlement Shares and the Net Award, against legal fees incurred by the Company and Sysorex in connection with the Settlement Agreement.

In connection with the Spin-off, pursuant to the terms and conditions of that certain Separation and Distribution Agreement, dated August 7, 2018, 50% of the costs and liabilities related to the arbitration action arising from the Engagement Agreement are required to be shared by Sysorex.

Compliance with Nasdaq Continued Listing Requirement

On May 30, 2019, we received a deficiency letter from Nasdaq indicating that, based on our closing bid price for the last 30 consecutive business days, we do not comply with the minimum bid price requirement of $1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2). In accordance with Nasdaq listing Rule 5810(c)(3)(A), the Company was provided a period of 180 calendar days, or until November 26, 2019, in which to regain compliance. In order to regain compliance with the minimum bid price requirement, the closing bid price of our common stock must be at least $1.00 per share for a minimum of ten consecutive business days without effecting a reverse split.

In addition to the failure to comply with Nasdaq Listing Rule 5550(a)(2), the Nasdaq Staff has advised us that our history of non-compliance with Nasdaq's minimum bid price requirement, the corresponding history of reverse stock splits, the dilutive effect of the Offering and an inability to cure the bid price deficiency organically without effecting a reverse stock split prior to November 26, 2019 would raise public interest concerns under Nasdaq Listing Rule 5101 and could result in the Nasdaq Staff issuing a delisting determination with respect to our common stock (subject to any appeal the Company may file). Nasdaq rules provide that Nasdaq may suspend or delist particular securities based on any event, condition or circumstance that exists or occurs that makes continued listing of the securities on Nasdaq inadvisable or unwarranted in the opinion of the Nasdaq Staff, even though the securities meet all enumerated criteria for continued listing on Nasdaq. In that regard, the Nasdaq Staff has discretion to determine that our failure to comply with the minimum bid price rule or any subsequent price-based market value requirement or the dilutive effect of the an offering, constitutes a public interest concern and while the Company will have an opportunity to appeal, the Company cannot assure that Nasdaq will not exercise such discretionary authority or that the Company will be successful if such discretion is exercised and the Company appeals.

On November 27, 2019, we received notice from the Nasdaq Listing Qualifications Department of the Nasdaq Stock Market LLC that based upon our continued non-compliance with the minimum $1.00 bid price requirement for continued listing set forth in Nasdaq Listing Rule 5550(a)(2), our common stock would be subject to delisting from the Nasdaq Capital Market (the "Staff Delisting Determination"), unless we timely requested an appeal hearing before the Nasdaq Hearings Panel. The Company requested such hearing which was held on January 23, 2020, following the Company's implementation of a reverse stock split effective on January 7, 2020.

On February 5, 2020, we received a letter from the Office of General Counsel of Nasdaq informing us that the Nasdaq Hearings Panel (the "Panel") granted our request to continue the listing of our common stock on Nasdaq. The Panel also determined to impose a Panel Monitor pursuant to Nasdaq Listing Rule 5815(d)(4)(A) to last until February 5, 2021 ("Panel Monitor Period"). If at any time before February 5, 2021, the Staff or the Panel determines that we have failed to meet the minimum bid price requirement for a period of 30 consecutive trading days or any other requirement for continued listing on Nasdaq, the Panel will direct the Staff to issue a Staff Delisting Determination and the Hearings Department will promptly schedule a new hearing, with the initial Panel or a newly convened Panel if the initial Panel is unavailable. During the monitor period, we are obligated to notify the Panel immediately, in writing, in the event our bid price falls below the minimum requirement for any reason, or if we fall out of compliance with any applicable listing requirement.

The Nasdaq Listing and Hearing Review Council (the "Listing Council") may, on its own motion, determine to review any Panel decision within 45 days. If the Listing Council determines to review the Panel's decision, it may affirm, modify, reverse, dismiss or remand the decision to the Panel.

Note 27 - Subsequent Events

On January 3, 2020, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada to effect a 1-for-45 reverse stock split of the Company's issued and outstanding shares of common stock, effective as of January 7, 2020.

Exchange Agreements

On January 14, 2020, the Company exchanged approximately $1,500,000 of the outstanding principal and interest under the May 2019 Note for 410,958 shares of the Company's common stock at an exchange price of $3.65 per share.

On January 16, 2020, the Company exchanged approximately $458,000 of the outstanding principal and interest under the May 2019 Note for 113,182 shares of the Company's common stock at an exchange price of $4.05 per share.

On February 7, 2020, the Company exchanged approximately $300,290 of the outstanding principal and interest under the June 2019 Note for 115,000 shares of the Company's common stock at an exchange price of $3.046 per share.

On February 12, 2020, the Company exchanged approximately $490,000 of the outstanding principal and interest under the June 2019 Note for 175,000 shares of the Company's common stock at an exchange price of $2.80 per share.

Sysorex Note Amendment

On March 1, 2020, the Company amended the Secured Note to extend the maturity date from December 31, 2020 to December 31, 2022, increase the default interest rate from 18% to 21% or the maximum rate allowable by law and to require a cash payment to the Company by Sysorex against the Loan Amount in an amount equal to no less than 6% of the aggregate gross proceeds raised following the completion of any financing, or series of related financings, in which Sysorex raises aggregate gross proceeds of at least $5 million.

Equity Distribution Agreement

On March 3, 2020, the Company entered into an Equity Distribution Agreement (the "Sales Agreement") with Maxim Group LLC ("Maxim") under which the Company may offer and sell shares of its common stock having an aggregate offering price of up to $50 million (the "Shares") from time to time through Maxim, acting exclusively as the Company's sales agent (the "Offering"). The Company intends to use the net proceeds of the Offering primarily for working capital and general corporate purposes. The Company may also use a portion of the net proceeds to invest in or acquire businesses or technologies that it believes are complementary to its own, although the Company has no current plans, commitments or agreements with respect to any acquisitions as of the date of this Annual Report on Form 10-K. Any Shares offered and sold in the Offering will be issued pursuant to the Company's Registration Statement on Form S-3 (File No. 333-223960) filed with the Securities and Exchange Commission on March 27, 2018, as amended on May 15, 2018 and declared effective on June 5, 2018 (the "Form S-3"), the base prospectus dated June 5, 2018 included in the Form S-3 and the prospectus supplement relating to the Offering to be filed with the SEC on or about March 3, 2020. Maxim will be entitled to compensation at a fixed commission rate of 4.0% of the gross sales price per Share sold. In addition, the Company has agreed to reimburse Maxim for its costs and out-of-pocket expenses incurred in connection with its services, including the fees and out-of-pocket expenses of its legal counsel.

The Company is not obligated to make any sales of the Shares under the Sales Agreement and no assurance can be given that the Company will sell any Shares under the Sales Agreement, or if it does, as to the price or amount of Shares that the Company will sell, or the dates on which any such sales will take place. The Sales Agreement will continue until the earliest of (i) twelve (12) months following the date of the Sales Agreement, (ii) the sale of Shares having an aggregate offering price of $50 million, and (iii) the termination by either the Agent or the Company upon the provision of 15 days written notice or otherwise pursuant to the terms of the Sales Agreement.

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

Not applicable.

ITEM 9A: CONTROLS AND PROCEDURES

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer (our principal executive officer) and our chief financial officer (our principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The evaluation was undertaken in consultation with our accounting personnel. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of December 31, 2019, our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our principal executive officer and our principal financial officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework issued in 2013.

In connection with that assessment, our principal executive officer and principal financial officer have determined that there was a material weakness in our internal control over financial reporting as a result of a determination following initial assessment that the documentation underlying the preparation of forward projections which included copies of customer contracts underlying the basis of projecting revenues and support for the projected cost structures associated with determining the fair value of the Sysorex note as of December 31, 2019 was not sufficient evidence thereby requiring material adjustments to be made to the carrying value of the note as initially determined by management as of December 31, 2019. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis. We cannot assure you that we will adequately remediate the material weakness or that additional material weaknesses in our internal control will not be identified in the future. Any failure to maintain or implement required new or improved controls or any difficulties we encounter in their implementation could result in additional material weaknesses or could result in material misstatements in our financial statements.

Based on the assessment, our principal executive officer and our principal financial officer determined that, as of December 31, 2019, our internal control over financial reporting is not effective.

Remediation Plan for Material Weakness in Internal Control

We are in the process of developing certain remediation steps to address the previously disclosed material weakness discussed above and to improve our internal control over financing reporting. We expect to complete our remediation process on or about the end of the first quarter of fiscal 2020. The Company and the Board take the control and integrity of our financial statements seriously and believe that the remediation steps described below are essential to maintaining a strong internal control environment. As a result, we will enhance our internal technical accounting capabilities augmented by the use of third-party advisors and consultants to assist with areas requiring specialized technical accounting expertise and reviewed by management.

We are committed to maintaining a strong internal control environment, and believe that these remediation actions will represent significant improvements in our controls. However, the identified weakness in internal control over financial reporting will not be considered remediated until controls have been designed and/or controls are in operation for a sufficient period of time for our management to conclude that the material weakness has been remediated. Additional remediation remedies may be required, which may require additional implementation time. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluations of internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the fourth quarter of the last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

The information set forth below is included herein for the purpose of providing the disclosure required under "Item 1.01 – Entry into a Material Definitive Agreement." of Form 8-K.

At-The-Market (ATM) Program

On March 3, 2020, we entered into an Equity Distribution Agreement (the "Sales Agreement") with Maxim Group LLC ("Maxim") under which we may offer and sell shares of our common stock having an aggregate offering price of up to $50 million (the "Shares") from time to time through Maxim, acting exclusively as our sales agent (the "Offering"). The Company intends to use the net proceeds of the Offering primarily for working capital and general corporate purposes. We may also use a portion of the net proceeds to invest in or acquire businesses or technologies that we believe are complementary to our own, although we have no current plans, commitments or agreements with respect to any acquisitions as of the date of this Annual Report on Form 10-K. Any Shares offered and sold in the Offering will be issued pursuant to the Company's Registration Statement on Form S-3 (File No. 333-223960) filed with the Securities and Exchange Commission on March 27, 2018, as amended on May 15, 2018 and declared effective on June 5, 2018 (the "Form S-3"), the base prospectus dated June 5, 2018 included in the Form S-3 and the prospectus supplement relating to the Offering to be filed with the SEC on or about March 3, 2020.

Sales of the Shares through Maxim, if any, will be made by any method that is deemed an "at the market" offering as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on the Nasdaq Capital Market, or any other existing trading market for our common stock or to or through a market marker. Maxim may also sell the Shares by any other method permitted by law, including in privately negotiated transactions. Maxim will also have the right, in its sole discretion, to purchase Shares from the Company as principal for its own account at a price and subject to the other terms and conditions agreed upon at the time of sale. Maxim will use its commercially reasonable efforts, consistent with its sales and trading practices, to solicit offers to purchase the Shares under the terms and subject to the condition set forth in the Sales Agreement. We will pay Maxim commissions, in cash, for its services in acting as agent in the sale of the Shares. Maxim will be entitled to compensation at a fixed commission rate of 4.0% of the gross sales price per Share sold. In addition, the Company has agreed to reimburse Maxim for its costs and out-of-pocket expenses incurred in connection with its services, including the fees and out-of-pocket expenses of its legal counsel.

We are not obligated to make any sales of the Shares under the Sales Agreement and no assurance can be given that we will sell any Shares under the Sales Agreement, or if we do, as to the price or amount of Shares that we will sell, or the dates on which any such sales will take place. The Sales Agreement will continue until the earliest of (i) twelve (12) months following the date of the Sales Agreement, (ii) the sale of Shares having an aggregate offering price of $50 million, and (iii) the termination by either the Agent or the Company upon the provision of 15 days written notice or otherwise pursuant to the terms of the Sales Agreement.

The foregoing description of the Sales Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Sales Agreement, a copy of which is filed as Exhibit 1.1 hereto and is incorporated herein by reference. A copy of the opinion of Mitchell Silberberg & Knupp LLP, counsel to the Company, relating to the validity of the shares of common stock to be issued in the Offering, is filed as Exhibit 5.1 hereto.

This disclosure shall not constitute an offer to sell or the solicitation of any offer to buy the securities discussed herein, nor shall there be any offer, solicitation or sale of the securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Fourth Amendment to Sysorex Loan Documents

On March 1, 2020, we entered into a fourth amendment agreement (the "Fourth Amendment Agreement") with Sysorex, Inc. ("Sysorex") in connection with that certain Note Purchase Agreement, dated as of December 31, 2018 (as amended from time to time in accordance with its terms, the "NPA"), and that certain Secured Promissory Note issued to us by Sysorex on December 31, 2018 (as amended from time to time in accordance with its terms, the "Note," together with the NPA, the "Sysorex Loan Documents"). Pursuant to the Fourth Amendment Agreement, the Sysorex Loan Documents were amended to extend the maturity date from December 31, 2020 to December 31, 2022, to increase the default interest rate from 18% to 21% or the maximum rate allowable by law and to require a cash payment to the Company by Sysorex against the Loan Amount in an amount equal to no less than 6% of the aggregate gross proceeds raised following the completion of any financing, or series of related financings, in which Sysorex raises aggregate gross proceeds of at least $5 million. Nadir Ali, our Chief Executive Officer and a member of our Board of Directors, is also on the Board of Directors of Sysorex. The transactions disclosed herein were unanimously approved by our Board of Directors.

The foregoing description of the Fourth Amendment Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Fourth Amendment Agreement, a copy of which is filed as Exhibit 10.46 hereto and is incorporated herein by reference.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names and ages of all of our current directors and executive officers. Our officers are appointed by, and serve at the pleasure of, the Company's Board of Directors (referred to herein as the "Board") and/or our Chief Executive Officer.

Name	Age	Position
Nadir Ali	51	Chief Executive Officer and Director
Soumya Das	47	Chief Operating Officer and Chief Marketing Officer
Wendy Loundermon	49	Chief Financial Officer and Secretary of Inpixon and Secretary of Inpixon Canada, Inc. and Director
Leonard Oppenheim	73	Director
Kareem Irfan	59	Director
Tanveer Khader	51	Director

Nadir Ali

Mr. Ali has served as our Chief Executive Officer and as a member of our Board since September 2011. As the Chief Executive Officer of Inpixon, Mr. Ali is responsible for establishing the vision, strategy and the operational aspects of Inpixon. Mr. Ali works with the Inpixon executive team to deliver both operational and strategic leadership and has over 20 years of experience in the consulting and high-tech industries. From November 2015 until the completion of the Spin-off in August 2018, Mr. Ali served as the Chief Executive Officer of Sysorex Inc. (OTCQB: SYSX) and continues to serve on its board of directors.

From 1998 to 2001, Mr. Ali was the co-founder and Managing Director of Tira Capital, an early stage technology fund. Immediately prior thereto, Mr. Ali served as Vice President of Strategic Planning for Isadra, Inc., an e-commerce software start-up, which was acquired by VerticalNet. From 1995 through 1998, Mr. Ali was Vice President of Strategic Programs at Sysorex Information Systems, a computer systems integrator, which was acquired by Vanstar Government Systems in 1997. Mr. Ali received a Bachelor of Arts degree in Economics from the University of California at Berkeley in 1989. Mr. Ali's valuable entrepreneurial, management, mergers and acquisitions and technology experience together with his in-depth knowledge of the business of Inpixon led us to the conclusion that he should serve as a member of our Board.

Soumya Das

Mr. Das has served as our Chief Marketing Officer since November 2016 and as our Chief Operating Officer since February 2018. Prior to joining Inpixon, from November 2013 until January 2016, Mr. Das was the Chief Marketing Officer of Identiv, a security technology company. From January 2012 until October 2013, Mr. Das was the Chief Marketing Officer of SecureAuth, a provider of multi-factor authentication, single sign-on, adaptive authentication and self-services tools for different applications. Prior to joining SecureAuth, Mr. Das was the Vice President, Marketing and Strategy of CrownPeak, a provider of web content management solutions, from April 2010 until January 2012. Mr. Das earned an MBA from Richmond College, London, United Kingdom, and Bachelor of Business Management from Andhra University in India.

Wendy Loundermon

Ms. Loundermon, who was appointed our Principal Financial and Accounting Officer on July 19, 2017, has overseen all of Inpixon's finance, accounting and HR activities from 2002 until October 2014 at which time she became the Vice President of Finance until December 2014. From January 2015 and October 2015, she was appointed Interim CFO of the Company. Thereafter, she continued with the Company as Vice President of Finance and was re- appointed as CFO on September 16, 2019. She was also appointed as a member of our Board on May 14, 2019. Ms. Loundermon has over 20 years of finance and accounting experience. She is currently responsible for the preparation and filing of financial statements and reports for all companies, tax return filings, and managing the accounting staff. Ms. Loundermon received a Bachelor of Science degree in Accounting and a Master of Science degree in Taxation from George Mason University. Ms. Loundermon's extensive knowledge about the Company and strong financial experience provides her with the qualifications and skills to serve as a director of our Company.

Leonard A. Oppenheim

Mr. Oppenheim has served as a member of our Board since July 2011. Mr. Oppenheim retired from business in 2001 and has since been active as a private investor. From 1999 to 2001, he was a partner in Faxon Research, a company offering independent research to professional investors. From 1983 to 1999, Mr. Oppenheim was a principal in the Investment Banking and Institutional Sales division of Montgomery Securities. Prior to that, he was a practicing attorney. Mr. Oppenheim is a graduate of New York University Law School. Mr. Oppenheim served on the Board of Apricus Biosciences, Inc. (Nasdaq: APRI), a publicly held bioscience company, from June 2005 to May 2014. Mr. Oppenheim's public company board experience is essential to the Company. Mr. Oppenheim also meets the Audit Committee Member requirements as a financial expert. Mr. Oppenheim's public company board experience and financial knowledge provide him with the qualifications and skills to serve as a director of our Company.

Kareem M. Irfan

Mr. Irfan has served as a member of our Board since July 2014. Since 2014, Mr. Irfan has been the CEO (Global Businesses) of Cranes Software International (Cranes), a business group offering business intelligence, data analytics and engineering software solutions and services. Previously, Mr. Irfan was Chief Strategy Officer at Cranes starting in 2011. From 2005 until 2011, he was General Counsel at Schneider Electric, a Paris-based global company that specializes in electricity distribution, automation and energy management solutions. Mr. Irfan served earlier as Chief IP & IT Counsel at Square D Co., a US-based electrical distribution and automation business, and also practiced law at two international IP law firms in Chicago. Mr. Irfan is a graduate of DePaul University College of Law, holds a MS in Computer Engineering from the University of Illinois, and a BS in Electronics Engineering from Bangalore University. Mr. Irfan's extensive experience in advising information technology companies, managing corporate governance and regulatory management policies, and over fifteen years of executive management leadership give him strong qualifications and skills to serve as a director of our Company.

Tanveer A. Khader

Mr. Khader has served as a member of our Board since July 2014. Since 2010, Mr. Khader has been the Executive Vice President of Systat Software Inc., a company offering scientific software products for statisticians and researchers. Prior thereto he was Senior Vice President from 2008-2010, Vice President from 2004-2008, and General Manager from 2002-2004. Mr. Khader holds a BE in Engineering from Bangalore University and a degree in Business Administration from St. Joseph's Commerce College. Mr. Khader's extensive experience with software development, data analytics and strategic planning give him the qualifications and skills to serve as director of our Company.

Board of Directors

Our Board may establish the authorized number of directors from time to time by resolution. The current authorized number of directors is seven. Our current directors, if elected, will continue to serve as directors until the next annual meeting of stockholders and until his or her successor has been elected and qualified, or until his or her earlier death, resignation, or removal.

We continue to review our corporate governance policies and practices by comparing our policies and practices with those suggested by various groups or authorities active in evaluating or setting best practices for corporate governance of public companies. Based on this review, we have adopted, and will continue to adopt, changes that the Board believes are the appropriate corporate governance policies and practices for our Company.

Our Board held 9 meetings during 2019 and acted through 19 written consents. No member of our Board attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board (held during the period for which he or she was a director) and (ii) the total number of meetings held by all committees of the Board on which such director served (held during the period that such director served). Members of our Board are invited and encouraged to attend our annual meeting of stockholders.

Independence of Directors

In determining the independence of our directors, we apply the definition of "independent director" provided under the listing rules of Nasdaq. Pursuant to these rules, the Board has determined that all of the directors currently serving on the Board are independent within the meaning of Nasdaq Listing Rule 5605 with the exception of Nadir Ali and Wendy Loundermon, who are executive officers.

Committees of our Board

The Board has three standing committees: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee.

Audit Committee

The Audit Committee consists of Leonard Oppenheim, Tanveer Khader, and Kareem Irfan, all of whom are "independent" as defined under section 5605(a)(2) of the Nasdaq Listing Rules. Mr. Oppenheim is the Chairman of the Audit Committee. In addition, the Board has determined that Leonard Oppenheim qualifies as an "audit committee financial expert" as defined in the rules of the SEC. The Audit Committee operates pursuant to a charter, which can be viewed on our website at http://www.inpixon.com (under "Investors"). The Audit Committee met 4 times during 2019. All members attended more than 75% of such committee meetings. The role of the Audit Committee is to:

- oversee management's preparation of our financial statements and management's conduct of the accounting and financial reporting processes;
- oversee management's maintenance of internal controls and procedures for financial reporting;
- oversee our compliance with applicable legal and regulatory requirements, including without limitation, those requirements relating to financial controls and reporting;
- oversee the independent auditor's qualifications and independence;
- oversee the performance of the independent auditors, including the annual independent audit of our financial statements;
- prepare the report required by the rules of the SEC to be included in our Proxy Statement; and
- discharge such duties and responsibilities as may be required of the Committee by the provisions of applicable law, rule or regulation.

Compensation Committee

The Compensation Committee consists of Kareem Irfan, Leonard Oppenheim and Tanveer Khader, all of whom are "independent" as defined in section 5605(a)(2) of the Nasdaq Listing Rules. Mr. Irfan is the Chairman of the Compensation Committee. The Compensation Committee met 3 times during 2019. All members attended 75% or more of such committee meetings. The role of the Compensation Committee is to:

- develop and recommend to the independent directors of the Board the annual compensation (base salary, bonus, stock options and other benefits) for our President/Chief Executive Officer;
- review, approve and recommend to the independent directors of the Board the annual compensation (base salary, bonus and other benefits) for all of our Executive Officers (as used in Section 16 of the Securities Exchange Act of 1934 and defined in Rule 16a-1 thereunder);
- review, approve and recommend to the Board the aggregate number of equity grants to be granted to all other employees; and
- ensure that a significant portion of executive compensation is reasonably related to the long-term interest of our stockholders.

A copy of the charter of the Compensation Committee is available on our website at http://www.inpixon.com (under "Investors").

The Compensation Committee may form and delegate a subcommittee consisting of one or more members to perform the functions of the Compensation Committee. The Compensation Committee may engage outside advisers, including outside auditors, attorneys and consultants, as it deems necessary to discharge its responsibilities. The Compensation Committee has sole authority to retain and terminate any compensation expert or consultant to be used to provide advice on compensation levels or assist in the evaluation of director, President/Chief Executive Officer or senior executive compensation, including sole authority to approve the fees of any expert or consultant and other retention terms. In addition, the Compensation Committee considers, but is not bound by, the recommendations of our Chief Executive Officer with respect to the compensation packages of our other executive officers.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, or the "Governance Committee," consists of Tanveer Khader, Leonard Oppenheim and Kareem Irfan, all of whom are "independent" as defined in section 5605(a)(2) of the Nasdaq Listing Rules. Mr. Khader is the Chairman of the Governance Committee. The Nominating and Corporate Governance Committee met 1 time during 2019. All members attended the meeting. The role of the Governance Committee is to:

- evaluate from time to time the appropriate size (number of members) of the Board and recommend any increase or decrease;
- determine the desired skills and attributes of members of the Board, taking into account the needs of the business and listing standards;
- establish criteria for prospective members, conduct candidate searches, interview prospective candidates, and oversee programs to introduce the candidate to us, our management, and operations;
- annually recommend to the Board persons to be nominated for election as directors;
- recommend to the Board the members of all standing Committees;
- periodically review the "independence" of each director;
- adopt or develop for Board consideration corporate governance principles and policies; and
- provide oversight to the strategic planning process conducted annually by our management.

A copy of the charter of the Governance Committee is available on our website at http://www.inpixon.com (under "Investors").

Stockholder Communications

Stockholders may communicate with the members of the Board, either individually or collectively, by writing to the Board at 2479 E. Bayshore Road, Suite 195, Palo Alto, CA 94303. These communications will be reviewed by the Secretary as agent for the non-employee directors in facilitating direct communication to the Board. The Secretary will treat communications containing complaints relating to accounting, internal accounting controls, or auditing matters as reports under our Whistleblower Policy. Further, the Secretary will disregard communications that are bulk mail, solicitations to purchase products or services not directly related either to us or the non-employee directors' roles as members of the Board, sent other than by stockholders in their capacities as such or from particular authors or regarding particular subjects that the non-employee directors may specify from time to time, and all other communications which do not meet the applicable requirements or criteria described below, consistent with the instructions of the non-employee directors.

General Communications. The Secretary will summarize all stockholder communications directly relating to our business operations, the Board, our officers, our activities or other matters and opportunities closely related to us. This summary and copies of the actual stockholder communications will then be circulated to the Chairman of the Governance Committee.

Stockholder Proposals and Director Nominations and Recommendations. Stockholder proposals are reviewed by the Secretary for compliance with the requirements for such proposals set forth in our Bylaws and in Regulation 14a-8 promulgated under the Exchange Act. Stockholder proposals that meet these requirements will be summarized by the Secretary. Summaries and copies of the stockholder proposals are circulated to the Chairman of the Governance Committee.

Stockholder nominations for directors are reviewed by the Secretary for compliance with the requirements for director nominations that are set forth in our Bylaws. Stockholder nominations for directors that meet these requirements are summarized by the Secretary. Summaries and copies of the nominations or recommendations are then circulated to the Chairman of the Governance Committee.

The Governance Committee will consider director candidates recommended by stockholders. If a director candidate is recommended by a stockholder, the Governance Committee expects to evaluate such candidate in the same manner it evaluates director candidates it identifies. Stockholders desiring to make a recommendation to the Governance Committee should follow the procedures set forth above regarding stockholder nominations for directors.

Retention of Stockholder Communications. Any stockholder communications which are not circulated to the Chairman of the Governance Committee because they do not meet the applicable requirements or criteria described above will be retained by the Secretary for at least ninety calendar days from the date on which they are received, so that these communications may be reviewed by the directors generally if such information relates to the Board as a whole, or by any individual to whom the communication was addressed, should any director elect to do so.

Distribution of Stockholder Communications. Except as otherwise required by law or upon the request of a non-employee director, the Chairman of the Governance Committee will determine when and whether a stockholder communication should be circulated among one or more members of the Board and/or Company management.

Director Qualifications and Diversity

The Board seeks independent directors who represent a diversity of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. Candidates should have substantial experience with one or more publicly traded companies or should have achieved a high level of distinction in their chosen fields. The Board is particularly interested in maintaining a mix that includes individuals who are active or retired executive officers and senior executives, particularly those with experience in technology; research and development; finance, accounting and banking; or marketing and sales.

There is no difference in the manner in which the Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder. In evaluating nominations to the Board, the Governance Committee also looks for depth and breadth of experience within the Company's industry and otherwise, outside time commitments, special areas of expertise, accounting and finance knowledge, business judgment, leadership ability, experience in developing and assessing business strategies, corporate governance expertise, and for incumbent members of the Board, the past performance of the incumbent director. Each of the candidates nominated for election to our Board at our last annual meeting of stockholders was recommended by the Governance Committee.

Code of Business Conduct and Ethics

The Board has adopted a code of business conduct and ethics (the "Code") designed, in part, to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with or submits to the SEC and in the Company's other public communications, compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of Code violations to an appropriate person or persons, as identified in the Code and accountability for adherence to the Code. The Code applies to all directors, executive officers and employees of the Company. The Code is periodically reviewed by the Board. In the event we determine to amend or waive certain provisions of the Code, we intend to disclose such amendments or waivers on our website at http://www.inpixon.com under the heading "Investors" within four business days following such amendment or waiver or as otherwise required by the Nasdaq Listing Rules.

Risk Oversight

Our Board provides risk oversight for our entire company by receiving management presentations, including risk assessments, and discussing these assessments with management. The Board's overall risk oversight, which focuses primarily on risks and exposures associated with current matters that may present material risk to our operations, plans, prospects or reputation, is supplemented by the various committees. The Audit Committee discusses with management and our independent registered public accounting firm our risk management guidelines and policies, our major financial risk exposures and the steps taken to monitor and control such exposures. Our Compensation Committee oversees risks related to our compensation programs and discusses with management its annual assessment of our employee compensation policies and programs. Our Nomination and Governance Committee oversees risks related to corporate governance and management and director succession planning.

Board Leadership Structure

The Chairman of the Board presides at all meetings of the Board, unless such position is vacant, in which case, the Chief Executive Officer of the Company presides. The office of Chairman of the Board has been vacant since the resignation of Abdus Salam Qureishi in September 2016.

The Company has no fixed policy with respect to the separation of the offices of the Chairman of the Board and Chief Executive Officer. The Board believes that the separation of the offices of the Chairman of the Board and Chief Executive Officer is in the best interests of the Company and will review this determination from time to time.

ITEM 11: EXECUTIVE COMPENSATION

The table below sets forth, for the last two fiscal years, the compensation earned by (i) each individual who served as our principal executive officer, (ii) our two other most highly compensated executive officers, other than our principal executive officer, who were serving as an executive officer at the end of the last fiscal year, and (iii) up to two additional individuals for whom disclosure would have been provided pursuant to the preceding paragraph (ii) but for the fact that the individual was not serving as an executive officer of the Company at the end of the last completed fiscal year. Together, these three individuals are sometimes referred to as the "Named Executive Officers."

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Nadir Ali,	2019	$ 280,000	$ 150,000	$ 804,000	$ 323,926(2)	$ 1,557,926
Chief Executive Officer	2018	$ 279,400	$ 140,000	$ 79,022	$ 225,295(2)	$ 723,717
Soumya Das	2019	$ 275,000	$ 50,000	$ 482,400	$ 92,501(3)	$ 899,901
Chief Operating Officer; Chief Marketing Officer	2018	$ 265,625	$ 83,000	$ 47,415	$ 21,127(3)	$ 417,167
Wendy Loundermon	2019	$ 250,000	$ 60,000	562,800	$ 17,021(4)	$ 889,821
Chief Financial Officer	2018	$ 255,938	$ 50,000	$ 55,317	$ 24,038(4)	$ 385,293

(1) The fair value of employee option grants are estimated on the date of grant using the Black-Scholes option pricing model with key weighted average assumptions, expected stock volatility and risk free interest rates based on US Treasury rates from the applicable periods.
(2) Accrued vacation paid as compensation, automobile allowance and housing allowance.
(3) Represents commission and automobile allowance.
(4) Accrued vacation paid as compensation.

Outstanding Equity Awards at Fiscal Year-End

Other than as set forth below, there were no outstanding unexercised options, unvested stock, and/or equity incentive plan awards issued to our Named Executive Officers as of December 31, 2019.

		Option Awards					Stock Awards			
Name	**Grant Date**	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Equity incentive plan awards: number of securities underlying unexercised unearned options (#)**	**Option exercise price ($)**	**Option expiration date**	**Number of shares or units of stock that have not vested #**	**Market value of shares of units of stock that have not vested ($)**	**Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)**	**Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($)**
Nadir Ali	12/21/2012	1(1)	-0-	-0-	225,643.05	12/21/2022	-0-	-0-	-0-	-0-
	08/14/2013	1(1)	-0-	-0-	1,952,678.70	08/14/2023	-0-	-0-	-0-	-0-
	04/17/2015	1(2)	-0-	-0-	1,677,857.40	04/17/2025	-0-	-0-	-0-	-0-
	05/17/2018	312(1)	-0-	-0-	570.60	05/17/2028	-0-	-0-	-0-	-0-
	01/25/2019	10,186(3)	926(3)	-0-	101.70	01/25/2029	-0-	-0-	-0-	-0-
	05/10/2019	7,408(3)	3,704(3)	-0-	33.75	05/10/2029	-0-	-0-	-0-	-0-
Soumya Das	02/03/2017	-0-	1(2)	-0-	188,035.74	02/03/2027	-0-	-0-	-0-	-0-
	05/17/2018	187(1)	-0-	-0-	570.60	05/17/2028	-0-	-0-	-0-	-0-
	01/25/2019	6,112(3)	555(3)	-0-	101.70	01/25/2029	-0-	-0-	-0-	-0-
	05/10/2019	4,445(3)	2,222(3)	-0-	33.75	05/10/2029	-0-	-0-	-0-	-0-
Wendy Loundermon	12/05/2011	1(1)	-0-	-0-	1,012,500.00	12/05/2021	-0-	-0-	-0-	-0-
	12/21/2012	1(1)	-0-	-0-	225,643.05	12/21/2022	-0-	-0-	-0-	-0-
	11/18/2013	1(1)	-0-	-0-	1,851,428.70	11/18/2023	-0-	-0-	-0-	-0-
	05/09/2014	1(1)	-0-	-0-	3,507,589.35	05/09/2024	-0-	-0-	-0-	-0-
	08/05/2015	1(2)	-0-	-0-	1,265,625.00	08/05/2025	-0-	-0-	-0-	-0-
	02/25/2016	-0-	1(2)	-0-	376,071.30	02/25/2026	-0-	-0-	-0-	-0-
	07/20/2016	-0-	1(2)	-0-	339,910.65	07/20/2026	-0-	-0-	-0-	-0-
	05/17/2018	218(1)	-0-	-0-	570.60	05/17/2028	-0-	-0-	-0-	-0-
	01/25/2019	7,130(3)	648(3)	-0-	101.70	01/25/2029	-0-	-0-	-0-	-0-
	05/10/2019	5,186(3)	2,592(3)	-0-	33.75	05/10/2029	-0-	-0-	-0-	-0-

(1) This option is 100% vested.

(2) This option vests 1/48th per month at the end of each month starting on the grant date.

(3) This option vests 1/12th per month at the end of each month starting on the grant date.

Employment Agreements and Arrangements

Nadir Ali

On July 1, 2010, Nadir Ali entered into an at-will Employment and Non-Compete Agreement, as subsequently amended, with Inpixon Federal, Inc., Inpixon Government Services and Inpixon Consulting prior to their acquisition by the Company. Under the terms of the Employment Agreement Mr. Ali serves as President. The employment agreement was assumed by the Company and Mr. Ali became CEO in September 2011. Mr. Ali's salary under the agreement was initially $240,000 per annum plus other benefits including a bonus plan, a housing allowance, health insurance, life insurance and other standard Inpixon employee benefits. If Mr. Ali's employment is terminated without Cause (as defined), he will receive his base salary for 12 months from the date of termination. Mr. Ali's employment agreement provides that he will not compete with the Company and will be subject to non-solicitation provisions relating to employees, consultants and customers, distributors, partners, joint ventures or suppliers of the Company during the term of his employment or consulting relationship with the Company. On April 17, 2015, the compensation committee approved the increase of Mr. Ali's annual salary to $252,400, effective January 1, 2015. Effective May 16, 2018 the compensation committee approved an increase in Mr. Ali's annual salary to $280,000 and an auto allowance of $1,000 a month.

Soumya Das

On November 4, 2016, and effective as of November 7, 2016, Mr. Das entered into an employment agreement to serve as Chief Marketing Officer of the Company. On February 2, 2018, he was promoted to Chief Operating Officer. In accordance with the terms of the agreement, Mr. Das will receive a base salary of $250,000 per annum. In addition, Mr. Das will receive a bonus up to $75,000 annually, provided that he completes the required tasks before their deadlines, and the tasks, their deadlines and the amount of corresponding bonuses shall be determined by the Company and the CEO. The agreement was effective for an initial term of twenty-four (24) months and was automatically renewed for one additional twelve (12) month period. The Company may terminate the services of Mr. Das with or without "just cause," (as defined). If the Company terminates Mr. Das' employment without just cause, or if Mr. Das resigns within twenty-four (24) months following a change of control (as defined) and as a result of a material diminution of his position or compensation, Mr. Das will receive (1) his base salary at the then current rate and levels for one (1) month if Mr. Das has been employed by the Company for at least six (6) months but not more than twelve (12) months as of the date of termination or resignation, for three (3) months if Mr. Das has been employed by the Company more than twelve (12) but not more than twenty-four (24) months as of the date of termination or resignation, or for six (6) months if Mr. Das has been employed by the Company for more than twenty-four (24) months as of the date of resignation or termination; (2) 50% of the value of any accrued but unpaid bonus that Mr. Das otherwise would have received; (3) the value of any accrued but unpaid vacation time; and (4) any unreimbursed business expenses and travel expenses that are reimbursable under the agreement. If the Company terminates Mr. Das' employment with just cause, Mr. Das will receive only the portion of his base salary and accrued but unused vacation pay that has been earned through the date of termination. On August 31, 2018, the Company amended Mr. Das' employment agreement to make the following changes to his compensation effective May 14, 2018: (1) increase in base salary to $275,000 per year, (2) have up to $50,000 in MBO's annually, (3) commissions equal to 2% of recognized revenue associated with the IPA product line paid quarterly and subject to the Company policies in connection with commissions payable and (4) provide a transportation allowance of $1,000 per month. On May 10, 2019, the Company amended Mr. Das' commission plan to include a 1% commission on recognized revenue associated with the Shoom product line paid quarterly and subject to Company commission plan policies.

Wendy Loundermon

On October 21, 2014, and effective as of October 1, 2014, the Company entered into an at-will employment agreement with Wendy Loundermon. Ms. Loundermon currently serves as CFO, Director and Secretary of the Company and Secretary of Inpixon Canada, Inc. Pursuant to the agreement, Ms. Loundermon was compensated at an annual rate of $200,000 and is entitled to benefits customarily provided to senior management including equity awards and cash bonuses subject to the satisfaction of certain performance goals determined by the Company. The standards and goals and the bonus targets is set by the compensation committee, in its sole discretion. The Company may terminate the services of Ms. Loundermon with or without "cause" (as defined). If the Company terminates Ms. Loundermon's employment without cause or in connection with a change of control (as defined), Ms. Loundermon will receive (1) severance consisting of her base salary at the then current rate for twelve (12) months from the date of termination, and (2) her accrued but unpaid salary. If Ms. Loundermon's employment is terminated under any circumstances other than the above, Ms. Loundermon will receive her accrued but unpaid salary. Ms. Loundermon's salary was increased to $228,500 effective April 1, 2017 and to $250,000 effective March 1, 2018.

Employee Stock Incentive Plans

2018 Employee Stock Incentive Plan

The following is a summary of the material terms of our 2018 Employee Stock Incentive Plan, as amended to date (the "2018 Plan"). This description is not complete. For more information, we refer you to the full text of the 2018 Plan.

The 2018 Plan is an important part of our compensation program. It promotes financial saving for the future by our employees, fosters good employee relations, and encourages employees to acquire shares of our common stock, thereby better aligning their interests with those of the other stockholders. Therefore, the Board believes it is essential to our ability to attract, retain, and motivate highly qualified employees in an extremely competitive environment both in the United States and internationally.

Amount of Shares of Common Stock. The number of shares of our common stock initially reserved for issuance under the 2018 Plan was 2,000,000, which number is automatically increased on the first day of each quarter, beginning on April 1, 2018 and for each quarter thereafter through October 1, 2028, by a number of shares of common stock equal to the least of (i) 1,500,000 shares, (ii) twenty percent (20%) of the outstanding shares of common stock on the last day of the immediately preceding calendar quarter, or (iii) such number of shares that may be determined by the Board. The amount of shares available for issuance is not adjusted in connection with a change in the outstanding shares of common stock by reason of stock dividends, stock splits, reverse stock splits, recapitalizations, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations or liquidations; provided; however, that in no event will the Company issue more than 63,000,000 shares of common stock under the 2018 Plan, including the maximum amount of shares of common stock that may be added to the 2018 Plan in accordance with the automatic quarterly increases.

Types of Awards. The 2018 Plan provides for the granting of incentive stock options, non-qualified stock options ("NQSOs"), stock grants and other stock-based awards, including Restricted Stock and Restricted Stock Units (as defined in the 2018 Plan).

- Incentive and Nonqualified Stock Options. The plan administrator determines the exercise price of each stock option. The exercise price of an NQSO may not be less than the fair market value of our common stock on the date of grant. The exercise price of an incentive stock option may not be less than the fair market value of our common stock on the date of grant if the recipient holds 10% or less of the combined voting power of our securities, or 110% of the fair market value of a share of our common stock on the date of grant otherwise.

- Stock Grants. The plan administrator may grant or sell stock, including restricted stock, to any participant, which purchase price, if any, may not be less than the par value of shares of our common stock. The stock grant will be subject to the conditions and restrictions determined by the administrator. The recipient of a stock grant shall have the rights of a stockholder with respect to the shares of stock issued to the holder under the 2018 Plan.

- Stock-Based Awards. The plan administrator of the 2018 Plan may grant other stock-based awards, including stock appreciation rights, restricted stock and restricted stock units, with terms approved by the administrator, including restrictions related to the awards. The holder of a stock-based award shall not have the rights of a stockholder except to the extent permitted in the applicable agreement.

Plan Administration. Our Board is the administrator of the 2018 Plan, except to the extent it delegates its authority to a committee, in which case the committee shall be the administrator. Our Board has delegated this authority to our compensation committee. The administrator has the authority to determine the terms of awards, including exercise and purchase price, the number of shares subject to awards, the value of our common stock, the vesting schedule applicable to awards, the form of consideration, if any, payable upon exercise or settlement of an award and the terms of award agreements for use under the 2018 Plan.

Eligibility. The plan administrator will determine the participants in the 2018 Plan from among our employees, directors and consultants. A grant may be approved in advance with the effectiveness of the grant contingent and effective upon such person's commencement of service within a specified period.

Termination of Service. Unless otherwise provided by the administrator or in an award agreement, upon a termination of a participant's service, all unvested options then held by the participant will terminate and all other unvested awards will be forfeited.

Transferability. Awards under the 2018 Plan may not be transferred except by will or by the laws of descent and distribution, unless otherwise provided by the plan administrator in its discretion and set forth in the applicable agreement, provided that no award may be transferred for value.

Adjustment. In the event of a stock dividend, stock split, recapitalization or reorganization or other change in change in capital structure, the plan administrator will make appropriate adjustments to the number and kind of shares of stock or securities subject to awards.

Corporate Transaction. If we are acquired, the plan administrator will: (i) arrange for the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company) to assume or continue the award or to substitute a similar award for the award; (ii) cancel or arrange for cancellation of the award, to the extent not vested or not exercised prior to the effective time of the transaction, in exchange for such cash consideration, if any, as the plan administrator in its sole discretion, may consider appropriate; or (iii) make a payment, in such form as may be determined by the plan administrator equal to the excess, if any, of (A) the value of the property the holder would have received upon the exercise of the award immediately prior to the effective time of the transaction, over (B) any exercise price payable by such holder in connection with such exercise. In addition in connection with such transaction, the plan administrator may accelerate the vesting, in whole or in part, of the award (and, if applicable, the time at which the award may be exercised) to a date prior to the effective time of such transaction and may arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by us with respect to an award.

Amendment and Termination. The 2018 Plan will terminate on January 4, 2028 or at an earlier date by vote of our Board; provided, however, that any such earlier termination shall not affect any awards granted under the 2018 Plan prior to the date of such termination. The 2018 Plan may be amended by our Board, except that our Board may not alter the terms of the 2018 Plan if it would adversely affect a participant's rights under an outstanding stock right without the participant's consent.

The Board may at any time amend or terminate the 2018 Plan; provided that no amendment may be made without the approval of the stockholder if such amendment would increase either the maximum number of shares which may be granted under the 2018 Plan or any specified limit on any particular type or types of award, or change the class of employees to whom an award may be granted, or withdraw the authority to administer the 2018 Plan from a committee whose members satisfy the independence and other requirements of Section 162(m) and applicable SEC and Nasdaq requirements. Pursuant to the listing standards of the Nasdaq Stock Market, certain other material revisions to the 2018 Plan may also require stockholder approval.

Federal Income Tax Consequences of the 2018 Plan. The federal income tax consequences of grants under the 2018 Plan will depend on the type of grant. The following is a general summary of the principal United States federal income taxation consequences to participants and us under current law with respect to participation in the 2018 Plan. This summary is not intended to be exhaustive and does not discuss the income tax laws of any city, state or foreign jurisdiction in which a participant may reside or the rules applicable to deferred compensation under Section 409A of the Code. Our ability to realize the benefit of any tax deductions described below depends on our generation of taxable income as well as the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of our tax reporting obligations.

From the grantees' standpoint, as a general rule, ordinary income will be recognized at the time of delivery of shares of our common stock or payment of cash under the 2018 Plan. Future appreciation on shares of our common stock held beyond the ordinary income recognition event will be taxable as capital gain when the shares of our common stock are sold. The tax rate applicable to capital gain will depend upon how long the grantee holds the shares. We, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the grantee, and we will not be entitled to any tax deduction with respect to capital gain income recognized by the grantee.

Exceptions to these general rules arise under the following circumstances:

- If shares of our common stock, when delivered, are subject to a substantial risk of forfeiture by reason of any employment or performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses, unless the grantee makes a special election to accelerate taxation under section 83(b) of the Code.

- If an employee exercises a stock option that qualifies as an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares of our common stock acquired upon exercise of the stock option are held until the later of (A) one year from the date of exercise and (B) two years from the date of grant. However, if the employee disposes of the shares acquired upon exercise of an ISO before satisfying both holding period requirements, the employee will recognize ordinary income at the time of the disposition equal to the difference between the fair market value of the shares on the date of exercise (or the amount realized on the disposition, if less) and the exercise price, and we will be entitled to a tax deduction in that amount. The gain, if any, in excess of the amount recognized as ordinary income will be long-term or short-term capital gain, depending upon the length of time the employee held the shares before the disposition.

- A grant may be subject to a 20% tax, in addition to ordinary income tax, at the time the grant becomes vested, plus interest, if the grant constitutes deferred compensation under section 409A of the Code and the requirements of section 409A of the Code are not satisfied.

Section 162(m) of the Code generally disallows a publicly held corporation's tax deduction for compensation paid to its chief executive officer or certain other officers in excess of $1 million in any year. Qualified performance-based compensation is excluded from the $1 million deductibility limit, and therefore remains fully deductible by the corporation that pays it. We intend that options and SARs granted under the 2018 Plan will be qualified performance-based compensation. Stock units, stock awards, dividend equivalents, and other stock-based awards granted under the 2018 Plan may be designated as qualified performance-based compensation if the Committee conditions such grants on the achievement of specific performance goals in accordance with the requirements of section 162(m) of the Code.

We have the right to require that grantees pay to us an amount necessary for us to satisfy our federal, state or local tax withholding obligations with respect to grants. We may withhold from other amounts payable to a grantee an amount necessary to satisfy these obligations. The Committee may permit a grantee to satisfy our withholding obligation with respect to grants paid in shares of our common stock by having shares withheld, at the time the grants become taxable, provided that the number of shares withheld does not exceed the individual's minimum applicable withholding tax rate for federal, state and local tax liabilities.

2011 Employee Stock Incentive Plan

Except as set forth below, the material terms of our 2011 Employee Stock Incentive Plan, as amended to date (the "2011 Plan") are substantially similar to the material terms of the 2018 Plan. However, this description is not complete. For more information, we refer you to the full text of the 2011 Plan.

The 2011 Plan is intended to encourage ownership of common stock by our employees and directors and certain of our consultants in order to attract and retain such people, to induce them to work for the benefit of us and to provide additional incentive for them to promote our success. The number of shares of our common stock available for issuance under the 2011 Plan is 158,424 as of December 31, 2019, which number is automatically increased on January 1 of each of year by 10% of the aggregate number of shares of common stock issued by the Company in the prior calendar year.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2019 regarding the shares of our common stock to be issued upon exercise of outstanding options or available for issuance under equity compensation plans and other compensation arrangements that were (i) adopted by our security holders and (ii) were not approved by our security holders.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders	121,588(1)	$ 109.74	8,198,309(2)
Equity compensation plans not approved by security holders	1(3)	$ 1,952,678.70	0
Total	121,589	$ 123.66	8,198,309

(1) Represents 5 shares of common stock that may be issued pursuant to outstanding stock options granted under the 2011 Plan and 121,583 shares of common stock that may be issued pursuant to outstanding stock options granted under the 2018 Plan.
(2) Represents 3,516 shares of common stock available for future issuance in connection with equity award grants under the 2011 Plan and 8,194,793 shares of common stock available for future issuance in connection with equity award grants under the 2018 Plan.
(3) Represents shares of common stock issuable upon the exercise of stock options granted to Nadir Ali on August 14, 2013 outside of the 2011 Plan and the 2018 Plan.

Director Compensation

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Directors in the year ended December 31, 2019 except Nadir Ali and Wendy Loundermon, whose aggregate compensation information has been disclosed above.

Name	Fees Earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Non-equity Incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Leonard Oppenheim	$ 56,000	—	—	—	—	$ —	$ 56,000
Kareem Irfan	$ 52,500	—	—	—	—	$ —	$ 52,500
Tanveer Khader	$ 47,000	—	—	—	—	$ —	$ 47,000

Directors are entitled to reimbursement of ordinary and reasonable expenses incurred in exercising their responsibilities and duties as a director.

Effective July 1, 2015, the Board approved the following compensation plan for the independent directors payable in accordance with each independent director's services agreement: $30,000 per year for their services rendered on the Board, $15,000 per year for service as the audit committee chair, $10,000 per year for service as the compensation committee chair, $6,000 per year for service on the audit committee, $4,000 per year for service on the compensation committee, $2,500 per year for service on the nominating committee, a one-time non-qualified stock option grant to purchase 20,000 shares (on a pre-Reverse Splits basis) of the Company's common stock under the 2011 Plan and restricted stock awards of 20,000 shares (on a pre-Reverse Splits basis) of common stock under the 2011 Plan, which are granted in four equal installments on a quarterly basis and are each 100% vested upon grant.

On January 25, 2019, each independent director entered into an amendment to his respective director services agreement pursuant to which the Company agreed to grant each independent director, so long as such director continues to fulfill his duties and provide services pursuant to their services agreement, an annual non-qualified stock option to purchase up to 20,000 shares of common stock in lieu of the above-mentioned equity awards. Each stock option grant will be subject to the approval of the Board, which shall determine the appropriate vesting schedule, if any, and the exercise price.

During the year ended December 31, 2019, the independent directors received 445 non-qualified stock options and did not receive any restricted stock awards.

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

The following table sets forth certain information as of February 16, 2020, regarding the beneficial ownership of our common stock by the following persons:

- our Named Executive Officers;
- each director;
- all of our executive officers and directors as a group; and
- each person or entity who, to our knowledge, owns more than 5% of our common stock.

Except as indicated in the footnotes to the following table, subject to applicable community property laws, each stockholder named in the table has sole voting and investment power. Unless otherwise indicated, the address for each stockholder listed is c/o Inpixon, 2479 E. Bayshore Road, Suite 195, Palo Alto, California 94303. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of February 16, 2020, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the stockholder holding the options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other stockholder. The information provided in the following table is based on our records, information filed with the SEC, and information furnished by our stockholders.

Name of Beneficial Owner	Amount and nature of beneficial ownership	Percent of Class[(1)]
Named Executive Officers and Directors		
Nadir Ali	21,618(2)	*
Leonard Oppenheim	449(3)	*
Kareem Irfan	448(4)	*
Tanveer Khader	451(5)	*
Soumya Das	12,968(6)	*
Wendy Loundermon	15,135(7)	*
All executive officers and directors as a group (6 persons)	51,068(8)	1%

* Represents beneficial ownership of less than 1%.

(1) Based on 5,049,062 shares outstanding as of February 16, 2020.
(2) Includes (i) 2 shares of common stock held of record by Nadir Ali, (ii) 21,614 shares of common stock issuable upon exercise of options exercisable within 60 days of February 16, 2020, (iii) 1 shares of common stock held of record by Lubna Qureishi, Mr. Ali's wife, and (iv) 1 shares of common stock held of record by the Qureishi Ali Grandchildren Trust, of which Mr. Ali is the joint-trustee (with his wife Lubna Qureishi) of the Qureishi Ali Grandchildren Trust and has shared voting and investment control over the shares held.
(3) Includes (i) 2 shares of common stock held of record by Mr. Oppenheim, and (ii) 447 shares of common stock issuable upon exercise of options exercisable within 60 days of February 16, 2020.
(4) Includes (i) 1 shares of common stock held of record by Mr. Irfan and (ii) 447 shares of common stock issuable upon exercise of options exercisable within 60 days of February 16, 2020.
(5) Includes (i) 3 shares of common stock owned directly by SyHolding Corp., (ii) 1 shares of common stock held of record by Mr. Khader and (iii) 447 shares of common stock issuable upon exercise of options exercisable within 60 days of February 16, 2020. Tanveer Khader holds the power to vote and dispose of the SyHolding Corp. shares.
(6) Includes (i) 1 shares of common stock held of record by Mr. Das and (ii) 12,967 shares of common stock issuable upon exercise of options exercisable within 60 days of February 16, 2020.
(7) Includes (i) 2 shares of common stock held of record by Ms. Loundermon and (ii) 15,133 shares of common stock issuable upon exercise of options exercisable within 60 days of February 16, 2020.
(8) Includes (i) 10 shares of common stock held directly, or by spouse or relative, (ii) 4 shares of common stock held of record by entities, and (iii) 51,054 shares of common stock issuable upon exercise of options exercisable within 60 days of February 16, 2020.

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

Review, Approval or Ratification of Transactions with Related Persons.

The Board reviews issues involving potential conflicts of interest, and reviews and approves all related party transactions, including those required to be disclosed as a "related party" transaction under applicable federal securities laws. The Board has not adopted any specific procedures for conducting reviews of potential conflicts of interest and considers each transaction in light of the specific facts and circumstances presented. However, to the extent a potential related party transaction is presented to the Board, the Company expects that the Board would become fully informed regarding the potential transaction and the interests of the related party, and would have the opportunity to deliberate outside of the presence of the related party. The Company expects that the Board would only approve a related party transaction that was in the best interests of the Company, and further would seek to ensure that any completed related party transaction was on terms no less favorable to the Company than could be obtained in a transaction with an unaffiliated third party. Other than as described below, no transaction requiring disclosure under applicable federal securities laws occurred during fiscal year 2018 that was submitted to the Board for approval as a "related party" transaction.

Related Party Transactions

SEC regulations define the related person transactions that require disclosure to include any transaction, arrangement or relationship in which the amount involved exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years in which we were or are to be a participant and in which a related person had or will have a direct or indirect material interest. A related person is: (i) an executive officer, director or director nominee, (ii) a beneficial owner of more than 5% of our common stock, (iii) an immediate family member of an executive officer, director or director nominee or beneficial owner of more than 5% of our common stock, or (iv) any entity that is owned or controlled by any of the foregoing persons or in which any of the foregoing persons has a substantial ownership interest or control.

For the period from January 1, 2018, through the date of this report (the "Reporting Period"), described below are certain transactions or series of transactions between us and certain related persons.

Sysorex Transactions

Nadir Ali, Chief Executive Officer and member of the Board, is also a member of the board of directors of Sysorex.

Employee Transition Agreements

Pursuant to the terms of those certain employee transition agreements entered into between the Company and Sysorex, effective as of August 31, 2018 (collectively, the "Transition Agreements"), Sysorex agreed to furnish to the Company, on a transitional basis, the services of certain of its employees and keep such employees' on its payroll and benefits plans from August 31, 2018 through and including December 31, 2018 (the "Transitional Period"). The Company agreed to reimburse Sysorex for all costs and expenses incurred by Sysorex with respect to such employees' employment during the Transitional Period. Sysorex agreed to invoice the Company upon the calculation of amounts owed for the foregoing costs, and the Company agreed to reimburse Sysorex for all such costs within 3 days of its receipt of each such invoice, plus an administrative service fee of 2% of the gross amount of each respective invoice; provided, however, that Sysorex agreed waive such fee for so long as any Company employees are providing any necessary administrative services on behalf of and for the benefit of Sysorex, including any employees that are furnished to the Company in accordance with the Transition Agreements.

Sysorex Revolving Loan

On December 31, 2018, the Company and Sysorex entered into a note purchase agreement (the "Note Purchase Agreement") pursuant to which the Company agreed to purchase from Sysorex at a purchase price equal to the Loan Amount (as defined below), a secured promissory note (the "Secured Note") for up to an aggregate principal amount of $3 million (the "Principal Amount"), including any amounts advanced through the date of the Secured Note (the "Prior Advances"), to be borrowed and disbursed in increments (such borrowed amount, together with the Prior Advances, collectively referred to as the "Loan Amount"), with interest to accrue at a rate of 10% percent per annum on all such Loan Amounts, beginning as of the date of disbursement with respect to any portion of such Loan Amount. In addition, Sysorex agreed to pay $20,000 to the Company to cover the Company's legal fees, accounting costs, due diligence, monitoring and other transaction costs incurred in connection with the purchase and sale of the Secured Note (the "Transaction Expense Amount"), all of which amount is included in the Principal Amount. Sysorex may borrow repay and borrow under the Secured Note, as needed, for a total outstanding balance, exclusive of any unpaid accrued interest, not to exceed the Principal Amount at any one time.

All sums advanced by the Company to the Maturity Date (as defined below) pursuant to the terms of the Note Purchase Agreement will become part of the aggregate Loan Amount underlying the Secured Note. All outstanding principal amounts and accrued unpaid interest owing under the Secured Note shall become immediately due and payable on the earlier to occur of (i) 24 month anniversary of the date the Secured Note is issued (the "Maturity Date"), (ii) at such date when declared due and payable by the Company upon the occurrence of an Event of Default (as defined in the Secured Note), or (iii) at any such earlier date as set forth in the Secured Note. All accrued unpaid interest shall be payable in cash. On February 4, 2019, the Secured Note was amended to increase the maximum principal amount that may be outstanding at any time under the Secured Note from $3 million to $5 million. On April 2, 2019, the Secured Note was amended to increase the maximum principal amount that may be outstanding at any time under the Secured Note from $5 million to $8 million. On May 22, 2019, the Secured Note was amended to increase the maximum principal amount that may be outstanding at any time under the Secured Note from $8 million to $10 million. The largest aggregate principal amount owed by Sysorex to the Company during the Reporting Period was approximately $10 million, the amount of principal paid during the Reporting Period was approximately $1.8 million and the interest paid during the Reporting Period was $0. The amount owed by Sysorex to the Company as of December 31, 2019 was approximately $10.6 million. The Secured Note has been classified as "held for sale" and the Company, with the assistance of a third-party valuation firm, estimated the fair value of such using Sysorex financial projections, a discounted cash flow model and a 12.3% discount rate. As a result, the Company established a full valuation allowance as of December 31, 2019. We are required to periodically re-evaluate the carrying value of the note and the related valuation allowance based on various factors, including, but not limited to, Sysorex's performance and collectability of the note. Sysorex's performance against those financial projections will directly impact future assessments of the fair value of the note. On March 1, 2020, the Company amended the Secured Note to extend the maturity date of the Secured Note to December 31, 2022, to increase the default interest rate from 18% to 21% or the maximum rate allowable by law and to require a cash payment to the Company by Sysorex against the Loan Amount in an amount equal to no less than 6% of the aggregate gross proceeds raised following the completion of any financing, or series of related financings, in which Sysorex raises aggregate gross proceeds of at least $5 million.

Sysorex Receivable

On February 20, 2019, the Company, Sysorex and Atlas Technology Group, LLC ("Atlas") entered into a settlement agreement resulting in a net award of $941,796 whereby Atlas agreed to accept an aggregate of 16,655 shares of freely-tradable common stock of the Company in full satisfaction of the award. The Company and Sysorex each agreed pursuant to the terms and conditions of that certain Separation and Distribution Agreement, dated August 7, 2018, as amended, that 50% of the costs and liabilities related to the arbitration action would be shared by each party following the Spin-off. As a result, Sysorex owes the Company $559,121 for the settlement plus the interest accrued during the fiscal year ended December 31, 2019 of $57,238. There were no repayments during 2019, the highest balance during the fiscal year ended December 31, 2019 was $616,359 and total owed to the Company for this settlement as of December 31, 2019 was $616,359.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Set forth below are approximate fees for services rendered by Marcum LLP, our independent registered public accounting firm, for the fiscal years ended December 31, 2019 and 2018.

	2019	2018
Audit Fees[(1)]	$ 399,382	$ 499,850
Audit Related Fees	$ --	$ --
Tax Fees	$ --	$ --
All Other Fees	$ --	$ --

(1) Audit fees represent fees for professional services provided in connection with the audit of our financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.

Audit Fees. The "Audit Fees" are the aggregate fees of Marcum attributable to professional services rendered in 2019 and 2018 for the audit of our annual financial statements, for review of financial statements included in our quarterly reports on Form 10-Q or for services that are normally provided by Marcum in connection with statutory and regulatory filings or engagements for that fiscal year. These fees include fees billed for professional services rendered by Marcum for the review of registration statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-Related Fees. Marcum billed us for professional services that were reasonably related to the performance of the audit or review of financial statements in 2019 and 2018, which are not included under Audit Fees above including the filing of our registration statements, including our Registration Statement on Form S-3. This amount also includes audit fees related to acquisitions.

Tax Fees. Marcum did not perform any tax advice or planning services in 2019 or 2018.

All Other Fees. Marcum did not perform any services for us or charge any fees other than the services described above in 2019 and 2018.

Pre-approval Policies and Procedures

The Audit Committee is required to review and approve in advance the retention of the independent auditors for the performance of all audit and lawfully permitted non-audit services and the fees for such services. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals for the performance of non-audit services, and any such Audit Committee member who pre-approves a non-audit service must report the pre-approval to the full Audit Committee at its next scheduled meeting. The Audit Committee is required to periodically notify the Board of their approvals. The required pre-approval policies and procedures were complied with during 2019.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

15(a)(1) Financial Statements

The financial statements filed as part of this report are listed and indexed in the table of contents. Financial statement schedules have been omitted because they are not applicable or the required information has been included elsewhere in this report.

15(a)(2) Financial Statement Schedules

Not applicable.

15(a)(3) Exhibits

The exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding the exhibits. The Company has identified in the Exhibit Index each management contract and compensation plan filed as an exhibit to this Annual Report on Form 10-K in response to Item 15(a)(3) of Form 10-K.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INPIXON

Date: March 3, 2020

By: /s/ Nadir Ali
Nadir Ali
Chief Executive Officer

Each person whose signature appears below constitutes and appoints Nadir Ali and Wendy Loundermon, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

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

Signature	Title	Date
/s/ Nadir Ali Nadir Ali	Chief Executive Officer and Director (Principal Executive Officer)	March 3, 2020
/s/ Wendy Loundermon Wendy Loundermon	Chief Financial Officer and Director (Principal Financial and Accounting Officer)	March 3, 2020
/s/ Leonard A. Oppenheim Leonard A. Oppenheim	Director	March 3, 2020
/s/ Kareem Irfan Kareem Irfan	Director	March 3, 2020
/s/ Tanveer Khader Tanveer Khader	Director	March 3, 2020

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
1.1	Equity Distribution Agreement, by and between Inpixon and Maxim Group LLC, dated as of March 3, 2020					X
2.1†	Asset Purchase and Merger Agreement dated March 1, 2013 by and among Sysorex Global Holdings Corp., Lilien, LLC and Lilien Systems.	S-1	333-190574	2.1	August 12, 2013	
2.2	Agreement and Plan of Merger dated August 31, 2013 by and among Sysorex Global Holdings Corp., Sysorex Merger Sub, Inc., Shoom, Inc. and the Shareholder Representative.	S-1	333-191648	2.4	October 9, 2013	
2.3	Agreement and Plan of Merger dated as of December 20, 2013, by and among Sysorex Global Holdings Corp., AirPatrol Corporation, AirPatrol Acquisition Corp. I, AirPatrol Acquisition Corp. II, and Shareholders Representative Services LLC.	S-1/A	333-191648	2.6	January 21, 2014	
2.4	Amendment No. 1 to Agreement and Plan of Merger dated February 28, 2014 with AirPatrol Corporation.	S-1/A	333-191648	2.7	March 13, 2014	
2.5	Amendment No. 2 to Agreement and Plan of Merger dated April 18, 2014 with AirPatrol Corporation.	8-K	001-36404	2.8	April 24, 2014	
2.6	Waiver and Amendment No. 3 to Agreement and Plan of Merger dated May 30, 2014 with AirPatrol Corporation.	S-1	333-198502	12.9	August 29, 2014	
2.7†	Asset Purchase Agreement, dated as of April 24, 2015, between Sysorex Global Holdings Corp., LightMiner Systems, Inc. and Chris Baskett.	8-K	001-36404	2.1	April 30, 2015	
2.8	Agreement and Plan of Merger, dated as of December 14, 2015, between Sysorex Global Holdings Corp. and Sysorex Global.	8-K	001-36404	10.3	December 18, 2015	
2.9†	Asset Purchase Agreement, dated November 14, 2016, among Integrio Technologies, LLC, Emtec Federal, LLC, Sysorex Government Services, Inc. and Sysorex Global.	8-K	001-36404	2.1	November 18, 2016	
2.10	Amendment No. 1 to Asset Purchase Agreement, dated as of November 21, 2016, by and among Sysorex Global, Sysorex Government Services, Inc., Integrio Technologies, LLC and Emtec Federal, LLC.	8-K	001-36404	2.2	November 28, 2016	
2.11	Agreement and Plan of Merger, dated as of February 27, 2017, between Sysorex Global and Inpixon.	8-K	001-36404	2.1	March 1, 2017	
2.12	Agreement and Plan of Merger, dated as of July 25, 2018, between Inpixon USA and Sysorex, Inc.	8-K	001-36404	2.1	July 31, 2018	
2.13	Separation and Distribution Agreement, dated August 7, 2018 between Inpixon and Sysorex, Inc.	10-Q	001-36404	2.1	August 13, 2018	
2.14	Amendment No. 1 to Separation and Distribution Agreement dated August 31, 2018 between Inpixon and Sysorex, Inc.	8-K	001-36404	10.5	September 4, 2018	
2.15†	Share Purchase Agreement, dated May 21, 2019, by and among Inpixon, Inpixon Canada, Inc., Locality Systems Inc., Kirk Moir, in his capacity as the Sellers' Representative, the Sellers and Garibaldi Capital Advisors Ltd.	8-K	001-36404	2.1	May 22, 2019	
2.16†	Asset Purchase Agreement, dated June 27, 2019, by and between Inpixon and GTX Corp.	8-K	001-36404	2.1	July 1, 2019	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.17†	Share Purchase Agreement, dated July 9, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc., the Vendors, and Chris Wiegand, in his capacity as the Vendors' Representative.	8-K	001-36404	2.1	July 11, 2019	
2.18†	Amendment to Share Purchase Agreement, dated as of August 8, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc., the Vendors, and Chris Wiegand, in his capacity as the Vendors' Representative.	8-K	001-36404	2.1	August 9, 2019	
2.19	The Second Amendment to the Share Purchase Agreement, dated August 15, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc, and Chris Wiegand, in his capacity as the Vendors' representative.	8-K	001-36404	2.1	August 19, 2019	
3.1	Restated Articles of Incorporation.	S-1	333-190574	3.1	August 12, 2013	
3.2	Certificate of Amendment to Articles of Incorporation (Increase Authorized Shares).	S-1	333-218173	3.2	May 22, 2017	
3.3	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	April 10, 2014	
3.4	Articles of Merger (renamed Sysorex Global).	8-K	001-36404	3.1	December 18, 2015	
3.5	Articles of Merger (renamed Inpixon).	8-K	001-36404	3.1	March 1, 2017	
3.6	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.2	March 1, 2017	
3.7	Certificate of Amendment to Articles of Incorporation (authorized share increase).	8-K	001-36404	3.1	February 5, 2018	
3.8	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	February 6, 2018	
3.9	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	November 1, 2018	
3.10	Certificate of Amendment to Articles of Incorporation, effective as of January 7, 2020 (Reverse Split).	8-K	001-36404	3.1	January 7, 2020	
3.11	Bylaws, as amended.	S-1	333-190574	3.2	August 12, 2013	
4.1	Specimen Stock Certificate of the Company.	S-1	333-190574	4.1	August 12, 2013	
4.2	Form of Certificate of Designation of Preferences, Rights and Limitations of Series 4 Convertible Preferred Stock.	8-K	001-36404	3.1	April 24, 2018	
4.3	Certificate of Designation of Series 5 Convertible Preferred Stock, dated as of January 14, 2019.	8-K	001-36404	3.1	January 15, 2019	
4.4	Promissory Note, dated as of October 12, 2018.	8-K	001-36404	4.1	October 18, 2018	
4.5	Promissory Note, dated as of December 21, 2018.	8-K	001-36404	4.1	December 31, 2018	
4.6	Warrant to purchase common stock dated March 20, 2013 held by Bridge Bank N.A.	S-1	333-190574	4.3	August 12, 2013	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
4.7	Warrant to purchase common stock dated August 29, 2013 held by Bridge Bank N.A.	S-1	333-191648	4.5	October 9, 2013	
4.8	Form of Warrant Agency Agreement.	S-1/A	333-218173	4.7	June 23, 2017	
4.9	Form of Additional Warrant.	8-K	001-36404	4.1	August 9, 2017	
4.10	Form of Warrant.	8-K	001-36404	4.1	January 9, 2018	
4.11	Form of Warrant.	8-K	001-36404	4.1	February 16, 2018	
4.12	Form of Warrant.	8-K	001-36404	4.1	April 24, 2018	
4.13	Form of Warrant.	8-K	001-36404	4.1	January 15, 2019	
4.14	Form of Warrant Agency Agreement.	8-K	001-36404	4.2	January 15, 2019	
4.15	Promissory Note, dated as of May 3, 2019.	8-K	001-36404	4.1	May 3, 2019	
4.16	Promissory Note, dated as of June 27, 2019.	8-K	001-36404	4.1	June 27, 2019	
4.17	Form of Series A warrants.	8-K	001-36404	4.2	August 14, 2019	
4.18	Series 6 Preferred Certificate of Designation, effective as of August 13, 2019.	8-K	001-36404	4.1	August 14, 2019	
4.19	Promissory Note, dated as of August 8, 2019	8-K	001-36404	4.1	August 9, 2019	
4.20	Promissory Note, dated as of November 22, 2019.	8-K	001-36404	4.1	November 22, 2019	
4.21	Description of Registrant's Securities					X
5.1	Legal opinion of Mitchell Silberberg & Knupp LLP					X
10.1+	Amended and Restated 2011 Employee Stock Incentive Plan.	S-8	333-195655	10.22	May 2, 2014	
10.2+	Form of Incentive Stock Option Agreement.	8-K	001-36404	10.9	October 27, 2014	
10.3+	Form of Non-Qualified Stock Option Agreement.	8-K	001-36404	10.5	October 27, 2014	
10.4+	Form of Restricted Stock Award Agreement.	8-K	001-36404	10.6	October 27, 2014	
10.5+	2018 Employee Stock Incentive Plan, as amended.	S-8	333-234458	99.1	November 1, 2019	
10.6+	2018 Employee Stock Incentive Plan Form of Incentive Stock Option Agreement.	8-K	001-36404	10.1	May 18, 2018	
10.7+	2018 Employee Stock Incentive Plan Form of Non-Qualified Stock Option Agreement.	8-K	001-36404	10.2	May 18, 2018	
10.8+	Director Services Agreement with Leonard A. Oppenheim dated October 21, 2014.	8-K	001-36404	10.1	October 27, 2014	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.9+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Leonard A. Oppenheim dated February 4, 2019.	10-K	001-36404	10.9	March 28, 2019	
10.10+	Director Services Agreement with Kareem M. Irfan dated October 21, 2014.	8-K	001-36404	10.3	October 27, 2014	
10.11+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Kareem M. Irfan dated February 4, 2019.	10-K	001-36404	10.11	March 28, 2019	
10.12+	Director Services Agreement with Tanveer A. Khader dated October 21, 2014.	8-K	001-36404	10.4	October 27, 2014	
10.13+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Tanveer A. Khader dated February 4, 2019.	10-K	001-36404	10.13	March 28, 2019	
10.14+	Amended and Restated Employment Agreement by and between the Company and Nadir Ali	10-Q	001-36404	10.14	May 15, 2018	
10.15+	Employment Agreement, effective as of October 1, 2014, between Wendy Loundermon and the Company.	8-K	001-36404	10.8	October 27, 2014	
10.16+	Employment Agreement dated November 4, 2016, by and between Sysorex USA and Soumya Das.	10-K	001-36404	10.51	April 17, 2017	
10.17+	Amended Compensation Terms for Soumya Das	10-Q	001-36404	10.9	August 13, 2018	
10.18+	Amendment to Employment Agreement dated August 31, 2018 among Inpixon, Sysorex, Inc. and Soumya Das	8-K	001-36404	10.8	September 4, 2018	
10.19	Amended and Restated GemCap Loan and Security Agreement: Payplant Loan and Security Agreement, by and among GemCap Lending, LLC, Inpixon, Inpixon USA, Inpixon Federal, Inc. and Payplant LLC, as agent for Payplant Alternatives Fund LLC.	8-K	001-36404	10.1	August 18, 2017	
10.20	Payplant Client Agreement by and among Inpixon, Inpixon USA, Inpixon Federal, Inc. and Payplant LLC.	8-K	001-36404	10.2	August 18, 2017	
10.21	Amendment 1 to Payplant Client Agreement dated August 31, 2018 between Inpixon, Sysorex, Inc., Sysorex Government Services, Inc. and Payplant LLC.	8-K	001-36404	10.6	September 4, 2018	
10.22	Tax Matters Agreement dated August 31, 2018 between Inpixon and Sysorex, Inc.	8-K	001-36404	10.2	September 4, 2018	
10.23	Employee Matters Agreement dated August 31, 2018 between Inpixon and Sysorex, Inc.	8-K	001-36404	10.3	September 4, 2018	
10.24	Assignment and Assumption Agreement dated August 31, 2018 between members of the Inpixon Group and members of the Sysorex Group	8-K	001-36404	10.4	September 4, 2018	
10.25	Note Purchase Agreement, dated as of December 31, 2018, by and between Inpixon and Sysorex, Inc.	8-K	001-36404	10.2	December 31, 2018	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.26	Sysorex Secured Promissory Note, dated as of December 31, 2018.	8-K	001-36404	10.3	December 31, 2018	
10.27	First Amendment Agreement, dated as of February 4, 2019, between Inpixon and Sysorex, Inc.	8-K	001-36404	10.2	February 8, 2019	
10.28+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Leonard A. Oppenheim dated February 4, 2019.	10-K	001-36404	10.9	March 28, 2019	
10.29+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Kareem M. Irfan dated February 4, 2019.	10-K	001-36404	10.11	March 28, 2019	
10.30+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Tanveer A. Khader dated February 4, 2019.	10-K	001-36404	10.13	March 28, 2019	
10.31	Second Amendment Agreement, dated as of April 2, 2019, between Inpixon and Sysorex, Inc.	8-K	001-36404	10.1	April 5, 2019	
10.32†	Note Purchase Agreement, dated as of May 3, 2019.	8-K	001-36404	10.1	May 3, 2019	
10.33#	Das Commission Plan.	10-Q	001-36404	10.11	May 14, 2019	
10.34	General Security Agreement, dated May 21, 2019, executed by Locality Systems Inc. in favor of the Sellers.	8-K	001-36404	10.1	May 22, 2019	
10.35	Guaranty Agreement, dated May 21, 2019, executed by Inpixon in favor of the Sellers.	8-K	001-36404	10.2	May 22, 2019	
10.36	Third Amendment Agreement, dated as of May 22, 2019, between Inpixon and Sysorex, Inc.	8-K	001-36404	10.3	May 22, 2019	
10.37	Note Purchase Agreement, dated as of June 27, 2019.	8-K	001-36404	10.2	June 27, 2019	
10.38†	Patent Assignment and License-Back Agreement, dated June 27, 2019, by and between Inpixon and GTX Corp.	8-K	001-36404	10.1	July 1, 2019	
10.39†	Patent License Agreement, dated June 27, 2019, by and between Inpixon and Inventergy.	8-K	001-36404	10.4	July 1, 2019	
10.40†	Patent License Agreement, dated June 27, 2019, by and between Inpixon and GTX Corp.	8-K	001-36404	10.2	July 1, 2019	
10.41	Form of Promissory Note.	8-K	001-36404	10.6	July 1, 2019	
10.42†	Note Purchase Agreement, dated as of August 8, 2019.	8-K	001-36404	10.1	August 9, 2019	
10.43	Form of Jibestream Note.	8-K	001-36404	10.3	August 9, 2019	
10.44†	Note Purchase Agreement, dated as of November 22, 2019.	8-K	001-36404	10.1	November 22, 2019	
10.45	Amendment to Promissory Note.	8-K	001-36404	10.1	January 7, 2020	
10.46	Fourth Amendment Agreement, dated as of March 1, 2020, between Inpixon and Sysorex, Inc.					X
21	List of Subsidiaries of the Company.	10-K	001-36404	21	March 28, 2019	
23.1	Consent of Marcum LLP.					X
23.2	Consent of Mitchell Silberberg & Knupp LLP (included in Exhibit 5.1)					X
24.1	Power of Attorney (included on signature page).					X

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
31.1	Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the year ended December 31, 2019.					X
31.2	Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the year ended December 31, 2019.					X
32.1##	Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instant Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

+ Indicates a management contract or compensatory plan.
† Exhibits, schedules and similar attachments have been omitted pursuant to Item 601 of Regulation S-K and the registrant undertakes to furnish supplemental copies of any of the omitted exhibits and schedules upon request by the SEC.
# Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets ("[****]") because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.
This certification is deemed not filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Exhibit 1.1

Inpixon
Up to $50,000,000 of Shares of Common Stock

Equity Distribution Agreement

March 3, 2020

Maxim Group LLC
405 Lexington Avenue
New York, New York 10174

Ladies and Gentlemen:

Inpixon, a Nevada corporation (the "***Company***"), proposes to issue and sell through Maxim Group LLC (the "***Agent***"), as exclusive sales agent, shares of common stock, par value $0.001 per share ("***Common Stock***"), of the Company (the "***Shares***") having an aggregate offering price of up to $50,000,000 on terms set forth herein. The Shares consist entirely of authorized but unissued shares of Common Stock to be issued and sold by the Company.

The Company hereby confirms its agreement with the Agent (this "***Agreement***") with respect to the sale of the Shares.

1. ***Representations and Warranties of the Company***.

(a) The Company represents and warrants to, and agrees with, the Agent as follows:

(i) A registration statement on Form S-3 (File No. 333-223960) was initially declared effective by the Securities and Exchange Commission (the "***Commission***") on June 5, 2018, and is currently effective under the Securities Act of 1933, as amended (the "***Securities Act of 1933***"), and the rules and regulations promulgated thereunder (the "***Rules and Regulations***" and collectively with the Securities Act of 1933, the "***Securities Act***"); since the date of effectiveness of the registration statement, no additional or supplemental information was requested by the Commission. No stop order of the Commission preventing or suspending the use of the Base Prospectus (as defined below), the Prospectus Supplement (as defined below), the Prospectus (as defined below) or any Permitted Free Writing Prospectus (as defined below), or the effectiveness of the Registration Statement, has been issued, and no proceedings for such purpose have been instituted or, to the Company's knowledge, are contemplated by the Commission. Except where the context otherwise requires, "***Registration Statement***," as used herein, means the registration statement (Reg. No. 333-223960), as amended at the time of such registration statement's effectiveness for purposes of Section 11 of the Securities Act, as such section applies to the Agent, including (1) all documents filed as a part thereof or incorporated or deemed to be incorporated by reference therein, (2) any information contained or incorporated by reference in a prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act, to the extent such information is deemed, pursuant to Rule 430B or Rule 430C under the Securities Act, to be part of the registration statement at such time, and (3) any registration statement filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Securities Act (the "***462(b) Registration Statement***"). Except where the context otherwise requires, "***Base Prospectus***," as used herein, means the base prospectus filed as part of the Registration Statement, together with any amendments or supplements thereto as of the date of this Agreement. Except where the context otherwise requires, "***Prospectus Supplement***," as used herein, means the most recent prospectus relating to the Shares, filed or to be filed by the Company with the Commission as part of the Base Prospectus pursuant to Rule 424(b) under the Securities Act and in accordance with the terms of this Agreement. Except where the context otherwise requires, "***Prospectus***," as used herein, means the Prospectus Supplement together with the Base Prospectus attached to or used with the Prospectus Supplement, as may be amended or supplemented from time to time. "***Permitted Free Writing Prospectus***," as used herein, means the documents, if any, listed on Schedule A attached hereto and, after the date hereof, any "issuer free writing prospectus" as defined in Rule 433 of the Securities Act, that is expressly agreed to by the Company and the Agent in writing to be a Permitted Free Writing Prospectus. Any reference herein to the Registration Statement, the Base Prospectus, the Prospectus Supplement, the Prospectus or any Permitted Free Writing Prospectus shall be deemed to refer to and include the documents, if any, incorporated by reference, or deemed to be incorporated by reference, therein pursuant to Item 12 of Form S-3 (the "***Incorporated Documents***"), including, unless the context otherwise requires, the documents, if any, filed as exhibits to such Incorporated Documents. For purposes of this Agreement, all references to the Registration Statement, the Rule 462(b) Registration Statement, the Base Prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("***EDGAR***"). All references in this Agreement to financial statements and schedules and other information which is "described," "contained," "included" or "stated" in the Registration Statement, the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in or otherwise deemed by the Rules and Regulations to be a part of or included in the Registration Statement, the Base Prospectus, the Prospectus or Permitted Free Writing Prospectus as the case may be. Any reference herein to the terms "***amend***," "***amendment***" or "***supplement***" with respect to the Registration Statement, any Base Prospectus, the Prospectus, the Prospectus Supplement or any Permitted Free Writing Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the "***Exchange Act***") on or after the initial effective date of the Registration Statement, or the date of such Base Prospectus, the Prospectus, the Prospectus Supplement or such Permitted Free Writing Prospectus, if any, as the case may be, and incorporated or deemed to be incorporated therein by reference pursuant to Item 12 of Form S-3. "***Time of Sale***" means each time a Share is purchased pursuant to this Agreement.

(ii) (A) The Registration Statement complied when it became effective, complies as of the date hereof, and will comply upon the effectiveness of any amendment thereto and at each Time of Sale and each Settlement Date (as defined below) (as applicable), in all material respects, with the requirements of the Securities Act; at all times during which a prospectus is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) in connection with any sale of Shares (the "***Prospectus Delivery Period***"), the Registration Statement, as may be amended, will comply, in all material respects, with the requirements of the Securities Act; the conditions to the use of Form S-3 in connection with the offering and sale of the Shares as contemplated hereby (the "***Offering***") have been satisfied, subject to the limitations required by General Instruction I.B.6 of Form S-3, if then applicable; the Registration Statement meets, and the Offering complies with, the requirements of Rule 415 under the Securities Act (including, without limitation, Rule 415(a)(5)); the Registration Statement did not, as of the time of effectiveness and as of the date hereof, and will not, as of the effective date of any amendment thereto, at each Time of Sale, if any, and at all times during a Prospectus Delivery Period, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(B) The Prospectus, as of the date of the Prospectus Supplement, as of the date hereof (if filed with the Commission on or prior to the date hereof), at each Settlement Date and Time of Sale (as applicable), and at all times during a Prospectus Delivery Period, complied, complies or will comply, in all material respects, with the requirements of the Securities Act; and the Prospectus, and each supplement thereto, as of their respective dates, at each Settlement Date or Time of Sale (as applicable), and at all times during a Prospectus Delivery Period, did not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(C) Each Permitted Free Writing Prospectus, if any, as of its date and as of each Settlement Date and Time of Sale (as applicable), and at all times during a Prospectus Delivery Period (when taken together with the Prospectus at such time) will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representations and warranties set forth in subparagraphs (A), (B) and (C) above shall not apply to any statement contained in the Registration Statement, the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus in reliance upon and in conformity with information concerning the Agent that is furnished in writing by or on behalf of the Agent expressly for use in the Registration Statement, the Base Prospectus, the Prospectus or such Permitted Free Writing Prospectus, if any, it being understood and agreed that only such information furnished by the Agent as of the date hereof consists of the information described in Section 5(b)(ii).

(iii) Prior to the execution of this Agreement, the Company has not, directly or indirectly, offered or sold any Shares by means of any "prospectus" (within the meaning of the Securities Act) or used any "prospectus" (within the meaning of the Securities Act) in connection with the Offering, in each case other than the Base Prospectus or any Permitted Free Writing Prospectus; the Company has not, directly or indirectly, prepared, used or referred to any Permitted Free Writing Prospectus except in compliance with Rules 164 and 433 under the Securities Act; assuming that a Permitted Free Writing Prospectus, if any, is sent or given after the Registration Statement was filed with the Commission (and after such Permitted Free Writing Prospectus, if any, was, if required pursuant to Rule 433(d) under the Securities Act, filed with the Commission), the Company will satisfy the provisions of Rule 164 or Rule 433 necessary for the use of a free writing prospectus (as defined in Rule 405) in connection with the Offering; the conditions set forth in one or more of subclauses (i) through (iv), inclusive, of Rule 433(b)(1) under the Securities Act are satisfied, and the Registration Statement relating to the Offering, as initially filed with the Commission, includes a prospectus that, other than by reason of Rule 433 or Rule 431 under the Securities Act, satisfies the requirements of Section 10 of the Securities Act; neither the Company nor the Agent is disqualified, by reason of subsection (f) or (g) of Rule 164 under the Securities Act, from using, in connection with the Offering, "free writing prospectuses" (as defined in Rule 405 under the Securities Act) pursuant to Rules 164 and 433 under the Securities Act; the Company is not an "ineligible issuer" (as defined in Rule 405 under the Securities Act) as of the eligibility determination date for purposes of Rules 164 and 433 under the Securities Act with respect to the offering of the Shares contemplated by the Registration Statement; the parties hereto agree and understand that the content of any and all "road shows" (as defined in Rule 433 under the Securities Act) related to the Offering is solely the property of the Company.

(iv) Each Permitted Free Writing Prospectus, as of its issue date, each Time of Sale and each Settlement Date occurring after such issue date and at all subsequent times through the Prospectus Delivery Period (as defined below) or until any earlier date that the Company notified or notifies the Agent as described in Section 3(c)(iii), did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement, any Base Prospectus or the Prospectus. The foregoing sentence does not apply to statements in or omissions from any Permitted Free Writing Prospectus based upon and in conformity with written information furnished to the Company by the Agent specifically for use therein, it being understood and agreed that the only such information furnished by the Agent as of the date hereof consists of the information described in Section 5(b) (ii).

(v) The financial statements, including the notes thereto, and the supporting schedules incorporated by reference in the Registration Statement and the Prospectus comply in all material respects with the requirements of the Securities Act, the Exchange Act and the Rules and Regulations, and present fairly the financial condition of the Company and its Subsidiaries on a consolidated and financial position as of the dates indicated and the cash flows and results of operations for the periods specified of the Company. The term "***Subsidiaries***" as used herein, refers to all subsidiaries of the Company, as of any date of determination, that would constitute a "significant subsidiary" under Rule 1-02 of Regulation S-X promulgated by the Commission. Except as otherwise stated in the Registration Statement and the Prospectus, said financial statements have been prepared in conformity with United States generally accepted accounting principles ("***GAAP***") applied on a consistent basis throughout the periods involved. Any selected financial data and summary financial information included in the documents in the Registration Statement and in the Prospectus constitute or will constitute a fair summary of the information purported to be summarized and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. No other financial statements or supporting schedules are required to be included or incorporated by reference in the Registration Statement or the Prospectus. All disclosures, if any, contained in the Registration Statement or the Prospectus or incorporated by reference therein regarding "non-GAAP financial measures" (as such term is defined by the applicable rules and regulations of the Commission) comply, in all material respects, with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Securities Act to the extent applicable. The other financial information included in the Registration Statement and the Prospectus present fairly the information included therein and have been prepared on a basis consistent with that of the financial statements that are included in the Registration Statement and the Prospectus and the books and records of the Company.

(vi) The Company and each of its Subsidiaries has been duly incorporated and validly exists as a corporation in good standing under the laws of its jurisdiction of incorporation. The Company and each of its Subsidiaries has all requisite corporate power and authority to own, lease and operate its respective properties and carry on its business as it is currently being conducted and as described in the Registration Statement and the Prospectus. The Company and each of its Subsidiaries is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which the character or location of its properties (owned, leased or licensed) or the nature or conduct of its business makes such qualification necessary, except, in each case, for those failures to be so qualified or in good standing which (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect (as defined below).

(vii) All of the issued shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable, have been issued in compliance in all material respects with all applicable federal and state securities laws and none of those shares was issued in violation of any preemptive rights, rights of first refusal or other similar rights to the extent any such rights were not waived; the Shares have been duly authorized and, when issued and delivered against payment therefor as provided in this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of the Shares is not subject to any preemptive rights, rights of first refusal or other similar rights that have not heretofore been waived (with copies of such waivers provided or made available to the Agent). The Shares conform in all material respects to the descriptions thereof contained in the Registration Statement and the Prospectus under the heading "Description of Capital Stock."

(viii) Marcum LLP (the "***Auditor***"), whose reports relating to the Company are incorporated by reference into the Registration Statement and the Prospectus, is an independent registered public accounting firm as required by the Securities Act, the Exchange Act and the Rules and Regulations and the Public Company Accounting Oversight Board (the "***PCAOB***"). To the Company's knowledge, the Auditor is not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 ("***Sarbanes-Oxley***") as such requirements pertain to the Auditor's relationship with the Company. Except as disclosed in the Registration Statement and the Prospectus, and except for any such non-audit services that were pre-approved by the Audit Committee of the Company's Board of Directors in accordance with Sections 10A(h) and (i) of the Exchange Act, the Auditor has not, during the periods covered by the financial statements included in the Registration Statement and the Prospectus, provided to the Company any non-audit services, as such term is used in Section 10A(g) of the Exchange Act.

(ix) Subsequent to the respective dates as of which information is presented in the Registration Statement and the Prospectus, and except as disclosed in the Registration Statement and the Prospectus: (i) the Company (including its Subsidiaries) has not declared, paid or made any dividends or other distributions of any kind on or in respect of its capital stock, and (ii) there has been no material adverse change or, to the Company's knowledge, any development which could reasonably be expected to result in a material adverse change in the future, whether or not arising from transactions in the ordinary course of business, in or affecting: (A) the business, condition (financial or otherwise), results of operations, stockholders' equity, properties or prospects of the Company or its Subsidiaries; (B) the long-term debt or capital stock of the Company or its Subsidiaries; or (C) the Offering or consummation of any of the other transactions contemplated by this Agreement, the Registration Statement and the Prospectus (a "***Material Adverse Effect***"). Since the date of the latest balance sheet included in the Registration Statement and the Prospectus, the Company (including its Subsidiaries) has not incurred or undertaken any liabilities or obligations, whether direct or indirect, liquidated or contingent, matured or unmatured, or entered into any transactions, including any acquisition or disposition of any business or asset, which are material to the Company, except (I) for liabilities, obligations and transactions which are disclosed in the Registration Statement and the Prospectus and (II) as would not be reasonably expected (individually or in the aggregate) to result in a Material Adverse Effect.

(x) There are no statutes, regulations, contracts or documents that are required to be described in the Registration Statement and the Prospectus or to be filed as exhibits to the Registration Statement by the Securities Act that have not been so described or filed.

(xi) Neither the Company nor any of its Subsidiaries is: (i) in violation of its articles of incorporation or bylaws or other organizational documents, (ii) in default under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject; and no event has occurred which, with notice or lapse of time or both, would constitute a default under or result in the creation or imposition of any lien, security interest, charge or other encumbrance (a "***Lien***") upon any of its property or assets pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, or (iii) in violation in any respect of any applicable law, rule, regulation, ordinance, directive, judgment, decree or order of any judicial, regulatory or other legal or governmental agency or body, foreign or domestic, except, in the case of subsections (ii) and (iii) above, for such violations, defaults or Liens which (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect.

(xii) The Company has all requisite corporate power and authority to execute and deliver this Agreement and all other agreements, documents, certificates and instruments required to be delivered pursuant to this Agreement. The Company's execution, delivery and performance under this Agreement and each of the transactions contemplated hereby have been duly authorized by all necessary corporate action. This Agreement has been duly and validly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company and is enforceable against the Company in accordance with its terms, except (i) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (ii) as enforceability of any indemnification or contribution provision may be limited under federal and state securities laws; and (iii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(xiii) The execution, delivery and performance of this Agreement and all other agreements, documents, certificates and instruments required to be delivered pursuant to this Agreement and the consummation of the transactions contemplated hereby do not and will not: (i) conflict with, require consent under or result in a breach of any of the terms and provisions of, or constitute a default (or an event which with notice or lapse of time, or both, would constitute a default) under, or result in the creation or imposition of any Lien upon any property or assets of the Company pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement, instrument, franchise, license or permit to which the Company is a party or by which the Company or any of its properties, operations or assets may be bound, (ii) violate or conflict with any provision of the articles of incorporation, bylaws or other organizational documents of the Company, or (iii) violate or conflict with any applicable law, rule, regulation, ordinance, directive, judgment, decree or order of any judicial, regulatory or other legal or governmental agency or body, domestic or foreign, except in the case of subsections (i) and (iii) for any default, conflict, violation or Lien for which the Company has received a waiver or that would not reasonably be expected to result in a Material Adverse Effect.

(xiv) Except as disclosed in the Registration Statement and the Prospectus, the Company and each of its Subsidiaries has all consents, approvals, authorizations, orders, registrations, qualifications, licenses, filings, grants, certificates and permits of, with and from all judicial, regulatory and other legal or governmental agencies, self-regulatory agencies, authorities and bodies and all third parties, foreign and domestic (collectively, the "***Consents***"), to own, lease and operate its properties and conduct its business as it is now being conducted and as disclosed in the Registration Statement and the Prospectus, and each such Consent is valid and in full force and effect, except which (individually or in the aggregate), in each such case, would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received notice of any investigation or proceedings which results in or, if decided adversely to the Company or such Subsidiary, could reasonably be expected to result in, the revocation of, or imposition of a restriction on, any Consent, except such restriction or revocation of such Consent which (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect. No Consent contains any material restriction not adequately disclosed in the Registration Statement and the Prospectus.

(xv) The Company and each of its Subsidiaries is in compliance with all applicable laws, rules, regulations, ordinances, directives, judgments, decrees and orders, foreign and domestic, except for any non-compliance the consequences of which would not have a Material Adverse Effect.

(xvi) Prior to the Settlement Date, the Shares shall have been approved for listing on the Nasdaq Capital Market, subject to official notice of issuance (the "***Exchange***"), and the Company has taken no action designed to, or likely to have the effect of, delisting the Shares nor, except as disclosed in the Registration Statement and the Prospectus, has the Company received any notification that the Exchange is contemplating terminating such listing.

(xvii) No consent of, with or from any judicial, regulatory or other legal or governmental agency or body or any third party, foreign or domestic is required for the execution, delivery and performance of this Agreement or consummation of each of the transactions contemplated by this Agreement, including the issuance, sale and delivery of the Shares to be issued, sold and delivered hereunder, except (i) such as may have previously been obtained (with copies of such consents provided to the Agent), each of which is in full force and effect as of the date hereof, (ii) the registration under the Securities Act of the Shares, which has become effective and which remains in full force and effect as of the date hereof, (iii) such consents as may be required under state securities or blue sky laws or the bylaws and rules of the Exchange, and (iv) by the Financial Industry Regulatory Authority, Inc. ("***FINRA***") in connection with the purchase and distribution of the Shares by the Agent.

(xviii) Except as disclosed in the Registration Statement and the Prospectus, there is no judicial, regulatory, arbitral or other legal or governmental proceeding or other litigation or arbitration, domestic or foreign, pending to which the Company or any of its Subsidiaries is a party or of which any property, operations or assets of the Company or its Subsidiaries is the subject which (i) individually or in the aggregate, if determined adversely to the Company or applicable Subsidiary would reasonably be expected to have a Material Adverse Effect, or (ii) is reasonably likely to materially and adversely affect the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder. To the Company's knowledge, no such proceeding, litigation or arbitration is threatened or contemplated against the Company or its Subsidiaries.

(xix) The statistical, industry-related and market-related data included in the Registration Statement and the Prospectus are based on or derived from sources which the Company reasonably and in good faith believes are reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources, to the extent required, except for such failures to obtain written consent which (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect.

(xx) The Company has established and maintains disclosure controls and procedures over financial reporting (as defined in Rules 13a-15 and 15d-15 under the Exchange Act) and such controls and procedures are designed to ensure that information relating to the Company required to be disclosed in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company has utilized such controls and procedures in preparing and evaluating the disclosures in the Registration Statement and in the Prospectus.

(xxi) Except as disclosed in the Registration Statement and the Prospectus, neither the board of directors nor the audit committee has been informed, nor is the Company aware, of: (i) any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

(xxii) The Company has not taken, directly or indirectly, any action which constitutes or is designed to cause or result in, or which could reasonably be expected to constitute, cause or result in, the stabilization or manipulation of the price of any security to facilitate the sale or resale of the Shares.

(xxiii) Neither the Company nor any of its Affiliates (within the meaning of the Securities Act) has, prior to the date hereof, made any offer or sale of any securities which are required to be "integrated" pursuant to the Securities Act or the Rules and Regulations with the offer and sale of the Shares pursuant to the Registration Statement. Except as disclosed in the Registration Statement and the Prospectus or Forms 4 filed by Affiliates, neither the Company nor any of its Affiliates has sold or issued any securities during the six-month period preceding the date of the Prospectus, including but not limited to any sales pursuant to Rule 144A, Regulation D or Regulation S under the Securities Act, other than shares of Common Stock issued pursuant to equity incentive plans, employee stock purchase plans, employee benefit plans, qualified stock option plans or employee compensation plans or pursuant to outstanding options, convertible notes, convertible preferred stock, rights or warrants to purchase shares of Common Stock.

(xxiv) To the knowledge of the Company, the biographies of the Company's officers and directors incorporated into the Registration Statement are true and correct in all material respects and the Company has not become aware of any information which would cause the information disclosed in the questionnaires previously completed by the directors and officers of the Company to become inaccurate and incorrect in any material respect.

(xxv) To the knowledge of the Company, no director or officer of the Company is subject to any non-competition agreement or non-solicitation agreement with any employer or prior employer which could materially affect his or her ability to be and act in his or her respective capacity of the Company.

(xxvi) The Company is not and, at all times up to and including the consummation of the transactions contemplated by this Agreement, and after giving effect to application of the Net Proceeds (as defined below), will not be, subject to registration as an "investment company" under the Investment Company Act of 1940, as amended, and is not and will not be an entity "controlled" by an "investment company" within the meaning of such act.

(xxvii) No relationship, direct or indirect, exists between or among any of the Company or, to the Company's knowledge, any Affiliate of the Company, on the one hand, and any director, officer, stockholder, customer or supplier of the Company or, to the Company's knowledge, any Affiliate of the Company, on the other hand, which is required by the Securities Act, the Exchange Act or the Rules and Regulations to be described in the Registration Statement or the Prospectus which is not so described as required. There are no outstanding loans, advances (except normal advances for business expenses in the ordinary course of business) or guarantees of indebtedness by the Company to or for the benefit of any of the officers or directors of the Company or any of their respective family members, except as described in the Registration Statement and the Prospectus. The Company has not, in violation of Sarbanes-Oxley, directly or indirectly extended or maintained credit, arranged for the extension of credit, or renewed an extension of credit, in the form of a personal loan to or for any director or executive officer of the Company.

(xxviii) Except as disclosed in the Registration Statement and the Prospectus, the Company is in compliance with the rules and regulations promulgated by the Exchange or any other governmental or self-regulatory entity or agency having jurisdiction over the Company, except for such failures to be in compliance which (individually or in the aggregate) would not reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing: (i) all members of the Company's board of directors who are required to be "independent" (as that term is defined under the rules of the Exchange), including, without limitation, all members of the audit committee of the Company's board of directors, meet the qualifications of independence as set forth under applicable laws, rules and regulations and (ii) the audit committee of the Company's board of directors has at least one member who is an "audit committee financial expert" (as that term is defined under applicable laws, rules and regulations).

(xxix) The Company and each of its Subsidiaries owns or leases all such properties (other than intellectual property, which is covered below) as are necessary to the conduct of its business as presently operated and as described in the Registration Statement and the Prospectus. The Company and each of its Subsidiaries has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by it, in each case free and clear of all Liens except such as are described in the Registration Statement and the Prospectus or such as would not (individually or in the aggregate) have a Material Adverse Effect. Any real property and buildings held under lease or sublease by the Company or its Subsidiaries are held by it under valid, subsisting and, to the Company's knowledge, enforceable leases with such exceptions as are not material to, and do not materially interfere with, the use made and proposed to be made of such property and buildings by the Company or its Subsidiaries. Neither the Company nor its Subsidiaries has received any written notice of any claim adverse to its ownership of any real or material personal property or of any claim against the continued possession of any real property, whether owned or held under lease or sublease by the Company or its Subsidiaries, except for such claims that, if successfully asserted against the Company or its Subsidiaries, would not (individually or in the aggregate) reasonably be expected to have a Material Adverse Effect.

(xxx) The Company (including all of its Subsidiaries): (i) owns, possesses or has the right to use all patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, formulae, customer lists and know-how and other intellectual property (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures, "***Intellectual Property***") necessary for the conduct of its businesses as being conducted and as described in the Registration Statement and the Prospectus, except as disclosed in the Registration Statement or the Prospectus, and (ii) has no knowledge that the conduct of its business conflicts or will conflict with the rights of others, and it has not received any written notice of any claim of conflict with, any right of others. To the Company's knowledge, there is no infringement by third parties of any such Intellectual Property. There is no pending or, to the Company's knowledge, threatened, action, suit, proceeding or claim by others challenging the Company's rights in or to any such Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such claim; and there is no pending or, to the Company's knowledge, threatened, action, suit, proceeding or claim by others that the Company infringes or otherwise violates any patent, trademark, copyright, trade secret or other proprietary rights of others, and the Company is unaware of any other fact which would form a reasonable basis for any such claim. Except as set forth in the Registration Statement and the Prospectus, the Company has not received any claim for royalties or other compensation from any person, including any employee of the Company who made inventive contributions to Company's technology or products that are pending or unsettled, and except as set forth in the Registration Statement and the Prospectus the Company does not and will not have any obligation to pay royalties or other compensation to any person on account of inventive contributions.

(xxxi) The agreements and documents described in the Registration Statement and the Prospectus conform in all material respects to the descriptions thereof contained therein and there are no agreements or other documents required by the applicable provisions of the Securities Act to be described in the Registration Statement or the Prospectus or to be filed with the Commission as exhibits to the Registration Statement, that have not been so described or filed. Each agreement or other instrument (however characterized or described) to which the Company (or its Subsidiaries) is a party or by which its property or business is or may be bound or affected and (i) that is referred to in the Registration Statement or the Prospectus or attached as an exhibit thereto, or (ii) is material to the Company's business, has been duly and validly executed by the Company, is in full force and effect in all material respects and is enforceable against the Company in accordance with its terms, except (x) as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally, (y) as enforceability of any indemnification or contribution provision may be limited under the foreign, federal and state securities laws, and (z) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defenses and to the discretion of the court before which any proceeding therefor may be brought, and none of such agreements or instruments has been assigned by the Company (including any Subsidiaries), and neither the Company nor, to the Company's knowledge, any other party is in material breach or default thereunder and, to the Company's knowledge, no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a breach or default thereunder, in any such case, which would result in a Material Adverse Effect.

(xxxii) The disclosures in the Registration Statement and the Prospectus concerning the effects of foreign, federal, state and local regulation on the Company's business as currently contemplated are correct in all material respects.

(xxxiii) The Company has accurately prepared and filed all federal, state, foreign and other tax returns that are required to be filed by it through the date hereof, or has received timely extensions thereof, except where the failure to so file would not (individually or in the aggregate) reasonably be expected to have a Material Adverse Effect, and has paid or made provision for the payment of all material taxes, assessments, governmental or other similar charges, including without limitation, all sales and use taxes and all taxes which the Company is obligated to withhold from amounts owing to employees, creditors and third parties, with respect to the periods covered by such tax returns, whether or not such amounts are shown as due on any tax return (except as currently being contested in good faith and for which reserves required by GAAP have been created in the financial statements of the Company) and except for such taxes, assessments, governmental or other similar charges the nonpayment of which would not (individually or in the aggregate) reasonably be expected to have a Material Adverse Effect. No deficiency assessment with respect to a proposed adjustment of the Company's federal, state, local or foreign taxes is pending or, to the Company's knowledge, threatened. The accruals and reserves on the books and records of the Company in respect of tax liabilities for any taxable period not finally determined are adequate to meet any assessments and related liabilities for any such period and, since the date of the Company's most recent audited financial statements, the Company has not incurred any material liability for taxes other than in the ordinary course of its business. There is no tax lien, whether imposed by any federal, state, foreign or other taxing authority, outstanding against the assets, properties or business of the Company.

(xxxiv) No labor disturbance or dispute by or with the employees of the Company which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, currently exists or, to the Company's knowledge, is threatened. The Company is in compliance in all material respects with the labor and employment laws and collective bargaining agreements and extension orders applicable to its employees.

(xxxv) Except as would not be reasonably expected, individually or in the aggregate, to have a Material Adverse Effect, the Company (and its Subsidiaries) is in compliance with all material Environmental Laws (as defined below), and, to the Company's knowledge, no future material expenditures are or will be required in order to comply therewith. The Company has not received any written notice or communication that relates to or alleges any actual or potential violation or failure to comply with any Environmental Laws that would, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect. As used herein, the term "***Environmental Laws***" means all applicable laws and regulations, including any licensing, permits or reporting requirements, and any action by a federal, state or local government entity, pertaining to the protection of the environment, protection of public health, protection of worker health and safety, or the handling of hazardous materials, including without limitation, the Clean Air Act, 42 U.S.C. § 7401, et seq., the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1321, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 690-1, et seq., and the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.

(xxxvi) Except as would not result in a Material Adverse Effect, the Company (including its Subsidiaries) has not failed to file with the applicable regulatory authorities any filing, declaration, listing, registration, report or submission that is required to be so filed for the Company's business operation as currently conducted. All such filings were in material compliance with applicable laws when filed and no material deficiencies have been asserted in writing by any applicable regulatory authority with respect to any such filings, declarations, listings, registrations, reports or submissions.

(xxxvii) The Registration Statement and the Prospectus identify each employment, severance or other similar agreement, arrangement or policy and each material arrangement providing for insurance coverage, benefits, bonuses, stock options or other forms of incentive compensation, or post-retirement insurance, compensation or benefits which: (i) is entered into, maintained or contributed to, as the case may be, by the Company and (ii) covers any officer or director or former officer or former director of the Company, in each case to the extent required by the Rules and Regulations. These contracts, plans and arrangements are referred to collectively in this Agreement as the "***Benefit Arrangements***." Each Benefit Arrangement has been maintained in material compliance with its terms and with requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to that Benefit Arrangement in each case except where the failure to comply is not reasonably likely to have a Material Adverse Effect.

(xxxviii) Except as set forth in the Registration Statement or the Prospectus, the Company is not a party to or subject to any employment contract or arrangement providing for annual future compensation, or the opportunity to earn annual future compensation (whether through fixed salary, bonus, commission, options or otherwise) of more than $120,000 to any executive officer (as defined in Rule 405 under the Securities Act) or director on the Company's board of directors.

(xxxix) The conditions for use of Form S-3 to register the Offering under the Securities Act, as set forth in the General Instructions to such Form, have been satisfied.

(xl) Except as disclosed in the Registration Statement and the Prospectus, neither the execution of this Agreement nor the consummation of the Offering, constitutes a triggering event under any Benefit Arrangement or any other employment contract, whether or not legally enforceable, which (either alone or upon the occurrence of any additional or subsequent event) will or may result in any payment (of severance pay or otherwise), acceleration, increase in vesting or increase in benefits to any current or former participant, employee or director of the Company other than an event that is not material to the financial condition or business of the Company.

(xli) Neither the Company nor, to the Company's knowledge, any of its employees or agents, has at any time during the last three (3) years: (i) made any unlawful contribution to any candidate for foreign office, or failed to disclose fully any contribution in violation of law, or (ii) made any payment to any federal or state governmental officer or official or other person charged with similar public or quasi-public duties in the United States, other than payments that are not prohibited by the laws of the United States or any jurisdiction thereof.

(xlii) The Company has not offered, or caused the Agent to offer, any Shares to any person or entity with the intention of unlawfully influencing: (i) a supplier of the Company to alter the supplier's level or type of business with the Company or (ii) a journalist or publication to write or publish favorable information about the Company.

(xliii) The operations of the Company are and have been conducted at all times in compliance in all material respects with applicable financial record keeping and reporting requirements and money laundering statutes of the United States and, to the Company's knowledge, all other applicable jurisdictions to which the Company is subject, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any applicable governmental agency (collectively, the "***Money Laundering Laws***"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened.

(xliv) Neither the Company nor, to the Company's knowledge, any director, officer, agent, employee or Affiliate of the Company is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("***OFAC***"); and the Company will not directly or indirectly use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(xlv) None of the Company, its directors or officers or, to the Company's knowledge, any agent, employee, affiliate or other person acting on behalf of the Company has engaged in any activities sanctionable under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, the Iran Sanctions Act of 1996, the National Defense Authorization Act for Fiscal Year 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012 or any Executive Order relating to any of the foregoing (collectively, and as each may be amended from time to time, the "***Iran Sanctions***"); and the Company will not directly or indirectly use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of engaging in any activities sanctionable under the Iran Sanctions.

(xlvi) Except as described in the Registration Statement and the Prospectus, there are no claims, payments, arrangements, agreements or understandings relating to the payment of a finder's, consulting or origination fee by the Company or any officer, director or stockholder of the Company (each, an "***Insider***") with respect to the sale of the Shares hereunder or any other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its stockholders that may affect the Agent's compensation, as determined by FINRA. Except as described in the Registration Statement and the Prospectus, the Company has not made any direct or indirect payments (in cash, securities or otherwise) to: (i) any person, as a finder's fee, consulting fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who raised or provided capital to the Company; (ii) to any FINRA member; or (iii) to any person or entity that has any direct or indirect affiliation or association with any FINRA member, within the 180 days prior to the Effective Date. Except as described in the Prospectus, none of the Net Proceeds will be paid by the Company to any participating FINRA member or its affiliates, except as specifically authorized herein. No officer, director or, to the Company's knowledge, any beneficial owner of 5% or more of the Company's securities (whether debt or equity, registered or unregistered, regardless of the time acquired or the source from which derived) (any such individual or entity, a "***Company Affiliate***") has any direct or indirect affiliation or association with any FINRA member (as determined in accordance with the rules and regulations of FINRA); no Company Affiliate is an owner of stock or other securities of any member of FINRA (other than securities purchased on the open market); no Company Affiliate has made a subordinated loan to any member of FINRA. Except as disclosed in the Registration Statement and the Prospectus, the Company has not issued any warrants or other securities or granted any options, directly or indirectly, to anyone who is a potential underwriter in the Offering or a related person (as defined by FINRA rules) of such an underwriter within the 180-day period prior to the initial filing date of the Registration Statement; no person to whom securities of the Company have been privately issued within the 180-day period prior to the initial filing date of the Registration Statement has any relationship or affiliation or association with any member of FINRA; and no FINRA member participating in the offering has a conflict of interest with the Company. For this purpose, a "conflict of interest" has the meaning ascribed to such term in FINRA Rule 5121(f)(5).

(xlvii) The Company has not distributed and will not distribute any prospectus or other offering material in connection with the Offering other than the Registration Statement and the Prospectus or other materials permitted by the Securities Act to be distributed by the Company; provided, however, that the Company has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Securities Act, except any Permitted Free Writing Prospectus.

(b) Any certificate signed by any officer of the Company and delivered to the Agent or the Agent's counsel shall be deemed a representation and warranty by the Company to Agent as to the matters covered thereby.

(c) At each Bringdown Date (as defined below) and each Time of Sale, the Company shall be deemed to have affirmed each representation and warranty contained in or made pursuant to this Agreement as of such date as though made at and as of such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Shares on such date).

(d) As used in this Agreement, references to matters being "***material***" with respect to the Company shall mean a material event, change, condition, status or effect related to the condition (financial or otherwise), properties, assets (including intangible assets), liabilities, business, prospects, operations or results of operations of the Company, either individually or taken as a whole, as the context requires.

(e) As used in this Agreement, the term "***to the Company's knowledge***" (or similar language) shall mean the knowledge of the executive officers and directors of the Company who are named in the Prospectus, with the assumption that such executive officers and directors shall have made reasonable and diligent inquiry of the matters presented (with reference to what is customary and prudent for the applicable individuals in connection with the discharge by the applicable individuals of their duties as executive officers or directors of the Company).

2. ***Purchase, Sale and Delivery of Shares.***

(a) *At the Market Sales*. On the basis of the representations, warranties and agreements herein the Company agrees that, from time to time on the terms and subject to the conditions set forth herein, it may issue and sell through the Agent, acting as sales agent, Shares having an aggregate offering price of up to $50,000,000 (the "***Offering Size***"); provided, however, that in no event shall the Company issue or sell through the Agent such number of Shares that (a) exceeds the number or dollar amount of shares of Common Stock registered on the Registration Statement pursuant to which the Offering is being made, (b) exceeds the number of authorized but unissued shares of Common Stock under the Company's Articles of Incorporation, as amended or (c) would cause the Company or the Offering to not satisfy the eligibility and transaction requirements for use of Form S-3 (including, if then applicable, General Instruction I.B.6 of Form S-3) (the lesser of (a), (b) and (c), the "***Maximum Amount***"). Notwithstanding anything to the contrary contained herein, the parties hereto agree that compliance with the limitations set forth in this Section 2(a) on the number and aggregate sales price of Shares issued and sold under this Agreement shall be the sole responsibility of the Company and the Agent shall have no obligation in connection with such compliance. Notwithstanding the foregoing, the Company agrees that it will provide the Agent with written notice of the Maximum Amount available for sale of the Shares no less than one (1) business day prior to the date on which it makes the initial sale of Shares under this Agreement.

(i) For purposes of selling the Shares through the Agent, the Company hereby appoints the Agent as exclusive agent of the Company (including in the event the Company increases the Offering Size) for the purpose of soliciting purchases of the Shares from the Company pursuant to this Agreement and the Agent agrees to use its commercially reasonable efforts to sell the Shares on the terms and subject to the conditions stated herein.

(ii) Each time the Company wishes to issue and sell the Shares hereunder (each, a "***Transaction***"), it will notify the Agent by telephone (confirmed promptly by e-mail to the appropriate individual listed on Schedule D hereto, using a form substantially similar to that set forth on Schedule C hereto) (a "***Transaction Notice***") as to the maximum number of Shares to be sold by the Agent on such day and in any event not in excess of the amount available for issuance under the Prospectus and the currently effective Registration Statement, the time period during which sales are requested to be made, any limitation on the number of shares that may be sold in any one Trading Day (as defined below), and any minimum price below which sales may not be made. The Transaction Notice shall originate from any of the individuals from the Company set forth on Schedule B (with a copy to each of the other individuals from the Company listed on such Schedule), and shall be addressed to each of the individuals from the Agent set forth on Schedule D, as such Schedule D may be amended from time to time. Subject to the terms and conditions hereof and unless the sale of the Shares described therein has been declined, suspended, or otherwise terminated in accordance with the terms of this Agreement, the Agent shall promptly acknowledge the Transaction Notice by e-mail (or by some other method mutually agreed to in writing by the parties) and shall use its commercially reasonable efforts to sell all of the Shares so designated by the Company in the Transaction Notice and in accordance with the terms set forth herein; provided, however, that any obligation of the Agent to use such commercially reasonable efforts shall be subject to the continuing accuracy of the representations and warranties of the Company herein, to the performance by the Company of its obligations hereunder and to the continuing satisfaction of the additional conditions specified in Section 4 of this Agreement. The gross sales price of the Shares sold under this Section 2(a) shall be equal to the market price for the Common Stock sold by the Agent under this Section 2(a) on the Exchange at the time of such sale. For the purposes hereof, "***Trading Day***" means any day on which shares of Common Stock are purchased and sold on the principal market on which the Common Stock is listed or quoted.

(iii) The Company or the Agent may, upon notice to the other party hereto by telephone (confirmed promptly by e-mail to the respective individuals of the other party set forth on Schedule D hereto, which confirmation shall be promptly acknowledged by the other party), suspend the Offering for any reason and at any time, whereupon the Agent shall so suspend the offering of Shares until further notice is provided by the other party to the contrary; *provided*, *however*, that such suspension or termination shall not affect or impair the parties' respective obligations with respect to the Shares sold hereunder prior to the receipt by the Agent of such notice. Each of the parties agrees that no such notice under this Section 2(a)(iii) shall be effective against the other unless it is made to one of the individuals named on Schedule D hereto, as such Schedule may be amended from time to time. Notwithstanding the foregoing, if the Agent suspends the Offering for any three (3) consecutive business days or on more than three (3) separate occasions (in each instance other than as a result of the Company's breach of its obligations hereunder), the Company, in its sole discretion, may elect to terminate this Agreement.

(iv) The Company acknowledges and agrees that (A) there can be no assurance that the Agent will be successful in selling the Shares, (B) the Agent will incur no liability or obligation to the Company or any other person or entity if it does not sell Shares for any reason other than a failure by the Agent to use its commercially reasonable efforts consistent with its normal trading and sales practices and applicable law and regulations to sell such Shares as required under this Agreement, and (C) the Agent shall be under no obligation to purchase shares on a principal basis pursuant to this Agreement.

(v) The Agent may sell Shares by any method permitted by law to be an "at-the-market offering" as defined in Rule 415 of the Securities Act including without limitation sales made directly on the Exchange, on any other existing trading market for the Common Stock or to or through a market maker. With the prior written consent of the Company, which may be provided in a Transaction Notice, the Agent may also sell Shares in privately negotiated transactions.

(vi) The compensation to the Agent for sales of the Shares, as an agent of the Company, shall be 4.0% (the "***Transaction Fee***") of the gross sales price of all of Shares sold pursuant to this Section 2(a). The remaining proceeds, after further deduction for any transaction or other fees imposed by any governmental or self-regulatory organization in respect of such sales, shall constitute the net proceeds to the Company for such Shares (the "***Net Proceeds***"). The Agent shall notify the Company as promptly as practicable if any deduction referenced in the preceding sentence will be required.

(vii) The Agent shall provide written confirmation to the Company following the close of trading on the Exchange each day in which the Shares are sold under this Section 2(a) setting forth the number of the Shares sold on such day, the aggregate gross sale proceeds, the Net Proceeds to the Company, and the compensation payable by the Company to the Agent with respect to such sales.

(viii) All Shares sold pursuant to this Section 2(a) will be delivered by the Company to Agent for the accounts of the Agent on the second full business day following the date on which such Shares are sold, or at such other time and date as Agent and the Company determine pursuant to Rule 15c6-1(a) under the Exchange Act, each such time and date of delivery being herein referred to as a "***Settlement Date***." On each Settlement Date, the Shares sold through the Agent for settlement on such date shall be issued and delivered by the Company to the Agent against payment of the Net Proceeds from the sale of such Shares. Settlement for all such Shares shall be effected by free delivery of the Shares by the Company or its transfer agent (i) to the Agent or its designee's account (provided the Agent shall have given the Company written notice of such designee prior to the Settlement Date) at The Depository Trust Company ("***DTC***") or (ii) by such other means of delivery as may be mutually agreed upon by the parties hereto, which in all cases shall be freely tradable, transferable, registered shares in good deliverable form, in return for payment in same day funds delivered to an account designated by the Company. If the Company or its transfer agent (if applicable) shall default on its obligation to deliver the Shares on any Settlement Date, the Company shall (A) indemnify and hold the Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company and (B) pay the Agent any commission to which it would otherwise be entitled absent such default. If the Agent breaches this Agreement by failing to deliver the Net Proceeds on any Settlement Date for the shares delivered by the Company, the Agent will pay the Company interest based on the effective prime rate until such proceeds, together with such interest, have been fully paid.

(ix) Under no circumstances shall the Company cause or request the offer or sale of any Shares if, after giving effect to the sale of such Shares, the aggregate gross sales proceeds sold pursuant to this Agreement would exceed the lesser of (A) together with all sales of Shares under this Agreement, the Maximum Amount, (B) the amount available for offer and sale under the currently effective Registration Statement and (C) the amount authorized from time to time to be issued and sold under this Agreement by the Company's board of directors, a duly authorized committee thereof or a duly authorized executive committee, and notified to the Agent in writing. Under no circumstances shall the Company cause or request the offer or sale of any Shares at a price lower than the minimum price authorized from time to time by the Company's board of directors, duly authorized committee thereof or a duly authorized executive committee, and notified to the Agent in writing. Further, under no circumstances shall the aggregate offering amount of Shares sold pursuant to this Agreement, including any separate underwriting or similar agreement covering principal transactions, exceed the Maximum Amount.

(x) The Company agrees that any offer to sell, any solicitation of an offer to buy, or any sales of Shares in the Offering shall only be effected by or through the Agent.

(b) Nothing herein contained shall constitute the Agent an unincorporated association or partner with the Company. Under no circumstances shall any Shares be sold pursuant to this Agreement after the date which is three years after the Registration Statement was first declared effective by the Commission.

(c) Notwithstanding any other provisions of this Agreement, the Company agrees that no sale of Shares shall take place, and the Company shall not request the sale of any Shares, and the Agent shall not be obligated to sell, during any period in which the Company is, or could be deemed to be, in possession of material non-public information.

(d) Unless the exceptive provisions set forth in Rule 101(c)(1) of Regulation M under the Exchange Act are satisfied with respect to the Shares, the Company shall give the Agent at least one business day's prior notice of its intent to sell any Shares in order to allow the Agent time to comply with Regulation M.

3. ***Covenants***. The Company covenants and agrees with the Agent as follows:

(a) After the date hereof and through any Prospectus Delivery Period, prior to amending or supplementing the Registration Statement (including any Rule 462(b) Registration Statement), Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus, the Company shall furnish to the Agent for review a copy of each such proposed amendment or supplement, allow the Agent a reasonable amount of time to review and comment on such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which the Agent or counsel to the Agent reasonably object; provided that the foregoing shall not apply with regards to the filing by the Company of any Form 10-K, 10-Q, 8-K, proxy statement or other Incorporated Document. Subject to this Section 3(a), immediately following execution of this Agreement, if not previously prepared, the Company will prepare a prospectus supplement describing the selling terms of the Shares hereunder, the plan of distribution thereof and such other information as may be required by the Securities Act or the Rules and Regulations or as the Agent and the Company may deem appropriate, and if requested by the Agent, a Permitted Free Writing Prospectus containing the selling terms of the Shares hereunder and such other information as the Company and the Agent may deem appropriate, and will file or transmit for filing with the Commission, in accordance with Rule 424(b) or Rule 433, as the case may be, copies of the Prospectus as supplemented and each such Permitted Free Writing Prospectus.

(b) After the date of this Agreement, the Company shall promptly advise the Agent in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission or for any amendments or supplements to the Registration Statement, the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus (excluding any Incorporated Documents), (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus (excluding any Incorporated Documents), (iii) of the time and date that any post-effective amendment to the Registration Statement becomes effective, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending its use or the use of any Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus, or (v) of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company may terminate this Agreement. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b), 430B and 430C, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under Rule 424(b), Rule 433 or Rule 462 were received in a timely manner by the Commission (without reliance on Rule 424(b)(8) or Rule 164(b)).

(c) From the date hereof through the later of (A) the termination of this Agreement and (B) the end of any applicable Prospectus Delivery Period, the Company will comply in all material respects with all requirements imposed upon it by the Securities Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, and by the Exchange Act so far as necessary to permit the continuance of sales of or dealings in the Shares as contemplated by the provisions hereof, the Base Prospectus, the Prospectus and any Permitted Free Writing Prospectus. If during any applicable Prospectus Delivery Period any event occurs as a result of which the Base Prospectus, the Prospectus, or any Permitted Free Writing Prospectus would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during any applicable Prospectus Delivery Period it is necessary or appropriate in the opinion of the Company or its counsel or in the reasonable opinion of the Agent or counsel to the Agent to amend the Registration Statement or supplement the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus, to comply with the Securities Act or to file under the Exchange Act any document which would be deemed to be incorporated by reference in the Prospectus in order to comply with the Securities Act or the Exchange Act, the Company will promptly notify Agent (or the Agent will notify the Company, as applicable), and the Agent shall suspend the offering and sale of any such Shares, and the Company will amend the Registration Statement or supplement the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus or file such document (at the expense of the Company) so as to correct such statement or omission or effect such compliance within the time period prescribed by the Securities Act or the Exchange Act.

(i) In case the Agent is required to deliver (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule), in connection with the sale of the Shares, a Prospectus after the nine-month period referred to in Section 10(a)(3) of the Securities Act, or after the time a post-effective amendment to the Registration Statement is required pursuant to Item 512(a) of Regulation S-K under the Securities Act, the Company will prepare, at its expense, promptly upon request such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Securities Act or Item 512(a) of Regulation S-K under the Securities Act, as the case may be. The Company shall cause each amendment or supplement to any Base Prospectus or the Prospectus to be filed with the Commission as required pursuant to the applicable paragraph of Rule 424(b) of the Securities Act or, in the case of any document which would be deemed to be incorporated by reference therein, to be filed with the Commission as required pursuant to the Exchange Act, within the time period prescribed. The Company shall promptly notify the Agent if any Material Contract is terminated or if the other party thereto gives written notice of its intent to terminate any such Material Contract.

(ii) If at any time following issuance of a Permitted Free Writing Prospectus there occurs an event or development as a result of which such Permitted Free Writing Prospectus would conflict with the information contained in the Registration Statement, the Base Prospectus or the Prospectus, or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company promptly will notify the Agent and will promptly amend or supplement, at its own expense, such Permitted Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(d) The Company shall use commercially reasonable efforts to take or cause to be taken all necessary action to qualify the Shares for sale under the securities laws of such jurisdictions as Agent reasonably designates and to continue such qualifications in effect so long as required for the distribution of the Shares, except that the Company shall not be required in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process in any state. The Company shall promptly advise the Agent of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for offer or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(e) The Company will furnish to the Agent and counsel for the Agent, to the extent requested, copies of the Registration Statement, the Base Prospectus, the Prospectus, any Permitted Free Writing Prospectus, and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Agent may from time to time reasonably request.

(f) The Company will make generally available to its security holders as soon as practicable an earnings statement (which need not be audited) covering a 12-month period that shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 of the Rules and Regulations. If the Company makes any public announcement or release disclosing its results of operations or financial condition for a completed quarterly or annual fiscal period (each, an "***Earnings Release***") and the Company has not yet filed an Annual Report on Form 10-K or a Quarterly Report on Form 10-Q or a Form 8-K with respect to such information, as applicable, then, prior to any sale of Shares, the Company shall be obligated to (x) file a prospectus supplement with the Commission under the applicable paragraph of Rule 424(b), which prospectus supplement shall include the applicable financial information or (y) file a Report on Form 8-K, which Form 8-K shall include the applicable financial information.

(g) The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay or cause to be paid (i) all expenses (including stock or transfer taxes and stamp or similar duties allocated to the respective transferees) incurred in connection with the registration, issue, sale and delivery of the Shares, (ii) all reasonable expenses and fees (including, without limitation, fees and expenses of the Company's accountants and counsel) in connection with the preparation, printing, filing, delivery, and shipping of the Registration Statement (including the financial statements therein and all amendments, schedules, and exhibits thereto), the Base Prospectus, each Prospectus, any Permitted Free Writing Prospectus, and any amendment thereof or supplement thereto, and the producing, word-processing, printing, delivery, and shipping of this Agreement and other closing documents, including blue sky memoranda (covering the states and other applicable jurisdictions) and including the cost to furnish copies of each thereof to the Agent, (iii) all filing fees, (iv) listing fees, if any, and (v) all other costs and expenses of the Company incident to the performance of its obligations hereunder that are not otherwise specifically provided for herein (including the costs and expenses related to any investor presentations or "roadshow" undertaken in connection with marketing of the Shares as agreed to by the Company). As provided in the Engagement Agreement (as defined below), the Company shall have advanced prior to, or shall advance concurrently with, the execution of this Agreement the sum of $25,000 (the "***Advance***") to the Agent, which pursuant to Rule 5110(f)(2)(C) of FINRA shall be returned to the Company to the extent the expenses have not been actually incurred. The Company shall reimburse the Agent upon request for its actual, reasonable and documented costs and out-of-pocket expenses incurred in connection with this Agreement, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, including the actual, reasonable and documented fees and out-of-pocket expenses of its legal counsel up to $50,000 (inclusive of the Advance), provided, however, that any costs and out-of-pocket expenses (excluding fees and expenses of legal counsel) in an amount equal to or in excess of $5,000 individually and in the aggregate shall require the advance written consent of the Company. In addition, the Company shall pay the Agent, for each quarter the Offering is open and during which sales of the Shares have occurred an additional legal fee equal to $5,000.

(h) The Company will apply the net proceeds from the sale of the Shares in the manner set forth under the caption "Use of Proceeds" in the Base Prospectus, the Prospectus, and any Permitted Free Writing Prospectus.

(i) The Company will not, without (1) giving the Agent at least two business days' prior written notice specifying the nature of the proposed sale and the date of such proposed sale, and (2) the Agent suspending activity under this Agreement for such period of time as requested by the Company or as reasonably deemed appropriate by the Agent in light of the proposed sale, offer for sale, sell, contract to sell, pledge, grant any option for the sale of, enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any Subsidiary, or otherwise issue or dispose of, directly or indirectly (or publicly disclose the intention to make any such offer, sale, pledge, grant, issuance or other disposition), of any Common Stock or any securities convertible into or exchangeable for, or any options or rights to purchase or acquire, Common Stock, or permit the registration under the Securities Act of any Common Stock, such securities, options or rights, except for (i) the registration of the Shares and the sales through the Agent pursuant to this Agreement, (ii) the issuance of securities issuable upon exercise, exchange or conversion of any options, convertible preferred stock, promissory notes, whether or not convertible, and warrants that are outstanding as of the date of this Agreement and described in the Registration Statement and the Prospectus, (iii) the filing of a registration statement on Form S-8 relating to employee benefit plans, (iv) the issuance of securities pursuant to any employee stock incentive plan, stock ownership plan or employee stock purchase plan of the Company in effect at the time of this Agreement or any compensatory agreement or inducement grants made by the Company to employees, consultants and other service providers and approved by the Board, (v) the issuance of Common Stock or any securities convertible into or exchangeable for, or any options or rights to purchase or acquire Common Stock pursuant to any agreement or transaction of which the primary purpose is not to raise capital, (vi) the registration of the shares of Common Stock for resale in accordance with the terms and conditions of agreements outstanding as of the date of this Agreement and described in the Registration Statement and Prospectus (collectively, clauses (i)-(vi), "***Exempt Issuances***").

(j) The Company shall not, at any time at or after the execution of this Agreement, offer or sell any of the Shares in this offering by means of any "prospectus" (within the meaning of the Securities Act), or use any "prospectus" (within the meaning of the Securities Act) in connection with the offer or sale of the Shares, in each case other than the Prospectus or any Permitted Free Writing Prospectus.

(k) The Company has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in, or which has constituted, (i) the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares or (ii) a violation of Regulation M. The Company shall notify the Agent of any violation of Regulation M by the Company or any of its officers or directors promptly after the Company has received notice or obtained knowledge of any such violation.

(l) The Company will not incur any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby or thereby, except as contemplated herein.

(m) During any applicable Prospectus Delivery Period, the Company will file on a timely basis (which shall include any filing filed during the grace period set forth in Rule 12b-25 of the Exchange Act) with the Commission such periodic and current reports as required by the Rules and Regulations.

(n) The Company has maintained, and will maintain, such controls and procedures, including without limitation those required by Sections 302 and 906 of Sarbanes-Oxley and the applicable regulations thereunder, that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, to ensure that material information relating to Company is made known to them by others within those entities.

(o) Intentionally left blank.

(p) Each of the Company and Agent hereby represent and agree that, neither the Company nor the Agent has made nor will make any offer relating to the Shares that would constitute an "issuer free writing prospectus," as defined in Rule 433 under the Securities Act, or that would otherwise constitute a "free writing prospectus," as defined in Rule 405 under the Securities Act, required to be filed with the Commission other than a Permitted Free Writing Prospectus. The Company represents that it has treated or agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rule 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping.

(q) (1) On the date hereof, the Company shall cause (A) Mitchell Silberberg & Knupp LLP, counsel for the Company, to furnish to the Agent its written opinion and negative assurance letter, in form and substance reasonably acceptable to Agent's counsel, and (B) Nadir Ali, Chief Executive Officer of the Company, to furnish to the Agent the signed certificate (addressed to the Agent) with respect to certain intellectual property matters, and in form and substance satisfactory to Agent's counsel, and the Agent shall cause (C) Ellenoff Grossman & Schole LLP, as counsel for the Agent to furnish to the Agent its negative assurance letter.

(2) On each date that the Company (i) amends or supplements the Registration Statement or the Prospectus (other than by means of incorporation by reference); (ii) files an annual report on Form 10-K under the Exchange Act; (iii) files its quarterly reports on Form 10-Q under the Exchange Act; (iv) files a report on Form 8-K under the Exchange Act containing amended financial information (other than an earnings release, to "furnish" information pursuant to Items 2.02 or 7.01 of Form 8-K, unless the Agent reasonably determines that the information in such Form 8-K is material); or (v) otherwise after each reasonable request by Agent (each of such date referred to herein as a "***Bringdown Date***"), the Company shall cause (X) Mitchell Silberberg & Knupp LLP, counsel for the Company, to furnish to the Agent its opinion and negative assurance letter, in form and substance reasonably acceptable to Agent's counsel, and (Y) Nadir Ali, Chief Executive Officer of the Company, to furnish to the Agent the signed certificate (addressed to the Agent) with respect to certain intellectual property matters, and in form and substance satisfactory to Agent's counsel, and the Agent shall cause (Z) Ellenoff Grossman & Schole LLP, as counsel for the Agent to furnish to the Agent its negative assurance letter, each dated as of a date within ten (10) days after the applicable Bringdown Date, addressed to the Agent and modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinions. With respect to this Section 3(q)(2), in lieu of delivering such opinions or letters for Bringdown Dates subsequent to the date of effectiveness of the Registration Statement, such counsel may furnish Agent with a letter (a "***Reliance Letter***") to the effect that Agent may rely upon a prior opinion or letter delivered under Section 3(q)(1) or this Section 3(q)(2) to the same extent as if it were dated the date of such letter (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented as of the date of Reliance Letter). Provided, however, the requirement to provide opinions and letters under this Section 3(q)(2) is hereby waived for any Bringdown Date occurring at a time at which no Transaction Notice is pending, which waiver shall continue until the earlier to occur of the date the Company delivers a Transaction Notice hereunder and the next occurring Bringdown Date. Notwithstanding the foregoing, if the Company subsequently decides to sell Shares following a Bringdown Date when the Company relied on such waiver and did not provide Agent with opinions and letters under this Section 3(q)(2), then before the Company delivers the Transaction Notice or Agent sells any Shares, the Company shall cause each of Mitchell Silberberg & Knupp LLP to furnish to the Agent a written opinion and negative assurance letter, and Nadir Ali to furnish to the Agent the signed certificate (addressed to the Agent) with respect to certain intellectual property matters, and the Agent shall cause Ellenoff Grossman & Schole LLP to furnish to the Agent its negative assurance letter, dated the date of the Transaction Notice.

(r) On the date hereof and within ten (10) days after each Bringdown Date, the Company shall cause the Auditor, or other independent accountants satisfactory to the Agent, to deliver to the Agent (x) a customary comfort letter (the initial letter, the "***Initial Comfort Letter***," and each subsequent letter, a "***Bringdown Comfort Letter***") addressed to Agent, in form and substance satisfactory to Agent, confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualifications of accountants under Rule 2-01 of Regulation S-X of the Commission, and stating the conclusions and findings of said firm with respect to the financial information and other matters and (y) a letter updating the Initial Comfort Letter with any information that would have been included in the Initial Comfort Letter had it been given on such date and as modified as necessary to relate to the date of such letter. Provided, however, the requirement to provide a Bringdown Comfort Letter under this Section 3(r) is hereby waived for any Bringdown Date occurring at a time at which no Transaction Notice is pending, which waiver shall continue until the earlier to occur of the date the Company delivers a Transaction Notice hereunder and the next occurring Bringdown Date. Notwithstanding the foregoing, if the Company subsequently decides to sell Shares following a Bringdown Date when the Company relied on such waiver and did not provide Agent with a Bringdown Comfort Letter under this Section 3(r), then before the Company delivers the Transaction Notice or Agent sells any Shares, the Company shall cause the Auditor, or other independent accountants satisfactory to the Agent, to deliver to the Agent a Bringdown Comfort Letter dated the date of the Transaction Notice.

(s) On the date hereof and each Bringdown Date, the Company shall furnish to the Agent an officer's certificate, dated as of a date within ten (10) days after the applicable Bringdown Date and addressed to Agent, signed by the chief executive officer and by the chief financial officer of the Company, to the effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct in all material respects as if made at and as of the date of the certificate, and the Company has complied in all material respects with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date of the certificate;

(ii) No stop order or other order suspending the effectiveness of the Registration Statement or any part thereof or any amendment thereof or the qualification of the Shares for offering or sale or notice that would prevent use of the Registration Statement, nor suspending or preventing the use of the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus, has been issued, and no proceeding for that purpose has been instituted or, to the best of their knowledge, is contemplated by the Commission or any state or regulatory body;

(iii) The Shares to be sold on that date, if any, have been duly and validly authorized by the Company and all corporate action required to be taken for the authorization, issuance and sale of the Shares on that date, if any, has been validly and sufficiently taken;

(iv) Subsequent to the respective dates as of which information is given in the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus, as amended and supplemented, and except for pending transactions disclosed therein, the Company has not incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions, not in the ordinary course of business, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock, and there has not been any change in the capital stock or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock (other than as a result of Exempt Issuances), or any material change in the short-term or long-term debt, of the Company, or any Material Adverse Effect or any development that would reasonably be likely to result in a Material Adverse Effect (whether or not arising in the ordinary course of business), or any material loss by strike, fire, flood, earthquake, accident or other calamity, whether or not covered by insurance, incurred by the Company; and

(v) Except as stated in the Prospectus and any Permitted Free Writing Prospectus, as amended and supplemented, there is not pending, or, to the knowledge of the Company, threatened or contemplated, any action, suit or proceeding to which the Company is a party before or by any court or governmental agency, authority or body, or any arbitrator, which would reasonably be likely to result in any Material Adverse Effect;

provided, however, the requirement to provide a certificate under this Section 3(s) is hereby waived for any Bringdown Date occurring at a time at which no Transaction Notice is pending, which waiver shall continue until the earlier to occur of the date the Company delivers a Transaction Notice hereunder and the next occurring Bringdown Date. Notwithstanding the foregoing, if the Company subsequently decides to sell Shares following a Bringdown Date when the Company relied on such waiver and did not provide Agent with a certificate under this Section 3(s), then before the Company delivers the Transaction Notice or Agent sells any Shares, the Company shall provide Agent with a certificate dated the date of the Transaction Notice.

(t) A reasonable time prior to each Bringdown Date, the Company, if so requested by the Agent, shall conduct a due diligence session, in form and substance, satisfactory to the Agent, which shall include representatives of the management and the accountants of the Company.

(u) The Company shall disclose in its annual report on Form 10-K and its quarterly reports on Form 10-Q the number of Shares sold through the Agent under this Agreement, the Net Proceeds to the Company and the compensation paid by the Company with respect to sales of the Shares pursuant to this Agreement.

(v) The Company shall ensure that there are at all times sufficient shares of Common Stock to provide for the issuance, free of any preemptive rights, out of its authorized but unissued Common Stock, of the maximum aggregate number of Shares authorized for issuance by the Board pursuant to the terms of this Agreement. The Company will use its reasonable best efforts to cause the Shares to be listed on the Exchange, and to maintain such listing. The Company shall cooperate with Agent and use its reasonable efforts to permit Shares to be eligible for clearance and settlement through the facilities of DTC.

(w) At any time during the term of this Agreement, the Company will advise the Agent promptly after it receives notice or obtains knowledge of any information or fact that would alter or affect any opinion, certificate, letter and other document provided to the Agent pursuant to Section 3.

(x) Subject to compliance with any applicable requirements of Regulation M under the Exchange Act and compliance with applicable securities laws, the Company consents to the Agent trading in the Common Stock for the Agent's own account and for the account of its clients (in compliance with all applicable laws) at the same time as sales of the Shares occur pursuant to this Agreement.

(y) If to the knowledge of the Company, any condition set forth in Section 4 shall not have been satisfied on the applicable Settlement Date or will not be satisfied on or prior to the date required by this Agreement, the Company will offer to any person who has agreed to purchase the Shares on such Settlement Date from the Company as the result of an offer to purchase solicited by the Agent the right to refuse to purchase and pay for such Shares.

(z) On the date hereof and each Bringdown Date, the Company shall furnish to the Agent an incumbency certificate, dated as of such date and addressed to Agent, signed by the secretary of the Company.

(aa) Each acceptance by the Company of an offer to purchase the Shares hereunder shall be deemed to be an affirmation to the Agent that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct as of the date of such acceptance as though made at and as of such date, and an undertaking that such representations and warranties will be true and correct as of the Settlement Date for the Shares relating to such acceptance, as though made at and as of such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Shares).

(bb) During any period when the delivery of a prospectus relating to the Shares is required (including in circumstances where such requirement may be satisfied pursuant to Rule 172, 173 or any similar rule) to be delivered under the Securities Act, the Company will file all documents required to be filed with the Commission pursuant to the Exchange Act within the time periods required by the Exchange Act and the regulations thereunder.

(cc) The Company shall cooperate with Agent and use its reasonable efforts to permit the Shares to be eligible for clearance and settlement through the facilities of DTC.

(dd) The Company will apply the Net Proceeds from the sale of the Shares in the manner set forth in the Prospectus.

(ee) To the extent that the Registration Statement is not available for the sales of the Shares as contemplated by this Agreement, the Company shall file a new registration statement with respect to any additional shares of Common Stock necessary to complete such sales of the Shares and shall cause such registration statement to become effective as promptly as practicable. After the effectiveness of any such registration statement, all references to "Registration Statement" included in this Agreement shall be deemed to include such new registration statement, including all documents incorporated by reference therein pursuant to Item 12 of Form S-3, and all references to "Base Prospectus" included in this Agreement shall be deemed to include the final form of prospectus, including all documents incorporated therein by reference, included in any such registration statement at the time such registration statement became effective.

(ff) In furtherance of the exclusive nature of the relationship between the Agent and the Company, during the term of this Agreement: (i) the Company will not, and will not permit its representatives to, other than in coordination with the Agent, contact or solicit institutions, corporations or other entities as potential purchasers of the Shares in the Offering.

4. ***Conditions of Agent's Obligations***. The obligations of the Agent hereunder are subject to (i) the accuracy of, as of the date hereof, each Bringdown Date, and each Time of Sale (in each case, as if made at such date), and compliance with, all representations, warranties and agreements of the Company contained herein, (ii) the performance by the Company of its obligations hereunder and (iii) the following additional conditions:

(a) If filing of the Prospectus, or any amendment or supplement thereto, or any Permitted Free Writing Prospectus, is required under the Securities Act or the Rules and Regulations, the Company shall have filed the Prospectus (or such amendment or supplement) or such Permitted Free Writing Prospectus with the Commission in the manner and within the time period so required (without reliance on Rule 424(b)(8) or Rule 164(b)); the Registration Statement shall remain effective; no stop order suspending the effectiveness of the Registration Statement or any part thereof, any Rule 462(b) Registration Statement, or any amendment thereof, nor suspending or preventing the use of the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus shall have been issued; no proceedings for the issuance of such an order shall have been initiated or threatened; and any request of the Commission for additional information (to be included in the Registration Statement, the Base Prospectus, the Prospectus, any Permitted Free Writing Prospectus or otherwise) shall have been complied with to the Agent's satisfaction.

(b) The Agent shall not have advised the Company that the Registration Statement, the Base Prospectus, the Prospectus, or any amendment or supplement thereto, or any Permitted Free Writing Prospectus, contains an untrue statement of fact which, in the Agent's opinion, is material, or omits to state a fact which, in the Agent's opinion, is material and is required to be stated therein or is necessary to make the statements therein (i) with respect to the Registration Statement, not misleading and (ii) with respect to the Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus, in light of the circumstances under which they were made, not misleading.

(c) Except as set forth or contemplated in the Prospectus and any Permitted Free Writing Prospectus, as amended or supplemented, subsequent to the respective dates as of which information is given therein, the Company shall not have incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock and there shall not have been any change in the capital stock, or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock (other than as a result of Exempt Issuances), or any material change in the short-term or long-term debt, of the Company, or any Material Adverse Effect or any development that would be reasonably likely to result in a Material Adverse Effect (whether or not arising in the ordinary course of business), or any material loss by strike, fire, flood, earthquake, accident or other calamity, whether or not covered by insurance, incurred by the Company, the effect of which, in any such case described above, in the Agent's judgment, makes it impractical or inadvisable to offer or deliver the Shares.

(d) The Company shall have performed each of its obligations under Section 3(q).

(e) The Company shall have performed each of its obligations under Section 3(r).

(f) The Company shall have performed each of its obligations under Section 3(s).

(g) FINRA shall have raised no objection to the fairness and reasonableness of the terms and arrangements related to the sale of the Shares pursuant to this Agreement.

(h) All filings with the Commission required by Rule 424 under the Securities Act to have been filed by the Settlement Date shall have been made within the applicable time period prescribed for such filing by Rule 424.

(i) The Company shall have furnished to Agent and the Agent's counsel such additional documents, certificates and evidence as they may have reasonably requested.

(j) Trading in the Common Stock shall not have been suspended on the Exchange. The Shares shall have been listed and authorized for trading on the Exchange prior to the first Settlement Date, and satisfactory evidence of such actions shall have been provided to the Agent and its counsel, which may include oral confirmation from a representative of the Exchange.

(k) On each Bringdown Date, Ellenoff Grossman & Schole LLP, counsel for the Agent, shall not have reasonably determined that the Base Prospectus, the Prospectus, or any Permitted Free Writing Prospectus, as of such date, includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to Agent and the Agent's counsel. The Company will furnish Agent with such conformed copies of such opinions, certificates, letters and other documents as Agent shall reasonably request.

5. ***Indemnification and Contribution***.

(a) The Company agrees to indemnify and hold harmless the Agent and each of the other Indemnified Parties (as defined below) from and against any losses, claims, damages, obligations, penalties, judgments, awards, liabilities, costs, expenses and disbursements, and any and all actions suits proceedings and investigations in respect thereof and any and all legal and other costs, expenses and disbursements in giving testimony or furnishing documents in response to subpoena or otherwise (including, without limitation, the costs, expenses and disbursements, as and when incurred, of investigating, preparing, pursuing or defending any such action, suit, proceeding or investigation (whether or not in connection with litigation in which any Indemnified Party is a party)) (collectively, "***Losses***"), directly or indirectly, caused by, relating to, based upon, arising out of, or in connection with this Agreement, including, without limitation, any act or omission by the Agent in connection with its acceptance of or the performance or non-performance of its obligations under the Agreement, any breach by the Company of any representation, warranty, covenant or agreement contained in the Agreement (or in any instrument, document or agreement relating thereto, including any agency agreement), or the enforcement by the Agent of its rights under the Agreement or these indemnification provisions, except to the extent that any such Losses are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from the gross negligence or willful misconduct of the Indemnified Party seeking indemnification hereunder. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with this Agreement for any other reason, except to the extent that any such liability is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct This indemnity agreement will be in addition to any liability that the Company otherwise might have.

(i) These indemnification provisions shall extend to the following persons (collectively, the "***Indemnified Parties***"): the Agent, its present and former affiliated entities, managers, members, officers, employees, legal counsel, agents and controlling persons (within the meaning of the federal securities laws), and the officers, directors, partners, stockholders, members, managers, employees, legal counsel, agents and controlling persons of any of them. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to any Indemnified Party.

(ii) If any action, suit, proceeding or investigation is commenced, as to which an Indemnified Party proposes to demand indemnification, it shall notify the Company with reasonable promptness; provided, however, that any failure by an Indemnified Party to notify the Company shall not relieve the Company from its obligations hereunder except to the extent that the Company is actually and materially prejudiced by such failure to notify. An Indemnified Party shall have the right to retain counsel of its own choice to represent it, and the fees, expenses and disbursements of such counsel shall be borne by the Company. Any such counsel shall, to the extent consistent with its professional responsibilities, cooperate with the Company and any counsel designated by the Company. The Company shall be liable for any settlement of any claim against any Indemnified Party made with the Company's written consent. The Company shall not, without the prior written consent of the Agent, settle or compromise any claim, or permit a default or consent to the entry of any judgment in respect thereof, unless such settlement, compromise or consent (i) includes, as an unconditional term thereof, the giving by the claimant to all of the Indemnified Parties of an unconditional release from all liability in respect of such claim, and (ii) does not contain any factual or legal admission by or with respect to an Indemnified Party or an adverse statement with respect to the character, professionalism, expertise or reputation of any Indemnified Party or any action or inaction of any Indemnified Party.

(iii) In order to provide for just and equitable contribution, if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification in such case, then the Company shall contribute to the Losses to which any Indemnified Party may be subject (i) in accordance with the relative benefits received by the Company and its stockholders, Subsidiaries and affiliates, on the one hand, and the Indemnified Party, on the other hand, and (ii) if (and only if) the allocation provided in clause (i) of this sentence is not permitted by applicable law, in such proportion as to reflect not only the relative benefits, but also the relative fault of the Company, on the one hand, and the Indemnified Party, on the other hand, in connection with the statements, acts or omissions which resulted in such Losses as well as any relevant equitable considerations. No person found liable for a fraudulent misrepresentation shall be entitled to contribution from any person who is not also found liable for fraudulent misrepresentation. The relative benefits received (or anticipated to be received) by the Company and its stockholders, Subsidiaries and affiliates shall be deemed to be equal to the aggregate consideration payable or receivable by such parties in connection with the transaction or transactions to which the Agreement relates relative to the amount of fees actually received by the Agent in connection with such transaction or transactions. Notwithstanding the foregoing, in no event shall the amount contributed by all Indemnified Parties exceed the amount of fees previously received by the Agent pursuant to the Agreement.

(b) (i) The Agent will indemnify and hold harmless the Company and its affiliates, employees, directors, executive officers, including, but not limited to such executive officers of the Company who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, legal counsel, agents and controlling persons of any of them (the "***Company Indemnified Parties***") from and against any Losses to which the Company or the Company Indemnified Parties may become subject, under the Securities Act or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Agent), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or omission or alleged untrue statement or omission of a material fact contained in the Registration Statement, any Base Prospectus, the Prospectus, or any amendment or supplement thereto or any Permitted Free Writing Prospectus, to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Base Prospectus, the Prospectus, or any amendment or supplement thereto, or any Permitted Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by Agent expressly for use in the preparation thereof, it being understood and agreed that the only information furnished by the Agent consists of the information described as such in Section 5(b)(ii), by the Company in connection with investigating or defending against any such loss, claim, damage, liability or action. (ii) The Agent confirms and the Company acknowledges that as of the date hereof no information has been furnished in writing to the Company by or on behalf of the Agent specifically for inclusion in the Registration Statement, any Base Prospectus, the Prospectus or any Permitted Free Writing Prospectus, other than information about the Agent included in the Prospectus Supplement under the heading "Plan of Distribution".

(c) If the indemnification provided for in this Section 5 is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Agent on the other from the Offering or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Agent on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Agent on the other shall be deemed to be in the same proportion as the total net proceeds from the Offering (before deducting expenses) received by the Company and the total compensation received by the Agent from the sale of the Shares on behalf of the Company. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Agent and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Agent agree that it would not be just and equitable if contributions pursuant to this subsection (c) were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this subsection (c). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (c) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject of this subsection (c). Notwithstanding the provisions of this subsection (c), the Agent shall not be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that the Agent has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(d) Neither the termination of this Agreement nor completion of the Offering shall affect these indemnification provisions, which shall remain operative and in full force and effect. The indemnification provisions shall be binding upon the Company and the Agent and their respective successors and assigns and shall inure to the benefit of the Indemnified Parties and the Company Indemnified Parties and their respective successors, assigns, heirs and personal representatives.

6. ***Representations and Agreements to Survive Delivery***. All representations and warranties of the Company herein or in certificates delivered pursuant hereto, and agreements of the Agent and the Company herein, including but not limited to the agreements of the Agent and the Company contained in Section 5, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Agent or any controlling person thereof, or the Company or any of its officers, directors, or controlling persons, and shall survive delivery of, and payment for, the Shares to and by the Agent hereunder.

7. ***Termination of this Agreement***. The term of this Agreement shall begin on the date hereof, and shall continue until the earliest of (i) twelve (12) months following the date hereof, (ii) the sale of Shares having an aggregate offering price of $50,000,000, or (iii) the termination by either the Agent or the Company upon the provision of fifteen (15) days written notice. Any such termination shall in all cases be deemed to provide that Section 3(g), Section 5 and Section 6 shall remain in full force and effect. Notwithstanding the foregoing, the Agent shall have the right, in its sole discretion, to terminate this Agreement if at any time from the date of this Agreement to the effectiveness of the Registration Statement, the Agent is not fully satisfied, in its sole discretion, with the results of its and its representatives' review of the Company and the Company's business.

8. ***Default by the Company***. If the Company shall fail at any Settlement Date to sell and deliver the number of Shares which it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of the Agent or, except as provided in Section 3(g), any non-defaulting party. No action taken pursuant to this Section 8 shall relieve the Company from liability, if any, in respect of such default, and the Company shall (A) hold the Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company and (B) pay the Agent any commission to which it would otherwise be entitled absent such default.

9. ***Notices***. Except as otherwise provided herein, all communications under this Agreement shall be in writing and, if to the Agent, shall be mailed, delivered or telecopied to Maxim Group LLC, 405 Lexington Avenue, New York, New York 10174, (fax: (212) 895-3783), Attention: Clifford A. Teller (cteller@maximgrp.com) and James Siegel (jsiegel@maximgrp.com), with a required copy (which shall not constitute notice) to Ellenoff Grossman & Schole LLP, counsel for the Agent, at 1345 Avenue of the Americas, New York, New York 10105 Attention: Sarah Williams, Esq. (swilliams@egsllp.com). Notices to the Company shall be given to it at 2479 E. Bayshore Road, Suite 195, Palo Alto, CA 94303. Attention: Nadir Ali, Chief Executive Officer (nadir.ali@inpixon.com) and Melanie Figueroa, General Counsel and SVP, Corporate Development (melanie.figueroa@inpixon.com), with required copies (which shall not constitute notice) to Mitchell Silberberg & Knupp LLP, 437 Madison Ave., 25 th Floor, New York, NY 10022 Attention: Blake Baron (bjb@msk.com). Any party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

10. ***Persons Entitled to Benefit of Agreement***. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns and the controlling persons, officers and directors referred to in Section 5. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Shares from the Agent.

11. ***Absence of Fiduciary Relationship***. The Company acknowledges and agrees that: (a) the Agent has been retained solely to act as an sales agent and/or principal in connection with the sale of the Shares and that no fiduciary, advisory or agency relationship between the Company and the Agent has been created in respect of any of the transactions contemplated by this Agreement, irrespective of whether the Agent has advised or are advising the Company on other matters; (b) the price and other terms of the Shares set forth in this Agreement were established by the Company following discussions and arms-length negotiations with the Agent and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement; (c) it has been advised that the Agent and its affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that the Agent has no obligation to disclose such interest and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; (d) it has been advised that the Agent is acting, in respect of the transactions contemplated by this Agreement, solely for the benefit of the Agent, and not on behalf of the Company; and (e) it waives to the fullest extent permitted by law, any claims it may have against the Agent for breach of fiduciary duty or alleged breach of fiduciary duty in respect of any of the transactions contemplated by this Agreement and agrees that the Agent shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company.

12. ***Governing Law***. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, including Section 5-1401 of the General Obligations Law of the State of New York, but otherwise without regard to conflict of laws rules that would apply the laws of any other jurisdiction.

13. ***Counterparts***. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original and all such counterparts shall together constitute one and the same instrument.

14. ***Adjustments for Stock Splits***. The parties acknowledge and agree that all share-related numbers contained in this Agreement shall be adjusted to take into account any subsequent stock split, stock dividend or similar event effected with respect to the Shares.

15. ***Entire Agreement; Amendment; Severability; Headings***. This Agreement (including all schedules and exhibits attached hereto and transaction notices issued pursuant hereto) constitutes the entire agreement and supersedes all other prior and contemporaneous agreements and undertakings, both written and oral, among the parties hereto with regard to the subject matter hereof. Notwithstanding anything herein to the contrary, the letter agreement, dated February 18, 2020 ("Engagement Agreement"), by and between the Company and Maxim Group LLC, shall continue to be effective and the terms therein shall continue to survive and be enforceable by the Agent in accordance with its terms, provided that, in the event of a conflict between the terms of the Engagement Agreement and this Agreement, the terms of this Agreement shall prevail. For the avoidance of doubt, the Agent shall continue to be entitled to the terms and conditions of the right of first refusal as granted on October 8, 2019 and as set forth in Section 8 of that certain letter agreement, dated October 8, 2019, by and between the Agent and the Company. Neither this Agreement nor any term hereof may be amended except pursuant to a written instrument executed by the Company and the Agent. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable as written by a court of competent jurisdiction, then such provision shall be given full force and effect to the fullest possible extent that it is valid, legal and enforceable, and the remainder of the terms and provisions herein shall be construed as if such invalid, illegal or unenforceable term or provision was not contained herein, but only to the extent that giving effect to such provision and the remainder of the terms and provisions hereof shall be in accordance with the intent of the parties as reflected in this Agreement. The section headings used in this Agreement are for convenience only and shall not affect the construction hereof.

16. ***Waiver of Jury Trial***. Each of the Company and the Agent hereby waives any right it may have to a trial by jury in respect of any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

[*Signature Page to Follow*]

Please sign and return to the Company the enclosed duplicates of this letter whereupon this letter will become a binding agreement between the Company and the Agent in accordance with its terms.

Very truly yours,

INPIXON

By: /s/ Nadir Ali
Name: Nadir Ali
Title: Chief Executive Officer

Confirmed as of the date first
above mentioned.

MAXIM GROUP LLC

By: /s/ Clifford A. Teller
Name: Clifford A. Teller
Title: Executive Managing Director,
Investment Banking

[*Signature page to Inpixon Equity Distribution Agreement*]

Schedule A

Permitted Free Writing Prospectus

None.

Schedule B

Individuals Permitted to Authorize Sales of Shares

Nadir Ali, CEO
Wendy Loundermon, CFO

Schedule C

Form of E-mail or Telecopy Confirmation

[COMPANY LETTERHEAD]

Date: _____

Bill Vitale, Head of Equity Trading
Maxim Group LLC
405 Lexington Avenue
New York, NY 10174

RE: E-mail Confirmation to Sell Stock Utilizing the Equity Distribution Agreement

Bill Vitale and Maxim Equity Trading Team:

Pursuant to the terms and subject to the conditions contained in the Equity Distribution Agreement between Inpixon (the "***Company***") and Maxim Group LLC ("***Maxim***") dated March ___, 2020 (the "***Agreement***"), we hereby confirm our request by e-mail transmission on behalf of the Company that Maxim is authorized to sell for a period of up to _____ business days, up to _____ shares of the Company's Common Stock at a minimum market price of $_____ per share.

Thanks for all your help and please contact us with any questions,

Sincerely,

Inpixon

By:
Name:
Title

Schedule D

Individuals to Which Notice Can Be Given

For Maxim Group LLC:

James Siegel
Office:
Fax:

Clifford Teller
Office:
Fax:

For Inpixon:

Nadir Ali
Office:
Fax:

Exhibit 4.21

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of February 28, 2020, Inpixon's class of common stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our articles of incorporation, as amended, and our bylaws, as amended, each of which is incorporated herein by reference as an exhibit to the Annual Report on Form 10-K filed with the Securities and Exchange Commission, of which this Exhibit 4.21 is a part. We encourage you to read our articles of incorporation, our bylaws and the applicable provisions of the Nevada Revised Statutes for additional information.

Authorized and Outstanding Capital Stock

As of February 28, 2020, we had 255,000,000 authorized shares of capital stock, par value $0.001 per share, of which 250,000,000 were shares of common stock and 5,000,000 were shares of "blank check" preferred stock.

Common Stock

The holders of our common stock are entitled to one vote per share. In addition, the holders of our common stock will be entitled to receive pro rata dividends, if any, declared by our board of directors out of legally available funds; however, the current policy of our board of directors is to retain earnings, if any, for operations and growth. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of our board of directors and issued in the future.

Anti-Takeover Effects of Nevada Law and our Articles of Incorporation and Bylaws

Our articles of incorporation, our bylaws and the Nevada Revised Statutes contain provisions that could delay or make more difficult an acquisition of control of our company not approved by our board of directors, whether by means of a tender offer, open market purchases, proxy contests or otherwise. These provisions have been implemented to enable us to develop our business in a manner that will foster our long-term growth without disruption caused by the threat of a takeover not deemed by our board of directors to be in the best interest of our company and our stockholders. These provisions could have the effect of discouraging third parties from making proposals involving an acquisition or change of control of our company even if such a proposal, if made, might be considered desirable by a majority of our stockholders. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of our board of directors.

Set forth below is a description of the provisions contained in our articles of incorporation, bylaws and Nevada Revised Statutes that could impede or delay an acquisition of control of our company that our board of directors has not approved. This description is intended as a summary only and is qualified in its entirety by reference to our articles of incorporation and bylaws, forms of each of which are included as exhibits to the registration statement of which this prospectus forms a part.

Authorized But Unissued Preferred Stock

We are currently authorized to issue a total of 5,000,000 shares of preferred stock. Our articles of incorporation provide that the board of directors may issue preferred stock by resolutions, without any action of the stockholders. In the event of a hostile takeover, the board of directors could potentially use this preferred stock to preserve control.

Filling Vacancies

Our bylaws establish that the board shall be authorized to fill any vacancies on the board arising due to the death, resignation or removal of any director. The board is also authorized to fill vacancies if the stockholders fail to elect the full authorized number of directors to be elected at any annual or special meeting of stockholders. Vacancies in the board may be filled by a majority of the remaining directors then in office, even though less than a quorum of the board, or by a sole remaining director.

Removal of Directors

The provisions of our bylaws may make it difficult for our stockholders to remove one or more of our directors. Our bylaws provide that the entire board of directors, or any individual director, may be removed from office at any special meeting of stockholders called for such purpose by vote of the holders of two-thirds of the voting power entitling the stockholders to elect directors in place of those to be removed. Furthermore, according to our bylaws, no director may be removed (unless the entire board is removed) when the votes cast against removal or not consenting in writing to such removal would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote, were voted) and the entire number of directors authorized at the time of the directors' most recent election were then being elected. Our bylaws also provide that when, by the provisions of our articles of incorporation, the holders of the shares of any class or series voting as a class or series are entitled to elect one or more directors, any director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

Board Action Without Meeting

Our bylaws provide that the board may take action without a meeting if all the members of the board consent to the action in writing. Board action through consent allows the board to make swift decisions, including in the event that a hostile takeover threatens current management.

No Cumulative Voting

Our bylaws and articles of incorporation do not provide the right to cumulate votes in the election of directors. This provision means that the holders of a plurality of the shares voting for the election of directors can elect all of the directors. Non-cumulative voting makes it more difficult for an insurgent minority stockholder to elect a person to the board of directors.

Stockholder Proposals

Except to the extent required under applicable laws, we are not required to include on our proxy card, or describe in our proxy statement, any information relating to any stockholder proposal and disseminated in connection with any meeting of stockholders.

Amendments to Articles of Incorporation and Bylaws

Our articles of incorporation give both the directors and the stockholders the power to adopt, alter or repeal the bylaws of the corporation. Any adoption, alteration, amendment, change or repeal of the bylaws by the stockholders requires an affirmative vote by a majority of the outstanding stock of the company. Any bylaw that has been adopted, amended, or repealed by the stockholders may be amended or repealed by the board, except that the board shall have no power to change the quorum for meetings of stockholders or of the board or to change any provisions of the bylaws with respect to the removal of directors or the filling of vacancies in the board resulting from the removal by the stockholders. Any proposal to amend, alter, change or repeal any provision of our articles of incorporation requires approval by the affirmative vote of a majority of the voting power of all of the classes of our capital stock entitled to vote on such amendment or repeal, voting together as a single class, at a duly constituted meeting of stockholders called expressly for that purpose.

Nevada Statutory Provisions

We are subject to the provisions of NRS 78.378 to 78.3793, inclusive, an anti-takeover law, which applies to any acquisition of a controlling interest in an "issuing corporation." In general, such anti-takeover laws permit the articles of incorporation, bylaws or a resolution adopted by the directors of an "issuing corporation" (as defined in NRS 78.3788) to impose stricter requirements on the acquisition of a controlling interest in such corporation than the provisions of NRS 78.378 to 78.3793, inclusive, as well as permit the directors of an issuing corporation to take action to protect the interests of the corporation and its stockholders, including, but not limited to, adopting plans, arrangements or other instruments that grant or deny rights, privileges, power or authority to holder(s) of certain percentages of ownership and/or voting power. Further, an "acquiring person" (and those acting in association) only obtains such voting rights in the control shares as are conferred by resolution of the stockholders at either a special meeting requested by the acquiring person, provided it delivers an offeror's statement pursuant to NRS 78.3789 and undertakes to pay the expenses thereof, or at the next special or annual meeting of stockholders. In addition, the anti-takeover law generally provides for (i) the redemption by the issuing corporation of not less than all of the "control shares" (as defined) in accordance with NRS 78.3792, if so provided in the articles of incorporation or bylaws in effect on the 10th day following the acquisition of a controlling interest in an "issuing corporation", and (ii) dissenter's rights pursuant to NRS 92A.300 to 92A.500, inclusive, for stockholders that voted against authorizing voting rights for the control shares.

We are also subject to the provisions of NRS 78.411 to 78.444, inclusive, which generally prohibits a publicly held Nevada corporation from engaging in a "combination" with an "interested stockholder" (each as defined) that is the beneficial owner, directly or indirectly, of at least ten percent of the voting power of the outstanding voting shares of the corporation or is an affiliate or associate of the corporation that previously held such voting power within the past three years, for a period of three years after the date the person first became an "interested stockholder", subject to certain exceptions for authorized combinations, as provided therein.

In accordance with NRS 78.195, our articles of incorporation provide for the authority of the board of directors to issue shares of preferred stock in series by filing a certificate of designation to establish from time to time the number of shares to be included in such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, subject to limitations prescribed by law.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Nasdaq Capital Market Listing

Our common stock is currently traded on the Nasdaq Capital Market under the symbol "INPX."

Exhibit 5.1

MITCHELL SILBERBERG & KNUPP LLP
A LAW PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

March 3, 2020

Inpixon
2479 E. Bayshore Road
Suite 195
Palo Alto, CA 94303

Re: Inpixon – Registration Statement on Form S-3

Ladies and Gentlemen:

We have acted as counsel to Inpixon, a Nevada corporation (the "Company"), in connection with its filing of (i) a Registration Statement on Form S-3 (Registration No. 333-223960) (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), with the Securities and Exchange Commission (the "Commission"), (ii) the base prospectus, dated as of June 5, 2018 (the "Base Prospectus"), included in the Registration Statement and (iii) the prospectus supplement, dated as of March 3, 2020 (the "Prospectus Supplement" and together with the Base Prospectus, as supplemented from time to time by one or more prospectus supplements, the "Prospectus"), to be filed with the Commission on or about March 3, 2020 by the Company, pursuant to Rule 424 promulgated under the Act.

The Prospectus relates to the public offering of an aggregate of $50,000,000 of shares of common stock, par value $0.001 per share (the "Shares"). The Shares are being sold pursuant to that certain Equity Distribution Agreement, dated as of March 3, 2020, by and between Maxim Group LLC, as the sales agent, and the Company (the "Distribution Agreement"). This opinion is being furnished in connection with the requirements of Item 601(b)(5) of Regulation S-K under the Act, and no opinion is expressed herein as to any matter pertaining to the contents of the Registration Statement or the Prospectus, other than as expressly stated herein with respect to the issuance of the Shares.

We have examined such matters of fact and questions of law as we have considered appropriate for purposes of this letter. With your consent, we have relied upon certificates and other assurances of officers of the Company and others as to factual matters without having independently verified such factual matters. The opinions expressed herein are limited to the Nevada Revised Statutes. We express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction. We express no opinion herein concerning any state securities or blue sky laws.

In our examination of the foregoing documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, the authenticity of the originals of such latter documents and the legal competence of all signatories to such documents.

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that the Shares have been duly authorized for issuance, and when issued against payment therefor pursuant to the terms of the Distribution Agreement, will be validly issued, fully paid and non-assessable.

Please note that we are opining only as to the matters expressly set forth herein, and no opinion should be inferred as to any other matters. This opinion is based upon currently existing statutes, rules, regulations and judicial decisions, as further limited above, and we disclaim any obligation to advise you of any change in any of these sources of law or subsequent legal or factual developments which might affect any matters or opinions set forth herein.

This opinion is rendered to you in connection with the offering described above.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Annual Report on Form 10-K of the Company being filed on the date hereof and to the reference to our firm in the Prospectus and the Registration Statement. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/Mitchell Silberberg & Knupp LLP

Exhibit 10.46

FOURTH AMENDMENT AGREEMENT

This FOURTH AMENDMENT AGREEMENT (this "***Fourth Amendment***") is made and entered into as of March 1, 2020 ("***Amendment Date***") by and between Sysorex, Inc., a Nevada corporation (the "***Company***"), and Inpixon, a Nevada corporation (the "***Purchaser***"). In this Fourth Amendment, the Company and the Purchaser are sometimes referred to singularly as a "party" and collectively as the "parties". Capitalized terms not otherwise defined herein shall have the meanings set forth in the Note (as defined below) or the NPA (as defined below), as applicable.

WHEREAS, subject to the terms and conditions herein, the parties desire to amend that certain Note Purchase Agreement, dated as of December 31, 2018, by and between the Company and the Purchaser (as amended from time to time in accordance with its terms, the "***NPA***"), and the secured promissory note issued pursuant to the NPA, dated as of December 31, 2018 (as amended from time to time in accordance with its terms, the "***Note***"), to extend the Maturity Date from December 31, 2020 to December 31, 2022; and

WHEREAS, the parties desire to amend Paragraph 3 of the Note to increase the interest rate to apply upon the occurrence of an Event of Default as described herein; and

WHEREAS, the parties desire to amend Paragraph 5 of the Note to require prepayment of the Note in an amount equal to 6% of the aggregate gross proceeds raised in a financing as described in Section 3 below.

NOW, **THEREFORE**, in consideration of the mutual covenants of the parties as hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. Maturity Date. The reference in Paragraph 1 of the NPA to the Maturity Date is hereby amended to delete"the twenty-four (24) month anniversary of the date the Note is issued" and replace it with "December 31, 2022". The reference in the preamble of the Note to the Maturity Date is hereby amended to delete "December 31, 2020" and replace it with "December 31, 2022".

2. Event of Default Interest Rate The third sentence in Paragraph 3 of the Note is amended and restated in its entirety as follows:

"*Upon the occurrence of an Event of Default (as defined below), interest shall accrue on the outstanding Loan Amount of this Note at the lesser of the rate of twenty-one percent (21%) per annum or the maximum rate permitted by applicable law.*"

3. Prepayment. Paragraph 5 of the Note is amended and restated in its entirety as follows:

"*This Note may be prepaid by the Company at any time without penalty or premium.Immediately following the completion of any financing, or series of related financings, in which the Company raises aggregate gross proceeds of at least $5 million, in each case, the Company will make a cash payment to the Purchaser against the Loan Amount in an amount equal to no less than 6% of the aggregate gross proceeds raised.*"

4. Effect on Transaction Documents.

4.1. As of the date hereof, each reference in the NPA to "this Agreement," "hereunder," "hereof" or words of like import referring to the NPA, and each reference in the Note to "the Note Purchase Agreement," "the Agreement," "thereunder," "thereof" or words of like import referring to the NPA shall mean and be a reference to the NPA, as amended by the First Amendment, the Second Amendment, the Third Amendment and this Fourth Amendment.

4.2. As of the date hereof, each reference in the Note to "this Note," "hereunder," "hereof" or words of like import referring to the Note, and each reference in the NPA to the "Note," "thereunder," "thereof" or words of like import referring to the Note shall mean and be a reference to the Note, as amended by the First Amendment, the Second Amendment, the Third Amendment and this Fourth Amendment.

4.3. Except as expressly set forth herein, the terms and conditions of the NPA and Note shall remain in full force and effect and each of the parties reserves all rights with respect to any other matters and remedies.

5. Fees and Expenses. Each party shall pay the fees and expenses of its advisors, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Fourth Amendment.

6. Miscellaneous.

6.1. This Fourth Amendment, the Third Amendment, the Second Amendment, the First Amendment, the Note, and the NPA contain the entire agreement of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters. This Fourth Amendment shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. This Fourth Amendment may not be amended, modified or supplemented, and no provision of this Fourth Amendment may be waived, other than by a written instrument duly executed and delivered by the parties.

6.2. It is hereby understood that this Fourth Amendment does not constitute an admission of liability by any party, including any admission of default under the NPA or the Note.

6.3. In all respects, including all matters of construction, validity and performance, this Fourth Amendment shall be governed by, and construed and enforced in accordance with, the laws of the State of Nevada as applicable to contracts made and performed in such State, without regard to principles thereof regarding conflicts or choice of law.

6.4. This Fourth Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same agreement. In the event that any signature is delivered in ..pdf by email, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such signature were the original thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to be duly executed on the day and year first above written.

INPIXON

By: /s/ Nadir Ali
Name: Nadir Ali
Title: Chief Executive Officer

[SIGNATURE PAGE OF THE PURCHASER]

SYSOREX, INC.

By: /s/ Zaman Khan
Name: Zaman Khan
Title: Chief Executive Officer

[SIGNATURE PAGE OF THE COMPANY]

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Inpixon and Subsidiaries on Form S-3 [File No. 333-223960]; Forms S-1 [File No. 333-233763]; Forms S-8 [File No. 333-234458]; [File No. 333-230965]; [File No. 333-229374]; [File No. 333-224506]; [File No. 333-216295] and [File No. 333-195655] of our report, which includes an explanatory paragraph as to the Company's ability to continue as a going concerndated March 3, 2020, with respect to our audits of the consolidated financial statements of Inpixon and Subsidiaries as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018**,** which report is included in this Annual Report on Form 10-K of Inpixon and Subsidiaries for the year ended December 31, 2019.

/s/ Marcum llp

Marcum llp
New York, NY
March 3, 2020

Exhibit 31.1

CERTIFICATION

I, Nadir Ali, certify that:

1. I have reviewed this Annual Report on Form 10-K of Inpixon;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 3, 2020

/s/ Nadir Ali
Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Wendy F. Loundermon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Inpixon;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 3, 2020

/s/ Wendy F. Loundermon
Wendy F. Loundermon
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the Annual Report of Inpixon (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (the "Report"), we, Nadir Ali, Chief Executive Officer (Principal Executive Officer) and Wendy F. Loundermon, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: March 3, 2020

/s/ Nadir Ali
Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

/s/ Wendy F. Loundermon
Wendy F. Loundermon
Chief Financial Officer
(Principal Financial and Accounting Officer)