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, 2018

OR

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

For the transition period from to

Commission file number: **001-36404**

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

Nevada	**88-0434915**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2479 Bayshore Road Suite 195 Palo Alto, CA	**94303**
(Address of principal executive offices)	(Zip Code)

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

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $0.001	16,309,969
(Class)	Outstanding at May 11, 2018

INPIXON

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

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as "approximates," "believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "would," "should," "could," "may" or other similar expressions in this Form 10-Q. In particular, these include statements relating to future actions; prospective products, applications, customers and technologies; future performance or results of anticipated products; anticipated expenses; and projected financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- our limited cash and our history of losses;
- our ability to achieve profitability;
- our limited operating history with recent acquisitions;
- emerging competition and rapidly advancing technology in our industry that may outpace our technology;
- customer demand for the products and services we develop;
- the impact of competitive or alternative products, technologies and pricing;
- our ability to manufacture any products we develop;
- general economic conditions and events and the impact they may have on us and our potential customers;
- our ability to obtain adequate financing in the future;
- our ability to continue as a going concern;
- lawsuits and other claims by third parties;
- our ability to successfully complete the spin-off of Inpixon USA, including the impact of the spin-off on the businesses of Inpixon and Inpixon USA;
- our success at managing the risks involved in the foregoing items; and
- other factors discussed in this Form 10-Q.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Form 10-Q, particularly in the "Risk Factors" section, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make or collaborations or strategic partnerships we may enter into.

You should read this Form 10-Q and the documents that we have filed as exhibits to this Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Unless otherwise stated or the context otherwise requires, the terms "Inpixon," "we," "us," "our," and the "Company" refer collectively to Inpixon, f/k/a Sysorex Global, and its subsidiaries.

Except where indicated, all share and per share data in this Form 10-Q, including the unaudited condensed consolidated financial statements, reflect the 1 for 15 reverse stock split of the Company's issued and outstanding common stock effected on March 1, 2017 and the 1 for 30 reverse stock split of the Company's issued and outstanding common stock effected on February 6, 2018.

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 which are the accounting principles that are generally accepted in the United States of America 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, 2018 are not necessarily indicative of the results of operations for the full year. These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in our audited consolidated financial statements for the fiscal years ended December 31, 2017 and 2016 included in the annual report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on March 27, 2018.

INPIXON AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	As of March 31, 2018 (Unaudited)	As of December 31, 2017 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 6,694	$ 141
Accounts receivable, net	1,202	2,310
Notes and other receivables	218	183
Inventory	863	790
Prepaid licenses and maintenance contracts	--	4,638
Assets held for sale	--	23
Prepaid assets and other current assets	1,643	1,123
Total Current Assets	10,620	9,208
Prepaid licenses and maintenance contracts, non-current	--	2,264
Property and equipment, net	419	520
Software development costs, net	1,772	2,017
Intangible assets, net	11,355	12,678
Goodwill	636	636
Other assets	350	368
Total Assets	$ 25,152	$ 27,691

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

INPIXON AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

	As of March 31, 2018 (Unaudited)	As of December 31, 2017 (Audited)
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$ 22,020	$ 25,834
Accrued liabilities	1,724	5,421
Deferred revenue	27	5,611
Short-term debt	1,828	3,058
Derivative liabilities	--	48
Liabilities held for sale	--	2,059
Total Current Liabilities	25,599	42,031
Long Term Liabilities		
Deferred revenue, non-current	--	2,636
Long-term debt	142	767
Other liabilities	108	113
Acquisition liability - Integrio	420	997
Total Liabilities	26,269	46,544
Commitments and Contingencies		
Stockholders' Deficit		
Preferred Stock - $0.001 par value; 5,000,000 shares authorized, 0 issued and outstanding as of March 31, 2018 and December 31, 2017	--	--
Series 3 Convertible Preferred Stock - $1,000 stated value; 10,185 shares authorized; 411.25 issued and outstanding at March 31, 2018 and 0 issued and outstanding at December 31, 2017. Liquidation preference of $0 at March 31, 2018 and December 31, 2017.	--	--
Common Stock - $0.001 par value; 250,000,000 shares authorized; 9,339,827 and 962,200 issued and 9,339,296 and 961,669 outstanding at March 31, 2018 and December 31, 2017, respectively	10	1
Additional paid-in capital	98,979	78,302
Treasury stock, at cost, 531 shares	(695)	(695)
Accumulated other comprehensive income	24	31
Accumulated deficit (excluding $2,442 reclassified to additional paid in capital in quasi-reorganization)	(99,441)	(94,486)
Stockholders' Deficit Attributable to Inpixon	(1,123)	(16,847)
Non-controlling Interest	6	(2,006)
Total Stockholders' Deficit	(1,117)	(18,853)
Total Liabilities and Stockholders' Deficit	$ 25,152	$ 27,691

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

INPIXON AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	For the Three Months Ended March 31, 2018	2017
	(Unaudited)	
Revenues		
Products	$ 476	$ 9,448
Services	1,619	4,033
Total Revenues	2,095	13,481
Cost of Revenues		
Products	255	8,054
Services	604	2,139
Total Cost of Revenues	859	10,193
Gross Profit	1,236	3,288
Operating Expenses		
Research and development	361	558
Sales and marketing	969	2,040
General and administrative	4,174	4,658
Acquisition related costs	16	3
Amortization of intangibles	1,323	1,383
Total Operating Expenses	6,843	8,642
Loss from Operations	(5,607)	(5,354)
Other Income (Expense)		
Interest expense	(1,283)	(684)
Change in fair value of derivative liability	48	56
Gain on the sale of Sysorex Arabia	23	--
Other income/(expense)	576	(65)
Total Other Income (Expense)	(636)	(693)
Net Loss from Continuing Operations	(6,243)	(6,047)
Loss from Discontinued Operations, Net of Tax	--	(9)
Net Loss	(6,243)	(6,056)
Net Loss Attributable to Non-controlling Interest	--	(4)
Net Loss Attributable to Stockholders of Inpixon	(6,243)	(6,052)
Deemed dividend to preferred stockholders	(1,508)	--
Net Loss Attributable to Common Stockholders	(7,751)	(6,052)
Net Loss Per Basic and Diluted Common Share		
Loss from continuing operations	$ (1.85)	$ (83.56)
Loss from discontinued operations	$ --	$ (0.12)
Net Loss Per Share - Basic and Diluted	$ (1.85)	$ (83.63)
Weighted Average Shares Outstanding		
Basic and Diluted	4,196,612	72,364

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

INPIXON AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	For the Three Months Ended March 31,			
	2018		2017	
	(Unaudited)			
Net Loss	$	(6,243)	$	(6,056)
Unrealized foreign exchange gain/(loss) from cumulative translation adjustments		(7)		11
Comprehensive Loss	$	(6,250)	$	(6,045)

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

INPIXON AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018
(Unaudited)
(In thousands, except per share data)

	Series 3 Convertible Preferred Stock		Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive Income	Accumulated	Non-Controlling	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount	Capital	Shares	Amount	(Loss)	Deficit	Interest	Equity
Balance - January 1, 2018	--	$ --	962,200	$ 1	$ 78,302	(531)	$ (695)	$ 31	$ (94,486)	$ (2,006)	$ (18,853)
Adoption of accounting standards (Note 2)	--	--	--	--	--	--	--	--	1,288	--	$ 1,288
Common shares issued for services	--	--	7,838	--	80	--	--	--	--	--	$ 80
Stock options granted to employees for services	--	--	--	--	206	--	--	--	--	--	$ 206
Fractional shares issued for stock split	--	--	9,718	--	--	--	--	--	--	--	$ --
Common and preferred shares issued for net cash proceeds from a public offering	4,105.5252	--	6,512,780	7	18,937	--	--	--	--	--	$ 18,944
Redemption of convertible series 3 preferred stock	(3,694.2752)	--	1,572,032	2	(2)	--	--	--	--	--	$ --
Common shares issued for extinguishment of debenture liability	--	--	275,259	--	1,456	--	--	--	--	--	$ 1,017
Sale of Sysorex Arabia	--	--	--	--	--	--	--	--	--	2,012	$ 2,012
Cumulative Translation Adjustment	--	--	--	--	--	--	--	(7)	--	--	$ (7)
Net loss	--	--	--	--	--	--	--	--	(6,243)	--	$ (5,804)
Balance - March 31, 2018	411.25	$ --	9,339,827	$ 10	$ 98,979	(531)	$ (695)	$ 24	$ (99,441)	$ 6	$ (1,117)

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

INPIXON AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Three Months Ended March 31, 2018	For the Three Months Ended March 31, 2017
	(Unaudited)	
Cash Flows from Operating Activities		
Net loss	$ (6,243)	$ (6,056)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	513	401
Amortization of intangible assets	1,323	1,383
Adoption of accounting standard (note 2)	1,288	--
Stock based compensation	286	283
Amortization of technology	17	17
Change in fair value of derivative liability	(48)	(56)
Amortization of debt discount	417	294
Amortization of deferred financing costs	--	43
Provision for doubtful accounts	116	--
Other	--	14
Gain on the settlement of liabilities	(133)	--
Gain on the sale of Sysorex Arabia	(23)	--
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	958	5,392
Inventory	(72)	278
Other current assets	(521)	420
Prepaid licenses and maintenance contracts	6,902	3,301
Other assets	--	(3)
Accounts payable	(3,680)	(499)
Accrued liabilities	(3,272)	168
Deferred revenue	(8,220)	(3,689)
Other liabilities	(584)	(83)
Total Adjustments	(4,733)	7,664
Net Cash (Used in) Provided by Operating Activities	(10,976)	1,608
Cash Flows Used in Investing Activities		
Purchase of property and equipment	(11)	(82)
Investment in capitalized software	(156)	(351)
Net Cash Flows Used in Investing Activities	(167)	(433)
Cash Flows from Financing Activities		
Repayments to bank facility	(1,128)	(2,269)
Net proceeds from issuance of common stock, preferred stock and warrants	18,944	--
Repayment of notes payable	(113)	--
Net Cash Provided by (Used In) Financing Activities	17,703	(2,269)
Effect of Foreign Exchange Rate on Changes on Cash	(7)	11
Net Increase (Decrease) in Cash and Cash Equivalents	6,553	(1,083)
Cash and Cash Equivalents - Beginning of period	141	1,821
Cash and Cash Equivalents - End of period	$ 6,694	$ 738
Supplemental Disclosure of cash flow information:		
Cash paid for:		
Interest	$ 427	$ 237
Income Taxes	$ --	$ --
Non-cash investing and financing activities		
Common shares issued for extinguishment of debenture liability	$ 1,457	$ --

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

Note 1 - Organization and Nature of Business and Going Concern

Inpixon, through its wholly-owned subsidiaries, Inpixon USA, Inpixon Federal, Inc. ("Inpixon Federal"), Inpixon Canada, Inc. ("Inpixon Canada"), and the majority-owned subsidiaries, Sysorex Arabia LLC ("Sysorex Arabia") and Sysorex India Limited ("Sysorex India") (unless otherwise stated or the context otherwise requires, the terms "Inpixon" "we," "us," "our" and the "Company" refer collectively to Inpixon and the above subsidiaries), 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 sales and subsidiary offices in Virginia, California, Hyderabad, India and Vancouver, Canada.

On December 31, 2017, and as more fully described in Note 4, the Company acquired approximately 82.5% of the outstanding equity securities of Sysorex India which is in the business of IT Services including software application and development, quality assurance ("QA") and testing and graphical user interface ("GUI") development.

Going Concern and Management's Plans

As of March 31, 2018, the Company has a working capital deficiency of approximately $15.0 million. For the three months ended March 31, 2018, the Company incurred a net loss of approximately $6.2 million. The aforementioned factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern within one year after the date the financial statements are issued.

On January 5, 2018, the Company entered into a Securities Purchase Agreement with certain investors pursuant to which it sold an aggregate of 599,812 shares of the Company's Common Stock and warrants to purchase up to 599,812 shares of common stock at a purchase price of $5.31 per share of common stock for aggregate gross proceeds of approximately $3.2 million. On February 20, 2018, the Company completed a public offering consisting of an aggregate of 3,325,968 Class A Units, at a price to the public of $2.35 per Class A Unit, and 10,184.9752 Class B Units, at a price to the public of $1,000 per Class B Unit for aggregate gross proceeds of approximately $18 million. On April 24, 2018, the Company completed a public offering consisting of 10,115 units at a price to the public of $1,000 per unit for an aggregate net gross proceeds after expenses of approximately $9.2 million.

The Company expects its capital resources as of March 31, 2018, the $9.2 million in net proceeds from the April 2018 capital raise, availability on the Payplant Facility to finance purchase orders and invoices in an amount equal to 80% of the face value of purchase orders received (as described in Note 8), funds from higher margin business line expansion and credit limitation improvements should be sufficient to fund planned operations during the year ending December 31, 2018. However, if the Company pursues acquisitions, other expansion plans or changes its business plan it may need to raise additional capital. The Company may raise the additional capital, if needed, through the issuance of equity, equity-linked or debt securities. In this regard, the Company is exploring strategic transactions, including a spin-off of its infrastructure business segment, sometimes referred to as the Value Added Reseller (VAR) business, which could reduce operating expenses and eliminate substantially all of its trade debt. In connection with such a transaction, the Company may contribute additional capital resources to such business segment, which will lower the Company's available capital resources. The Company's condensed consolidated financial statements as of March 31, 2018 have been prepared under the assumption that we will continue as a going concern for the next twelve months from the date the financial statements are issued. Management's plans and assessment of the probability that such plans will mitigate and alleviate any substantial doubt about the Company's ability to continue as a going concern, is dependent upon the ability to attain further operating efficiency, reduce expenditures, and, ultimately, to generate sufficient levels of revenue, which together represent the principal conditions that raise substantial doubt about our ability to continue as a going concern. The Company may also consider selling assets and or a spin-off of certain of its business segments as discussed previously. The Company's condensed consolidated financial statements as of March 31, 2018 do not include any adjustments that might result from the outcome of this uncertainty.

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, which are the accounting principles that are generally accepted in the United States of America. 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, 2018 is not necessarily indicative of the results to be expected for the year ending December 31, 2018. These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the years ended December 31, 2017 and 2016 included in the annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 27, 2018.

Note 3 - Summary of Significant Accounting Policies

The Company's complete accounting policies are described in Note 2 to the Company's audited consolidated financial statements and notes for the years ended December 31, 2017 and 2016.

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.

Revenue Recognition

Hardware and Software Revenue Recognition

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers - Principal versus Agent Considerations", in April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing" and in May 9, 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606)", or ASU 2016-12. This update provides clarifying guidance regarding the application of ASU No. 2014-09 - Revenue From Contracts with Customers which is not yet effective. These new standards provide for a single, principles-based model for revenue recognition that replaces the existing revenue recognition guidance. In July 2015, the FASB deferred the effective date of ASU 2014-09 until annual and interim periods beginning on or after December 15, 2017. It has replaced most existing revenue recognition guidance under U.S. GAAP. The ASU may be applied retrospectively to historical periods presented or as a cumulative-effect adjustment as of the date of adoption. We have adopted Topic 606 using a modified retrospective approach and will be applied prospectively in our financial statements from January 1, 2018 forward. Revenues under Topic 606 are required to be recognized either at a "point in time" or "over time", depending on the facts and circumstances of the arrangement, and will be evaluated using a five-step model. The adoption of Topic 606 did not have a material impact on our financial statements, either at initial implementation nor will it have a material impact on an ongoing basis.

For sales of hardware and software products, the Company's performance obligation is satisfied at a point in time when they are shipped to the customer. This is when the customer has title to the product and the risks and rewards of ownership. 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. Accordingly, the Company is the principal in the transaction with the customer and records revenue on a gross basis. The Company receives fixed consideration for sales of hardware and software products. The Company's customers generally pay within 30 to 60 days from the receipt of a valid invoice. The Company has elected the practical expedient to expense the costs of obtaining a contract when they are incurred because the amortization period of the asset that otherwise would have been recognized is less than a year.

Software As A Service Revenue Recognition

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

Note 3 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

License and Maintenance Services Revenue Recognition

The Company resells hardware, software and other IT equipment license and maintenance services in exchange for fixed fees. For sales of maintenance services and warranties, the customer obtains control at the point in time that the services to be provided by a third party vendor are purchased by the customer and therefore the Company's performance obligations are satisfied at that time. The Company's customers generally pay within 30 to 60 days from the receipt of a valid invoice.

The Company's 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 when new software updates are introduced when and if available 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 customer 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 maintenance services required and may 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.

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 have already been provided.

Professional Services Revenue Recognition

The Company's professional services include fixed fee and time and materials contracts. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the quarters ended March 31, 2018 and 2017, 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.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by our customers. We record a receivable when revenue is recognized prior to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately $27,000 as of March 31, 2018 related to cash received in advance for product maintenance services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for these maintenance services and recognize the deferred revenue over the next twelve months.

Stock-Based Compensation

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

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

Note 3 - Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

During the three months ended March 31, 2018 the Company did not make any stock based compensation awards. The Company incurred stock-based compensation charges, net of estimated forfeitures, of $286,000 and $283,000 for the three months ended March 31, 2018 and 2017, respectively, which are included in general and administrative expenses. The following table summarizes the nature of such charges for the periods then ended (in thousands):

	For the Three Months Ended March 31,	
	2018	2017
Compensation and related benefits	$ 206	$ 262
Professional and legal fees	80	14
Acquisition transaction costs	--	7
Totals	$ 286	$ 283

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, 2018 and 2017:

	For the Three Months Ended March 31,	
	2018	2017
Options	8,182	12,711
Warrants	8,302,590	9,581
Shares accrued but not issued	--	33
Convertible preferred stock	--	3,333
Convertible note	630,139	--
Convertible debenture	--	8,445
Reserved for service providers	44,000	--
Totals	8,984,911	34,102

Preferred Stock

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

Note 3 - Summary of Significant Accounting Policies (continued)

Reclassification

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

Derivative Liabilities

During the year ended December 31, 2016, the Company issued a convertible debenture that included reset provisions considered to be down-round protection. In addition, the Company issued warrants that include a fundamental transaction clause which provide for the warrant holders to be paid in cash the fair value of the warrants as computed under a Black Scholes valuation model. The Company determined that the conversion feature and warrants are derivative instruments pursuant to Accounting Standards Codification ("ASC" 815 "Derivatives and Hedging" issued by the Financial Accounting Standards Board ("FASB"). The accounting treatment of derivative financial instruments requires that the Company bifurcate the conversion feature and record it as a liability at fair value and the fair value of the warrants were computed as defined in the agreement. The instruments are marked-to-market at fair value as of each balance sheet date. Any change in fair value is recorded as a change in the fair value of derivative liabilities for each reporting period. The fair value of the conversion feature was determined using the Binomial Lattice model. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification. As of March 31, 2018, the fair value of the derivative liability was nominal and was included in derivative liabilities on the condensed consolidated balance sheet.

Recent Accounting Standards

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The FASB issued ASU 2015-17 as part of its ongoing Simplification Initiative, with the objective of reducing complexity in accounting standards. The amendments in ASU 2015-17 require entities that present a classified balance sheet to classify all deferred tax liabilities and assets as a noncurrent amount. This guidance does not change the offsetting requirements for deferred tax liabilities and assets, which results in the presentation of one amount on the balance sheet. Additionally, the amendments in ASU 2015-17 align the deferred income tax presentation with the requirements in International Accounting Standards (IAS) 1, Presentation of Financial Statements. The amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The adoption of ASU 2015-17 did not have a material impact on its financial statements.

In January 2017, the FASB issued ASU 2017-04: "Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"), which removes Step 2 from the goodwill impairment test. It is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed with a measurement date after January 1, 2017. The Company has adopted this accounting guidance during the year ended December 31, 2017.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718); Scope of Modification Accounting ("ASU 2017-09"). The amendments in ASU 2017-09 provide guidance that clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. If the value, vesting conditions or classification of the award changes, modification accounting will apply. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception". Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company early adopted the accounting guidance during the three months ended September 30, 2017 and accordingly has reclassified approximately $3.8 million of derivative liabilities to equity during that quarter.

In September 2017, the FASB issued ASU No. 2017-13, "Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments" that enhances the guidance surrounding sale leaseback transactions, accounting for taxes on leveraged leases and leases with third party value. The related amendments to the Topics described above become effective on the same schedule as Topics 605, 606, 840 and 842.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 - Revenue Recognition ("ASC 605") and most industry-specific guidance throughout ASC 605. The FASB has issued numerous updates that provide clarification on a number of specific issues as well as requiring additional disclosures. The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Note 3 - Summary of Significant Accounting Policies (continued)

Recent Accounting Standards (continued)

The Company adopted ASC 606 effective January 1, 2018 using the modified retrospective method which was applied to all contracts at the date of initial application. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative effect of the changes made to our consolidated January 1, 2018 balance sheet for the adoption of *ASU 2014-09, Revenue - Revenue from Contracts with Customers* were as follows (in millions):

	Balance at December 31, 2017	Adjustments due to ASU 2014-09	Balance at January 1, 2018
Balance Sheet:			
Assets			
Prepaid licenses & maintenance contracts, current	$ 4,638	$ (4,638)	$ --
Prepaid licenses & maintenance contracts, non-current	$ 2,264	$ (2,264)	$ --
Liabilities	$ 5,611	$ (5,553)	$ 58
Deferred revenue, current	$ 2,636	$ (2,636)	$ --
Deferred revenue, non-current			
Equity			
Accumulated deficit	$ (94,486)	$ 1,287	$ (93,199)

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our condensed consolidated income statement and balance sheet was as follows (in millions):

	For the period ended March 31, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Income Statement			
Revenues			
Products	476	2,507	(2,031)
Services	1,619	-	1,619
Cost and expenses			
Cost of Revenues			
Products	255	1,972	(1,717)
Services	604	-	604
Gross Profit	1,236	922	314
Income/Loss from Operations	(5,607)	(5,921)	314
Net Income (Loss)	(6,243)	(6,557)	314

	March 31, 2018		
	As Reported	Balances Without Adoption of ASC 606	Effect of Change Higher/(Lower)
Balance Sheet			
Assets			
Prepaid Licenses & Maintenance Contracts, current	-	2,922	(2,922)
Prepaid Licenses & Maintenance Contracts, non-Current	-	2,264	(2,264)
Liabilities			
Deferred Revenue , current	27	3,523	(3,496)
Deferred Revenue, non-current	-	2,636	(2,636)
Equity			
Accumulated Deficit	(99,442)	(100,414)	972

Reverse Stock Split

On March 1, 2017, the Company effectuated a 1-for-15 reverse stock split of its outstanding common stock. In addition, on February 6, 2018, the Company effectuated a 1-for-30 reverse stock split of its outstanding common stock. The financial statements and accompanying notes give effect to both of the reverse stock splits as if they occurred at the beginning of the first period presented.

Subsequent Events

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

Note 4 - Sysorex India Acquisition

Effective as of December 31, 2017 the Company acquired approximately 82.5% of the outstanding equity securities of Sysorex India from Sysorex Consulting, Inc. ("SCI") pursuant to that certain Stock Purchase Agreement dated as of December 31, 2017 by and among the Company, SCI and Sysorex India, in exchange for the assignment by the Company of $37,000 of outstanding receivables.

The Company acquired Sysorex India to pursue sales and business development opportunities in India. In addition, the Company is looking to potentially expand its engineering and development teams in India. Sysorex India is in the business of IT Services including software application and development, QA and testing and GUI development.

The purchase price is allocated as follows (in thousands):

Assets Acquired:		
Cash	$	1
Fixed assets		14
Other assets		32
Total Assets Acquired		47
Liabilities Assumed:		
Other current liabilities		10
Total Liabilities Assumed		10
Total Purchase Price	$	37

Note 5 - Inventory

Inventory at March 31, 2018 and December 31, 2017 consisted of the following (in thousands):

	As of March 31, 2018		As of December 31, 2017	
Raw materials	$	220	$	220
Work in process		7		7
Finished goods		635		563
Total Inventory	**$**	**863**	**$**	**790**

Note 6 - Goodwill

The Company has recorded goodwill and other indefinite-lived assets in connection with its acquisitions of Lilien LLC, including all of the outstanding capital stock of Lilien Systems (collectively, "Lilien"), Shoom Inc. ("Shoom"), AirPatrol Corporation ("Airpatrol"), LightMiner Systems, Inc. ("Lightminer") and Integrio, LLC ("Integrio"). Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of the acquired company, is not amortized. Indefinite-lived intangible assets are stated at fair value as of the date acquired in a business combination. The Company's goodwill balance and other assets with indefinite lives were evaluated for potential impairment during the three months ended March 31, 2018 and 2017 and it was determined that there was no impairment.

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. On January 18, 2018, the Company sold its 50.2% interest in Sysorex Arabia to SCI in consideration for SCI's assumption of 50.2% of the assets and liabilities of Sysorex Arabia, totaling approximately $11,500 and $1 million, respectively.

In accordance with ASC topic 360 "Property, Plant and Equipment", the Company had classified the assets and liabilities as available for sale assets and liabilities as of December 31, 2017 in the accompanying condensed consolidated financial statements.

The major categories of assets and liabilities held for sale in the condensed consolidated balance sheets as of December 31, 2017 (in thousands):

		As of December 31, 2017
Assets:		
Accounts receivable, net	$	1
Notes and other receivables		8
Other assets		14
Total Current Assets		23
Other assets		--
Total Assets	$	23
Liabilities:		
Current Liabilities:		
Accounts payable	$	178
Accrued liabilities		918
Deferred revenue		236
Due to related party		5
Short term debt		722
Total Current Liabilities		2,059
Long Term Liabilities		--
Total Liabilities	$	2,059

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 $0 as of December 31, 2017, as a reserve was placed against the deposit balance during the year ended December 31, 2016 due to the uncertainty of when the bond will be released.

The Company did not recognize any depreciation or amortization expense related to discontinued operations during the three months ended March 31, 2018 or 2017. There were no significant capital expenditures or non-cash operating or investing activities of discontinued operations during the periods presented. The operations of Sysorex Arabia were insignificant for the year ended December 31, 2017. On January 18, 2018, the Company sold its 50.2% interest in Sysorex Arabia to SCI in consideration for SCI's assumption of 50.2% of the assets and liabilities of Sysorex Arabia.

End of Service Indemnity Provision

In accordance with local labor laws, Sysorex Arabia is required to accrue benefits payable to its employees at the end of their services with Sysorex Arabia. For the three months ended March 31, 2018 and 2017, no amounts were required to be accrued under this provision.

Note 8 - Debt

Debt as of March 31, 2018 and December 31, 2017 consisted of the following (in thousands):

	As of March 31, 2018	As of December 31, 2017
Short-Term Debt		
Notes payable (A)	$ 1,815	$ 1,917
Revolving line of credit (B)	13	1,141
Total Short-Term Debt	**$ 1,828**	**$ 3,058**
Long-Term Debt		
Notes payable	$ 142	$ 175
Senior secured convertible debenture, less debt discount of $417 (C)	--	592
Total Long-Term Debt	**$ 142**	**$ 767**

(A) Convertible Notes Payable

On November 17, 2017, the Company issued a $1.745 million principal face amount convertible promissory note (the "November Note") to an accredited investor (the "November Noteholder") which yielded net proceeds of $1.5 million to the Company pursuant to a Securities Purchase Agreement dated as of November 17, 2017 by and between the Company and the November Noteholder (the "November Note SPA" and together with the November Note, the "November Transaction Documents"). On January 5, 2018, the November Transaction Documents were amended pursuant to a Waiver and First Amendment Agreement (the "Waiver and Amendment Agreement"). The November Note, as amended, bears interest at the rate of 10% per year and is due 10 months after the date of issuance. In accordance with the Waiver and Amendment Agreement, the Conversion Price (as defined in the November Note) was amended to be equal to 70% of the closing bid price reported by the Nasdaq Stock Market as of the date immediately prior to each applicable conversion, subject to a floor of $3.00 (subject to adjustment). The issuance of the shares of common stock pursuant to the Waiver and Amendment Agreement was obtained at a meeting of stockholders held on February 2, 2018.

Redemptions may occur at any time after the 6 month anniversary of the date of issuance of the November Note with a minimum redemption price equal to the Conversion Price. If the conversion rate is less than the market price, then the redemptions must be made in cash. The November Note contains standard events of default and a schedule of redemption premiums and a most favored nations clause and provision which allows for adjustments upon dilutive issuances which is subject to a floor of $3.00.

(B) Revolving Lines of Credit

GemCap Loan and Security Agreement Amendment 2

On January 24, 2017, the Company and its U.S. wholly-owned subsidiaries, Inpixon USA and Inpixon Federal, entered into Amendment Number 2 to the Loan and Security Agreement to amend that certain Loan and Security Agreement and Loan Agreement Schedule, both dated as of November 14, 2016, with GemCap Lending I, LLC whereby Section (21) of the definition of "Eligible Accounts" in Section 1.29 of the Loan Agreement was deleted and restated in its entirety as follows: Accounts that satisfy the criteria set forth in the foregoing items (1) – (20), which are owed by any other single Account Debtor or its Affiliates so long as such Accounts, in the aggregate, constitute no more than twenty percent (20%) of all Eligible Accounts, provided, that only for the period commencing on January 24, 2017 through and including April 24, 2017, Accounts in the aggregate only from and owed by Centene Corporation or its Affiliates may exceed twenty percent (20%) of all Eligible Accounts by an amount not to exceed $500,000, provided, further, that, from and after April 25, 2017, Accounts in the aggregate that are owed by Centene Corporation or its Affiliates that satisfy the criteria set forth in the foregoing items (1) – (20) shall not exceed twenty percent (20%) of all Eligible Accounts; and Borrower shall have paid to Lender an accommodation fee in the amount of $5,000 on February 2, 2017.

Note 8 - Debt (continued)

(B) Revolving Lines of Credit (continued)

Payplant Accounts Receivable Bank Line

Pursuant to the terms of a Commercial Loan Purchase Agreement, dated as of August 14, 2017 (the "Purchase Agreement"), Gemcap Lending I, LLC ("GemCap") sold and assigned to Payplant LLC, as agent for Payplant Alternatives Fund LLC ("Payplant" or "Lender"), all of its right, title and interest to that certain revolving Secured Promissory Note in an aggregate principal amount of up to $10,000,000 (the "GemCap Note") issued in accordance with that certain Loan and Security Agreement, dated as of November 14, 2016 (the "GemCap Loan"), by and among Gemcap and the Company and its wholly-owned subsidiaries, Inpixon USA ("INPXUSA" or "Inpixon USA") and Inpixon Federal, Inc. ("INPXF" or "Inpixon Federal," and together with INPX and INPXUSA, the "Company") for an aggregate purchase price of $1,402,770.16.

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

(C) Senior Secured Debenture

Debenture Amendment

On January 5, 2018, the then holder of that certain 8% Original Issue Discount Note (the "Debenture") of which an aggregate principal amount of $1,004,719 plus interest and the Company agreed to amend the Debenture to:

(i) cause an event of default in the event of the failure by the Company to amend its Articles of Incorporation in order to increase its authorized shares (the "Authorized Share Amendment") or otherwise reserve a sufficient number of shares of common stock for issuance upon conversion of the Debenture on or prior to February 15, 2018;

(ii) require a reserve of at least 150% of the number of shares into which the Debenture is convertible upon the effectiveness of the Authorized Share Amendment;

Note 8 - Debt (continued)

(C) Senior Secured Debenture (continued)

On February 5, 2018, the holder of the Debenture delivered a conversion notice to the Company pursuant to which it converted $300,000 of principal of the Debenture into 50,143 shares of the Company's common stock. Such shares of common stock were issued on February 6, 2018.

On February 7, 2018, the holder of the Debenture delivered a conversion notice to the Company pursuant to which it converted $400,000 of principal of the Debenture into 119,296 shares of the Company's common stock.

On February 9, 2018, the holder of the Debenture delivered a final conversion notice to the Company pursuant to which it converted $317,000 of principal of the Debenture into 105,820 shares of the Company's common stock, which satisfied the debenture in full.

Note 9 - Capital Raise

January 2018 Capital Raise

On January 5, 2018, the Company entered into a Securities Purchase Agreement (the "January 2018 SPA") with certain investors (the "January 2018 Investors") pursuant to which the Company agreed to sell an aggregate of 599,812 shares (the "January 2018 Shares") of the Company's Common Stock, at a purchase price of $5.31 per share (the "January 2018 Offering") and warrants to purchase up to 599,812 shares (the "January 2018 Warrant Shares") of Common Stock (the "January 2018 Warrants"). The aggregate gross proceeds for the sale of the January 2018 Shares and January 2018 Warrants was approximately $3.2 million. The January 2018 Warrants were initially exercisable at an exercise price per share equal to $6.60, subject to certain adjustments, and will expire on the five year anniversary of the initial exercise date. Following the February offering described below, the exercise price of the January 2018 Warrants was reduced to $3.00 per share.

Note 9 - Capital Raise (continued)

February 2018 Public Offering

On February 20, 2018, the Company completed a public offering for approximately $18 million in securities, consisting of an aggregate of 3,325,968 Class A Units, at a price to the public of $2.35 per Class A Unit, each consisting of one share of the Company's common stock and a five-year warrant to purchase one share of Common Stock, and 10,184.9752 Class B Units, at a price to the public of $1,000 per Class B Unit, each consisting of one share of the Company's newly designated Series 3 Convertible Preferred Stock with a stated value of $1,000 and initially convertible into approximately 426 shares of our Common Stock at a conversion price of $2.35 per share for up to an aggregate of 4,334,032 shares of Common Stock and warrants exercisable for the number of shares of Common Stock into which the shares of Series 3 Preferred were initially convertible.

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

Note 10 - Common Stock

On January 5, 2018 the Company issued 7,837 shares of common stock pursuant to a subscription agreement with a service provider at a purchase price of $10.20 per share, in satisfaction of $80,000 payable to the provider.

On January 5, 2018, the Company entered into a Securities Purchase Agreement with certain investors pursuant to which the Company agreed to sell an aggregate of 599,812 shares of the Company's Common Stock, at a purchase price of $5.31 per share (see Note 9).

On February 5, 2018, the holder of the Debenture delivered a conversion notice to the Company pursuant to which it converted $300,000 of principal of the Debenture into 50,143 shares of the Company's common stock. Such shares of common stock were issued on February 6, 2018.

On February 7, 2018, the holder of the Debenture delivered a conversion notice to the Company pursuant to which it converted $400,000 of principal of the Debenture into 119,296 shares of the Company's common stock.

On February 9, 2018, the holder of the Debenture delivered a final conversion notice to the Company pursuant to which it converted $317,000 of principal of the Debenture into 105,820 shares of the Company's common stock, which paid the debenture in full.

On February 20, 2018, the Company completed a public offering including an aggregate of 3,325,968 Class A Units, at a price to the public of $2.35 per Class A Unit, each consisting of one share of the Company's common stock and a five-year warrant to purchase one share of Common Stock (see Note 9).

During the three months ended March 31, 2018, 9773.7252 shares of Series 3 preferred stock were converted into 4,159,032 shares of the Company's common stock.

During the three months ended March 31, 2018, the Company issued 9,718 shares of common stock for fractional shares due to the reverse stock split effective February 6, 2018.

Note 11 - Series 3 Preferred Stock

On February 15, 2018, the Company filed with the Secretary of State of the State of Nevada the Certificate of Designation that created the Series 3 Preferred, authorized 10,184.9752 shares of Series 3 Preferred and designated the preferences, rights and limitations of the Series 3 Preferred. The Series 3 Preferred is non-voting (except to the extent required by law). The Series 3 Preferred is convertible into the number of shares of Common Stock, determined by dividing the aggregate stated value of the Series 3 Preferred of $1,000 per share to be converted by $2.35.

Note 12 - Authorized Share Increase and Reverse Stock Split

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

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

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

Note 13 - Credit Risk and Concentrations

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

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Cash is also maintained at foreign financial institutions for its Canadian subsidiary and its majority-owned Saudi Arabia subsidiary. Cash in foreign financial institutions as of March 31, 2018 and December 31, 2017 was immaterial. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

The following table sets forth the percentages of revenue derived by the Company from those customers which accounted for at least 10% of revenues during the three months ended March 31, 2018 and 2017 (in thousands):

	For the Three Months Ended March 31, 2018		For the Three Months Ended March 31, 2017	
	$	%	$	%
Customer A	512	24%	--	--
Customer B	325	16%	--	--
Customer C	211	10%	--	--
Customer D	--	--	1,616	12%

Note 13 - Credit Risk and Concentrations (continued)

As of March 31, 2018, Customer A represented approximately 14%, Customer B represented approximately 0.2% and Customer C represented approximately 3% of total accounts receivable. As of March 31, 2017, Customer D represented approximately 2% of total accounts receivable.

As of March 31, 2018, two vendors represented approximately 33% and 17% of total gross accounts payable. There were no purchases from these vendors during the three months ended March 31, 2018. As of March 31, 2017, one vendor represented approximately 38% of total gross accounts payable. Purchases from this vendor during the three months ended March 31, 2017 were $1.6 million.

Note 14 - Segment Reporting and Foreign Operations

Effective January 1, 2017 the Company has changed the way it analyzes and assesses divisional performance of the Company. The Company has therefore re-aligned its operating segments along those division business lines and has created the following operating segments. The Company has retroactively applied these new segment categories to the prior periods presented below for comparative purposes.

- Indoor Positioning Analytics: This segment includes Inpixon's proprietary products and services delivered on premise or in the Cloud as well as our hosted Software-as-a-Service (SaaS) based solutions. Our Indoor Positioning Analytics product is based on a unique and patented sensor technology that detects and locates accessible cellular, Wi-Fi and Bluetooth devices and then uses a lightning fast data-analytics engine to deliver actionable insights and intelligent reports for security, marketing, asset management, etc.

- Infrastructure: This segment includes third party hardware, software and related maintenance/warranty products and services that Inpixon resells to commercial and government customers. It includes but is not limited to products for enterprise computing; storage; virtualization; networking; etc. as well as services including custom application/software design; architecture and development; staff augmentation and project management.

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

	Indoor Positioning Analytics	Infrastructure	Consolidated
For the Three Months Ended March 31, 2018:			
Net revenues	$ 848	$ 1,247	$ 2,095
Cost of net revenues	$ (236)	$ (623)	$ (859)
Gross profit	$ 612	$ 624	$ 1,236
Gross margin %	72%	50%	59%
Depreciation and amortization	$ 158	$ 355	$ 513
Amortization of intangibles	$ 804	$ 519	$ 1,323
For the Three Months Ended March 31, 2017:			
Net revenues	$ 981	$ 12,500	$ 13,481
Cost of net revenues	$ (343)	$ (9,850)	$ (10,193)
Gross profit	$ 638	$ 2,650	$ 3,288
Gross margin %	65%	21%	24%
Depreciation and amortization	$ 76	$ 325	$ 401
Amortization of intangibles	$ 864	$ 519	$ 1,383

Note 14 - Segment Reporting and Foreign Operations (continued)

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, 2018	For the Three Months Ended March 31, 2017
Income from operations of reportable segments	$ 1,236	$ 3,288
Unallocated operating expenses	(6,843)	(8,642)
Interest expense	(1,283)	(684)
Other income (expense)	647	(9)
Loss from discontinued operations	--	(9)
Consolidated loss before income taxes	$ (6,243)	$ (6,056)

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	India	Eliminations	Total
For the Three Months Ended March 31, 2018:						
Revenues by geographic area	$ 2,089	$ 6	$ --	$ 52	$ (52)	$ 2,095
Operating loss by geographic area	$ (5,116)	$ (489)	$ --	$ (2)	$ --	$ (5,607)
Net income (loss) by geographic area	$ (5,748)	$ (493)	$ --	$ (2)	$ --	$ (6,243)
For the Three Months Ended March 31, 2017:						
Revenues by geographic area	$ 13,425	$ 56	$ --	$ --	$ --	$ 13,481
Operating loss by geographic area	$ (4,953)	$ (401)	$ --	$ --	$ --	$ (5,354)
Net loss by geographic area	$ (5,647)	$ (401)	$ (9)	$ --	$ --	$ (6,056)
As of March 31, 2018:						
Identifiable assets by geographic area	$ 24,735	$ 373	$ --	$ 44	$ --	$ 25,152
Long lived assets by geographic area	$ 13,304	$ 232	$ --	$ 10	$ --	$ 13,546
As of December 31, 2017:						
Identifiable assets by geographic area	$ 27,189	$ 432	$ 23	$ 47	$ --	$ 27,691
Long lived assets by geographic area	$ 14,883	$ 318	$ --	$ 14	$ --	$ 15,215

Note 15 - Commitments and Contingencies

Litigation

Certain conditions may exist as of the date the condensed 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.

On August 10, 2017, Embarcadero Technologies, Inc. ("Embarcadero") and Idera, Inc. ("Idera") filed a complaint in the U.S. Federal District Court for the Western District of Texas against Inpixon Federal and Integrio for failure to pay for purchased software and services pursuant to certain reseller agreements. The complaint alleges that Inpixon Federal entered into an agreement with Integrio to acquire certain assets and assume certain liabilities of Integrio and are therefore responsible for any amounts due. In the complaint, Embarcadero and Idera demand that Inpixon Federal and Integrio pay $1,100,000.00 in damages. On April 26, 2018, the parties filed a stipulation of dismissal to dismiss this case with prejudice following entry into a settlement agreement pursuant to which the Company agreed to satisfy the outstanding payables. On April 28, 2018, the court rendered the final judgment to approve this stipulation.

On August 11, 2017, Micro Focus (US) Inc. ("Micro Focus"), filed a complaint in the Circuit Court of Fairfax County, Virginia against Inpixon Federal for failure to pay a debt settlement entered into on March 13, 2017 for a principal amount of approximately $246,000 plus accrued interest. The complaint demands full payment of the principal amount of approximately $246,000 plus accrued interest. On October 31, 2017, Micro Focus filed a motion for summary judgment against Inpixon Federal. The Company consented to the court entering summary judgment in favor of Micro Focus in the amount of approximately $246,000, with interest accruing at 10% per annum from June 13, 2017 until payment is completed. On April 19, 2018, the Company signed a settlement agreement with Microfocus for $200,000. The first $100,000 payment was made on April 19, 2018 and the second $100,000 payment is due on June 22, 2018. Upon receiving the second payment Microfocus will file an Authorization for Entry of Satisfaction of Judgment. The liability has been accrued and is included as a component of accounts payable as of March 31, 2018 in the condensed consolidated balance sheets.

On December 7, 2017, the principal of Objective Equity filed a claim in Superior Court of California, County of Santa Clara for $7,500 against Inpixon USA, claiming non-payment under a settlement agreement. The hearing was held on January 31, 2018 and the case was dismissed in favor of Inpixon USA.

On March 1, 2017, VersionOne, Inc. filed a complaint in the United States District Court, Eastern District of Virginia, against Inpixon, Inpixon USA, and Inpixon Federal, Inc. (collectively, "Defendants"). The complaint alleges that VersionOne provided services to Integrio having a value of approximately $486,000, that in settlement of this amount Integrio and VersionOne entered into an agreement (the "Settlement Agreement") whereby Integrio agreed to pay, and VersionOne agreed to accept as full payment, approximately $243,000 (the "Settlement Amount"), and that as a result of the Defendants' acquisition of the assets of Integrio, Defendants assumed the Settlement Amount but failed to pay amounts owed to VersionOne. The complaint also alleges that, subsequent to closing of the acquisition, VersionOne provided additional services to Defendants having a value of approximately $145,000, for which it has not been paid. VersionOne alleges that, Defendants have an obligation to pay both the Settlement Amount and the cost of the additional services. On Dec. 8, 2017, the court entered judgment against Inpixon, Inpixon Federal, and Inpixon USA, jointly and severally, in the amount of approximately $334,000. The liability has been accrued and is included as a component of accounts payable as of March 31, 2018 in the condensed consolidated balance sheets.

Note 15 - Commitments and Contingencies (continued)

Litigation (continued)

On September 5, 2017 Dell Marketing threatened legal action against Inpixon USA and demanded approximately $1.8 million for payment of unpaid invoices. On or about January 29, 2018 the parties executed a settlement agreement resolving the matter. No court action was filed. The liability has been accrued and is included as a component of accounts payable as of March 31, 2018 in the condensed consolidated balance sheets.

On December 28, 2017, Virtual Imaging, Inc. ("Virtual Imaging") filed a complaint in the United States District Court, Eastern District of Virginia, against Inpixon USA, and Inpixon Federal. (collectively, the "Defendants"). The complaint alleges that Virtual Imaging provided products to the Defendants having an aggregate value of approximately $3,938,000, of which approximately $3,688,000 remains outstanding and overdue. Virtual Imaging has demanded compensation for the unpaid amount of approximately $3,688,000. The Company is negotiating a settlement agreement and payment plan with Virtual Imaging. The liability has been accrued and is included as a component of accounts payable as of March 31, 2018 in the condensed consolidated balance sheets.

On January 2, 2018 VMS, Inc. sent a demand letter claiming Inpixon USA owes approximately $1.2 million in unpaid invoices. The parties are currently negotiating a settlement agreement and payment plan to pay the outstanding liability. The liability has been accrued and is included as a component of accounts payable as of March 31, 2018 in the condensed consolidated balance sheets.

On January 22, 2018, Deque Systems, Inc. filed a motion for entry of default judgment (the "Motion") against Inpixon Federal in the Circuit Court of Fairfax County, Virginia. The Motion alleges that Inpixon Federal failed to respond to a complaint served on November 22, 2017. The Motion requests a default judgment in the amount of $336,000. A trial is currently scheduled for September 12, 2018 and the Company is negotiating a settlement agreement and payment plan. The liability has been accrued and is included as a component of accounts payable as of March 31, 2018 in the condensed consolidated balance sheets.

On February 16, 2018 the Versata Companies submitted a notice of mediation to the WIPO Arbitration and Mediation Center claiming that Inpixon Federal owes approximately $421,000 in unpaid invoices and late fees. Approximately $176,000 of that amount is under dispute by Inpxion Federal. The parties are currently negotiating a settlement agreement and payment plan to pay the outstanding liability. The liability has been accrued and is included as a component of accounts payable as of March 31, 2018 in the condensed consolidated balance sheets.

On March 19, 2018, Inpixon was notified by a consultant for advisory services (the "Consultant") that it believes the Company is required to pay a minimum project fee in an amount equal to $1 million less certain amounts previously paid as a result of the Company's completion of certain financing transactions. On April 18, 2018, the Consultant filed a demand for arbitration with the American Arbitration Association. The Company disputes such claims and intends to defend these matters vigorously and no amounts have been accrued.

Compliance with Nasdaq Continued Listing Requirement

On May 19, 2017, the Company received written notice from the Listing Qualifications Staff of The Nasdaq Stock Market LLC notifying the Company that it no longer complied with Nasdaq Listing Rule 5550(b)(1) due to our failure to maintain a minimum of $2,500,000 in stockholders' equity or to demonstrate compliance with any alternative to such requirement. On October 24, 2017, the Company received notification from Nasdaq that the Company had not regained compliance with the Minimum Stockholders' Equity Requirement. The Company appealed the Staff Delisting Determination and requested a hearing that was held on December 7, 2017. As a result, the suspension and delisting was stayed pending the issuance of a written decision by the Nasdaq Hearings Panel. By decision dated December 14, 2017, the Panel granted the Company's request for a further extension, through April 23, 2018, to evidence compliance with the $2,500,000 stockholders' equity requirement.

Following the closing of a public offering on April 24, 2018, on May 2, 2018, the Company received a letter from Nasdaq notifying the Company that it has regained compliance with the $2.5 million minimum stockholders' equity requirement for continued listing on The NASDAQ Capital Market, as set forth in Nasdaq Listing Rule 5550(b)(1).

Note 16 - Subsequent Events

Subsequent to March 31, 2018, 411.25 shares of Series 3 Preferred were converted into 175,000 shares of the Company's common stock.

Subsequent to March 31, 2018, 3,126 shares of Series 4 preferred stock were converted into 6,795,679 shares of the Company's common stock.

Litigation

On April 6, 2018, AVT Technology Solutions, LLC, filed a complaint in the United States District Court Middle District of Florida Tamp Division against Inpixon and Inpixon USA alleging breach of contract, breach of corporate guaranty and unjust enrichment in connection with non-payment for goods received and requesting a judgment in an amount of not less than $9,152,698.71. We filed a motion to dismiss this complaint and intend to negotiate a settlement and payment plan with AVT.

April 2018 Public Offering

On April 24, 2018, the Company completed a public offering consisting of 10,115 units at a price to the public of $1,000 per unit, each consisting of (i) one share of our newly designated Series 4 convertible preferred stock, par value $0.001 per share (the "Series 4 Preferred"), with a stated value of $1,000 and initially convertible into approximately 2,174 shares of Common Stock, at a conversion price of $0.46 per share (subject to adjustment) and (ii) one warrant to purchase such number of shares of Common Stock as each share of Series 4 Preferred is convertible into. The warrants are immediately exercisable at an exercise price of $0.67 per share (subject to adjustment). The Company received approximately $10.1 million in gross proceeds from this offering, before deducting placement agent fees and offering expenses payable by the Company. After deducting placement agent fees and expenses, the net proceeds from this offering were approximately $9.2 million.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q, particularly in Part II, Item 1A, "Risk Factors."

Except where indicated, all share and per share data in this section, as well as the consolidated financial statements, reflect the 1 for 15 reverse stock split of the Company's common stock effected on March 1, 2017 and the 1 for 30 reverse stock split effected on February 6, 2018.

Overview of our Business

We provide a number of different technology products and services to private and public sector customers. Effective January 1, 2017 the Company has changed the way it analyzes and assesses divisional performance of the Company. The Company has therefore re-aligned its operating segments along those division business lines and now operates in two segments, namely Indoor Positioning Analytics and Infrastructure. Our premier proprietary product secures, digitizes and optimizes the interior of any premises with indoor positioning and data analytics that provide rich positional information, similar to a global positioning system, and browser-like intelligence for the indoors. Other products and services that we provide include enterprise computing and storage, virtualization, business continuity, data migration, custom application development, networking and information technology, and business consulting services.

Indoor Positioning Analytics Segment

Revenues from our Indoor Positioning Analytics ("IPA") segment were $848,000 for the first quarter of 2018. Our IPA segment does have long sales cycles which are a result from customer related issues such as budget and procurement processes but also because of the early stages of indoor-positioning technology and the learning curve required for customers to implement such solutions. Customers also engage in a pilot program first which prolongs sales cycles and is typical of most emerging technology adoption curves. We anticipate sales cycles to improve in 2018 as our customer base moves from innovators to mainstream customer adoption. The sales cycle is also improving with the increased presence and awareness of beacon and Wi-Fi locationing technologies in the market. IPA segment sales can be licensed based with government customers but are primarily on a SaaS model with commercial customers. Our other SaaS products include cloud-based applications for media customers, which allow us to generate industry analytics that complement our indoor-positioning solutions.

Approximately 95% of our IPA segment purchase orders are recurring SaaS contracts and 4% are license based. We find that our public sector customers prefer the licensing model approach while private sector companies are opting for the SaaS model. However, the sales mix can fluctuate significantly from quarter to quarter.

Infrastructure Segment

Our professional services group provides consulting services ranging from enterprise architecture design to custom application development to data modeling. We offer a full scope of information technology development and implementation services with expertise in a broad range of IT practices including project design and management, systems integration, outsourcing, independent validation and verification, cyber security and more.

Inpixon has many key vendor, technology, wholesale distribution and strategic partner relationships. These relationships are critical for us to deliver solutions to our customers. We have a variety of vendors and also products that we provide to our customers, and most of these products are purchased through the distribution partners. We also have partnerships and teaming agreements with various technology and service providers for this segment as well as our other business segments. These relationships range from joint-selling activities to product integration efforts. We have been facing serious credit challenges with these vendors given our financial circumstances but are working on solving these issues as we move forward and improve our liquidity.

In addition our business is required to meet certain regulatory requirements. Our federal government customers in particular have a range of regulatory requirements including ITAR certifications, DCAA compliancy in our government contracts and other technical or security clearance requirements as may be required from time to time.

We experienced a net loss of approximately $6.2 million for the three months ended March 31, 2018. We cannot assure that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. In order to continue our operations, we have supplemented the revenues we earned with proceeds from the sale of our equity and debt securities and proceeds from loans and bank credit lines. The Company has raised an aggregate of gross proceeds of $31.3 million in equity capital so far in 2018 and also has availability on its Payplant facility. However, we cannot assure that we will be able to raise money in the future if and when we need it to continue our operations. If we cannot raise funds as and when we need them, we may be required to scale back our business operations by reducing expenditures for employees, consultants, business development and marketing efforts, selling assets or one or more segments of our business, or otherwise severely curtailing our operations.

In order to streamline our business we currently plan to spin-off our Infrastructure segment or value-added reseller (“VAR”) business, which is conducted primarily by Inpixon USA and its wholly-owned subsidiary Inpixon Federal, Inc. The spin-off of this business segment would significantly reduce our revenues since they account for approximately 91% of our total revenues, however, such a spin-off would also significantly reduce operating expenses and eliminate substantially all of our trade debt. The spin-off of this segment would allow Inpixon to solely focus on the Indoor Positioning Analytics business for which we have historically recognized lower revenues, but which we believe has greater growth potential and substantially better gross margins than the infrastructure segment. The spin-off would be beneficial to Inpixon USA and Inpixon Federal, Inc. as well because they could focus their resources on their core business without the burden of Inpixon and could reach profitability sooner.

On April 23, 2018, the Company issued a press release announcing the filing of a Form 10 registration statement with the SEC in connection with the planned spin-off of its wholly-owned subsidiary, Inpixon USA (including its subsidiary, Inpixon Federal, Inc.), which is expected to be renamed “Sysorex, Inc.” (“Sysorex”) following the consummation of the spin-off transaction. Following the spin-off there will be two distinct, publicly traded companies, Inpixon and Sysorex.

In order to effect the proposed transaction, Inpixon intends to distribute shares of Sysorex’s common stock as a dividend to holders of Inpixon’s common stock and certain other holders of Inpixon warrants that may be entitled to participate in the distribution as of a record date to be determined. The spin-off is subject to certain conditions, including, without limitation, the effectiveness of a Form 10 registration statement with SEC, the approval for quotation of Sysorex’s common stock on the OTCQB Venture Market operated by OTC Markets Group, Inc., final approval from Inpixon’s Board of Directors and other customary conditions. No assurance can be provided as to the timing of the completion of the spin-off or that all conditions to the spin-off will be met. Furthermore, until the distribution has occurred, Inpixon will have the right to terminate the distribution, even if all of the conditions are satisfied.

Recent Events

January 2018 Capital Raise

On January 5, 2018, the Company entered into a Securities Purchase Agreement (the “January 2018 SPA”) with certain investors pursuant to which the Company agreed to sell, in a registered direct offering, an aggregate of 599,812 shares (the “January 2018 Shares”) of the Company’s common stock, par value $0.001 per share (“Common Stock”), at a purchase price of $5.31 per share for aggregate gross proceeds of approximately $3,185,000. Concurrently with the sale of the January 2018 Shares, pursuant to the January 2018 SPA the Company also sold warrants to purchase up to 599,812 shares of Common Stock (the “January 2018 Warrants”). The aggregate gross proceeds for the sale of the January 2018 Shares and January 2018 Warrants was approximately $3.2 million. This offering closed on January 8, 2018.

The January 2018 Warrants became exercisable on February 2, 2018 (the "January 2018 Warrant Initial Exercise Date"), at an exercise price per share equal to $6.60, subject to certain adjustments pursuant to the terms of the January 2018 Warrants (the "January 2018 Warrant Exercise Price"), and will expire on the fifth anniversary of the January 2018 Warrant Initial Exercise Date. As a result of a Dilutive Issuance (as defined in the January 2018 Warrants) as of February 20, 2018, the January 2018 Warrant Exercise Price was adjusted to the floor price of $3.00 per share pursuant to the January 2018 Warrants.

Reverse Stock Split

At a meeting of our stockholders held on February 2, 2018, our stockholders holding a majority of our outstanding voting power approved an amendment to our Articles of Incorporation to effect a reverse stock split of our Common Stock at an exchange ratio between 1-for -5 and 1-for-60 with our Board of Directors retaining the discretion as to whether to implement the reverse stock split and the exact exchange ratio to implement. The Board of Directors approved the implementation of a reverse stock split at a ratio of 1 for 30 effective as of February 6, 2018.

February 2018 Public Offering

On February 20, 2018, the Company completed a public offering for approximately $18 million in securities, consisting of (i) an aggregate of 3,325,968 Class A Units, at a price to the public of $2.35 per Class A Unit, each consisting of one share of Common Stock, and a five-year warrant to purchase one share of Common Stock, and (ii) 10,184.9752 Class B Units, at a price to the public of $1,000 per Class B Unit, each consisting of one share of the Company's newly designated Series 3 Convertible Preferred Stock, par value $0.001 per share ("Series 3 Preferred"), with a stated value of $1,000 and initially convertible into approximately 426 shares of Common Stock at a conversion price of $2.35 per share for up to an aggregate of 4,334,032 shares of Common Stock and warrants exercisable for the number of shares of Common Stock into which the shares of Series 3 Preferred is initially convertible. The warrants ("February 2018 Warrant") were immediately exercisable at an exercise price of $3.50 per share (subject to adjustment).

The Company received approximately $18 million in gross proceeds from this offering, including the satisfaction of approximately $1 million in amounts payable to service providers. After satisfying the amounts due to service providers and deducting placement agent fees, the net cash proceeds from this offering was approximately $15.4 million. The Company used the net proceeds from the transactions for working capital and general corporate purposes, including research and development and sales and marketing.

The shares of Series 3 Preferred issued in this offering have all been converted into Common Stock. As a result of the April 2018 offering described below as of April 24, 2018, the exercise price of the February 2018 Warrants was adjusted to the floor price of $0.634 per share and the number of shares of common stock underlying the February 2018 Warrants was increased to an aggregate of 42,287,102 shares of common stock.

April 2018 Public Offering

On April 24, 2018, the Company completed a public offering consisting of 10,115 units at a price to the public of $1,000 per unit, each consisting of (i) one share of our newly designated Series 4 convertible preferred stock, par value $0.001 per share (the "Series 4 Preferred"), with a stated value of $1,000 and initially convertible into approximately 2,174 shares of Common Stock, at a conversion price of $0.46 per share (subject to adjustment) and (ii) one warrant to purchase such number of shares of Common Stock as each share of Series 4 Preferred is convertible into. The warrants are immediately exercisable at an exercise price of $0.67 per share (subject to adjustment).

The Series 4 Preferred contain an anti-dilution protection feature, to adjust the conversion price if shares of Common Stock are sold or issued for a consideration per share less than the conversion price then in effect (subject to certain exemptions), provided, that the conversion price will not be less than $0.124. In addition, on the 60th day following the original issuance date of the Series 4 Preferred, the conversion price will be reduced, and only reduced, to the lesser of (x) the then conversion price, as may be adjusted, and (y) 80% of the VWAP (as defined in the certificate of designation filed for the Series 4 Preferred) on the trading day immediately prior to the 60th day, provided that the conversion price will not be less than $0.124.

The Company received approximately $10.1 million in gross proceeds from this offering, before deducting placement agent fees and offering expenses payable by the Company. After deducting placement agent fees and expenses, the net proceeds from this offering were approximately $9.2 million. The Company intends to use the net proceeds from this offering for working capital, general corporate purposes (including research and development, sales and marketing and the satisfaction of outstanding amounts payable to our vendors in connection with trade payables). Additionally, the Company may use a portion of the net proceeds of this offering to finance acquisitions of, or investments in, competitive and complementary businesses, products or services as a part of our growth strategy. However, the Company does not have any current commitments with respect to any such acquisitions or investments.

Compliance with Nasdaq Continued Listing Requirement

As previously reported, on May 19, 2017, the Company received written notice from the Listing Qualifications Staff of The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it no longer complied with Nasdaq Listing Rule 5550(b)(1) due to our failure to maintain a minimum of $2,500,000 in stockholders' equity (the "Minimum Stockholders' Equity Requirement") or to demonstrate compliance with any alternative to such requirement. On October 24, 2017, the Company received notification (the "Staff Delisting Determination") from Nasdaq that the Company had not regained compliance with the Minimum Stockholders' Equity Requirement. The Company appealed the Staff Delisting Determination and requested a hearing that was held on December 7, 2017. As a result, the suspension and delisting was stayed pending the issuance of a written decision by the Nasdaq Hearings Panel (the "Panel"). By decision dated December 14, 2017, the Panel granted the Company's request for a further extension, through April 23, 2018, to evidence compliance with the $2,500,000 stockholders' equity requirement.

On May 2, 2018, following the closing of the April offering described above, the Company received a letter from Nasdaq notifying the Company that it has regained compliance with the $2.5 million minimum stockholders' equity requirement for continued listing on The NASDAQ Capital Market, as set forth in Nasdaq Listing Rule 5550(b)(1).

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, are 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 the 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 requires judgment in order to apply revenue recognition policies. For all of these revenue sources, we determine whether we are the principal or the agent in accordance with Accounting Standards Codification Topic, 605-45 Principal Agent Considerations.

Hardware and Software Revenue Recognition

For sales of hardware and software products, the Company's performance obligation is satisfied at a point in time when they are shipped to the customer. This is when the customer has title to the product and the risks and rewards of ownership. 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. Accordingly, the Company is the principal in the transaction with the customer and records revenue on a gross basis. The Company receives fixed consideration for sales of hardware and software products. The Company's customers generally pay within 30 to 60 days from the receipt of a valid invoice. The Company has elected the practical expedient to expense the costs of obtaining a contract when they are incurred because the amortization period of the asset that otherwise would have been recognized is less than a year.

Software As A Service Revenue Recognition

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

License and Maintenance Services Revenue Recognition

The Company resells hardware, software and other IT equipment license and maintenance services in exchange for fixed fees. For sales of maintenance services and warranties, the customer obtains control at the point in time that the services to be provided by a third party vendor are purchased by the customer and therefore the Company's performance obligations are satisfied at that time. The Company's customers generally pay within 30 to 60 days from the receipt of a valid invoice.

The Company's 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 when new software updates are introduced when and if available 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 maintenance services required and may 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.

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 have already been provided.

Professional Services Revenue Recognition

The Company's professional services include fixed fee and time and materials contracts. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the quarters ended March 31, 2018 and 2017, 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.

Long-lived Assets

We account for our long-lived assets in accordance with ASC 360, "Accounting for the Impairment or Disposal of Long-Lived Assets", 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 the 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, 2018 and 2017.

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

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

We evaluate the remaining useful lives of long-lived assets and identifiable intangible assets whenever events or circumstances indicate that a revision to the remaining period of amortization is warranted. Such events or circumstances may include (but are not limited to): the effects of obsolescence, demand, competition, and/or other economic factors including the stability of the industry in which we operate, known technological advances, legislative actions, or changes in the regulatory environment. If the estimated remaining useful lives change, the remaining carrying amount of the long-lived assets and identifiable intangible assets would be amortized prospectively over that revised remaining useful life. We have determined that there were no events or circumstances during the three months ended March 31, 2018 and 2017 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, LightMiner and Integrio, LLC (“Integrio”). 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. We review our goodwill during the fourth quarter of each year, but may need to review goodwill more frequently, if facts and circumstances warrant a review. 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, 2018 or 2017.

We analyze goodwill first to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a detailed goodwill impairment test as required. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent.

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

- Macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets.

- Industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for an entity’s products or services, or a regulatory or political development.

- Cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows.

- Overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

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

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

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

As described previously, we continue to experience weakness in market conditions, a depressed stock price, and challenges in executing our business plans. We also require significant funds to operate and continue to experience losses. If these conditions continue, it may necessitate a requirement to record a goodwill impairment charges. The Company will continue to monitor these uncertainties in future periods.

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, 2018 and December 31, 2017, allowance for credit losses included an allowance for doubtful accounts of approximately $1.2 million and approximately $1.1 million, 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 consolidated financial results will be adjusted. All acquisition costs are expensed as incurred and in-process research and development costs are recorded at fair value as an indefinite-lived intangible asset and assessed for impairment thereafter until completion, at which point the asset is amortized over its expected useful life. Separately recognized transactions associated with business combinations are generally expensed subsequent to the acquisition date. The application of business combination and impairment accounting requires the use of significant estimates and assumptions.

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

Stock-Based Compensation

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

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

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

During the three months ended March 31, 2018 the Company did not make any stock based compensation awards. For the three months ended March 31, 2018 and 2017, the Company incurred stock-based compensation charges of $286,000 and $283,000, respectively.

Operating Segments

Effective January 1, 2017, the Company has changed the way it analyzes and assesses divisional performance of the Company. The Company has therefore re-aligned its operating segments along those division business lines and has created the following operating segments. The Company has retroactively applied these new segment categories to the prior periods presented below for comparative purposes.

- Indoor Positioning Analytics: This segment includes Inpixon's proprietary products and services delivered on premise or in the Cloud as well as our hosted SaaS based solutions. Our Indoor Positioning Analytics product is based on a unique and patented sensor technology that detects and locates accessible cellular, Wi-Fi and Bluetooth devices and then uses a lightning fast data-analytics engine to deliver actionable insights and intelligent reports for security, marketing, asset management, etc.

- Infrastructure: This segment includes third party hardware, software and related maintenance/warranty products and services that Inpixon resells to commercial and government customers. It includes but is not limited to products for enterprise computing; storage; virtualization; networking; etc. as well as services including custom application/software design; architecture and development; staff augmentation and project management.

Rounding

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

Results of Operations

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

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

	For the Three Months Ended				
	March 31, 2018		March 31, 2017		
(in thousands, except percentages)	Amount	% of Revenues	Amount	% of Revenues	% Change
Product revenues	$ 476	23%	$ 9,448	70%	(95%)
Services revenues	$ 1,619	77%	$ 4,033	30%	(60%)
Cost of net revenues - products	$ 255	12%	$ 8,054	60%	(97%)
Cost of net revenues - services	$ 604	29%	$ 2,139	16%	(72%)
Gross profit	$ 1,236	59%	$ 3,288	24%	(62%)
Operating expenses	$ 6,843	327%	$ 8,642	64%	(21%)
Loss from operations	$ (5,607)	(268%)	$ (5,354)	(40%)	5%
Net loss	$ (6,243)	(298%)	$ (6,056)	(45%)	3%
Net loss attributable to common stockholders	$ (7,751)	(370%)	$ (6,052)	(45%)	28%

Net Revenues

Net revenues for the three months ended March 31, 2018 were $2.1 million compared to $13.5 million for the comparable period in the prior year. This $11.4 million decrease or approximately 84% is primarily associated with the decline in revenues earned by the Infrastructure Segment as a result of supplier credit issues and a $2.0 million decrease in revenue resulting from the adoption of the new ASC 606 revenue recognition policy beginning in January 2018. For the three months ended March 31, 2018, Indoor Positioning Analytics revenue was $848,000 compared to $981,000 for the prior year period. Infrastructure revenue was $1.2 million for the three months ended March 31, 2018, and $12.5 million for the prior year period.

Cost of Revenues

Cost of revenues for the three months ended March 31, 2018 was $859,000 compared to $10.2 million for the prior year period. This decrease of $9.3 million was primarily attributable to lower sales resulting from the capital constraints and supplier credit limitations and a $1.7 million decrease in prepaid maintenance amortization due to the adoption of the new ASC 606 revenue recognization policy beginning in January 2018. Indoor Positioning Analytics cost of revenues was $236,000 for the three months ended March 31, 2018 as compared to $343,000 for the prior period. Infrastructure cost of net revenues was $623,000 for the three months ended March 31, 2018 and $9.9 million for the prior period.

The gross profit margin for the three months ended March 31, 2018 was 59% compared to 24% during the three months ended March 31, 2017. This increase in gross margin is primarily due to the decrease in lower margin storage and maintenance sales. Indoor Positioning Analytics gross margins for the three months ended March 31, 2018 and 2017 were 72% and 65%, respectively. Gross margins for the Infrastructure segment for the three months ended March 31, 2018 and 2017 were 50% and 21%, respectively.

Operating Expenses

Operating expenses for the three months ended March 31, 2018 were $6.8 million compared to $8.6 million for the prior year period. This decrease of $1.8 million is primarily attributable to a decrease in compensation costs, occupancy costs and travel costs due to the downsizing of staff and office locations.

Loss from Operations

Loss from operations for the three months ended March 31, 2018 was $5.6 million compared to $5.4 million for the prior year period. This increase in loss of $200,000 was primarily attributable due to the decrease in gross profit offset by the decrease in operating expenses.

Other Income/Expense

Total other income/expense for the three months ended March 31, 2018 and 2017 was ($636,000) and ($693,000), respectively. This decrease in loss of $57,000 was primarily attributable to a gain on the earnout of the Integrio acquisition of $577,000 offset by an increase in interest expense primarily due to a beneficial conversion feature on the conversion of a debenture liability to common shares.

Provision for Income Taxes

There was no provision for income taxes for the three months ended March 31, 2018 and 2017. Deferred tax assets resulting from such losses are fully reserved as of March 31, 2018 and 2017 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, 2018 was nominal compared to $4,000 for the three months ended March 31, 2017.

Net Loss Attributable To Common Stockholders of Inpixon

Net loss attributable to common stockholders of Inpixon for the three months ended March 31, 2018 was $6.2 million compared to $6.1 million for the prior year period. This increase in loss of $100,000 was attributable to the changes described for the various reporting captions 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, 2018 was a loss of $3.4 million compared to a loss of $3.3 million for the prior year period.

The following table presents a reconciliation of net income/loss attributable to stockholders of Inpixon, which is our GAAP operating performance measure, to Adjusted EBITDA for the fiscal quarters ended March 31, 2018 and 2017 (in thousands):

	Three Months Ended March 31,	
	2018	**2017**
Net loss attributable to common stockholders	$ (6,243)	$ (6,052)
Adjustments:		
Non-recurring one-time charges:		
Acquisition transaction/financing costs	16	3
Costs associated with public offering	81	--
Gain on the settlement of obligations	(133)	--
Gain on earnout	(577)	--
Gain on the sale of Sysorex Arabia	(23)	--
Change in the fair value of derivative liability	(48)	(56)
Provision for doubtful accounts	116	--
Severance	15	27
Stock based compensation – acquisition costs	--	7
Stock-based compensation - compensation and related benefits	286	276
Interest expense	1,283	684
Depreciation and amortization	1,836	1,785
Adjusted EBITDA	$ (3,391)	$ (3,326)

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, 2018 was ($1.85) compared to ($83.63) for the prior year period. This decrease is 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, 2018 was ($1.24) compared to ($60.97) 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, 2018	Three Months Ended March 31, 2017
Net loss attributable to common stockholders	$ (6,243)	$ (6,052)
Adjustments:		
Non-recurring one-time charges:		
Acquisition transaction/financing costs	16	3
Costs associated with public offering	81	--
Gain on the settlement of obligations	(133)	--
Gain on earnout	(577)	--
Gain on the sale of Sysorex Arabia	(23)	--
Change in the fair value of derivative liability	(48)	(56)
Provision for doubtful accounts	116	--
Severance	15	27
Stock based compensation – acquisition costs	--	7
Stock-based compensation - compensation and related benefits	286	276
Amortization of intangibles	1,322	1,383
Proforma non-GAAP net loss	$ (5,188)	$ (4,412)
Proforma non-GAAP net loss per basic and diluted common share	$ (1.24)	$ (60,97)
Weighted average basic and diluted common shares outstanding	4,196,612	72,364

We rely on proforma non-GAAP net loss per share, which is a non-GAAP financial measure and not a substitution for GAAP:

- 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, 2018 Compared With March 31, 2017

The Company's net cash flows used in operating, investing and financing activities for the three months ended March 31, 2018 and 2017 and certain balances as of the end of those periods are as follows (in thousands):

(thousands, except per share data)	For the Three Months Ended March 31, 2018	2017
Net cash (used in) provided by operating activities	$ (10,976)	$ 1,608
Net cash used in investing activities	(167)	(433)
Net cash used in financing activities	17,703	(2,269)
Effect of foreign exchange rate changes on cash	(7)	11
Net increase (decrease) in cash	$ 6,553	$ (1,083)

	March 31, 2018	December 31, 2017
Cash and cash equivalents	$ 6,694	$ 141
Working capital deficit	$ (14,979)	$ (32,823)

Operating Activities:

Net cash used in operating activities during the three months ended March 31, 2018 was $11 million. Net cash provided by operating activities during the three months ended March 31, 2017 was $1.6 million. Net cash used in operating activities during the three months ended March 31, 2018 consisted of the following (in thousands):

Net loss	$ (6,243)
Non-cash income and expenses	3,756
Net change in operating assets and liabilities	(8,489)
Net cash used in operating activities	$ (10,976)

The non-cash income and expenses of $3.8 million consisted primarily of (in thousands):

$ 513	Depreciation and amortization expense
1,323	Amortization of intangibles primarily attributable to the Lilien, Shoom, AirPatrol, LightMiner and Integrio operations, which were acquired effective March 1, 2013, August 31, 2013, April 16, 2014, April 24, 2015 and November 21, 2016, respectively.
1,288	Adoption of accounting standards (see note 3 to our condensed consolidated financial statements, which is included in this Form 10-Q in Item 1).
286	Stock-based compensation expense attributable to warrants and options issued as part of Company operations and prior acquisitions
417	Amortization of debt discount
(133)	Gain on the settlement of liabilities
62	Other
$ 3,756	Total non-cash income and expenses

The net use of cash due to changes in operating assets and liabilities totaled ($8.9 million) and consisted primarily of the following (in thousands):

$	958	Decrease in accounts receivable and other receivables
	6,902	Decrease in prepaid licenses and maintenance contracts
	(3,680)	Increase in accounts payable
	(8,220)	Decrease in deferred revenue
	(3,856)	Increase in accrued liabilities and other liabilities
	(593)	Increase in inventory and other assets
$	(8,489)	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, 2018 was $167,000 compared to net cash used in investing activities of $433,000 for the prior year period. The net cash used in investing activities during the three months ended March 31, 2018 was comprised of approximately $11,000 for the purchase of property and equipment and $156,000 for the investment in capitalized software.

Financing Activities:

Net cash provided by financing activities during the three months ended March 31, 2018 was approximately $17.7 million. Net cash used in financing activities for the three months ended March 31, 2017 was approximately $2.3 million. The net cash provided by financing activities during the three months ended March 31, 2018 was primarily comprised of $18.9 million from the issuance of stock and warrants, $1.1 million of net repayments to the bank facility and $113,000 of repayments of notes payable.

Liquidity and Capital Resources - General:

Our current capital resources and operating results as of March 31, 2018, as described in the preceding paragraphs, consist of:

1) an overall working capital deficit of $15 million;

2) cash of $6.7 million;

3) the unlimited Payplant Credit Facility which we borrow against based on eligible assets with a maturity date of August 15, 2018 of which $13,000 is utilized; and

4) net cash used in operating activities year-to-date of $11 million.

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

Working Capital		**Assets**		**Liabilities**		**Net**
Cash and cash equivalents	$	6,694	$	--	$	6,694
Accounts receivable, net / accounts payable		1,202		22,020		(20,818)
Notes and other receivables		218		--		218
Prepaid licenses and maintenance contracts / deferred revenue		--		27		(27)
Short-term debt		--		1,828		(1,828)
Other		2,506		1,724		782
Total	$	10,620	$	25,599	$	(14,979)

Accounts payable exceeds accounts receivable by $20.8 million. This deficit is expected to be funded by our anticipated cash flow from operations and financing activities, as described below, over the next twelve months.

Net cash used in operating activities during the three months ended March 31, 2018 of $11 million consists of net loss of $6.2 million less non-cash expenses of $3.8 million and net cash used in changes in operating assets and liabilities of ($8.5 million). We expect net cash from operations to increase during 2018 as a result of the following:

1) We expect to increase revenue in the infrastructure segment as we resolve our supplier credit issues with the equity capital we raised in January through April 2018 and we expect the IPA segment business to grow and contribute more to operation expenses.

2) Since our equity capital raises this year we have been working with our key distributors and suppliers to address our credit limitation issues. We have already settled some vendor litigations and started re-establishing working relationships with some of our suppliers. Revenues during the quarter ended March 31, 2018 could have been higher but were negatively impacted by our inability to timely process orders due to past due amounts and credit limitations with various vendors. We expect to relieve some of these issues with our February 2018 capital raise allowing us to build this revenue back in upcoming quarters.

The Company's capital resources as of March 31, 2018, additional $10.1 million of gross proceeds raised in April 2018 and availability on the unlimited Payplant facility to finance purchase orders and invoices in an amount equal to 80% of the face value of purchase orders received, funds from higher margin business line expansion and credit limitation improvements should be sufficient to fund planned operations during the year ending December 31, 2018 based on current projections. However, if the Company pursues acquisitions, other expansion plans or changes its business plan it may need to raise additional capital. The Company may raise the additional capital if needed through the issuance of equity, equity-linked or debt securities. In this regard, the Company is exploring strategic transactions, including a spin-off of its infrastructure business segment, sometimes referred to as the Value Added Reseller (VAR) business, which could reduce operating expenses and eliminate substantially all of its trade debt. In connection with and at the time of such a transaction, the Company may contribute up to $2 million of its capital resources to such business segment, which will lower the Company's available capital resources. There are no assurances that we will be able to complete such a transaction, however, if such a transaction is consummated, we may be restricted from (i) entering into any transaction pursuant to which all or a portion of the shares of our common stock would be acquired, whether by merger or otherwise, (ii) issuing equity securities beyond certain thresholds, (iii) repurchasing shares of our common stock other than in certain open-market transactions, or (iv) ceasing to actively conduct certain of our businesses. As a result, these restrictions may limit our ability to pursue certain strategic transactions, equity issuances or repurchases or other transactions that we believe to be in the best interests of our stockholders or that might increase the value of our business.

Going Concern and Management Plans

Our condensed consolidated financial statements as of March 31, 2018 have been prepared under the assumption that we will continue as a going concern for the next twelve months from the date the financial statements are issued. Our financial statements as of March 31, 2018 include an explanatory paragraph referring to our recurring and continuing losses from operations and expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Management's plans and assessment of the probability that such plans will mitigate and alleviate any substantial doubt about the Company's ability to continue as a going concern, is dependent upon the ability to obtain additional equity or debt financing, attain further operating efficiency, reduce expenditures, and, ultimately, to generate sufficient levels of revenue, which together represent the principal conditions that raise substantial doubt about our ability to continue as a going concern. Our condensed consolidated financial statements as of March 31, 2018 do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and Capital Resources – Payplant

Pursuant to the terms of a Commercial Loan Purchase Agreement, dated as of August 14, 2017 (the "Purchase Agreement"), Gemcap Lending I, LLC ("GemCap") sold and assigned to Payplant LLC, as agent for Payplant Alternatives Fund LLC ("Payplant" or "Lender"), all of its right, title and interest to that certain revolving Secured Promissory Note in an aggregate principal amount of up to $10,000,000 (the "GemCap Note") issued in accordance with that certain Loan and Security Agreement, dated as of November 14, 2016 (the "GemCap Loan"), by and among Gemcap and the Company and its wholly-owned subsidiaries, Inpixon USA and Inpixon Federal, Inc. ("Inpixon Federal," and together with Inpixon and Inpixon USA, the "Company").

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

As of March 31, 2018, the principal amount outstanding under the Loan Agreement was $13,000.

Off-Balance Sheet Arrangements

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

Recently Issued Accounting Standards

For a discussion of recently issued accounting pronouncements, please see the Recent Accounting Standards section of Note 3 to our condensed consolidated financial statements, which is included in this Form 10-Q in Item 1.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

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 Exchange Act, such as this Form 10-Q, 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.

Implementation of Remediation Plan for Material Weakness in Internal Control

As reported in our annual report on Form 10-K for the fiscal year of 2017 (the "2017 10-K"), our principal executive officer and our principal financial officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework issued in 2013, and determined that there was a material weakness in our internal control over financial reporting because we had not devoted substantial time to evaluating our process for implementing controls and identifying the impact to our consolidated financial statements of adopting ASU No. 2014-09, Revenue from Contracts with Customers as a result of limited personnel and capital resources available to devote to these efforts. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. We are required to adopt ASU No. 2014-09 for periods beginning as of January 1, 2018, which provides for a single five-step model to be applied to all revenue contracts with customers, and also requires substantial additional financial statement disclosures. As of the date of the filing of the 2017 10-K, the Company had not completed its ASC 606 implementation and as a result, could not disclose the quantitative impact of adoption on its consolidated financial statements. Without having devoted significant time to evaluating the impact of the new standard on our consolidated financial statements, there may be more than a remote likelihood that a material misstatement and/or disclosure omission will not be prevented or detected in our interim or annual financial statements for periods beginning January 1, 2018. As a result of the material weakness described above, our principal executive officer and principal financial officer have determined that, as of December 31, 2017, our internal control over financial reporting is not effective.

Subsequent to the filing of the 10-K management has completed its analysis of the requirements of ASU No. 2014-09, identified the impact to our consolidated financial statements of adopting ASU No. 2014-09 and implemented the necessary changes to the Company's accounting processes and procedures. The foregoing efforts have effectively remediated the material weakness prior to the filing of this Form 10-Q for the quarter ended March 31, 2018.

In connection with the preparation of this Form 10-Q, 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 Officer and Principal Financial Officer concluded that, as of the end of the period covered by this Form 10-Q, our disclosure controls and procedures were effective.

Changes in Internal Controls

Other than the control improvements discussed above, 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, 2018 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

VersionOne

On March 1, 2017, VersionOne, Inc. filed a complaint in the United States District Court, Eastern District of Virginia, against Inpixon, Inpixon USA, and Inpixon Federal, Inc. (collectively, “Defendants”). The complaint alleges that VersionOne provided services to Integrio Technologies, LLC (“Integrio”) having a value of $486,337, that in settlement of this amount Integrio and VersionOne entered into an agreement (the “Settlement Agreement”) whereby Integrio agreed to pay, and VersionOne agreed to accept as full payment, $243,169 (the “Settlement Amount”), and that as a result of the Defendants’ acquisition of the assets of Integrio, Defendants assumed the Settlement Amount but failed to pay amounts owed to VersionOne. The complaint also alleges that, subsequent to closing of the acquisition, VersionOne provided additional services to Defendants having a value of $144,724, for which it has not been paid. VersionOne alleges that, Defendants have an obligation to pay both the Settlement Amount and the cost of the additional services. On Dec. 8, 2017, the court in VersionOne entered judgment against Inpixon, Inpixon Federal, and Inpixon USA, jointly and severally, in the amount of $334,339.37. Inpixon and VersionOne have agreed to a payment plan of $40,000 per month for March, April and May 2018 and then $30,000 per month from June 2018 until fully-paid.

Embarcadero

On August 10, 2017, Embarcadero Technologies, Inc. (“Embarcadero”) and Idera, Inc. (“Idera”) filed a complaint in the U.S. Federal District Court for the Western District of Texas against Inpixon Federal, Inc. and Integrio Technologies, LLC (“Integrio”) for failure to pay for purchased software and services pursuant to certain reseller agreements. The complaint alleges that Inpixon Federal, Inc. entered into an agreement with Integrio to acquire certain assets and assume certain liabilities of Integrio and are therefore responsible for any amounts due. In the complaint, Embarcadero and Idera demand that Inpixon Federal, Inc. and Integrio pay $1,100,000.00 in damages. On April 26, 2018, the parties filed a stipulation of dismissal to dismiss this case with prejudice following entry into a settlement agreement pursuant to which the Company agreed to satisfy the outstanding payables. On April 28, 2018, the court rendered the final judgment to approve this stipulation.

Micro Focus

On August 11, 2017, Micro Focus (US) Inc. (“Micro Focus”), filed a complaint in the Circuit Court of Fairfax County, Virginia against Inpixon Federal, Inc. (“Inpixon Federal”) for failure to pay a debt settlement entered into on March 13, 2017 for a principal amount of $245,538.33 plus accrued interest. The complaint demands full payment of the principal amount of $245,538.33 plus accrued interest. On October 31, 2017, Micro Focus filed a motion for summary judgment against Inpixon Federal. The Company consented to the court entering summary judgment in favor of Micro Focus in the amount of $245,538.33, with interest accruing at 10% per annum from June 13, 2017 until payment is completed and the parties are currently in settlement negotiations regarding a payment plan. On April 19, 2018 The Company signed a settlement agreement with Microfocus for $200,000. The first $100,000 payment was made on April 19, 2018 and the second $100,000 payment is due on June 22, 2018. Upon receiving the second payment Microfocus will file an Authorization for Entry of Satisfaction of Judgment.

Virtual Imaging

On December 28, 2017, Virtual Imaging, Inc. (“Virtual Imaging”) filed a complaint in the United States District Court, Eastern District of Virginia, against Inpixon USA, and Inpixon Federal, Inc. The complaint alleges that Virtual Imaging provided products to the defendants having an aggregate value of $3,938,390.28, of which $3,688,390.88 remains outstanding and overdue. Virtual Imaging has demanded compensation for the unpaid amount. We have filed a response and the parties are currently in settlement negotiations.

Deque

On January 22, 2018, Deque Systems, Inc. filed a motion for entry of default judgment (the “Motion”) against Inpixon Federal, Inc. in the Circuit Court of Fairfax County, Virginia. The Motion alleges that Inpixon Federal failed to respond to a complaint served on November 22, 2017. The Motion requests a default judgment in the amount of $336,000. A trial is currently scheduled for September 12, 2018, however, the parties are currently in settlement negotiations.

AVT Technology Solutions

On April 6, 2018, AVT Technology Solutions, LLC, filed a complaint in the United States District Court Middle District of Florida Tamp Division against Inpixon and Inpixon USA alleging breach of contract, breach of corporate guaranty and unjust enrichment in connection with non-payment for goods received and requesting a judgment in an amount of not less than $9,152,698.71. We have filed a motion to dismiss this complaint and intend to negotiate a settlement and payment plan with AVT.

Consultant for Advisory Services

On March 19, 2018, Inpixon was notified by a consultant for advisory services (the "Consultant") that it believes the Company is required to pay a minimum project fee in an amount equal to $1 million less certain amounts previously paid as a result of the Company's completion of certain financing transactions. On April 18, 2018, the Consultant filed a demand for arbitration with the American Arbitration Association. The Company intends to contest the case vigorously.

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

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

Item 1A. Risk Factors

We face a number of significant risks and uncertainties in connection with our operations. Our business, results of operations and financial condition could be materially adversely affected by these risks. There have been no material changes to the Risk Factors disclosed in our annual report on Form 10-K for the year ended December 31, 2017.

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

a) Sales of Unregistered Securities

The information described above regarding the issuance of the January 2018 Warrants in accordance with the January 2018 SPA is incorporated herein by reference.

The securities above were issued as restricted securities in transactions that were exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2) of the Securities Act or Rule 506 of Regulation D promulgated thereunder, which exempts transactions by an issuer not involving any public offering. The Company relied on the representations made in the transaction documents signed by the applicable securities holders.

c) Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

Soumya Das Employment Amendment

On May 14, 2018, the Compensation Committee of the Board of Directors (the “Compensation Committee”) approved amendments to the employment terms of Soumya Das, Chief Marketing Officer and Chief Operating Officer, including an increase in base salary to $275,000; an adjustment of his annual bonus to up to $50,000 subject to certain milestones, with tasks, deadlines and amounts that shall be determined by the Company’s Chief Executive Officer; commissions equal to 2% of recognized revenue associated with the indoor positioning analytics business, paid quarterly and subject to Company policies in connection with commissions payable and the addition of a transportation allowance in an amount equal to $1,000 per month, which shall be subject to the terms of an amended employment agreement in such form as shall be determined by the Chief Executive Officer.

Ali Employment Agreement

In addition on May 15, 2018, the Compensation Committee approved and the Company entered into an amended and restated employment agreement with Nadir Ali, Chief Executive Officer of the Company (the “Ali Employment Agreement”), which amends and restates that certain Employment and Non-Compete Agreement by and between the Company and Mr. Ali, dated July 1, 2010. In accordance with the terms of the Ali Employment Agreement, Mr. Ali will receive a base salary of $280,000 per annum. In addition, Mr. Ali will be eligible for inclusion in any executive bonus pools, discretionary performance bonuses or deferred compensation or commission plans that the Company may establish in its sole discretion. The Ali Employment Agreement shall be effective for an initial term of three (3) years and shall automatically be renewed for two (2) additional two (2) year periods, unless such renewal is objected to by either the Company or Mr. Ali upon 90 days written notice prior to the commencement of the applicable renewal period and subject to termination of the Ali Employment Agreement pursuant to the applicable provisions.

The Company may terminate the services of Mr. Ali only with “just cause” which shall mean (A) fraud, gross malfeasance, gross negligence, or willful misconduct, with respect to Mr. Ali’s business affairs; (B) refusal or repeated failure to follow established reasonable and lawful policies; (C) material breach of the agreement; or (D) conviction of a felony or crime involving moral turpitude. If the Company terminates Mr. Ali’s employment with just cause, Mr. Ali will receive six months of his base salary plus housing and transportation allowance and any and all accrued but unpaid commissions and bonuses (including but not limited to annual bonuses; discretionary bonuses; performance bonuses; discretionary compensation; etc.) that Mr. Ali otherwise would have received, accrued but unused vacation pay that has been earned through the date of termination and reimbursement of any unreimbursed business and travel expenses.

Mr. Ali may terminate his employment for “good reason” which means (a) a material reduction in Mr. Ali’s base salary; (b) a material diminution in Mr. Ali’s responsibilities as Chief Executive Officer of Inpixon; (c) the assignment of duties to the Company materially inconsistent with his position as CEO; (d) the requirement that he relocate his primary place of employment more than 20 miles from the office (unless such location is closer to the Mr. Ali’s primary residence); (e) the Company’s material breach of the employment agreement; provided that good reason based on a material breach shall exist only if within 90 days of the Company’s act or omission resulting in a material breach, Mr. Ali notifies the Company in a writing of the act or omission, the Company fails to correct the act or omission within 30 days after receiving written notice; or (f) following a Change of Control (as defined in the Ali Employment Agreement), Mr. Ali ceases to hold the position of Chief Executive Officer. Upon termination for good reason the Company shall: (1) continue to pay to Mr. Ali’s based salary plus housing and transportation allowance and commissions he would have otherwise received, subject to customary payroll practices and withholdings, for twenty-four (24) months; (2) upon termination or resignation, the value of 2x of any and all bonuses (including but not limited to annual bonuses; discretionary bonuses; performance bonuses; discretionary compensation; etc.); (3) upon termination or resignation, pay to Mr. Ali the value of any accrued but unpaid vacation time; (4) a lump sum payment equal to 24 months of COBRA premiums based on the terms of Company’s group health plan and Mr. Ali’s coverage under such plan as of the date of termination; (5) upon termination or resignation, pay to Mr. Ali any unreimbursed business expenses and travel expenses that are reimbursable and (6) full vesting of any and all previously granted outstanding equity-based incentive awards subject to time-based vesting criteria.

Item 6. Exhibits

See the Exhibit Index following the signature page to this Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

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.

Date: May 15, 2018	**INPIXON**
	By: /s/ Nadir Ali Nadir Ali Chief Executive Officer (Principal Executive Officer)
	By: /s/ Wendy Loundermon Wendy Loundermon VP of Finance (Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Restated Articles of Incorporation.	S-1	333-190574	3.1	August 12, 2013	
3.2	Certificate of Amendment to Articles of Incorporation (Increase Authorized Shares).	S-1	333-218173	3.2	May 22, 2017	
3.3	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	April 10, 2014	
3.4	Articles of Merger (renamed Sysorex Global).	8-K	001-36404	3.1	December 18, 2015	
3.5	Articles of Merger (renamed Inpixon).	8-K	001-36404	3.1	March 1, 2017	
3.6	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.2	March 1, 2017	
3.7	Certificate of Amendment to Articles of Incorporation (authorized share increase).	8-K	001-36404	3.1	February 5, 2018	
3.8	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	February 6, 2018	
3.9	Bylaws, as amended.	S-1	333-190574	3.2	August 12, 2013	
4.1	Specimen Stock Certificate of the Corporation.	S-1	333-190574	4.1	August 12, 2013	
4.2	Form of Series 3 Convertible Preferred Stock Certificate.	S-1	333-222125	4.10	February 1, 2018	
4.3	Form of Certificate of Designation of Preferences, Rights and Limitations of Series 3 Convertible Preferred Stock.	8-K	001-36404	3.1	February 16, 2018	
4.4	Form of Certificate of Designation of Preferences, Rights and Limitations of Series 4 Convertible Preferred Stock.	8-K	001-36404	3.1	April 24, 2018	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
4.5	Promissory Note issued by Inpixon Federal to Payplant Alternatives Fund, LLC on August 14, 2017.	8-K	001-36404	4.1	August 18, 2017	
4.6	Convertible Promissory Note by and between Inpixon and Chicago Venture Partners, L.P. dated November 17, 2017.	10-Q	001-36404	10.13	November 20, 2017	
4.7	Warrant to purchase common stock dated March 20, 2013 held by Bridge Bank N.A.	S-1	333-190574	4.3	August 12, 2013	
4.8	Warrant to purchase common stock dated August 29, 2013 held by Bridge Bank N.A.	S-1	333-191648	4.5	October 9, 2013	
4.9	Form of Warrant Agency Agreement.	S-1/A	333-218173	4.7	June 23, 2017	
4.10	Form of Additional Warrant.	8-K	001-36404	4.1	August 9, 2017	
4.11	Form of Warrant.	8-K	001-36404	4.1	January 9, 2018	
4.12	Form of Warrant.	8-K	001-36404	4.1	February 16, 2018	
4.13	Form of Warrant.	8-K	001-36404	4.1	April 24, 2018	
4.14	Form of Indenture	S-3	333-223960	4.16	March 27, 2018	
10.1	Form of Securities Purchase Agreement, dated January 5, 2018.	8-K	001-36404	10.1	January 9, 2018	
10.2	Placement Agency Agreement, dated January 5, 2018, by and between Inpixon and ROTH Capital Partners, LLC.	8-K	001-36404	10.2	January 9, 2018	
10.3	Third Amendment Agreement, dated January 5, 2018, by and between Inpixon and certain debenture holder.	8-K	001-36404	10.3	January 9, 2018	
10.4	Waiver and First Amendment Agreement, dated January 5, 2018, by and between Inpixon and certain note holder.	8-K	001-36404	10.4	January 9, 2018	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.5	Form of Lead-out Agreement, dated January 5, 2018.	8-K	001-36404	10.5	January 9, 2018	
10.6	Placement Agency Agreement, dated February 14, 2018, by and between Inpixon and ROTH Capital Partners, LLC.	8-K	001-36404	10.1	February 16, 2018	
10.7	Form of Securities Purchase Agreement.	8-K	001-36404	10.2	February 16, 2018	
10.8	Form of Leak-Out Agreement	8-K	001-36404	10.3	February 16, 2018	
10.9	Form of Lock-Up Agreement.	S-1/A	333-222125	10.63	February 7, 2018	
10.10	Form of Securities Purchase Agreement	8-K	001-36404	10.1	April 24, 2018	
10.11	Disclosure Schedules to Form of Securities Purchase Agreement					X
10.12	Placement Agency Agreement, dated April 20, 2018, by and between Inpixon and ROTH Capital Partners, LLC	8-K	001-36404	10.2	April 24, 2018	
10.13	Form of Lock-Up Agreement	8-K	001-36404	10.3	April 24, 2018	
10.14	Amended and Restated Employment Agreement by and between the Company and Nadir Ali.					X
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, 2018.					X
31.2	Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.					X
32.1	Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
99.1	Unaudited Pro Forma Financial Statements of Inpixon Following Divestiture					X
101.INS	XBRL Instant Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

Exhibit 10.11

COMPANY'S DISCLOSURE SCHEDULE

to the

SECURITIES PURCHASE AGREEMENT

by and among

INPIXON,

a Nevada corporation (the "Company")

and

Each of the Purchasers Identified on the Signature Pages thereto

Dated: April 20, 2018

3.1(a) Subsidiaries

A. List of the Company's Subsidiaries:

1. Inpixon USA

2. Inpixon Federal, Inc.

3. Inpixon Canada, Inc.

4. Sysorex India Limited

B. Liens

1. Payplant LLC has a first priority lien upon all of the assets of Inpixon USA and Inpixon Federal, Inc., as evidenced by the loan purchase agreements between Payplant and GemCap.

2. Avnet, Inc. and AVT Technology Solutions LLC have a junior subordinated lien on all inventory, goods or other tangible assets sold by Avnet to Inpixon USA and other certain personal property of Inpixon USA and also assets of the Company.

3.1(b) <u>Organization and Qualification</u>

None.

3.1(d) Conflicts

None.

3.1(e) Required Consents

None.

3.1(g)(i) Capitalization

As of April 19, 2018, the Company had 255,000,000 authorized shares of capital stock, par value $0.001 per share, of which 250,000,000 were shares of common stock and 5,000,000 were shares of "blank check" preferred stock. As of April 19, 2018, the Company had 9,339,291 shares of common stock outstanding and 237.25 shares of preferred stock designated as Series 3 Convertible Preferred Stock outstanding.

Please find below the number of shares of common stock beneficially owned by Affiliates of the Company as of the date of the Securities Purchase Agreement:

Name of Beneficial Owner	**Amount and nature of beneficial ownership**	**Percent of Class(1)**
Nadir Ali	4,206(2)	*
Bret Osborn	1,845(3)	*
Leonard Oppenheim	314(4)	*
Kareem Irfan	198(5)	*
Tanveer Khader	5,015(6)	*
Soumya Das	254(7)	*

* less than 1% of the issued and outstanding shares of common stock.

(1) Based on 9,339,291 shares outstanding on April 19, 2018.

(2) Includes (i) 1,267 shares of common stock held of record by Nadir Ali, (ii) 2,206 shares of common stock issuable to Nadir Ali upon exercise of an outstanding stock option, (iii) 122 shares of common stock held of record by Lubna Qureishi, Mr. Ali's wife and (iv) 611 shares of common stock held of record by the Qureishi Ali Grandchildren Trust. Mr. Ali is the joint-trustee (with his wife Lubna Qureishi) of the Qureishi Ali Grandchildren Trust and has voting and investment control over the shares held.

(3) Includes (i) 1,469 shares of common stock held of record by Mr. Osborn and (ii) 376 shares of common stock issuable to Bret Osborn upon exercise of outstanding stock options.

(4) Includes (i) 250 shares of common stock held of record by Mr. Oppenheim, and (ii) 64 shares of common stock issuable to Leonard Oppenheim upon exercise of outstanding stock options.

(5) Includes (i) 134 shares of common stock held of record by Mr. Irfan and (ii) 64 shares of common stock issuable to Kareem Irfan upon exercise of outstanding stock options.

(6) Includes (i) 4,817 shares of common stock owned directly by SyHolding Corp., (ii) 134 shares of common stock held of record by Mr. Khader and (iii) 64 shares of common stock issuable to Tanveer Khader upon exercise of outstanding stock options. Tanveer Khader holds the power to vote and dispose of the SyHolding Corp. shares.

(7) Includes (i) 156 shares of common stock held of record by Mr. Das and (ii) 98 shares of common stock issuable to Mr. Das upon exercise of outstanding stock options.

3.1(g)(ii) Capital stock issued since the Company's most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company's stock option plans, the issuance of shares of Common Stock to employees, officers, directors or consultants pursuant to the Company's employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act:

In connection with settlement negotiations with respect to ongoing litigation matters or other outstanding trade payables, the Company may issue shares of common stock pursuant to transactions in accordance with Section 3(a)(10) of the Securities Act.

3.1(g)(ii) Any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents

Pursuant to Section 4.11 of the securities purchase agreements, dated as of January 5, 2018, the purchasers are entitled to participate in this offering up to an amount equal to 30% of the offering at the same purchase price provided for in this offering.

3.1(g)(ii) Options, warrants and other rights to subscribe for or acquire, any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary

The Company is committed to issue the following additional securities:

- 105,606 shares of common stock authorized for issuance under our Amended and Restated 2011 Employee Stock Incentive Plan, as amended (the “2011 Employee Stock Incentive Plan”), of which 6,933 shares of common stock are underlying outstanding options having a weighted average exercise price of $683.32 per share and 98,673 shares of common stock are available for future issuance and up to an additional 3,000,000 shares of common stock which may be issued under the Company’s 2018 Employee Stock Incentive Plan if implemented by the Company’s board of directors and 1,389 shares of common stock underlying outstanding options not under the 2011 or 2018 Employee Stock Incentive Plan having a weighted average of $1,215.00 per share;

- 8,302,590 shares of common stock issuable upon the exercise of outstanding warrants, having a weighted average exercise price of $3.91 per share;

- 630,139 shares (the “November Note Shares”) of restricted common stock which may be issued upon the conversion of the outstanding principal balance of $1,745,000 plus $145,416 in interest that may accrue through the maturity date of an outstanding convertible promissory note issued on November 17, 2017 (as amended), as amended on January 5, 2018 (the “November Note”) subject to a most favored nation provision for dilutive issuances. The November Note is not convertible until the six month anniversary of the issue date of the November Note. The conversion price of the November Note may be reduced to a variable rate price that is equal to 70% of the closing bid price of the Company’s common stock as reported by the Nasdaq Stock Market as of the date immediately prior to each applicable conversion date subject to a floor of $3.00; and

- 44,000 shares of common stock reserved for issuance to investor relations firms; and

- up to 34,627,066 additional shares of common stock underlying the February 2018 Warrants as a result of the anti-dilution protection provisions that will be triggered upon consummation of this offering.

3.1(g)(iii) Required Issuances, Adjustments or Approvals

The Company is obligated to issue shares of common stock to Chicago Venture Partners, L.P. upon the conversion of the November Note (as defined in Schedule 3(g)(ii)) at a conversion price of $3.00 (the "Conversion Price").

Pursuant to the terms of the securities purchase agreements dated February 15, 2018, the issuance of the Securities will be considered a dilutive issuance triggering the requirement of the Company to issue additional shares of common stock at the floor price.

3.1(g)(iii) Redemption.

The convertible promissory note issued to Chicago Venture Partners, L.P. on November 17, 2017 allows the Company to redeem the note at its discretion.

Schedule 3.1(g)(iv) Stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's stockholders.

None.

3.1(i) Material Changes; Undisclosed Events, Liabilities or Developments

Spin-off

In connection with our strategic business plan, Inpixon intends to separate its value-added reseller business from the IPA business in Inpixon USA and then distribute its entire interest in Inpixon USA to Inpixon stockholders and certain warrant holders. This separation will be accomplished through a spin-off in which the Company intends to contribute its value-added reseller business to Inpixon USA, Inpixon USA will contribute any portion of the IPA business to the Company and then the Company will distribute its entire interest in Inpixon USA to its stockholders and certain warrant holders. While the revenues from the VAR business account for approximately 93% of our total revenues the Company believes the separation of the two entities will allow the Company to invest its capital and resources towards enhancing and developing its indoor positioning analytics technology in order to deliver faster innovations and grow its customer base. The spin-off is subject to numerous conditions, including, without limitation, the effectiveness of a Form 10 registration statement with the Securities and Exchange Commission, the approval for quotation of Inpixon USA's common stock on the OTCQB market of the OTC Markets Group, Inc., final approval from the Company's Board of Directors, and other customary conditions. No assurance can be provided as to the timing of the completion of the spin-off or that all conditions to the spin-off will be met.

3.1(j) Litigation

VersionOne

On March 1, 2017, VersionOne, Inc. filed a complaint in the United States District Court, Eastern District of Virginia, against Inpixon, Inpixon USA, and Inpixon Federal, Inc. (collectively, "Defendants"). The complaint alleges that VersionOne provided services to Integrio Technologies, LLC ("Integrio") having a value of $486,337, that in settlement of this amount Integrio and VersionOne entered into an agreement (the "Settlement Agreement") whereby Integrio agreed to pay, and VersionOne agreed to accept as full payment, $243,169 (the "Settlement Amount"), and that as a result of the Defendants' acquisition of the assets of Integrio, Defendants assumed the Settlement Amount but failed to pay amounts owed to VersionOne. The complaint also alleges that, subsequent to closing of the acquisition, VersionOne provided additional services to Defendants having a value of $144,724, for which it has not been paid. VersionOne alleges that, Defendants have an obligation to pay both the Settlement Amount and the cost of the additional services. On Dec. 8, 2017, the court in VersionOne entered judgment against Inpixon, Inpixon Federal, and Inpixon USA, jointly and severally, in the amount of $334,339.37. Inpixon and VersionOne have agreed to a payment plan of $40,000 per month for March, April and May 2018 and then $30,000 per month from June 2018 until fully-paid.

Embarcadero

On August 10, 2017, Embarcadero Technologies, Inc. ("Embarcadero") and Idera, Inc. ("Idera") filed a complaint in the U.S. Federal District Court for the Western District of Texas against Inpixon Federal, Inc. and Integrio Technologies, LLC ("Integrio") for failure to pay for purchased software and services pursuant to certain reseller agreements. The complaint alleges that Inpixon Federal, Inc. entered into an agreement with Integrio to acquire certain assets and assume certain liabilities of Integrio and are therefore responsible for any amounts due. In the complaint, Embarcadero and Idera demand that Inpixon Federal, Inc. and Integrio pay $1,100,000.00 in damages. On April 10, 2018, Embarcadero filed a motion for summary judgment. The parties are currently in settlement negotiations.

Micro Focus

On August 11, 2017, Micro Focus (US) Inc. ("Micro Focus"), filed a complaint in the Circuit Court of Fairfax County, Virginia against Inpixon Federal, Inc. ("Inpixon Federal") for failure to pay a debt settlement entered into on March 13, 2017 for a principal amount of $245,538.33 plus accrued interest. The complaint demands full payment of the principal amount of $245,538.33 plus accrued interest. On October 31, 2017, Micro Focus filed a motion for summary judgment against Inpixon Federal. The Company consented to the court entering summary judgment in favor of Micro Focus in the amount of $245,538.33, with interest accruing at 10% per annum from June 13, 2017 until payment is completed and the parties are currently in settlement negotiations regarding a payment plan.

Virtual Imaging

On December 28, 2017, Virtual Imaging, Inc. (“Virtual Imaging”) filed a complaint in the United States District Court, Eastern District of Virginia, against Inpixon USA, and Inpixon Federal, Inc. (collectively, “Defendants”). The complaint alleges that Virtual Imaging provided products to the Defendants having an aggregate value of $3,938,390.28, of which $3,688,390.88 remains outstanding and overdue. Virtual Imaging has demanded compensation for the unpaid amount. We have filed a response and the parties are currently in settlement negotiations.

Deque

On January 22, 2018, Deque Systems, Inc. filed a motion for entry of default judgment (the “Motion”) against Inpixon Federal, Inc. (“Inpixon Federal”) in the Circuit Court of Fairfax County, Virginia. The Motion alleges that Inpixon Federal failed to respond to a complaint served on November 22, 2017. The Motion requests a default judgment in the amount of $336,000. A trial is currently scheduled for September 12, 2018, however, the parties are currently in settlement negotiations.

AVT Technology Solutions

On April 6, 2018, AVT Technology Solutions, LLC, filed a complaint in the United States District Court Middle District of Florida Tamp Division against Inpixon and Inpixon USA alleging breach of contract, breach of corporate guaranty and unjust enrichment in connection with non-payment for goods received and requesting a judgment in an amount of not less than $9,152,698.71. We have not yet filed a response to such complaint.

Atlas Technology Group, LLC

On March 19, 2018, Inpixon was notified by Atlas Technology Group, LLC (“Atlas”) that it believes the Inpixon’s recent financing transactions completed in the first quarter of 2018 triggered the requirement for Inpixon to pay a minimum project fee in an amount equal to $1 million less certain amounts previously paid in connection with the “Tail Period” described in that certain agreement, dated September 6, 2018, by and between Inpixon and Atlas. On April 18, 2018, Atlas filed a demand for arbitration with the American Arbitration Association. Inpixon intends to contest the case vigorously.

3.1(l) Compliance

None.

3.1(o) Title to Assets

1. Payplant LLC has a first priority lien upon all of the assets of Inpixon USA and Inpixon Federal, Inc., as evidenced by the loan purchase agreements between Payplant and GemCap.
2. Avnet, Inc. and AVT Technology Solutions LLC have a junior subordinated lien on all inventory, goods or other tangible assets sold by Avnet to Inpixon USA and other certain personal property of Inpixon USA and also assets of the Company.
3. Dell Marketing, L.P. has a lien on all of the Dell-branded equipment and any related equipment, attachments and accessories in the possession of Inpixon USA.
4. Arrow Enterprise Computing Solutions, Inc. has a security interest in the electronic merchandize and other products it sold to Inpixon USA and any right to payment relating to these products.

3.1(r) Transactions With Affiliates and Employees

None.

3.1(v) Registration Rights

The Company was required to register within 90 calendar days of January 5, 2018, to file a registration statement on Form S-3 (or other appropriate form if the Company is not then S-3 eligible) providing for the resale by the January Purchasers (as defined in Schedule 3.1(g)(ii)) of the shares of Common Stock underlying those certain warrants issued pursuant to that certain Securities Purchase Agreement, dated January 5, 2018, by and among the company and the January Purchasers. The Company filed the registration statement on Form S-3 on March 27, 2018, which has not been declared effective by the U.S. Securities and Exchange Commission.

The Company is required to use commercially reasonable efforts to cause such registration to become effective within 181 days following January 5, 2018 and to keep such registration statement effective at all times until the earlier of the date on which no January Purchaser owns any warrants or shares of Common Stock issuable upon exercise thereof or such date on which the shares of Common Stock issuable upon exercise of the warrants may be resold in accordance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144.

3.1(w) Listing and Maintenance Requirements

Listing Requirements

On May 19, 2017, we received written notice from the Listing Qualifications Staff of Nasdaq notifying us that we no longer comply with Nasdaq Listing Rule 5550(b)(1) due to our failure to maintain a minimum of $2,500,000 in stockholders' equity (the "Minimum Stockholders' Equity Requirement") or any alternatives to such requirement.

On October 24, 2017, we received notification (the "Staff Delisting Determination") from Nasdaq that we have not regained compliance with the Minimum Stockholders' Equity Requirement. The Company appealed the Staff Delisting Determination and requested a hearing that was held on December 7, 2017. As a result, the suspension and delisting was stayed pending the issuance of a written decision by the Nasdaq Hearings Panel (the "Panel").

By decision dated December 14, 2017, the Panel granted the Company's request for a further extension, through April 23, 2018, to evidence compliance with the $2,500,000 stockholders' equity requirement. The Company's continued listing on Nasdaq through April 23, 2018 and thereafter is subject to the Company's compliance with certain interim milestones, which, if not timely satisfied, may result in the delisting of the Company's common stock from Nasdaq.

As of December 31, 2017, we had a stockholder's deficit equal to $18,853,000 and therefore, were not compliant with the stockholder's equity requirement as of such date. While we have raised net proceeds of approximately $18 million since December 31, 2018 prior to taking into account the securities issued in this offering, and believe that the proceeds received from this offering will satisfy the stockholders' equity requirement as of April 23, 2018, however, evidence of the ability to maintain compliance will be required. We are pursuing actions to maintain compliance including, but not limited to the contemplated spin-off of our Infrastructure segment, but there are no assurances that any such transaction will be consummated or that the transaction will be sufficient to satisfy Nasdaq that the Company will be able to maintain compliance in the long term.

On August 14, 2017, we received a deficiency letter from Nasdaq indicating that, based on our closing bid price for the last 30 consecutive business days, we do not comply with the minimum bid price requirement of $1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we had a grace period of 180 calendar days, or until February 12, 2018, to regain compliance with the minimum closing bid price requirement for continued listing. We effected a 1-for-30 reverse stock split on February 6, 2018 in response to our non-compliance with the minimum bid price requirement and as of the date of this filing we have achieved compliance with the minimum bid price requirement, however, since then market price for or common stock has declined to less than $1.00. Therefore there are no assurances that we will be able to continue to maintain such compliance.

3.1(aa) Solvency

Debt*	Amount of Debt
Convertible Promissory Note dated as of November 17, 2017	$ 1,745,000(1)
Payplant (AR facility)	$ 2,800

* Excludes trade debt payable.

(1) The descriptions of the November Note described herein are incorporated to this Schedule 3.1(aa) by reference.

3.1(dd) Accountants

Marcum LLP

750 Third Avenue

New York, NY 10017

4.9 Use of Proceeds

We expect to use the net proceeds received from this offering for working capital, general corporate purposes (including research and development, sales and marketing and the satisfaction of outstanding amounts payable to our vendors in connection with trade payables) and transaction expenses. Additionally, we may use a portion of the net proceeds of this offering to finance acquisitions of, or investments in, competitive and complementary businesses, products or services as a part of our growth strategy. However, we currently have no commitments with respect to any such acquisitions or investments.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement ("Agreement"), effective May 15, 2018 (the "Effective Date"), is entered into by and between Inpixon (the "Employer" or the "Company" or "Parent Company") and Nadir Ali (the "Employee" or "Executive") and amends and restates in its entirety that certain Employment and Non-Competition Agreement, dated as of July 1, 2010.

WITNESSETH:

WHEREAS, Employer desires to employ Employee to serve as Chief Executive Officer of the Company, and Employee desires to be employed by Employer in such capacity pursuant to the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, it is agreed as follows:

1. EMPLOYMENT: DUTIES AND RESPONSIBILITIES

Employer hereby employs Employee as Chief Executive Officer of the Company. Employee shall perform those duties and hold those responsibilities that are usual and customary for a Chief Executive Officer to perform and hold. Employee shall primarily perform his job duties at the Company's offices located in Palo Alto, California.

2. FULL TIME EMPLOYMENT

Employee hereby accepts employment by Employer, upon the terms and conditions contained herein, and agrees that during the term of this Agreement the Employee shall devote substantially all of his business time, attention, and energies to the business of the Employer. Employee, during the term of this Agreement, will not perform any services for any other business entity which conflicts with the business of Employer; provided, however, that nothing herein contained shall be construed as (a) preventing Employee from investing his personal assets in any business or businesses which do not compete directly or indirectly with the Employer, (b) preventing Employee from purchasing securities in any corporation whose securities are regularly traded, if such purchases shall not result in his owning beneficially, at any time, more than 10% of the equity securities of any corporation engaged in a business which is competitive, directly or indirectly, to that of Employer, (c) preventing Employee from engaging in any other activities, if he receives the prior written approval of the Company with respect to his engaging in such activities.

3. RECORDS

In connection with his engagement hereunder, Employee shall accurately maintain and preserve all notes and records generated by Employer, which relate to Employer and its business and shall make all such reports, written if required, as Employer may reasonably require.

4. TERM

Employee's employment hereunder shall be for a three (3) year period (the "Initial Term"), which shall commence May 15, 2018 (the "Start Date"). Thereafter, this Agreement shall automatically be renewed for additional two (2) year periods (each a "Subsequent Term"), unless such renewal is objected to by either the Company or the Executive upon 90 days written notice prior to the commencement of the next Subsequent Term and subject to Section 14 hereof. In the event of renewal, the last day of each Subsequent Term shall be deemed the new Expiration Date.

5. SALARY AND BONUS

As full compensation for the performance of his duties on behalf of Employer, Employee shall be compensated as follows:

(i) Base Salary. During the Initial Term and Subsequent Term (if applicable), Employer shall pay Employee a base salary at the rate of Two Hundred & Eighty Thousand Dollars ($280,000.00) per annum, payable semi-monthly ("Base Salary"). The Base Salary shall be reviewed annually by or pursuant to authority granted by the Board in connection with its annual review of executive compensation to determine if such Base Salary should be increased (but not decreased) for the following year in recognition of services to the Company. The Base Salary shall be payable at such intervals in conformity with the Company's prevailing practice as such practice shall be established or modified from time to time.

(ii) Bonuses. In addition to Base Salary, Employee shall also be eligible for inclusion in any executive bonus pools, discretionary performance bonuses for financings, acquisitions, material transactions or deferred compensation or commission plans that the Company may establish in its sole discretion or the Compensation Committee or Board may approve in its sole discretion provided however, that any bonuses, shall be subject to Section 14 hereof.

6. EQUITY

(i) Stock Option Grant. Employee shall also be eligible to participate in the equity based incentive plans of the Company and may receive awards thereunder, as determined by the Compensation Committee of the Company from time to time and subject to the terms and conditions of such plans and any award agreement between the Company and Employee evidencing such awards. Notwithstanding the foregoing, nothing in this Paragraph 6(i) shall be construed to extend the duration of this Agreement or Employee's employment by the Company beyond the expiration of the Subsequent Term.

(ii) Change of Control. In the event of a reorganization, merger or consolidation in which the Company is not the surviving corporation, or sale of all or substantially all of the assets of the Company to another person or entity (each a "Material Transaction"), the vesting of each outstanding stock option shall automatically be accelerated so that 100% of the unvested shares covered by such award shall be fully vested upon the consummation of the Material Transaction.

A "Change of Control" as used in this Section 6 shall mean any of the following:

(i) any consummation of a reorganization, consolidation, merger, statutory share exchange or similar transaction involving the Company or any of its subsidiaries or sale of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's stock would be converted into cash, securities or other property; or

(ii) the stockholders of the Company approve an agreement for the sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; or

(iii) any approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or

(iv) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act of an aggregate of 25% or more of either the then-outstanding shares of common stock of the Company or of the voting power of the Company's outstanding voting securities by any single person or group (as such term is used in Rule 13d-5 under the Exchange Act), unless such acquisition was approved by the Board of Directors prior to the consummation thereof); or

(v) individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election, by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors

(vi) the appointment of a trustee in a Chapter 11 bankruptcy proceeding involving the Company or the conversion of such a proceeding into a case under Chapter 7.

7. BUSINESS EXPENSES

The Employer shall pay or reimburse the Employee for all reasonable business expenses incurred by Employee in the performance of his duties hereunder including, but not limited to, lodging and travel expenses relating to Company business, mobile phone and data usage, customer entertainment and certain pre-approved home office expenses not paid directly by the Company. To the extent that Employee travels to the Company's Palo Alto, California office, the Company shall reimburse Employee for all reasonable travel, lodging and other out-of-pocket costs resulting from such travel. Reimbursement for the foregoing expenses will be made in accordance with regular Company policy and within a reasonable period following Employee's presentation of the details of, and proof of, such expenses. The Company shall make an additional Benefits Gross-Up Payment to Employee to the extent Employee incurs any tax liability related to payment or reimbursement of said travel and living expenses. For purposes of this Agreement, "Benefits Gross-Up Payment" shall mean an amount such that, after payment by Employee of all income and employment taxes (and any interest and/or penalties imposed with respect to such taxes, other than interest or penalties imposed as a result of any wrongful act or omission by Employee) as a result of Employee's receipt of a specified benefit under this Agreement, including, any taxes (and any interest and/or penalties imposed with respect thereto, other than interest or penalties imposed as a result of any wrongful act or omission by Employee) imposed upon the Benefits Gross-Up Payment, Employee retains an amount of the Benefits Gross-Up Payment equal to all such taxes imposed on Employee's receipt of such benefits.

8. FRINGE BENEFITS

(i) During the term of this Agreement, Employer shall provide medical, dental, and vision insurance coverage to Employee, his spouse and his children, to the same extent, and on the same terms and conditions, it shall provide such coverage to other senior management employees of the Company.

(ii) During the term of this Agreement, Employee shall be permitted to participate in the Company's 401K Plan, to the same extent, and on the same terms and conditions, other senior management employees of the Company shall be permitted to participate.

(iii) During the term of this Agreement, Employer shall provide to Employee four (4) weeks paid vacation days per year, which shall accrue monthly from the Start Date and not subject to accrual limitations.

(iv) During the term of this Agreement, Employer shall provide paid sick days to Employee, to the same extent, and on the same terms and conditions, it shall provide such paid time off to other senior management employees of the Company.

(v) During the term of this Agreement, Employer shall provide housing allowance at a monthly amount determined by the Compensation Committee but not lower than any amount in the prior year. The Employee shall also receive transportation allowance no less than $1,000 per month based on Company policies or as determined by the Compensation Committee.

9. SUBSIDIARIES

For the purposes of this Agreement all references to business products, services and sales of Employer shall include those of Employer's subsidiaries and/or affiliates.

10. INVENTIONS

All systems, inventions, discoveries, apparatus, techniques, methods, know-how, formulae or improvements made, developed or conceived by Employee during Employee's employment by Employer, whenever or wherever made, developed or conceived, and whether or not during business hours, which constitute an improvement, on those heretofore, now or at any time during Employee's employment, developed, manufactured or used by Employer in connection with the manufacture, process or marketing of any product heretofore or now or hereafter developed or distributed by Employer, or any services to be performed by Employer or of any product which shall or could reasonably be manufactured or developed or marketed in the reasonable expansion of Employer's business, shall be and continue to remain Employer's exclusive property, without any added compensation to Employee, and upon the conception of any and every such invention, process, discovery or improvement and without waiting to perfect or complete it, Employee promises and agrees that Employee will immediately disclose it to Employer and to no one else and thenceforth will treat it as the property and secret of Employer.

Employee will also execute any instruments requested from time to time by Employer to vest in it complete title and ownership to such invention, discovery or improvement and will, at the request of Employer, do such acts and execute such instruments as Employer may require, but at Employer's expense to obtain Letters of Patent, trademarks or copyrights in the United States and foreign countries, for such invention, discovery or improvement and for the purpose of vesting title thereto in Employer, all without any additional compensation of any kind to Employee. Employer hereby notifies Employee that the provisions of this Section 10 do not apply to any inventions for which no equipment, supplies, facilities or trade secret information of the Employer was used and which was developed entirely on the Employee's own time, unless (x) such invention relates to the past, actual or planned business or activities of the Employer, including, without limitation, research and development or (y) such invention results in any way from any work performed by the Employee for the Employer.

11. CONFIDENTIAL INFORMATION AND TRADE SECRETS

(i) All Confidential Information shall be the sole property of Employer. Employee will not, during the period of his employment for any reason, disclose to any person or entity or use or otherwise exploit for Employee's own benefit or for the benefit of any other person or entity any Confidential Information which is disclosed to Employee or which becomes known to Employee in the course of his employment with Employer without the prior written consent of an officer of Employer except as may be necessary and appropriate in the ordinary course of performing his duties to Employer during the period of his employment with Employer. For purposes of this Section 11(i), "Confidential Information" shall mean any data or information belonging to Employer, other than Trade Secrets, that is of value to Employer and is not generally known to competitors of Employer or to the public, and is maintained as confidential by Employer, including but not limited to non-public information about Employer's clients, executives, key contractors and other contractors and information with respect to its products, designs, services, strategies, pricing, processes, procedures, research, development, inventions, improvements, purchasing, accounting, engineering and marketing (including any discussions or negotiations with any third parties). Notwithstanding the foregoing, no information will be deemed to be Confidential Information unless such information is treated by Employer as confidential and shall not include any data or information of Employer that has been voluntarily disclosed to the public by Employer (except where such public disclosure has been made without the authorization of Employer), or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

(ii) All Trade Secrets shall be the sole property of Employer. Employee agrees that during his employment with Employer and forever after his termination, Employee will keep in confidence and trust and will not use or disclose any Trade Secret or anything relating to any Trade Secret, or deliver any Trade Secret, to any person or entity outside Employer without the prior written consent of the Board of Directors. For purposes of this Section 11(ii), "Trade Secrets" shall mean any scientific, technical and non-technical data, information, formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, financial plan, product plan or list of actual or potential customers or vendors and suppliers of Employer or any portion or part thereof, whether or not copyrightable or patentable, that is of value to Employer and is not generally known to competitors of Employer or to the public, and whose confidentiality is maintained, including unpatented and un-copyrighted information relating to Employer's products, information concerning proposed new products or services, market feasibility studies, proposed or existing marketing techniques or plans and customer consumption data, usage or load data, and any other information that constitutes a trade secret as defined in the California Uniform Trade Secrets Act that appears at Sections 3426-3426.11 of the California Civil Code, in each case to the extent that Employer, as the context requires, derives economic value, actual or potential, from such information not being generally known to, and not being readily ascertainable by proper means by, other persons or entities who can obtain economic value from its disclosure or use.

12. NON-SOLICITATION OF EMPLOYEES

During the term of Employee's employment and for six-months thereafter, Employee will not cause or attempt to cause any employee of Employer to cease working for Employer. However, this obligation shall not affect any responsibility Employee may have as an employee of Employer with respect to the bona fide hiring and firing of Employer's personnel.

13. NON-SOLICITATION OF CUSTOMERS AND PROSPECTIVE CUSTOMERS

Employee will not, during the period of his employment for any reason, directly or indirectly, solicit the business of any customer of Employer for the purpose of, or with the intention of, selling or providing to such customer any product or service in competition with any product or service sold or provided by Employer. For a period of six-months after the termination of Employee's employment, Employee will not, directly or indirectly, use any of the Employer's Trade Secrets in order to induce any of the Employer's customers to cease doing business with Employer or to induce them to become the customer of any other person or entity.

14. TERMINATION

The Company may not terminate the Executive's employment during any Term or Subsequent Term without Just Cause. Employee may be terminated for Just Cause or Employee may terminate his employment as follows.

(a) Termination by Employer For Just Cause.

(i) Employer may terminate Employee's employment hereunder for Just Cause (as defined below) at any time upon delivery of written notice to Employee.

For purposes of this Agreement, the phrase "Just Cause" means: (A) Employee's fraud, gross malfeasance, gross negligence, or willful misconduct, with respect to Employer's business affairs; (B) Employee's refusal or repeated failure to follow Employer's established reasonable and lawful policies; (C) Employee's material breach of this Agreement; or (D) Employee's conviction of a felony or crime involving moral turpitude. A termination of Employee for Just Cause based on clause (A), (B) or (C) of the preceding sentence will take effect thirty (30) days after Employer gives written notice of its intent to terminate Employee's employment and Employer's description of the alleged cause, unless Employee, in the good-faith opinion of Employer, during such thirty (30)-day period, remedies the events or circumstances constituting Just Cause. In connection with a determination of Cause, a majority of the Board shall make such determination at a meeting of the Board called and held for such purpose (after reasonable notice to Employee and an opportunity for Employee, together with counsel, to be heard before the Board).

(ii) If Employee's employment hereunder is terminated by Employer for Just Cause, Employer will be required to pay to Employee for six months of his Base Salary plus housing and transportation allowance; any and all accrued but unpaid commissions and bonuses (including but not limited to annual bonuses; discretionary bonuses; performance bonuses; discretionary compensation; etc.) that Employee otherwise would have received pursuant to Section 5 hereof and accrued but unused vacation pay that has been earned through the date of termination and pay to Employee any unreimbursed business expenses and travel expenses that are reimbursable under this Agreement that have been incurred by Employee, subject to the submission of any required documentation.

(b) Termination by Employee for Good Reason.

(i) Employee may terminate his employment hereunder at any time for any reason other than a Good Reason, upon 30 days prior written notice.

(ii) Employee may terminate his employment hereunder for Good Reason by providing 30 days prior written notice. For purposes of this Agreement, "Good Reason" means: (a) a material reduction in the Executive's Base Salary; (b) a material diminution in the Executive's responsibilities as CEO of the Parent Company; (c) the assignment of duties to the Executive materially inconsistent with his position as CEO; (d) the requirement that the Executive relocate his primary place of employment more than 20 miles from Executive's Office (unless such location is closer to the Executive's primary residence); (e) the Company's material breach of this Agreement; provided that Good Reason based on a material breach shall exist only if within 90 days of the Company's act or omission resulting in a material breach, the Executive notifies the Company in a writing of the act or omission, the Company fails to correct the act or omission within 30 days after receiving the Executive's written notice; or (f) following a Change of Control, Employee ceases to hold the position of Chief Executive Officer at either the ultimate parent entity of the Company after a Change of Control, Employer shall: (1) continue to pay to Employee his Base Salary plus housing and transportation allowance and commissions Employee would have otherwise received, subject to customary payroll practices and withholdings, for twenty-four (24) months; (2) upon termination or resignation, pay to Employee the value of 2x of any and all bonuses (including but not limited to annual bonuses; discretionary bonuses; performance bonuses; discretionary compensation; etc.) that Employee otherwise would have potentially received pursuant to Section 5 hereof; (3) upon termination or resignation, pay to Employee the value of any accrued but unpaid vacation time; (4) a lump sum payment equal to 24 months of COBRA premiums based on the terms of Company's group health plan and Executive's coverage under such plan as of the date of Termination (regardless of any COBRA election actually made by Executive or the actual COBRA coverage period under the Company's group health plan); (5) upon termination or resignation, pay to Employee any unreimbursed business expenses and travel expenses that are reimbursable under this Agreement that have been incurred by Employee, subject to the submission of any required documentation and (6) full vesting of the Employee in any and all previously granted outstanding equity-based incentive awards subject to time-based vesting criteria.

(c) Disability and Death.

Employee’s employment hereunder will be terminated immediately upon (i) Employee’s “Disability” for a period exceeding three (3) months in any twelve (12) month period, or (ii) Employee’s death. For purposes of this Agreement, “Disability” means Employee’s incapacity due to any physical or mental illness or injury, as determined by a licensed health care provider, which renders Employee unable to perform the essential functions of his position, even with reasonable accommodation(s). Employee warrants, represents and agrees that holding open his position for a period in excess of those provided in this paragraph would not be a reasonable accommodation and would impose an undue hardship on Employer. If Employee’s employment is terminated due to such Disability or death, Employer will be required to pay to Employee or Employee’s estate, as the case may be, unrelated to any amounts that Employee may receive pursuant to any short-term and long-term disability plans or life insurance plans (as applicable), only his Base Salary plus housing and transportation allowance for twelve months; a pro-rata portion of the Executive’s Annual Bonus pursuant to Section 5 hereof, if any, for the fiscal year in which the Employee’s termination occurs (determined by multiplying the amount of such bonus which would be due for the full fiscal year by a fraction, the numerator of which is the number of days during the fiscal year of termination that the Executive is employed by the Company and the denominator of which is 365) payable at the same time bonuses for such year are paid to other senior executives of the Company; any accrued but unpaid vacation pay earned through the date of termination, and to the extent required under the terms of any benefit plan or this Agreement, the vested portion of any benefit under such plan; pay to Employee any unreimbursed business expenses and travel expenses that are reimbursable under this Agreement that have been incurred by Employee, subject to the submission of any required documentation; and a lump sum payment equal to 12 months of COBRA premiums based on the terms of Company’s group health plan and Executive’s coverage under such plan as of the date of Termination (regardless of any COBRA election actually made by Executive or the actual COBRA coverage period under the Company’s group health plan). Employee or Employee’s estate, as the case may be, will not by operation of this provision forfeit any rights in which Employee is vested at the time of Employee’s Disability or death.

(d) Effect of Termination on Officer and Board Positions. Any termination of the Executive with respect to the Executive’s standing as an executive officer or Board Member must expressly designate which such role is subject to termination. The termination of the Executive as an Officer will not thereby terminate the Executive’s Board status unless the termination so states, in which event the Executive shall resign his Board position as a condition to receiving any of the payments set forth in this Section 14.

(e) No Mitigation or Offset. In the event of any termination of Executive’s employment hereunder, Executive shall be under no obligation to seek other employment or otherwise mitigate the obligations of the Company under this Agreement, and there shall be no offset against any amounts due under this Agreement on account of any remuneration attributable to any subsequent employment that Executive may obtain.

(f) D&O Insurance. At the request of the Executive, the Company obtain and continue for as long as Executive is employed by the Company, directors’ and officers’ insurance coverage at levels no less than $5,000,000 with an insurance company rated “A” or higher.

15. ARBITRATION

(i) In the event that there shall be a dispute among the parties arising out of or relating to this Agreement, or the breach thereof (a "Dispute"), the parties agree that such Dispute shall be resolved by final and binding arbitration before a single arbitrator in Palo Alto, California (or within 25 miles thereof), administered by the American Arbitration Association (the "AAA"), in accordance with AAA's Employment ADR Rules then in effect. The arbitrator's decision shall be final and binding upon the parties, and may be entered and enforced in any court of competent jurisdiction by either of the parties. The arbitrator shall have the power to grant temporary, preliminary and permanent relief, including without limitation, injunctive relief and specific performance.

(ii) The Company and Employee shall each pay half of the direct costs and expenses of the arbitration, including arbitration and arbitrator fees. Except as otherwise provided by statute, Employee and the Company are responsible for their respective attorneys' fees incurred in connection with enforcing this Agreement. Employee and the Company agree that, to the extent permitted by law, the arbitrator may, in his or her discretion, award reasonable attorneys' fees to the prevailing party.

16. SECTION 409A COMPLIANCE

(i) This Agreement is intended to comply with the requirements of Section 409A of the Code and regulations promulgated thereunder ("Section 409A"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that no payments due under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Employee, directly or indirectly, designate the calendar year of payment. Notwithstanding anything contained herein to the contrary, Employee shall not be considered to have terminated employment with Employer unless he would be considered to have incurred a "termination of employment" from Employer within the meaning of Treasury Regulation §1.409A-1(h)(1)(ii).

(ii) Notwithstanding the foregoing, if necessary to comply with the restriction in Section 409A(a)(2)(B) of the Internal Revenue Code of 1986, as amended (the "Code") concerning payments to "specified employees," any payment on account of Employee's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following Employee's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction, together with interest on such cumulative amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination. For purposes of Section 17 hereof, Employee shall be a "specified employee" for the 12-month period beginning on the first day of the fourth month following each "Identification Date" if he is a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) thereof) of Employer at any time during the 12-month period ending on the "Identification Date." For purposes of the foregoing, the Identification Date shall be December 31.

(iii) All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during Employee's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit.

17. MISCELLANEOUS

(a) If any provision of this Agreement shall be declared, by a court of competent jurisdiction or arbitrator, to be invalid, illegal or incapable of being enforced in whole or in part, the remaining conditions and provisions or portions thereof shall nevertheless remain in full force and effect and enforceable to the extent they are valid, legal and enforceable, and no provision shall be deemed dependent upon any covenant or provision so expressed herein.

(b) The parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement, which are not set forth herein. The provisions of this Agreement may not be amended, supplemented, waived, or changed orally, but only in writing and signed by Employee and a duly authorized officer of the Company.

(c) The rights, benefits, duties and obligations under this Agreement shall inure to, and be binding upon, the Employer, its successors and assigns, and upon the Employee and his legal representatives, heirs and legatees. This Agreement constitutes a personal service agreement, and the performance of the Employee's obligations hereunder may not be transferred or assigned by the Employee.

(d) The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement, on the part of either party, shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(e) During the Term and through the second anniversary of the Termination Date, the Executive will not make public statements or communications that disparage the Company or any of its businesses, services, products, affiliates or current, former or future directors and executive officers in their capacity as such. During the Term and through the second anniversary of the Termination Date, the Company will instruct its directors and executives not to make public statements or communications that disparage the Executive. The foregoing obligations shall not be violated by truthful statements to any governmental agency or entity, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

(f) Indemnification. During the Term and thereafter, the Company shall indemnify and hold the Executive and the Executive's heirs and representatives harmless, to the maximum extent permitted by law, against any and all damages, costs, liabilities, losses and expenses (including reasonable attorneys' fees) as a result of any claim or proceeding (whether civil, criminal, administrative or investigative), or any threatened claim or proceeding (whether civil, criminal, administrative or investigative), against the Executive that arises out of or relates to the Executive's service as an officer, director or employee, as the case may be, of the Company, or the Executive's service in any such capacity or similar capacity with any affiliate of the Company or other entity at the Company's request, both prior to and after the Effective Date, and to promptly advance to the Executive or the Executive's heirs or representatives such expenses, including litigation costs and attorneys' fees, upon written request with appropriate documentation of such expense upon receipt of an undertaking by the Executive or on the Executive's behalf to repay such amount if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Company. During the Term and thereafter, the Company also shall provide the Executive with coverage under its then current directors' and officers' liability policy to the same extent that it provides such coverage to its other executive officers. If the Executive has any knowledge of any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, as to which the Executive may request indemnity under this provision, the Executive will give the Company prompt written notice thereof; provided that the failure to give such notice shall not affect the Executive's right to indemnification. The Company shall be entitled to assume the defense of any such proceeding and the Executive will use reasonable efforts to cooperate with such defense. To the extent that the Executive in good faith determines that there is an actual or potential conflict of interest between the Company and the Executive in connection with the defense of a proceeding, the Executive shall so notify the Company and shall be entitled to separate representation at the Company's expense by counsel selected by the Executive (provided that the Company may reasonably object to the selection of counsel within 10 business days after notification thereof) which counsel shall cooperate, and coordinate the defense, with the Company's counsel and minimize the expense of such separate representation to the extent consistent with the Executive's separate defense. This Section shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of California, without reference to its conflict-of-law rules.

Signature Page Follows

IN WITNESS WHEREOF, this employment agreement is dated as of the 15th day of May 2018.

On Behalf of Employer:

INPIXON

By: /s/ Wendy Loundermon
Wendy Loundermon, CFO

By: /s/ Nadir Ali
Nadir Ali, Employee/Executive

Exhibit 31.1

CERTIFICATION

I, Nadir Ali, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 15, 2018

/s/ Nadir Ali

Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Wendy Loundermon, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15-d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 15, 2018

/s/ Wendy Loundermon
Wendy Loundermon
VP of Finance
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the periodic report of Inpixon (the "Company") on Form 10-Q for the period ended March 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), we, Nadir Ali, Chief Executive Officer (Principal Executive Officer) and Wendy Loundermon, VP of Finance (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 15, 2018

/s/ *Nadir Ali*
Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

/s/ *Wendy Loundermon*
Wendy Loundermon
VP of Finance
(Principal Financial and Accounting Officer)

Exhibit 99.1

INPIXON AND SUBSIDIARIES
INTRODUCTION TO PRO FORMA CONDENSED
COMBINED FINANCIAL STATEMENTS

The Company's strategic business plans include a sale, spin-off or other possible divesture of its Infrastructure Segment, which would separate Inpixon USA and Inpixon Federal, the subsidiaries that have the commercial and federal VAR business. In connection with such a transaction it is anticipated that the employees, assets and liabilities associated with the VAR business and those subsidiaries would be retained by Inpixon USA as its own separate stand-alone publicly traded company. Inpixon Federal would be a wholly-owned subsidiary of Inpixon USA. Employees, assets and liabilities related to the Indoor Positioning Analytics business or product segment including AirPatrol, Shoom and Lightminer in Inpixon USA will be contributed up to the parent Inpixon. The following unaudited pro forma financial information presents the consolidated results of operations of the Company as if such a divesture had occurred as of January 1, 2018. The pro forma does not necessarily (1) reflect the results of operations that would have occurred had the entities been a stand-alone company during those periods, (2) the terms of any consideration that may be delivered to the Company in connection with a sale, (3) the impact of a dividend distribution in the event of a spin-off or (4) the contribution by Inpixon to Inpixon USA of any cash amounts to support its operations following the divesture. The unaudited proforma information is presented for illustration purposes only in accordance with the assumptions set forth above and below.

Pro Forma Condensed Combined Balance Sheet
March 31, 2018
(In thousands)
(UNAUDITED)

	Inpixon Consol Balance Sheet	(A) Less: Divestiture	Proforma Balance Sheet
Assets			
Current Assets			
Cash and Cash Equivalents	6,694	(330)	6,364
Accounts Receivable, net	1,202	(714)	488
Notes and Other Receivables	218	(168)	50
Inventory	863	(7)	856
Prepaid Assets and Other Current Assets	1,643	(113)	1,530
Total Current Assets	10,620	(1,332)	9,288
Property and Equipment, net	419	(143)	276
Software Development Costs, net	1,772	-	1,772
Intangible Assets, net	11,355	(4,593)	6,762
Goodwill	636	-	636
Other Assets	350	(13)	337
Total Assets	25,152	(6,081)	19,071
Liabilities			
Accounts Payable	22,020	(21,325)	695
Accrued Liabilities	1,724	(873)	851
Deferred Revenue	27	-	27
Short-Term Debt	1,828	-	1,828
Total Current Liabilities	25,599	(22,198)	3,401
Long Term Liabilities			
Long-Term Debt	142	-	142
Other Liabilities	108	(40)	68
Acquisition Liability - Integrio	420	(420)	-
Total Liabilities	26,269	(22,658)	3,611
Stockholders' Deficit			
Common Stock	10	-	10
Additional Paid-in Capital	98,979	-	98,979
Treasury Stock, at cost	(695)	-	(695)
Accumulated other comprehensive income	24	-	24
Accumulated Deficit	(99,441)	16,577	(82,864)
Stockholders' Deficit Attributable to Inpixon	(1,123)	16,577	15,454
Non-Controlling Interest	6	-	6
Total Stockholders' Deficit	(1,117)	16,577	15,460
Total Liabilities and Stockholders' Deficit	25,152	(6,081)	19,071

(A) Spin-off of Infrastructure Segment/divestiture of Inpixon USA and Inpixon Federal, the subsidiaries that have the commercial and federal VAR business

Pro Forma Condensed Combined Statements of Operations
For the Three Months Ended March 31, 2018
(In thousands)
(UNAUDITED)

	Inpixon Consol	(A) Less: Divestiture	Proforma Stmt of Operations
Revenues			
Products	476	(332)	144
Services	1,619	(914)	705
Total Revenues	2,095	(1,246)	849
Cost of Revenues			
Products	255	(175)	80
Services	604	(420)	184
Total Cost of Revenues	859	(595)	264
Gross Profit	1,236	(651)	585
Operating Expenses			
Research and development	361	(90)	271
Sales and marketing	969	(637)	332
General and administrative	4,174	(1,141)	3,033
Acquisition related costs	16	-	16
Amortization of intangibles	1,323	(519)	804
Total Operating Expenses	6,843	(2,387)	4,456
Loss from Operations	(5,607)	1,736	(3,871)
Other Income (Expense)			
Interest expense	(1,283)	21	(1,262)
Change in fair value of derivative liability	48	-	48
Gain on the sale of Sysorex Arabia	23	-	23
Other income/(expense)	576	(577)	(1)
Total Other Income (Expense)	(636)	(556)	(1,192)
Net Loss	(6,243)	1,180	(5,063)
Deemed dividend to preferred stockholders	(1,508)	-	(1,508)
Net Loss Attributable to Common Stockholders	(7,751)	1,180	(6,571)

(A) Spin-off of Infrastructure Segment/divestiture of Inpixon USA and Inpixon Federal, the subsidiaries that have the commercial and federal VAR business