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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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

SYSOREX GLOBAL
(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)

No change
(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated file. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☒

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 25,116,035 shares of common stock, par value $.001, outstanding, as of May 12, 2016.

SYSOREX GLOBAL

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the condensed consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations, and cash flows of the Company for the interim periods presented.

The results for the period ended March 31, 2016 are not necessarily indicative of the results of operations for the full year. These financial statements and related footnotes should be read in conjunction with the financial statements and footnotes thereto included in our audited financial statements for the fiscal years ended December 31, 2015 and 2014 included in the Form 10-K filed with the Securities and Exchange Commission on March 30, 2016.

SYSOREX GLOBAL

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 2,853	$ 4,060
Accounts receivable, net	10,795	12,209
Notes and other receivables	1,756	1,340
Inventory	822	755
Prepaid licenses and maintenance contracts	7,460	7,509
Assets held for sale	772	772
Other current assets	1,829	1,967
Total Current Assets	26,287	28,612
Prepaid licenses and maintenance contracts, non-current	6,189	6,586
Property and equipment, net	1,306	1,392
Software development costs, net	1,565	1,281
Intangible assets, net	16,105	17,161
Goodwill	13,166	13,166
Other assets	516	517
Total Assets	$ 65,134	$ 68,715

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

SYSOREX GLOBAL

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 8,474	$ 9,320
Accrued liabilities	1,670	2,992
Deferred revenue	12,992	9,095
Short-term debt	8,828	9,417
Liabilities held for sale	2,030	2,026
Total Current Liabilities	33,994	32,850
Long Term Liabilities		
Deferred revenue, non-current	7,140	7,666
Long-term debt	1,059	1,226
Other liabilities	434	542
Acquisition liability - LightMiner	3,476	3,475
Total Liabilities	46,103	45,759
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock - $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock - $0.001 par value; 50,000,000 shares authorized; 25,354,863 and 25,309,863 issued and 25,116,035 and 25,071,035 outstanding at March 31, 2016 and December 31, 2015, respectively	25	25
Additional paid-in capital	58,590	58,226
Treasury stock, at cost, 238,828 shares	(695)	(695)
Due from Sysorex Consulting Inc.	(666)	(666)
Accumulated other comprehensive income	48	31
Accumulated deficit (excluding $2,442 reclassified to additional paid in capital in quasi-reorganization)	(36,661)	(32,359)
Stockholders' Equity Attributable to Sysorex Global	20,641	24,562
Non- controlling Interest	(1,610)	(1,606)
Total Stockholders' Equity	19,031	22,956
Total Liabilities and Stockholders' Equity	$ 65,134	$ 68,715

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

SYSOREX GLOBAL

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	For the Three Months Ended March 31,	
	2016	2015
Revenues	(Unaudited)	
Products	$ 10,348	$ 10,388
Services	3,739	3,734
Total Revenues	14,087	14,122
Cost of Revenues		
Products	8,042	8,650
Services	2,098	1,425
Total Cost of Revenues	10,140	10,075
Gross Profit	3,947	4,047
Operating Expenses		
Research and development	587	163
Sales and marketing	2,501	2,463
General and administrative	3,965	3,274
Acquisition related costs	20	76
Amortization of intangibles	1,056	882
Total Operating Expenses	8,129	6,858
Loss from Operations	(4,182)	(2,811)
Other Income (Expense)		
Interest expense	(143)	(99)
Other income	20	5
Change in fair value of shares to be issued	(1)	--
Total Other Income (Expense)	(124)	(94)
Loss before Provision for Income Taxes	(4,306)	(2,905)
Provision for Income Taxes	--	--
Net Loss	(4,306)	(2,905)
Net Loss Attributable to Non-controlling Interest	(4)	(5)
Net Loss Attributable to Stockholders of Sysorex Global	$ (4,302)	$ (2,900)
Net Loss Per Share - Basic and Diluted	$ (0.17)	$ (0.15)
Weighted Average Shares Outstanding		
Basic and Diluted	25,105,705	19,765,585

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

SYSOREX GLOBAL

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	For the Three Months Ended March 31,	
	2016	2015
	(Unaudited)	
Net Loss	$ (4,306)	$ (2,905)
Unrealized foreign exchange gain/(loss) from cumulative translation adjustments	17	(7)
Comprehensive Loss	$ (4,289)	$ (2,912)

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

SYSOREX GLOBAL

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2016
(Unaudited)
(In thousands, except per share data)

	Common Stock		Additional	Treasury Stock		Due from	Accumulated Other		Non-	Total
	Shares	Amount	Paid-In Capital	Shares	Amount	Sysorex Consulting, Inc.	Comprehensive Income (Loss)	Accumulated Deficit	Controlling Interest	Stockholders' Equity
Balance - January 1, 2016	25,309,863	$ 25	$ 58,226	(238,828)	$ (695)	$ (666)	$ 31	$ (32,359)	$ (1,606)	$ 22,956
Common shares issued for services	45,000	--	26	--	--	--	--	--	--	26
Stock options granted to employees for services	--	--	338	--	--	--	--	--	--	338
Cumulative translation adjustment	--	--	--	--	--	--	17	--	--	17
Net loss	--	--	--	--	--	--	--	(4,302)	(4)	(4,306)
Balance - March 31, 2016	25,354,863	$ 25	$ 58,590	(238,828)	$ (695)	$ (666)	$ 48	$ (36,661)	$ (1,610)	19,031

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

SYSOREX GLOBAL

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2016	2015
	(Unaudited)	
Cash Flows from Operating Activities		
Net loss	$ (4,306)	$ (2,905)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	263	121
Amortization of intangible assets	1,056	882
Stock based compensation	364	386
Amortization of deferred financing costs	--	23
Change in fair value of shares to be issued	1	--
Provision for doubtful accounts	212	--
Other	2	--
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	787	(1,252)
Inventory	(67)	68
Other current assets	140	(27)
Prepaid licenses and maintenance contracts	446	354
Other assets	1	(2)
Accounts payable	(848)	814
Accrued liabilities	(1,323)	(488)
Deferred revenue	3,371	(201)
Other liabilities	(103)	(34)
Total Adjustments	4,302	644
Net Cash Used in Operating Activities	(4)	(2,261)
Cash Flows Used in Investing Activities		
Purchase of property and equipment	(48)	(22)
Investment in capitalized software	(414)	(97)
Net Cash Flows Used in Investing Activities	(462)	(119)
Cash Flows provided by Financing Activities		
Advances (repayment) of line of credit	(588)	1,980
Repayment of term loan	(167)	(125)
Repayments to related party	(3)	--
Repayment of notes payable	--	(1)
Net Cash (Used In) Provided by Financing Activities	(758)	1,854
Effect of Foreign Exchange Rate on Changes on Cash	17	(7)
Net Decrease in Cash and Cash Equivalents	(1,207)	(533)
Cash and Cash Equivalents - Beginning of period	4,060	3,228
Cash and Cash Equivalents - End of period	$ 2,853	$ 2,695
Supplemental Disclosure of cash flow information:		
Cash paid for:		
Interest	$ 142	$ 76
Income Taxes	--	--

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

SYSOREX GLOBAL
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

Note 1 - Organization and Nature of Business

Overview

Sysorex Global ("SG"), through its wholly-owned subsidiaries, Sysorex USA f/k/a Lilien Systems ("SUSA"), Sysorex Government Services, Inc. ("SGS"), Sysorex Canada Corp. f/k/a. AirPatrol Research Corp. ("Sysorex Canada") and the majority-owned subsidiary, Sysorex Arabia LLC ("SA") (collectively the "Company" or "Sysorex"), provides big data analytics and location based products and related services for the cyber-security and Internet of Things markets. The Company is headquartered in California, and has subsidiary offices in Virginia, Maryland, Oregon, Hawaii, State of Washington, California, Vancouver, Canada and Riyadh, Saudi Arabia.

Liquidity

As of March 31, 2016, the Company has a working capital deficiency of approximately $7.7 million. For the three months ended March 31, 2016, the Company incurred a net loss of approximately $4.2 million and utilized cash in operations of approximately $4,000.

On May 4, 2015 but effective as of April 29, 2015, the Company amended its bank line of credit to increase the credit limit to $10 million and provide for a second term loan of up to $2 million of which $167,000 was used to pay off the balance of the initial term loan. Additionally, Sysorex was awarded two large IDIQ (indefinite delivery/indefinite quantity) government vehicles as a prime contractor in April 2015. While the Company believes that it will be successful in securing task orders under the contracts and will generate revenue, there are no assurances that any task orders under the contracts will ultimately be awarded to the Company. The Company also sold 5,250,000 shares of its common stock at a price of $1.00 per share on September 25, 2015. After deducting underwriting discounts and commissions and offering expenses, the net proceeds from the offering were approximately $4.7 million.

The Company's capital resources as of March 31, 2016, increased bank facility, net proceeds from the September 25, 2015 offering, higher margin business line expansion and recent contract awards, including prepayments anticipated to be received are expected to be sufficient to fund planned operations during the next twelve months from the date of filing this quarterly report. While the Company also has an effective registration statement on Form S-3 which will allow it to raise additional capital from the sale of its securities, subject to certain limitations for registrants with a market capitalization of less than $75 million, if additional financing is needed we anticipate such financing will come from an increase in our bank facility rather than through a sale of equity, however, our decision will be based on our capital requirements and the terms of the various types of financing that will be available to us when we need it. The information in these condensed consolidated financial statements concerning the Company's Form S-3 registration statement does not constitute an offer of any securities for sale. If these sources do not provide the capital necessary to fund the Company's operations during the next twelve months, the Company may need to curtail certain aspects of its expansion activities or consider other means of obtaining additional financing, although there is no guarantee that any such additional financing would be available to the Company.

Note 2 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of the Company's operations for the three month period ended March 31, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016. These interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and footnotes for the years ended December 31, 2015 and 2014 included in the Form 10-K filed with the Securities and Exchange Commission on March 30, 2016.

Note 3 - Summary of Significant Accounting Policies

Significant Accounting Policies

The Company's complete accounting policies are described in Note 2 to the Company's audited financial statements and footnotes for the years ended December 31, 2015 and 2014.

Use of Estimates

The preparation of financial statements in conformity with 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 allowance for doubtful accounts;
- The valuation allowance for the deferred tax asset; and
- Impairment of long-lived assets and goodwill.

Note 3 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company provides IT solutions and services to customers with revenues currently derived primarily from the sale of third-party hardware and software products, software, assurance, licenses and other consulting services, including maintenance services and recognizes revenue once the following four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) shipment (software and hardware) or fulfillment (maintenance) has occurred, and (4) there is reasonable assurance of collection of the sales proceeds (the “Revenue Recognition Criteria”). In addition, the Company also records revenues in accordance with Accounting Standards Codification (“ASC”) Topic 605-45 “Principal Agent Consideration” (“ASC 605-45”). The Company evaluates the sales of products and services on a case by case basis to determine whether the transaction should be recorded gross or net, including, but not limited to, assessing whether or not the Company: 1) is the primary obligor in the transaction; 2) has inventory risk with respect to the products and/or services sold; 3) has latitude in pricing; and 4) changes the product or performs part of the services sold. The Company evaluates whether revenues received from the sale of hardware and software products, licenses, and services, including maintenance and professional consulting services, should be recognized on a gross or net basis on a transaction by transaction basis. As of March 31, 2016, the Company has determined that all revenues received should be recognized on a gross basis in accordance with applicable standards.

Cooperative reimbursements from vendors, which are earned and available, are recorded during the period the related transaction has occurred. Cooperative reimbursements are recorded as a reduction of cost of sales in accordance with ASC Topic 605-50 “Accounting by a Customer (including reseller) for Certain Consideration Received from a Vendor.” Provisions for returns are estimated based on historical collections and credit memo analysis for the period. The Company receives Marketing Development Funds (MDF) from vendors based on quarterly or annual sales performance to promote the marketing of vendor products and services. The Company must file claims with vendors for these cooperative reimbursements by providing invoices and receipts for marketing expenses. Reimbursements are recorded as a reduction of marketing expenses and other applicable selling general and administrative expenses ratably over the period in which the expenses are expected to occur. The Company receives vendor rebates which are recorded to cost of sales.

The Company also enters into sales transactions whereby customer orders contain multiple deliverables, and reports its multiple deliverable arrangements under ASC 605-25 “Revenue Arrangements with Multiple Deliverables” (“ASC-605-25”). These multiple deliverable arrangements primarily consist of the following deliverables: the Company’s design, configuration, installation, integration, warranty/maintenance and consulting services; and third-party computer hardware, software and warranty maintenance services. In situations where the Company bundles all or a portion of the separate elements, Vendor Specific Objective Evidence (“VSOE”) is determined based on prices when sold separately. For the three months ended March 31, 2016 and 2015 revenues recognized as a result of customer contracts requiring the delivery of multiple elements were $5.3 million and $7.6 million, respectively.

Hardware, Software and Licensing Revenue Recognition

Generally, the Revenue Recognition Criteria are met with respect to the sales of hardware and software products when they are shipped to the customer. The delivery of products to our customers occurs in a variety of ways, including (i) as a physical product shipped from the Company’s warehouse, (ii) via drop-shipment by a third-party vendor, or (iii) via electronic delivery with respect to software licenses. The Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse. In such arrangements, the Company negotiates the sale price with the customer, pays the supplier directly for the product shipped, bears credit risk of collecting payment from its customers and is ultimately responsible for the acceptability of the product and ensuring that such product meets the standards and requirements of the customer. As a result, the Company recognizes the sale of the product and the cost of such upon receiving notification from the supplier that the product has shipped. Vendor rebates and price protection are recorded when earned as a reduction to cost of sales or merchandise inventory, as applicable. Vendor product price discounts are recorded when earned as a reduction to cost of sales.

Note 3 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Maintenance and Professional Services Revenue Recognition

With respect to sales of our maintenance, consulting and other service agreements including our digital advertising and electronic services, the Revenue Recognition Criteria is met once the service has been provided. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. The fixed rate includes direct labor, indirect expenses, and profits. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. Anticipated losses are recognized as soon as they become known. For the three months ended March 31, 2016 and 2015, the Company did not incur any such losses. These amounts are based on known and estimated factors. Revenues from time and material or firm fixed price long-term and short-term contracts are derived principally with various United States Government agencies and commercial customers.

The Company recognizes revenue for sales of all services billed as a fixed fee ratably over the term of the arrangement as such services are provided. Billings for such services that are made in advance of the related revenue recognized are recorded as deferred revenue and recognized as revenue ratably over the billing coverage period. Amounts received as prepayments for services to be rendered are recognized as deferred revenue. Revenue from such prepayments is recognized when the services are provided.

The Company's storage and computing segment maintenance services agreements permit customers to obtain technical support from the Company and/or the manufacturer and to update, at no additional cost, to the latest technology if new software updates are introduced during the period that the maintenance agreement is in effect. Since the Company assumes certain responsibility for product staging, configuration, installation, modification, and integration with other client systems, or retains general inventory risk upon customer return or rejection and is most familiar with the customer and its required specifications, it generally serves as the initial contact with the customer with respect to any storage and computing maintenance services required and therefore will perform all or part of the required service.

Typically, the Company sells maintenance contracts for a separate fee with initial contractual periods ranging from one to three years with renewal for additional periods thereafter. The Company generally bills maintenance fees in advance and records the amounts received as deferred revenue with respect to any portion of the fee for which services have not yet been provided. The Company recognizes the related revenue ratably over the term of the maintenance agreement as services are provided. In situations where the Company bundles all or a portion of the maintenance fee with products, VSOE for maintenance is determined based on prices when sold separately.

Customers that have purchased maintenance/warranty services have a right to cancel and receive a refund of the amounts paid for unused services at any time during the service period upon advance written notice to the Company. Cancellation and refund privileges with respect to maintenance/warranty services lapse as to any period during the term of the agreement for which such services have already been provided. Customers do not have the right to a refund of paid fees for maintenance/warranty services that the Company has earned and recognized as revenue. Invoices issued for maintenance/warranty services not yet rendered are recorded as deferred revenue and then recognized as revenue ratably over the service period. As a result (1) the warranty and maintenance service fees payable by each customer are separately accounted for in each customer purchase order as a separate line item, and (2) upon the Company's receipt and acceptance of a request for refund of maintenance/warranty services not yet provided, the Company's obligation to perform any additional maintenance/warranty services will end. Sales are recorded net of discounts and returns.

Note 3 - Summary of Significant Accounting Policies (continued)

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 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 incurred stock-based compensation charges, net of estimated forfeitures of $364,000 and $386,000 for the three months ended March 31, 2016 and 2015, respectively. The following table summarizes the nature of such charges for the years then ended (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Compensation and related benefits	$ 338	$ 254
Professional and legal fees	26	132
Totals	$ 364	$ 386

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 three months ended March 31, 2016 and 2015:

	For the Three Months Ended March 31,	
	2016	2015
Options	4,817,109	2,981,658
Warrants	561,262	511,262
Shares accrued but not issued	1,842,000	35,715
Totals	7,220,371	3,528,635

Note 3 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

The FASB and the SEC have issued certain accounting standards updates and regulations that will become effective in subsequent periods; however, management of the Company does not believe that any of those updates would have significantly affected the Company's financial accounting measures or disclosures had they been in effect during 2016 or 2015, and does not believe that any of those pronouncements will have a significant impact on the Company's consolidated financial statements at the time they become effective.

Subsequent Events

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

Note 4 – Related Party

Due from Related Parties

Non-interest bearing amounts due on demand from a related party was $666,000 as of March 31, 2016 and December 31, 2015, and consists primarily of amounts due from Sysorex Consulting, Inc. As Sysorex Consulting, Inc. is a direct shareholder of and an investor in the Company, the amounts due from Sysorex Consulting, Inc. as of March 31, 2016 and December 31, 2015 have been classified in and as a reduction of stockholders' deficiency.

Consulting Services Ordering Agreement Amendment

On March 25, 2016, the Company entered into an Amendment No. 3 to its Consulting Services Ordering Agreement with Mr. A Salam Qureishi, Chairman of the Board and a Director of the Company (the "Consultant"), effective March 16, 2016 (the "Amended Agreement"), pursuant to which the Company agreed to pay the Consultant a fee of $20,000 per month for all consulting services performed during the term of the agreement. In addition, the Amended Agreement provided for an extension of the original term for an additional nine months from March 31, 2016 to December 31, 2016.

Note 5 - Notes and Other Receivables

Notes and other receivables at March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Notes receivable	$ 900	$ 900
Other receivables	856	440
Total Notes and Other Receivables	$ 1,756	$ 1,340

Note Receivable

On July 17, 2014, the Company loaned $900,000 to a third party pursuant to the terms of a promissory note. The promissory note's extended due date is March 31, 2016. The promissory note accrues interest at a rate of 8% per annum. The Company and the third party are negotiating an extension of the note.

Other Receivables

Other receivables primarily consist of receivables for cooperative reimbursements from vendors; marketing development funds from vendors; interest receivables; and revenue earned under contracts in advance of billings.

Note 6 - Inventory

Inventory at March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Raw materials	$ 110	$ 153
Work in process	33	64
Finished goods	679	538
Total Inventory	**$ 822**	**$ 755**

Note 7 – Discontinued Operations

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.

In accordance with ASC topic 360 "Property, Plant and Equipment", the Company has elected to classify the assets and liabilities as discontinued assets and liabilities in the accompanying consolidated financial statements.

The major categories of discontinued assets and liabilities in the consolidated balance sheets at March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016	December 31, 2015
Assets		
Accounts receivable, net	1	1
Notes and other receivables	8	8
Other assets	763	763
Total Current Assets	772	772
Other assets	--	--
Total Assets	$ 772	$ 772
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 178	$ 178
Accrued liabilities	895	888
Deferred revenue	236	236
Due to related party	(1)	2
Short-term debt	722	722
Total Current Liabilities	2,030	2,026
Long Term Liabilities	--	--
Total Liabilities	$ 2,030	$ 2,026

The Company has entered into surety bonds with a financial institution in Saudi Arabia which guaranteed performance on certain contracts. Deposits for surety bonds amounted to $749,000 as of March 31, 2016 and December 31, 2015. These bonds will be released once the related contract is closed out which is expected to occur during the year ended December 31, 2016. Deposits are included on the condensed consolidated balance sheets in assets held for sale.

Note 8 - Deferred Revenue

Deferred revenue as of March 31, 2016 and December 31, 2015 consisted of the following:

	March 31, 2016	December 31, 2015
Deferred Revenue, Current		
Maintenance agreements	$ 8,804	$ 9,025
Services	4,188	70
Total Deferred Revenue, Current	12,992	9,095
Deferred Revenue, Non-Current		
Maintenance agreements	7,140	7,666
Total Deferred Revenue	**$ 20,132**	**$ 16,761**

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

Note 9 - Debt

Debt as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Short-Term Debt		
Notes payable	$ 170	$ 170
Revolving line of credit	7,991	8,580
Term loan	667	667
Total Short-Term Debt	**$ 8,828**	**$ 9,417**
Long-Term Debt		
Notes payable	$ 282	$ 282
Term loan, non-current portion	777	944
Total Long-Term Debt	**$ 1,059**	**$ 1,226**

Revolving Line of Credit and Term Loan

On May 4, 2015 (effective as of April 29, 2015), the Company and Bridge Bank entered into Amendment 4 to Bridge Bank’s Business Financing Agreement (“BFA”) dated March 15, 2013 to add the Company, Sysorex Federal, AirPatrol and Shoom as borrowers under the agreement (collectively, the “Borrowers”), amend certain financial covenants, increase the credit limit to $10.0 million and provide for a second term loan of $2 million which matures on April 29, 2018 of which $167,000 was used to pay off the balance of the initial term loan. The term loan accrues interest at the greater of 5.25% or Bridge Bank's prime rate plus 2%. The Company will make payments of $56,000 on the term loan on the first day of each month commencing on May 1, 2015 until the loan amount is paid in full. The balance due on the term loan is scheduled to be paid in full during the year ending December 31, 2018.

Effective as of September 30, 2015 the Borrowers, entered into Amendment 5 (the “Amendment”), dated October 7, 2015, to the BFA, with Western Alliance Bank, as successor in interest (“Western Alliance”) to Bridge Bank. Pursuant to Amendment 5, Western Alliance assumed the rights and obligations of Bridge Bank as successor in interest to Bridge Bank and the lender under the Agreement. The Amendment also amended certain financial covenants of the Borrowers required by the Agreement.

Western Alliance Amendment

On March 25, 2016, the Borrowers entered into an amendment and waiver (the “Amendment”) to the BFA with Western Alliance, pursuant to which the Lender waived any non-compliance by the Borrowers with respect to the minimum adjusted EBITDA requirements as of December 31, 2015. In addition, the Lender and the Borrowers agreed that the adjusted EBITDA for the six months ended March 31, 2016 would not be less than $(2,200,000) and on or before April 30, 2016, the Borrowers and Lender must agree to additional financial covenants for the fiscal quarters ended June 30, 2016, September 30, 2016 and December 31, 2016. The lender has agreed to extend the April 30, 2016 deadline and the parties are currently negotiating the additional financial covenants.

Note 10 - Common Stock

During the three months ended March 31, 2016, the Company issued 45,000 shares of common stock for services which were fully vested upon the date of grant. The Company recorded an expense of $26,000 for the fair value of those shares.

Note 11 - Stock Options

During the three months ended March 31, 2016, the Company granted options for the purchase of 102,500 shares of common stock to employees of the Company. These options vest pro-rata over 48 months and have a life of ten years and an exercise price of $0.52 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $27,000. The fair value of the common stock as of the grant date was determined to be $0.52 per share.

As of March 31, 2016, the fair value of non-vested options totaled $3,109,000 which will be amortized to expense over the weighted average remaining term of 1.57 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 three months ended March 31, 2016 and 2015 were as follows:

	March 31, 2016	March 31, 2015
Risk-free interest rate	1.47%	1.99%
Expected life of option grants	7 years	7 years
Expected volatility of underlying stock	49.02%	39.4%
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.

Note 12 - 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, as a consequence, 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 a foreign financial institution for its majority-owned subsidiary. Cash in foreign financial institutions as of March 31, 2016 and December 31, 2015 was immaterial. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

Note 12 - Credit Risk and Concentrations (continued)

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 three months ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	$	%	$	%
Customer A	5,209	36%	3,038	22%
Customer B	1,841	13%	--	--

As of March 31, 2016, Customer A represented approximately 17% and Customer C represented approximately 33% of total accounts receivable. As of March 31, 2015, Customer A represented approximately 13%, Customer D represented approximately 16%, and Customer E represented approximately 11% of total accounts receivable.

As of March 31, 2016, Vendor A represented approximately 38% and Vendor B represented 10% of total gross accounts payable. Purchases from Vendor A were $3.2 million and purchases from Vendor B were $0.9 million during the three months ended March 31, 2016. As of March 31, 2015, Vendor A represented approximately 46% and Vendor C represented approximately 14% of total gross accounts payable. Purchases from Vendor A were $3.8 million and purchases from Vendor C were $1.1 million during the three months ended March 31, 2015.

For the three months ended March 31, 2016, Vendor A represented approximately 55%, Vendor B represented approximately 11%, and Vendor D represented approximately 10% of total purchases. For the three months ended March 31, 2015, Vendor A represented approximately 56% and Vendor B represented approximately 11% of total purchases.

Note 13 - Segment Reporting and Foreign Operations

The Company operates in the following business segments:

- Mobile, IoT & Big Data Products: These products currently include our AirPatrol product line (location-based security and marketing platform for wireless and cellular devices that can detect, monitor and manage the content and behavior of smartphones, tablets and other mobile devices based on their location and user); on-premise big data appliance product (Light Miner Studio “LMS”) and will include future Sysorex owned products.

- Storage and Computing: This segment includes third party hardware, software and related maintenance/warranty products and services that Sysorex resells. It includes but is not limited to products for enterprise computing; storage; virtualization; networking; etc.

- SaaS Revenues: These are Software-as-a-Services (SaaS) or internet based hosted services including the Shoom product line and cloud based big data analytics services (based on our LMS product) and other data science services; analytics services for AirPatrol products and other managed services on a SaaS basis.

- Professional Services: These are general IT services including but not limited to: custom application/software design; architecture and development; project management; C4I system consulting; strategic outsourcing; staff augmentation; data center design and operations services; data migration services and other non-SaaS services.

Note 13 - Segment Reporting and Foreign Operations (continued)

The following tables present key financial information of the Company's reportable segments before unallocated corporate expenses (in thousands):

	Mobile, IoT & Big Data Products	Storage and Computing	SaaS Revenues	Professional Services	Consolidated
Three Months Ended March 31, 2016:					
Net revenues	$ 195	$ 10,153	$ 829	$ 2,910	$ 14,087
Cost of net revenues	$ (81)	$ (7,961)	$ (205)	$ (1,893)	$ (10,140)
Gross profit	$ 114	$ 2,192	$ 624	$ 1,017	$ 3,947
Gross margin %	58%	22%	75%	35%	28%
Depreciation and amortization	$ 71	$ 186	$ 6	$ --	$ 263
Amortization of intangibles	$ 728	$ 192	$ 136	$ --	$ 1,056
Three Months Ended March 31, 2015:					
Net revenues	$ 143	$ 10,277	$ 973	$ 2,729	$ 14,122
Cost of net revenues	$ (125)	$ (8,530)	$ (222)	$ (1,198)	$ (10,075)
Gross profit	$ 18	$ 1,747	$ 751	$ 1,531	$ 4,047
Gross margin %	12%	17%	77%	56%	29%
Depreciation and amortization	$ 31	$ 32	$ 21	$ 1	$ 85
Amortization of intangibles	$ 554	$ 192	$ 136	$ --	$ 882

Reconciliation of reportable segments' combined income from operations to the consolidated loss before income taxes is as follows (in thousands):

	For the Three Months Ended March 31, 2016	For the Three Months Ended March 31, 2015
Income from operations of reportable segments	$ 3,947	$ 4,047
Unallocated operating expenses	(8,129)	(6,858)
Interest expense	(143)	(99)
Other income (expense)	19	5
Consolidated loss before income taxes	$ (4,306)	$ (2,905)

Note 13 - Segment Reporting and Foreign Operations (continued)

The Company's operations are located primarily in the United States, Canada and Saudi Arabia. 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	Saudi Arabia	Eliminations	Total
Three Months Ended March 31, 2016:					
Revenues by geographic area	$ 14,049	$ 38	$ --	$ --	$ 14,087
Operating loss by geographic area	$ (3,790)	$ (383)	$ (9)	$ --	$ (4,182)
Net income (loss) by geographic area	$ (3,914)	$ (383)	$ (9)	$ --	$ (4,306)
Three Months Ended March 31, 2015:					
Revenues by geographic area	$ 14,122	$ --	$ --	$ --	$ 14,122
Operating loss by geographic area	$ (2,522)	$ (280)	$ (9)	$ --	$ (2,811)
Net loss by geographic area	$ (2,616)	$ (280)	$ (9)	$ --	$ (2,905)
As of March 31, 2016:					
Identifiable assets by geographic area	$ 63,798	$ 564	$ 772	$ --	$ 65,134
Long lived assets by geographic area	$ 31,851	$ 291	$ --	$ --	$ 32,142
As of December 31, 2015:					
Identifiable assets by geographic area	$ 67,538	$ 405	$ 772	$ --	$ 68,715
Long lived assets by geographic area	$ 32,759	$ 241	$ --	$ --	$ 33,000

Note 14 - 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.

During the year ended December 31, 2011, a judgment in the amount of $936,000 was levied against Sysorex Arabia LLC in favor of Creative Edge, Inc. in connection with amounts advanced for operations. Of that amount, $214,000 has been repaid, $515,000 will be repaid through a surety bond and the remaining $207,000 has been accrued and is included as a component of liabilities held for sale as of March 31, 2016 and December 31, 2015 in the condensed consolidated balance sheets.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statement Notice

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (the "Form 10-Q"). In addition to historical information, this discussion and analysis here and throughout this Form 10-Q 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." (Unless otherwise stated or the context otherwise requires, the terms "Sysorex" "we," "us," "our" and the "Company" refer collectively to Sysorex Global and its wholly-owned subsidiaries.)

Overview of Our Business

Sysorex provides data analytics and indoor-location based solutions and services to commercial and government customers worldwide. We have developed a discovery platform that blends data from traditional software and network systems with the growing universe of mobile and Internet-connected things. In doing so, we have created a high velocity, secure and scalable platform that we believe allows customers to evaluate their most complex business issues, helping them to compete successfully in their respective markets. Our analytics products provide turnkey vertical solutions from ETL (extract, transform, load) to BI (business intelligence) to the final visualization of the data. These solutions are available on-premise or in the Cloud.

Our AirPatrol product provides indoor-locationing based on cellular, wifi and Bluetooth signals in one sensor. As far as we know, there is no competitor that can offer all three of these in one product and provide the accuracy and comprehensiveness of our AirPatrol platform. AirPatrol can be used for security applications; retail analytics; asset tracking and a variety of other use-cases. We are expanding the RF signal range that our sensors can detect so that we can detect any type of wireless device whether it be a drone or some RFID or beacon embedded sensor.

Our LightMiner product line has two patents pending. LightMiner Studio is an in-memory, real-time, data analysis system designed to perform very large, highly complex and extremely difficult calculations using off-the-shelf hardware and memory. It supports both traditional SQL-based business intelligence and analytics applications as well as a host of integrated statistical, machine learning and artificial intelligence algorithms allowing it to provide supercomputer-like performance at competitive prices. LightMiner is at the core of our analytics platform and can be used for machine-to-machine (M2M) analytics; consumer analytics; predictive analytics; security; and other data analysis projects. LightMiner fully integrates with our AirPatrol product and, in our opinion, the combined offering is a valuable addition to for the Internet of Things (IoT) market.

Sysorex also provides supporting products and services including enterprise computing and storage, virtualization, business continuity, data migration, custom application development, networking and information technology business consulting services. These allow Sysorex to offer turnkey solutions when requested by customers.

Revenues from our storage and computing segment are primarily driven by purchase orders that are received on a monthly basis. During the three months ended March 31, 2016 approximately 30% of such revenues are based on recurring contracts that range from one to five years for warranty and maintenance support. For these contracts, the customer is invoiced one time and pays Sysorex upfront for the full term of the warranty and maintenance contract. Revenue from these contracts is determinable ratably over the contract period with the unearned revenue recorded as deferred revenue and amortized over the contract period.

Our Software-as-a-Service (SaaS) contracts are typically performed for periods of one or more years. Sysorex SaaS products include its Shoom product line for the media and entertainment vertical, cloud based analytics services and other related services.

Our mobile, IoT and data analytics products segment includes our AirPatrol product line and will include sales of our LightMiner products. Sales are expected to grow for AirPatrol products as we expand our offering beyond government customers to commercial companies. Sales cycles proved to be longer than we expected in 2015. The long sales cycles result from customer related issues such as budget and procurement processes but are also because customers found additional use-cases for the products and requested further evaluations.

Recent Events

Western Alliance Financing Agreement Amendment

On March 25, 2016, the Company, and certain of its wholly-owned subsidiaries as borrowers, entered into an amendment and waiver (the "Amendment") to the Business Finance Agreement (the "Financing Agreement") with Bridge Bank, N.A. as the lender dated as of March 15, 2013, which was amended by the first amendment dated August 29, 2013, the second amendment dated May 13, 2014, the third amendment dated December 31, 2014, the fourth amendment dated May 4, 2015 and the fifth amendment dated October 7, 2015. Pursuant to the Amendment, Western Alliance Bank as successor in interest to Bridge Bank, N.A., waived any non-compliance by the borrowers with respect to the minimum adjusted EBITDA requirements as of December 31, 2015. In addition, the lender and the borrowers agreed that the adjusted EBITDA for the three months ended March 31, 2016 would not be less than $(2,200,000) and on or before April 30, 2016, the borrowers and the lender must agree to additional financial covenants for the fiscal quarters ended June 30, 2016, September 30, 2016 and December 31, 2016. The lender has agreed to extend the April 30, 2016 deadline and the parties are currently negotiating the additional financial covenants.

JOBS Act

Pursuant to Section 107 of the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected to opt out of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles, or 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 3 of our condensed consolidated financial statements. 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

We provide IT solutions and services to customers with revenues currently derived primarily from the sale of third-party hardware and software products, software, assurance, licenses and other consulting services, including maintenance services. The products and services we sell, and the manner in which they are bundled, are technologically complex and the characterization of these products and services require judgment in order to apply revenue recognition policies. For all of these revenue sources, we determine whether we are the principal or agent in accordance with Accounting Standards Codification Topic, 605-45 Principal Agent Considerations.

We allocate the total arrangement consideration to the deliverables based on an estimated selling price of our products and services and report revenues containing multiple deliverable arrangements under ASC 605-25 “Revenue Arrangements with Multiple Deliverables” (“ASC-605-25”). These multiple deliverable arrangements primarily consist of the following deliverables: third-party computer hardware, third-party software, hardware and software maintenance (a.k.a. support), and third-party services. We determine the estimated selling price using cost plus a reasonable margin for each deliverable, which was based on our established policies and procedures for providing customers with quotes, as well as historical gross margins for our products and services. From time to time our personnel are contracted to perform installation and services for the customer. In situations where we bundle all or a portion of the separate elements, vendor specific objective evidence (VSOE) is determined based on prices when sold separately. Our revenue recognition policies vary based upon these revenue sources and the mischaracterization of these products and services could result in misapplication of revenue recognition polices.

We recognize revenue when the following criteria are met (1) persuasive evidence of an arrangement exists, (2) shipment (software and hardware) or fulfillment (maintenance) has occurred and applicable services have been rendered, (3) the sales price is fixed or determinable, and (4) collectability is reasonably assured. Generally, these criteria are met upon shipment to customers with respect to the sales of hardware and software products. With respect to our maintenance and other service agreements, this criteria is met once the service has been provided. Revenue from the sales of our services on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. We recognize revenue for sales of all services on a fixed fee ratably over the term of the arrangement as such services are provided. The Company evaluates whether the revenues it receives from the sale of hardware and software products, licenses, and services, including maintenance and professional consulting services should be recognized on a gross or net basis on a transaction-by-transaction basis. We maintain primary responsibility for the materials and procedures utilized to service our customers, even in connection with the sale of third party-products and maintenance services, as we are responsible for the fulfillment and acceptability of the products and services purchased by our customers. In addition, the nature of the products sold to our customers are such that they need configuration in order to be utilized properly for the purposes intended by the customer and therefore we assume certain responsibility for product staging, configuration, installation, modification, and integration with other client systems, or retain general inventory risk upon customer return or rejection. Our customers rely on us to develop the appropriate solutions and specifications applicable to their specific systems and then integrate any such required products or services into their systems. As described above, we are responsible for the day-to-day maintenance and warranty services provided in connection with all of our existing customer relationships, whether such services are ultimately provided directly by the Company and its employees or by the applicable third party service provider. As of the date of this filing, after an evaluation of all of our existing customer relationships, we have concluded that we are the primary obligor to all of our existing customers and therefore recognize all revenues on a gross basis.

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 three months ended March 31, 2016 and 2015.

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 three months ended March 31, 2016 or 2015, 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 Lilien, Shoom, AirPatrol and LightMiner. 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. Our goodwill balance and other assets with indefinite lives are evaluated for potential impairment during the fourth quarter of each year and in certain other circumstances. The evaluation of impairment involves comparing the current fair value of the business to the recorded value, including goodwill. To determine the fair value of the business, we utilize both the “income approach”, which is based on estimates of future net cash flows and the “market approach”, which observes transactional evidence involving similar businesses. There was no goodwill impairment for the three months ended March 31, 2016 or 2015.

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. 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 three months ended March 31, 2016, based upon certain economic conditions and historical losses through March 31, 2016. After consideration of these factors, management deemed it appropriate to establish a full valuation allowance.

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. For the three months ended March 31, 2016 and 2015, 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 three months ended March 31, 2016 and 2015.

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 March 31, 2016 and December 31, 2015, allowance for credit losses included a general allowance of $497,000 and $285,000, respectively, due to the aging of the items greater than 120 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 condensed 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 Condensed 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 most recent historical period of time equal to the weighted average life of the options granted.

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

	Three Months ended March 31,	
	2016	2015
Risk-free interest rate	1.47%	1.99%
Expected life of option grants	7 years	7 years
Expected volatility of underlying stock	49.02%	39.4%
Dividends	$ --	$ --

For the three months ended March 31, 2016 and 2015 the Company incurred stock-based compensation charges of $364,000 and $386,000, respectively.

Operating Segments

The Company operates in the following business segments:

- Mobile, IoT & Big Data Products: These products currently include our AirPatrol product line (location-based security and marketing platform for wireless and cellular devices that can detect, monitor and manage the content and behavior of smartphones, tablets and other mobile devices based on their location and user); on-premise big data appliance product (Light Miner Studio “LMS”) and will include future Sysorex owned products.

- Storage and Computing: This segment includes third party hardware, software and related maintenance/warranty products and services that Sysorex resells. It includes but is not limited to products for enterprise computing; storage; virtualization; networking; etc.

- SaaS Revenues: These are Software-as-a-Services (SaaS) or Internet based hosted services including the Shoom product line and cloud based big data analytics services (based on our LMS product) and other data science services; analytics services for AirPatrol products and other managed services on a SaaS basis.

- Professional Services: These are general IT services including but not limited to: custom application/software design; architecture and development; project management; C4I system consulting; strategic outsourcing; staff augmentation; data center design and operations services; data migration services and other non-SaaS services.

Rounding

All dollar amounts in this section have been rounded to the nearest thousand.

Results of Operations

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

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

	Three Months ended				
	March 31, 2016		March 31, 2015		
(in thousands, except percentages)	Amount	% of Revenues	Amount	% of Revenues	% Change
Product Revenues	$ 10,348	73%	$ 10,388	74%	0%
Services Revenues	$ 3,739	27%	$ 3,734	26%	11%
Cost of net revenues - Products	$ 8,042	57%	$ 8,650	61%	(7%)
Cost of net revenues - Services	$ 2,098	15%	$ 1,425	10%	77%
Gross profit	$ 3,947	28%	$ 4,047	29%	(3%)
Operating expenses	$ 8,129	58%	$ 6,858	49%	18%
Loss from operations	$ (4,182)	(30%)	$ (2,811)	(20%)	47%
Net loss	$ (4,306)	(31%)	$ (2,905)	(21%)	46%
Net loss attributable to common stockholders	$ (4,302)	(31%)	$ (2,900)	(21%)	46%

Net Revenues

Net revenues for the three months ended March 31, 2016 were $14.1 million compared to $14.1 million for the comparable period in the prior year. For the three months ended March 31, 2016, Mobile, IoT & Big Data Products revenue was $195,000 compared to $143,000 for the prior year period. Storage and Computing revenue was $10.2 million for the three months ended March 31, 2016, and $10.3 million for the prior year period. SaaS Revenues was $829,000 during the three months ended March 31, 2016 and $973,000 during the prior year period. Professional Services Revenue was $2.9 million during the three months ended March 31, 2016 and $2.7 million during the prior year period.

Cost of Net Revenues

Cost of net revenues for the three months ended March 31, 2016 was $10.1 million compared to $10.1 million for the prior year period. Mobile, IoT & Big Data Products cost of net revenues was $81,000 for the three months ended March 31, 2016 as compared to $125,000 for the prior period. Storage and Computing cost of net revenues was $8.0 million for the three months ended March 31, 2016, and $8.5 million for the prior year period. SaaS Revenues cost of net revenues was $205,000 during the three months ended March 31, 2016 and $222,000 during the prior year period. Professional Services cost of net revenues was $1.9 million during the three months ended March 31, 2016 and $1.2 million during the prior year period.

The gross profit margin for the three months ended March 31, 2016 was 28% compared to 29% during the three months ended March 31, 2015. Mobile, IoT & Big Data Products gross margins for the three months ended March 31, 2016 and 2015 were 58% and 12%, respectively. Gross margins for the Storage and Computing segment for the three months ended March 31, 2016 and 2015 were 22% and 17%, respectively. Gross margins for SaaS Revenues for the three months ended March 31, 2016 and 2015 were 75% and 77%, respectively. Gross margins for Professional Services revenues for the three months ended March 31, 2016 and 2015 were 35% and 56%, respectively.

Operating Expenses

Operating expenses for the three months ended March 31, 2016 were $8.1 million compared to $6.9 million for the prior year period. This increase of $1.2 million includes a $316,000 increase in amortization of intangibles and depreciation and the balance was costs of expanding our engineering, sales and marketing operations.

Loss from Operations

Loss from operations for the three months ended March 31, 2016 was $4.2 million compared to $2.8 for the prior year period. This increase in loss of $1.4 million was primarily attributable to an increase in amortization of intangibles, depreciation and costs of expanding our engineering, sales and marketing operations including hiring more resources in those departments.

Other Income/Expense

Net other income/expense for the three months ended March 31, 2016 and 2015 were ($124,000) and ($94,000), respectively.

Provision for Income Taxes

There was no provision for income taxes for the three months ended March 31, 2016 and 2015. Deferred tax assets resulting from such losses are fully reserved as of March 31, 2016 and 2015 since, at present, we have no history of taxable income and it is more likely than not that such assets will not be realized.

Net Loss Attributable to Non-Controlling Interest

Net loss attributable to non-controlling interest for the three months ended March 31, 2016 was $4,000 compared to a net loss of $5,000 for the prior year period. This decrease of $1,000 was attributable to the decrease in losses for Sysorex Arabia and was not material.

Net Loss Attributable To Common Stockholders

Net loss attributable to common stockholders for the three months ended March 31, 2016 was $4.3 million compared to $2.9 for the prior year period. This increase in net loss of $1.4 million was attributable to the changes discussed above.

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 three months ended March 31, 2016 was a loss of $2,455,000 compared to a loss of $1,336,000 for the prior year period.

The following table presents a reconciliation of net income/loss attributable to stockholders of Sysorex Global, which is our GAAP operating performance measure, to Adjusted EBITDA for the fiscal quarters ended March 31, 2016 and 2015 (in thousands):

	Three Months Ended March 31,	
	2016	**2015**
Net loss attributable to common stockholders	$ (4,302)	$ (2,900)
Adjustments:		
Non-recurring one-time charges:		
Acquisition transaction/financing costs	20	76
Change in the fair value of shares to be issued	1	--
Stock based compensation – compensation and related benefits	364	386
Interest expense	143	99
Depreciation and amortization	1,319	1,003
Adjusted EBITDA	$ (2,455)	$ (1,336)

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, and other non-operating expenses as well as depreciation and amortization which are non-cash expenses;
- We believe that it is useful to provide 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 three months ended March 31, 2016 was ($0.17) compared to ($0.15) for the prior year period. This decrease 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 acquisition costs, the costs associated with the public offering, severance costs and changes in the fair value of shares to be issued.

Proforma non-GAAP net loss per basic and diluted common share for the three months ended March 31, 2016 was ($0.11) compared to ($0.08) 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:

(thousands, except per share data)	Three Months Ended March 31,	
	2016	**2015**
Net loss attributable to common stockholders	$ (4,302)	$ (2,900)
Adjustments:		
Non-recurring one-time charges:		
Acquisition transaction/financing costs	20	76
Change in the fair value of shares to be issued	1	--
Stock-based compensation – compensation and related benefits	364	386
Amortization of intangibles	1,056	882
Proforma non-GAAP net loss	$ (2,861)	$ (1,556)
Proforma non-GAAP net loss per basic and diluted common share	$ (0.11)	$ (0.08)
Weighted average basic and diluted common shares outstanding	25,105,705	19,765,585

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 acquisition costs, costs associated with the public offering, severance costs and changes in the fair value of shares to be issued.

- We believe that it is useful to provide investors with 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 March 31, 2016 Compared With March 31, 2015

The Company's net cash flows used in operating, investing and financing activities for the three months ended March 31, 2016 and 2015 and certain balances as of the end of those periods are as follows (in thousands):

(thousands, except per share data)	Three Months ended March 31,	
	2016	**2015**
Net cash used in operating activities	$ (4)	$ (2,261)
Net cash used in investing activities	(462)	(119)
Net cash used in financing activities	(758)	1,854
Effect of foreign exchange rate changes on cash	17	(7)
Net decrease in cash	$ (1,207)	$ (533)

	March 31, 2016	**December 31, 2015**
Cash and cash equivalents	$ 2,853	$ 4,060
Working capital (deficit)	$ (7,707)	$ (4,238)

Operating Activities:

Net cash used in operating activities during the three months ended March 31, 2016 and 2015 were $4,000 and $2.3 million, respectively. Net cash used in operating activities during the three months ended March 31, 2016 consisted of the following (in thousands):

Net loss	$ (4,306)
Non-cash income and expenses	1,898
Net change in operating assets and liabilities	2,404
Net cash used in operating activities	$ (4)

The non-cash income and expenses of $1,898,000 consisted primarily of (in thousands):

$ 263	Depreciation and amortization expense
1,056	Amortization of intangibles primarily attributable to the Lilien, Shoom, AirPatrol and LightMiner operations, which were acquired effective March 1, 2013, August 31, 2013, April 16, 2014 and April 24, 2015, respectively.
364	Stock-based compensation expense attributable to warrants and options issued as part of Company operations and prior acquisitions
215	Other
$ 1,898	Total non-cash income and expenses

The net use of cash due to changes in operating assets and liabilities totaled $2,345,000 and consisted primarily of the following (in thousands):

$ 787	Decrease in accounts receivable and other receivables
446	Decrease in prepaid licenses and maintenance contracts
(848)	Decrease in accounts payable
3,371	Increase in deferred revenue
(1,426)	Decrease in accrued liabilities and other liabilities
74	Decrease in inventory and other assets
$ 2,404	Net use of cash in the changes in operating assets and liabilities

Investing Activities:

Net cash used in investing activities during the three months ended March 31, 2016 was $462,000 compared to net cash used in investing activities of $119,000 for the prior year period. The net cash used in investing activities during the three months ended March 31, 2016 was comprised of $48,000 for the purchase of property and equipment and $414,000 investment in capitalized software.

Financing Activities:

Net cash used in financing activities during the three months ended March 31, 2016 was approximately $758,000. Net cash provided by financing activities for the three months ended March 31, 2015 was $1.9 million. The net cash used in financing activities during the three months ended March 31, 2016 was primarily comprised of $588,000 of repayments to the Credit Facility and $170,000 of repayments to a term loan and other advances payable.

Liquidity and Capital Resources - General:

Our current capital resources and operating results as of March 31, 2016, as described in the preceding paragraphs, consist of:

1) An overall working capital deficit of $7.7 million;

2) Cash of $2.9 million;

3) The Credit Facility for up to $10 million which we borrow against based on eligible assets with a maturity date of April 29, 2017 of which $8.0 million is utilized;

4) A term loan for $2,000,000 with a maturity date of April 29, 2018 of which has a $1.4 million balance owed; and

5) Net cash used in operating activities year-to-date of $4,000.

We believe our total working capital deficit of $7.7 million does not represent a severe impediment to our operations and growth when its principal components are separately identified and analyzed and the growth of our business is taken into account. The breakdown of our overall working capital deficit is as follows (in thousands):

Working Capital	Assets	Liabilities	Net
Cash and cash equivalents	$ 2,853	$ --	$ 2,853
Accounts receivable, net / accounts payable	10,795	8,474	2,321
Notes and other receivables	1,756	--	1,756
Prepaid licenses and maintenance contracts / deferred revenue	7,460	12,992	(5,532)
Short-term debt	--	8,828	(8,828)
Other	3,423	3,700	(277)
Total	$ 26,287	$ 33,994	$ (7,707)

Accounts receivable exceeds the related accounts payable by $2.3 million. We do not believe there are material collectability issues with respect to our accounts receivable. Deferred revenue exceeds the related prepaid contracts by $5.5 million and other liabilities exceed other assets by $277,000. These deficits are expected to be funded by our anticipated cash flow from operations, as described below, over the next twelve months from the date of filing this quarterly report. We do not believe that the Credit Facility, with a balance of $8.0 million at March 31, 2016, and the current portion of the term loan of $667,000 as of March 31, 2016 will have a material adverse effect on our liquidity in the next twelve months as the Credit Facility principal balance is not due until April 2017.

Net cash used in operating activities during the three months ended March 31, 2016 of $4,000 consists of net loss of $4.3 million less non-cash expenses of $1.9 million and net cash provide by changes in operating assets and liabilities of $2.4 million. We expect net cash from operations to increase during 2016 as:

1) Our services are growing and becoming a larger part of our sales mix. These services generate gross margins of 50-80% and will be a larger contribution to our cash flow in the future.

2) Sysorex was awarded two large multiple-award government IDIQ Contracts in 2015 and one in 1st Quarter of 2016 (NASA SEWP, NIH CIO-CS and PMSS-3) that enable Sysorex to capture task orders issued by any government agency under these contract vehicles. The Company has captured task orders under the NASA SEWP contract and believes that it will be successful in securing additional task orders under all of these contracts, however there are no assurances that additional task orders under the contracts will ultimately be awarded to the Company. If such task orders are secured, then these contracts will provide the opportunity to increase our revenue and cash flows.

3) Sysorex is generating revenue from new versions of its AirPatrol product line that will contribute to operating cash flow.

4) The Company launched its LightMiner product in the first quarter of 2016 which is expected to have 60-70% gross margins and will start contributing to cash-flow this year.

The Company's capital resources as of March 31, 2016, increased bank facility, net proceeds from the September 25, 2015 offering, higher margin business line expansion and recent contract awards, including prepayments anticipated to be received are expected to be sufficient to fund planned operations during the next twelve months. While the Company also has an effective registration statement on Form S-3 which will allow it to raise additional capital from the sale of its securities, subject to certain limitations for registrants with a market capitalization of less than $75 million, if additional financing is needed we anticipate such financing will come from an increase in our bank facility rather than through a sale of equity, however, our decision will be based on our capital requirements and the terms of the various types of financing that will be available to us when we need it. The information in this Form 10-Q concerning the Company's Form S-3 registration statement does not constitute an offer of any securities for sale. If these sources do not provide the capital necessary to fund the Company's operations during the next twelve months, the Company may need to curtail certain aspects of its expansion activities or consider other means of obtaining additional financing, although there is no guarantee that any such additional financing would be available to the Company.

Liquidity and Capital Resources - Western Alliance Financing Agreement (successor in interest to Bridge Bank N.A.)

On March 25, 2016, the Company, and certain of its wholly-owned subsidiaries as borrowers, entered into an amendment and waiver (the "Amendment") to the Business Finance Agreement (the "Financing Agreement") with Bridge Bank, N.A. as the lender dated as of March 15, 2013, which was amended by the first amendment dated August 29, 2013, the second amendment dated May 13, 2014, the third amendment dated December 31, 2014, the fourth amendment dated May 4, 2015 and the fifth amendment dated October 7, 2015. Pursuant to the Amendment, Western Alliance Bank as successor in interest to Bridge Bank, N.A., waived any non-compliance by the borrowers with respect to the minimum adjusted EBITDA requirements as of December 31, 2015. In addition, the lender and the borrowers agreed that the adjusted EBITDA for the three months ended March 31, 2016 would not be less than $(2,200,000) and on or before April 30, 2016, the borrowers and the lender must agree to additional financial covenants for the fiscal quarters ended June 30, 2016, September 30, 2016 and December 31, 2016. The lender has agreed to extend the April 30, 2016 deadline and the parties are currently negotiating the additional financial covenants.

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 Pronouncements

For a discussion of recently issued accounting pronouncements, please see Note 3 to our financial statements, which is included in this report in Item 1.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized, recorded and reported; and (2) our assets are safeguarded against unauthorized or improper use, to permit the preparation of our condensed consolidated financial statements in conformity with United States generally accepted accounting principles.

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Principal Executive and Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations of any control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

There are presently no pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject and no such proceedings are known to the Company to be threatened or contemplated against it.

Item 1A. Risk Factors.

We incorporate by reference the risk factors included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

Common Stock

On January 1, 2016, the Company issued 10,000 shares of common stock to a service provider under the terms of a consulting agreement which was fully vested upon date of grant and reflected total consideration of approximately $5,900.

The shares were issued in transactions that were exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2) of the Securities Act, which exempts transactions by an issuer not involving any public offering. The Company relied on the representations made in the various subscription agreements, stock purchase agreements or other agreements signed by the stockholders. No commissions were paid and no underwriter or placement agent was involved in these transactions.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

We incorporate by reference the disclosures under Item 9B included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016.

Item 6. Exhibits.

(a) Exhibits required by Item 601 of Regulation S-K.

Exhibit No.	Description
3.1(i)	Articles of Incorporation. (1)
3.1(ii)	Certificate of Amendment to the Articles of Incorporation, effective April 8, 2014. (2)
3.2	Bylaws. (1)
10.1	Consulting Services Ordering Agreement Amendment No. 3 dated March 25, 2016 by and between the Company and A. Salam Qureishi. (3)
10.2	Amendment Number Five To Business Financing Agreement dated March 25, 2016 among Western Alliance Bank, Sysorex USA, Sysorex Government Services, Inc. and Sysorex Global. (3)
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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.*
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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.*
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.#
101.INS	XBRL Instant Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

* Filed herewith
\# Furnished herewith
(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (No. 333-190574) filed with the SEC on August 12, 2013.
(2) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on April 24, 2014.
(3) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2016.

SIGNATURES

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

SYSOREX GLOBAL

Dated: May 16, 2016

By: /s/ Nadir Ali
Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Kevin R. Harris
Kevin R. Harris
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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Exhibit 31.1

CERTIFICATION

I, Nadir Ali, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sysorex Global;
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;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 16, 2016

/s/ Nadir Ali

Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Kevin R. Harris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sysorex Global;

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;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 16, 2016

/s/ Kevin R. Harris

Kevin R. Harris
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the periodic report of Sysorex Global (the "Company") on Form 10-Q for the period ended March 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), we, Nadir Ali, Chief Executive Officer (Principal Executive Officer) and Kevin R. Harris, 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: May 16, 2016

/s/ Nadir Ali

Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

/s/ Kevin R. Harris

Kevin R. Harris
Chief Financial Officer
(Principal Financial and Accounting Officer)