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 June 30, 2020

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**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	INPX	The Nasdaq Capital Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or 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	☒	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	41,779,313
(Class)	Outstanding at August 11, 2020

INPIXON

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2020

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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;
- risks related to our recent acquisitions;
- our ability to successfully integrate companies or technologies we acquire;
- emerging competition and rapidly advancing technology in our industry that may outpace our technology;
- customer demand for the products and services we develop;
- the impact of competitive or alternative products, technologies and pricing;
- our ability to manufacture any products we develop;
- general economic conditions and events and the impact they may have on us and our potential customers, including but not limited to the impact of COVID-19;
- our ability to obtain adequate financing in the future;
- our ability to consummate strategic transactions, which may include acquisitions, mergers, dispositions or investments;
- lawsuits and other claims by third parties or investigations by various regulatory agencies that we are required to report to including, but not limited to, the U.S. Securities and Exchange Commission;
- our ability to maintain compliance with Nasdaq's continued listing requirements;
- 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 and its subsidiaries.

On January 7, 2020, the Company effected a 1-for-45 reverse stock split of its outstanding common stock. We have reflected the reverse split herein, unless otherwise indicated.

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 June 30, 2020 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, 2019 and 2018 included in the annual report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") on March 3, 2020.

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except number of shares and par value data)

	As of June 30, 2020 (Unaudited)	As of December 31, 2019 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 39,458	$ 4,777
Accounts receivable, net	1,155	1,108
Notes and other receivables	160	74
Inventory	378	400
Prepaid assets and other current assets	1,306	406
Total Current Assets	42,457	6,765
Property and equipment, net	122	145
Operating lease right-of-use asset, net	1,191	1,585
Software development costs, net	1,632	1,544
Intangible assets, net	8,987	8,400
Goodwill	2,318	2,070
Receivable from related party	--	616
Other assets	105	94
Total Assets	$ 56,812	$ 21,219

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

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands, except number of shares and par value data)

	As of June 30, 2020	As of December 31, 2019
	(Unaudited)	(Audited)
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 630	$ 2,383
Accrued liabilities	1,254	1,863
Operating lease obligation	589	776
Deferred revenue	1,509	912
Short-term debt	5,523	7,304
Acquisition liability	2,950	502
Total Current Liabilities	12,455	13,740
Long Term Liabilities		
Operating lease obligation, noncurrent	623	837
Other liabilities	7	7
Deferred tax liability, noncurrent	--	87
Acquisition liability, noncurrent	--	500
Total Liabilities	13,085	15,171
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock - $0.001 par value; 5,000,000 shares authorized, consisting of Series 4 Convertible Preferred Stock - 10,415 shares authorized; 1 and 1 issued, and 1 and 1 outstanding as of June 30, 2020 and December 31, 2019, respectively, Series 5 Convertible Preferred Stock - 12,000 shares authorized; 126 and 126 issued, and 126 and 126 outstanding as of June 30, 2020 and December 31, 2019, respectively.	--	--
Common Stock - $0.001 par value; 250,000,000 shares authorized; 40,175,002 and 4,234,923 issued and 40,175,001 and 4,234,922 outstanding as of June 30, 2020 and December 31, 2019, respectively.	40	4
Additional paid-in capital	209,789	158,382
Treasury stock, at cost, 1 share	(695)	(695)
Accumulated other comprehensive income	(199)	94
Accumulated deficit (excluding $2,442 reclassified to additional paid in capital in quasi-reorganization)	(165,242)	(151,763)
Stockholders' Equity Attributable to Inpixon	43,693	6,022
Non-controlling Interest	34	26
Total Stockholders' Equity	43,727	6,048
Total Liabilities and Stockholders' Equity	$ 56,812	$ 21,219

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

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Revenues	$ 1,076	$ 1,491	$ 2,880	$ 2,854
Cost of Revenues	305	391	814	727
Gross Profit	771	1,100	2,066	2,127
Operating Expenses				
Research and development	1,278	796	2,612	1,752
Sales and marketing	1,468	681	2,159	1,314
General and administrative	2,476	3,018	6,268	6,368
Acquisition related costs	169	510	196	647
Amortization of intangibles	508	820	1,524	1,633
Total Operating Expenses	5,899	5,825	12,759	11,714
Loss from Operations	(5,128)	(4,725)	(10,693)	(9,587)
Other Income (Expense)				
Interest expense, net	(777)	(509)	(1,397)	(865)
Provision for valuation allowance on held for sale loan	(835)	--	(835)	--
Loss on exchange of debt for equity	(47)	(160)	(132)	(160)
Other income (expense)	(517)	163	(499)	232
Total Other Income (Expense)	(2,176)	(506)	(2,863)	(793)
Net Loss from Operations, before tax	(7,304)	(5,231)	(13,556)	(10,380)
Income tax benefit	--	--	87	--
Net Loss	(7,304)	(5,231)	(13,469)	(10,380)
Net Income Attributable to Non-controlling Interest	19	9	9	4
Net Loss Attributable to Stockholders of Inpixon	$ (7,323)	$ (5,240)	$ (13,478)	$ (10,384)
Deemed dividend for triggering of warrant down round feature	--	--	--	(1,250)
Net Loss Attributable to Common Stockholders	(7,323)	(5,240)	(13,478)	(11,634)
Net Loss Per Share - Basic and Diluted	$ (0.32)	$ (25.47)	$ (0.97)	$ (75.99)
Weighted Average Shares Outstanding				
Basic and Diluted	22,823,976	205,730	13,931,245	153,108

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

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
	(Unaudited)		(Unaudited)	
Net Loss	$ (7,304)	$ (5,231)	$ (13,469)	$ (10,380)
Unrealized foreign exchange gain/(loss) from cumulative translation adjustments	318	39	(295)	31
Comprehensive Loss	$ (6,986)	$ (5,192)	$ (13,764)	$ (10,349)

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

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Unaudited)
(In thousands, except per share data)

	Series 4 Convertible Preferred Stock		Series 5 Convertible Preferred Stock		Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Non-Controlling	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Income (Loss)	Deficit	Interest	Equity
Balance - January 1, 2020	1	$ --	126	$ --	4,234,923	$ 4	$ 158,383	(1)	$ (695)	$ 96	$ (151,762)	$ 26	$ 6,052
Stock options granted to employees and consultants for services	--	--	--	--	--	--	399	--	--	--	--	--	399
Common Shares issued for net cash proceeds of a public offering	--	--	--	--	937,010	1	1,251	--	--	--	--	--	1,252
Common shares issued for extinguishment of debt	--	--	--	--	1,896,557	2	4,192	--	--	--	--	--	4,194
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	(613)	--	(1)	(614)
Net loss	--	--	--	--	--	--	--	--	--	--	(6,158)	(10)	(6,168)
Balance - March 31, 2020	1	$ --	126	$ --	7,068,490	$ 7	$ 164,225	(1)	$ (695)	$ (517)	$ (157,920)	$ 15	$ 5,115
Stock options granted to employees for services	--	--	--	--	--	--	286	--	--	--	--	--	286
Common and preferred shares issued for net cash proceeds from a public offering	--	--	--	--	29,033,036	29	40,490	--	--	--	--	--	40,519
Common shares issued for extinguishment of debt	--	--	--	--	3,889,990	4	4,588	--	--	--	--	--	4,592
Common shares issued for extinguishment of liability	--	--	--	--	183,486	--	200	--	--	--	--	--	200
Cumulative Translation Adjustment	--	--	--	--	--	--	--	--	--	318	--	--	318
Net loss	--	--	--	--	--	--	--	--	--	--	(7,322)	19	(7,303)
Balance - June 30, 2019	1	$ --	126	$ --	40,175,002	$ 40	$ 209,789	(1)	$ (695)	$ (199)	$ (165,242)	$ 34	$ 43,727

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

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Unaudited)
(In thousands, except per share data)

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

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

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
	(Unaudited)	
Cash Flows (Used In) from Operating Activities		
Net loss	$ (13,469)	$ (10,380)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	384	527
Amortization of intangible assets	1,524	1,633
Amortization of right of use asset	356	164
Stock based compensation	685	1,748
Amortization of technology	--	33
Loss on exchange of debt for equity	132	160
Amortization of debt discount	1,909	798
Accrued interest income, related party	(32)	--
Provision for doubtful accounts	--	105
Provision for the valuation allowance for held for sale loan	835	--
Provision for the valuation allowance for related party receivable	648	--
Income tax benefit	(87)	--
Other	21	26
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(107)	(1,198)
Inventory	22	(109)
Other current assets	(905)	55
Other assets	(13)	(182)
Accounts payable	(1,539)	132
Accrued liabilities	(593)	53
Deferred revenue	105	(67)
Operating lease liabilities	(362)	--
Other liabilities	117	(66)
Total Adjustments	3,100	3,812
Net Cash Used in Operating Activities	(10,369)	(6,568)
Cash Flows Used in Investing Activities		
Purchase of property and equipment	(39)	(44)
Investment in capitalized software	(433)	(465)
Investment in GTX	--	(250)
Investment in Locality	--	(204)
Net Cash Flows Used in Investing Activities	(472)	(963)
Cash Flows From Financing Activities		
Net repayments to bank facility	(150)	(23)
Net proceeds from issuance of common stock, preferred stock and warrants	--	10,859
Net proceeds from issuance of common stock	41,771	--
Net proceeds from notes payable	1	--
Repayment of notes payable	--	(1)
Loans to related party	(1,035)	(8,945)
Repayments from related party	200	1,683
Net proceeds from promissory notes	5,000	4,500
Repayment of acquisition liability to Locality shareholders	(250)	--
Net Cash Provided By Financing Activities	45,537	8,073
Effect of Foreign Exchange Rate on Changes on Cash	(15)	31
Net Increase in Cash, Cash Equivalents and Restricted Cash	34,681	573
Cash, Cash Equivalents and Restricted Cash - Beginning of period	4,849	1,218
Cash, Cash Equivalents and Restricted Cash - End of period (Note 3)	$ 39,530	$ 1,791
Supplemental Disclosure of cash flow information:		
Cash paid for:		
Interest	$ 2	$ 2
Income Taxes	$ --	$ --
Non-cash investing and financing activities		
Common shares issued for extinguishment of liability	$ 200	$ 1,130
Common shares issued for extinguishment of debt	$ 8,786	$ 2,389
Right of use asset obtained in exchange for lease liability	$ 6	$ 646
Common shares issued for GTX acquisition	$ --	$ 650
Common shares issued for Locality acquisition	$ --	$ 513

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

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

Note 1 - Organization and Nature of Business

Inpixon, and its wholly-owned subsidiaries, Inpixon Canada, Inc. ("Inpixon Canada"), Inpixon Limited, Inpixon GmbH and its majority-owned subsidiary Inpixon India Limited ("Inpixon India") (unless otherwise stated or the context otherwise requires, the terms "Inpixon" "we," "us," "our" and the "Company" refer collectively to Inpixon and the aforementioned subsidiaries), are an indoor intelligence company. Our business and government customers use our solutions to secure, digitize and optimize their indoor spaces with our positioning, mapping and analytics products. Our indoor intelligence platform uses sensor technology to detect accessible cellular, Wi-Fi, Bluetooth, ultra-wide band ("UWB") and radio frequency identification ("RFID") signals emitted from devices within a venue providing positional information similar to what global positioning system ("GPS") satellite systems provide for the outdoors. Combining this positional data with our dynamic and interactive mapping solution and a high-performance analytics engine, yields near real time insights to our customers providing them with visibility, security and business intelligence within their indoor spaces. Our highly configurable platform can also ingest data from our customers' and other third party sensors, Wi-Fi access points, Bluetooth beacons, video cameras, and big data sources, among others to maximize indoor intelligence. The Company also offers digital tear-sheets with optional invoice integration, digital ad delivery, and an e-edition designed for reader engagement for the media, publishing and entertainment industry. The Company is headquartered in Palo Alto, California, and has subsidiary offices in Coquitlam, Canada, New Westminster, Canada, Toronto, Canada and Hyderabad, India.

Liquidity

As of June 30, 2020, the Company has a working capital total of approximately $30.0 million and cash of $39.5 million. The Company experienced a net loss of approximately $7.3 million and $5.2 million for the three months ended June 30, 2020 and 2019, respectively, and a net loss of $13.5 million and $10.4 million for the six months ended June 30, 2020 and 2019, respectively. On March 3, 2020, the Company entered into an Equity Distribution Agreement ("EDA") with Maxim Group LLC ("Maxim") under which the Company may offer and sell shares of our common stock in connection with an at-the-market equity facility ("ATM") in an aggregate offering amount of up to $50 million, which was increased on June 19, 2020 to $150 million pursuant to an amendment to the EDA, from time to time through Maxim, acting exclusively as our sales agent. The Company issued 29,970,046 shares of common stock during the six months ended June 30, 2020 in connection with the ATM resulting in net proceeds to the Company of approximately $41.8 million. Subsequent to the quarter ended June 30, 2020, the Company issued an additional 1,604,312 shares of common stock in connection with the ATM, resulting in net proceeds to the Company of approximately $2.3 million.

Risks and Uncertainties

The Company cannot assure you 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. While we believe that the capital raised or that may be raised in connection with sales under our ATM in an aggregate amount of up to $150 million, the impact of the COVID-19 pandemic on our business and results of operations is uncertain at this time. While we have been able to continue operations remotely we have experienced supply chain constraints and delays in the receipt of certain components of our products impacting delivery times for our products, we have also seen some impact in the demand of certain products, delays in certain projects and customer orders either because they require onsite services which could not be performed while shelter in place orders have been in effect or because of the uncertainty of the customer's financial position and ability to invest in our technology. In addition, while certain anticipated second quarter projects were initially delayed by customers, following the end of the quarter we received a substantial purchase order for our sensors from a significant customer and have also secured certain reseller partnerships focused on increasing interest in our indoor intelligence solutions for workplace readiness which is directed at enterprise organizations and government agencies to assist them in optimizing the use of their facilities as well as in developing and monitoring compliance with corporate policies and government regulations for physical distancing, exposure notification, and the identification of high traffic areas for sanitizing and cleaning in order to keep their employees healthier and safer within the workplace. If we are successful in expanding the adoption of our products and services for this and or other solutions, and are able to add to our revenue growth through the completion of strategic transactions, we may be able to offset any revenue loss that may be experienced due to any constraints resulting from the pandemic or other general economic conditions, however, there are no assurances that we will be successful or that we will be able to offset any losses, if realized.

Given our cash balances and our budgeted cash flow requirements, the Company believes such funds are sufficient to support ongoing operations at least one year after the issuance of these financial statements. The Company has control over its expenditures and has the ability to adjust spending accordingly based on its budgeted cash flow requirements and the excess cash on hand.

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"), 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 six-month period ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020. 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, 2019 and 2018 included in the Annual Report on Form 10-K filed with the SEC on March 3, 2020.

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, 2019 and 2018.

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 valuation of the assets and liabilities acquired in connection with certain recent acquisitions as described in Notes 4, 5, 6 and 7, as well as the valuation of the Company's common stock issued in the transaction;
- the allowance for doubtful accounts;
- the valuation of loans receivable;
- the valuation allowance for deferred tax assets; and
- impairment of long-lived assets and goodwill.

Note 3 - Summary of Significant Accounting Policies (continued)

Restricted Cash

In connection with certain transactions, the Company may be required to deposit assets, including cash or shares, in escrow accounts. The assets held in escrow are subject to various contingencies that may exist with respect to such transactions. Upon resolution of those contingencies or the expiration of the escrow period, some or all the escrow amounts may be used and the balance released to the Company. As of June 30, 2020 and 2019, the Company had $72,000 and $140,000, respectively, deposited in escrow as restricted cash for the Shoom acquisition, of which any amounts not subject to claims shall be released to the pre-acquisition stockholders of Shoom pro-rata on the next anniversary dates of the closing date of the Shoom acquisition. As of June 30, 2020 and 2019, $72,000 and $70,000, respectively, were current and included in Prepaid Assets and Other Current Assets on the condensed consolidated balance sheets. As of June 30, 2020 and 2019, $0 and $70,000 were non-current and included in Other Assets on the condensed consolidated balance sheets.

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

	As of June 30,	
(in thousands)	**2020**	**2019**
Cash and cash equivalents	$ 39,458	$ 1,651
Restricted cash, current included in prepaid assets and other current assets	72	70
Restricted cash, non-current included in other assets	--	70
Total cash, cash equivalents, and restricted cash in the balance sheets	$ 39,530	$ 1,791

Revenue Recognition

The Company reports revenues under Accounting Standards Codification (“ASC”) 606, “Revenue from Contracts with Customers” and all the related amendments (Topic 606). The Company recognizes revenue after applying the following five steps:

1) identification of the contract, or contracts, with a customer;

2) identification of the performance obligations in the contract, including whether they are distinct within the context of the contract;

3) determination of the transaction price, including the constraint on variable consideration;

4) allocation of the transaction price to the performance obligations in the contract; and

5) recognition of revenue when, or as, performance obligations are satisfied.

Software As A Service Revenue Recognition

With respect to sales of the Company’s maintenance, consulting and other service agreements including the Company’s digital tear-sheets, customers pay fixed monthly fees in exchange for the Company’s services. The Company’s performance obligation is satisfied over time as the digital tear-sheets 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 services.

Note 3 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Mapping Services Revenue Recognition

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

Professional Services Revenue Recognition

The Company's professional services include fixed fee and time and materials contracts. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts including maintenance service provided by in house personnel, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the three and six months ended June 30, 2020 and 2019, the Company did not incur any such losses. These amounts are based on known and estimated factors.

Contract Balances

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately $1,509,000 and $912,000 as of June 30, 2020 and December 31, 2019, respectively, related to cash received in advance for product maintenance services and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for these maintenance services and professional services, and recognize the deferred revenue and related contract costs over the next twelve months. The Company's contract balances as of June 30, 2020 and December 31, 2019 were deemed immaterial.

Disaggregation of Revenue

Revenues consisted of the following (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Recurring revenue	$ 839	$ 603	$ 1,701	$ 1,214
Non-recurring revenue	237	888	1,179	1,640
Totals	$ 1,076	$ 1,491	$ 2,880	$ 2,854

Note 3 - Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

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

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

The Company incurred stock-based compensation charges of $286,000 and $858,000 for the three months ended June 30, 2020 and 2019, respectively, and $685,000 and $1,748,000 for the six months ended June 30, 2020 and 2019, 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 June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Compensation and related benefits	$ 286	$ 858	$ 685	$ 1,506
Professional and legal fees	--	--	--	242
Totals	$ 286	$ 858	$ 685	$ 1,748

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 six months ended June 30, 2020 and 2019:

	For the Six Months Ended June 30,	
	2020	2019
Options	5,662,946	109,171
Warrants	93,252	88,412
Convertible preferred stock	846	846
Reserved for service providers	--	25
Totals	5,757,044	198,454

Note 3 - Summary of Significant Accounting Policies (continued)

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.

Recently Issued and Adopted Accounting Standards

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

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

In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments ("ASU 2019-04") and in May 2019, the FASB issued Accounting Standards Update No. 2019-05, Financial Instruments--Credit Losses (Topic 326) ("ASU 2019-05"). These amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years with early application permitted. The Company has adopted this standard and the adoption of this standard did not have a material impact on its financials or disclosures.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) ("ASU 2019-12"): Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning January 1, 2021. The Company is currently assessing the impact that this pronouncement will have on its condensed consolidated financial statements.

In February 2020, the FASB issued ASU 2020-02, "Financial Statements - Credit losses (Topic 326) and Leases (Topic 842) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Relating to Accounting Standards Update No. 2016-02, Leases (Topic 842)" ("ASU 2020-02"), which provides guidance on the measurement and requirements related to credit losses. The new guidance was effective upon issuance of this final accounting standards update. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

Note 3 - Summary of Significant Accounting Policies (continued)

Reverse Stock Split

On January 7, 2020, the Company effected a 1-for-45 reverse stock split of its outstanding common stock. The condensed consolidated financial statements and accompanying notes give effect to the stock split as if it occurred at the beginning of the first period presented. There was no change to the previously reported net loss.

Subsequent Events

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

Note 4 - Locality Acquisition

On May 21, 2019, the Company, through its wholly owned subsidiary, Inpixon Canada as purchaser, completed its acquisition of Locality Systems, Inc. ("Locality") in which Locality's stockholders sold all of their shares to the purchaser in exchange for consideration of (i) $1,500,000 (the "Aggregate Cash Consideration") minus a working capital adjustment equal to $85,923, and (ii) 14,445 shares of the Company's common stock with a fair market value of $514,000. Locality is a technology company specializing in wireless device positioning and radio frequency augmentation of video surveillance systems. The Locality acquisition allows us to accept wireless device positioning from third-party Wi-Fi access points as well as surveillance systems and combine that information with our own location data into our analytics platform providing our customers with additional data and ability to see video and radio frequency data concurrently.

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

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

Note 4 - Locality Acquisition (continued)

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

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

The value of the intangibles and goodwill were calculated by a third party valuation firm based on projections and financial data provided by management of the Company. The deferred revenue included in the financial statements is the expected liability to service the projects. The goodwill represents the excess fair value after the allocation to the intangibles. The calculated goodwill is not deductible for tax purposes. The financial data of Locality is included in the Company's financial statements starting on the acquisition date through the period ended June 30, 2020. Proforma information has not been presented as it has been deemed to be immaterial.

Note 5 - GTX Acquisition

On June 27, 2019, the Company completed its acquisition of certain assets of GTX Corp ("GTX"), consisting of a portfolio of GPS technologies and intellectual property (the "Assets") that allow us to provide positioning and positioning solutions for assets and devices homogenously from the indoors to the outdoors. Prior to this asset acquisition, the Company was only providing indoor location.

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

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

Note 5 - GTX Acquisition (continued)

The purchase price was allocated based on the receipt of a final valuation report as follows (in thousands):

Developed technology	$	830
Non-compete agreements		68
Goodwill		2
Total Purchase Price	$	900

On September 16, 2019, the Company loaned GTX $50,000 in accordance with the terms of the asset purchase agreement. The note began to accrue interest at a rate of 5% per annum beginning on November 1, 2019. The note was amended on May 11, 2020 to extend the maturity date from April 13, 2020 to September 13, 2020 and require monthly payments against the outstanding balance of the note. This note is included as part of other receivables in the Company's condensed consolidated financial statements. As of June 30, 2020 the balance of the note including interest was $51,716. Proforma information has not been presented as it has been deemed to be immaterial.

Note 6 - Jibestream Acquisition

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

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

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

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

Note 6 - Jibestream Acquisition (continued)

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

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

The value of the intangibles and goodwill were calculated by a third party valuation firm based on projections and financial data provided by management of the Company. The deferred revenue included in the condensed consolidated financial statements is the expected liability to service the projects. The goodwill represents the excess fair value after the allocation to the intangibles. The calculated goodwill is not deductible for tax purposes. As part of the acquisition, the Company acquired a lease obligation with an operating lease right of use asset of approximately $371,000 and an operating lease obligation of approximately $371,000 which are included in other assets and other liabilities, respectively, in the purchase price allocation. The financial data of Jibestream is included in the Company's financial statements starting on the acquisition date through the period ended June 30, 2020.

Jibestream was amalgamated into Inpixon Canada on January 1, 2020.

Note 7 - Systat Licensing Agreement

On June 19, 2020, the Company entered into an exclusive license with Cranes Software International Ltd. and Systat Software, Inc. (together the "Systat Parties") to use, market, distribute, and develop the SYSTAT and SigmaPlot software suite of products (the "License Grant") pursuant to the terms and conditions of that certain Exclusive Software License and Distribution Agreement, deemed effective as of June 1, 2020 (the "Effective Date"), and amended on June 30, 2020 (as amended, the "License Agreement"). In accordance with Rule 11-01(d) and ASC 805, the transaction was deemed to be the acquisition of a business, and accounted for as a business combination with an acquisition date of June 30, 2020 (the "Closing Date"). In accordance with the terms of the License Agreement, on the Closing Date, we partitioned a portion of that certain promissory note (the "Sysorex Note") issued to us by Sysorex, Inc. ("Sysorex"), into a new note in an amount equal to $3 million in principal plus accrued interest (the "Closing Note") and assigned the Closing Note and all rights and obligations thereunder to Systat in accordance with the terms and conditions of that certain Promissory Note Assignment and Assumption Agreement. An additional $3.3 million of the principal balance underlying the Sysorex Note will be partitioned and assigned to Systat as consideration payable for the rights granted under the license as follows: (i) $1.3 million on the three month anniversary of the Closing Date; (ii) $1.0 million on the six month anniversary of the Closing Date; and (iii) $1.0 million on the nine month anniversary of the Closing Date. In addition, the cash consideration of $2.2 million was delivered on July 8, 2020.

In connection with the License Grant, the Systat Parties provided us with equipment for us to use at no additional cost for a minimum period of six months following the Closing Date. We are also entitled to any customer maintenance revenue, new license fees, or license renewal fees, received by any of the Systat Parties after June 1, 2020 in connection with the Systat Customer Contracts and/or Systat Distribution Agreements (as such terms are defined in the License Agreement) assigned to and assumed by us in connection with the License Agreement. The net amount owed to the Company for this period is included in the Other Receivable line item listed in the assets acquired below. The License Grant will remain in effect for a period of 15 years following the Closing Date, unless terminated sooner upon mutual written consent of Systat and us or upon termination by either for the other party's specified breach.

In connection with the License Grant, the Company expanded its operations into the United Kingdom and Germany. As a result of such expansion, the Company formed Inpixon Limited, a new wholly owned subsidiary in the United Kingdom, and established Inpixon GmbH, a wholly owned subsidiary incorporated under the laws of Germany.

The total recorded purchase price for the transaction was $2,200,000 which consisted of the $2,200,000 cash consideration as a full valuation allowance was retained against the Sysorex note.

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

Assets Acquired:		
Other receivable	$	44
Developed technology		1,200
Customer relationships		395
Tradename & Trademarks		279
Non-compete agreements		495
Goodwill		311
	$	2,724
Liabilities Assumed:		
Deferred Revenue	$	524
Total Purchase Price	$	2,200

The value of the intangibles and goodwill were calculated by a third party valuation firm based on projections and financial data provided by management of the Company. The deferred revenue included in the condensed consolidated financial statements is the expected liability to service the projects. The goodwill represents the excess fair value after the allocation to the intangibles. The calculated goodwill is not deductible for tax purposes. The financial data of the Licensing Grant is included in the Company's financial statements as of deemed acquisition date of June 30, 2020.

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

Note 8 - Proforma Financial Information

The following unaudited proforma financial information presents the condensed consolidated results of operations of the Company and Jibestream for the three and six months ended June 30, 2019, as if the acquisition had occurred as of the beginning of the first period presented instead of on August 15, 2019. The proforma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

(in thousands, except per share data)	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Revenues	$ 2,026	$ 3,875
Net loss attributable to common stockholders	$ (5,842)	$ (12,695)
Net loss per basic and diluted common share	$ (12.63)	$ (31.06)
Weighted average common shares outstanding:		
Basic and Diluted	462,761	408,719

Note 9 - Inventory

Inventory as of June 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	As of June 30, 2020	As of December 31, 2019
Raw materials	$ 41	$ 13
Finished goods	337	387
Total Inventory	**$ 378**	**$ 400**

Note 10 - Debt

Debt as of June 30, 2020 and December 31, 2019 consisted of the following (in thousands):

	As of June 30, 2020	As of December 31, 2019
Short-Term Debt		
Notes payable, less debt discount of $1,017 and $628, respectively (A)	$ 5,448	$ 7,080
Revolving line of credit (B)	--	150
Other short-term debt (C)	75	74
Total Short-Term Debt	**$ 5,523**	**$ 7,304**

Note 10 - Debt (continued)

(A) Notes Payable

December 2018 Note Purchase Agreement and Promissory Note

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

Amendment to Note Purchase Agreements

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

Standstill Agreement

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

The Company and Iliad entered into an amendment to the December 2018 Note pursuant to which the maturity date of the note was further extended from December 31, 2019 to March 31, 2020. In addition, Iliad agreed to further extend the standstill previously agreed to pursuant to the terms of that certain Standstill Agreement, dated as of August 8, 2019, whereby Iliad will not be entitled to redeem all or any portion of the principal amount of the Note until March 31, 2020.

Note 10 - Debt (continued)

Note Exchanges

From October 15, 2019 through December 31, 2019, the Company exchanged approximately $2,112,000 of the outstanding principal and interest under the December 2018 Note for 707,078 shares of the Company's common stock at exchange prices between $1.80 and $4.95 per share. As of March 31, 2020, the outstanding principal balance of the December 2018 Note was approximately $28,749.

On April 1, 2020, the Company exchanged approximately $223,000 of the remaining outstanding principal and interest under the December 2018 Note for 187,517 shares of the Company's common stock at an exchange price of $1.19 per share. After this exchange the balance owed under the December 2018 Note was $0.

May 2019 Note Purchase Agreement and Promissory Note

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

During the year ended December 31, 2019, the Company exchanged approximately $2,076,000 of the outstanding principal and interest under the note for 738,891 shares of the Company's common stock at exchange prices between $1.80 and $3.51 per share. The Company analyzed the exchange of principal under the note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately $96,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the consolidated statements of operations for the year ended December 31, 2019.

During the three months ended March 31, 2020, the Company exchanged approximately $1,958,000 of the outstanding principal and interest under the May 2019 Note for 524,140 shares of the Company's common stock at exchange prices between $3.65 and $4.05 per share. The Company analyzed the exchange of principal under the May 2019 Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately $53,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the condensed consolidated statements of operations for the three months ended March 31, 2020.

As of June 30, 2020, the outstanding balance of the May 2019 Note was $0 and the note was fully satisfied.

Note 10 - Debt (continued)

June 2019 Note Purchase Agreement and Promissory Note

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

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

During the three months ended March 31, 2020, the Company exchanged approximately $2,236,000 of the outstanding principal and interest under the June 2019 Note for 1,372,417 shares of the Company's common stock at exchange prices between $1.12 and $3.05 per share. The Company analyzed the exchange of principal under the June 2019 Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately $33,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the condensed consolidated statements of operations for the three months ended March 31, 2020.

As of June 30, 2020, the outstanding balance of the June 2019 Note was $0 and the note was fully satisfied.

Note 10 - Debt (continued)

August 2019 Note Purchase Agreement and Promissory Note

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

During the three months ended June 30, 2020, the Company exchanged approximately $2,034,000 of the outstanding principal and interest under the August 2019 Note for 1,832,220 shares of the Company's common stock at exchange prices between $1.09 and $1.128 per share. The Company analyzed the exchange of principal under the August 2019 Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately $25,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the condensed consolidated statements of operations for the three months ended June 30, 2020.

As of June 30, 2020, the outstanding balance of the August 2019 Note was $0 and the note was fully satisfied.

September 2019 Note Purchase Agreement and Promissory Note

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

Note 10 - Debt (continued)

September 2019 Note Purchase Agreement and Promissory Note (continued)

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

During the three months ended June 30, 2020, the Company exchanged approximately $1,120,000 of the outstanding principal and interest under the September 2019 Note for 975,704 shares of the Company's common stock at exchange prices between $1.136 and $1.17 per share. The Company analyzed the exchange of principal under the September 2019 Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded an approximately $22,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the condensed consolidated statements of operations for the three months ended June 30, 2020.

As of June 30, 2020, the outstanding balance of the September 2019 Note was $0 and the note was fully satisfied.

November 2019 Note Purchase Agreement and Promissory Note

On November 22, 2019, the Company issued a promissory note to St. George Investments LLC ("St. George"), an affiliate of Iliad and Chicago Venture, pursuant to which the Company agreed to issue and sell to the holder an unsecured promissory note (the "November 2019 Note") in the initial principal amount of $952,500, which is payable on or before the date that is 6 months from the issuance date, subject to extension in accordance with the terms of the November 2019 Note. The initial principal amount includes an original issue discount of $187,500 and $15,000 that the Company agreed to pay to St. George to cover its legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the November 2019 Note, St. George paid an aggregate purchase price of $750,000. Interest on the November 2019 Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the holder 115% of the portion of the outstanding balance the Company elects to prepay. The November 2019 Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings (the "Bankruptcy-Related Event of Default")), the holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the November 2019 Note to be immediately due and payable at an amount equal to 115% of the outstanding balance of the Note (the "Mandatory Default Amount"). Upon the occurrence of a Bankruptcy-Related Event of Default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the Note will become immediately due and payable at the Mandatory Default Amount. Under the terms of the November 2019 Note, since it was still outstanding on February 22, 2020, a one-time monitoring fee equal to ten percent (10%) of the then-current outstanding balance, or approximately $97,688, was added to the note. As of March 31, 2020, the outstanding balance of the November 2019 Note was approximately $1,050,188.

During the three months ended June 30, 2020, the Company exchanged approximately $1,215,000 of the outstanding principal and interest under the November 2019 Note for 894,549 shares of the Company's common stock at exchange prices between $1.354 and $1.362 per share.

As of June 30, 2020, the outstanding balance of the November 2019 Note was $0 and the note was fully satisfied.

Note 10 - Debt (continued)

March 2020 Note Purchase Agreement and Promissory Note

On March 18, 2020, the Company entered into a note purchase agreement with Iliad, pursuant to which the Company agreed to issue and sell to the holder an unsecured promissory note (the "March 2020 Note") in an aggregate initial principal amount of $6,465,000, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount includes an original issue discount of $1,450,000 and $15,000 that the Company agreed to pay to the holder to cover the holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the March 2020 Note, the holder paid an aggregate purchase price of $5,000,000. Interest on the March 2020 Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the March 2020 Note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the holder 115% of the portion of the outstanding balance the Company elects to prepay. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the March 2020 Note is paid in full, the holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the March 2020 Note each month by providing written notice delivered to the Company; provided, however, that if the holder does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the holder to redeem in any future month in addition to such future month's monthly redemption amount. Upon receipt of any monthly redemption notice, the Company shall pay the applicable monthly redemption amount in cash to the holder within five business days of the Company's receipt of such Monthly Redemption Notice. The March 2020 Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings, the holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the March 2020 Note to be immediately due and payable. Upon the occurrence of a bankruptcy-related event of default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the March 2020 Note will become immediately due and payable at the mandatory default amount. If the March 2020 Note is still outstanding on the date that is six (6) months from the issuance date, then a one-time monitoring fee equal to ten percent (10%) of the then-current outstanding balance shall be added to the March 2020 Note.

As of June 30, 2020, the outstanding principal balance of the March 2020 Note was approximately $6,465,000.

(B) Revolving Line of Credit

Payplant Accounts Receivable Bank Line

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

Note 10 - Debt (continued)

Payplant Accounts Receivable Bank Line (continued)

On August 31, 2018, Inpixon, Sysorex, Sysorex Government Services, Inc. ("SGS"), and Payplant executed Amendment 1 to Payplant Client Agreement (the "Amendment"). Pursuant to the Amendment, Sysorex and SGS are no longer parties to the Payplant Client Agreement, originally entered into on August 14, 2017, and have been released from any and all obligations and liabilities arising under the Payplant Client Agreement, whether such obligations and liabilities were in existence prior to or on the date of the Amendment or arise after the date of the Amendment. As of June 30, 2020, the outstanding balance on the revolving line of credit is $0.

On August 13, 2020, we provided Payplant a Notice of Termination (the "Notice") of (i) that certain Loan and Security Agreement, dated as of August 14, 2017 (the "Loan Agreement"), by and among the Company, Payplant and Lender and (ii) that certain Payplant Client Agreement, dated as of August 14, 2017, as amended (the "Client Agreement"), by and between the Company and Payplant, pursuant to which we are able to request loans from the Lender. In accordance with Section 14 and Section 27 of the Loan Agreement and the Client Agreement, respectively, we terminated each agreement as the Company has fully satisfied all obligations under the Loan Agreement and will not incur any additional obligations thereunder. As a result of the termination, the security interest we previously granted under the Loan Agreement was terminated and we paid a corresponding UCC termination fee of $150 to Payplant in accordance with Section 27 of the Client Agreement.

(C) Other Short-Term Debt

As of June 30, 2020, the Company owed approximately $75,000 to the pre-acquisition stockholders of Shoom. Any amounts not subject to claims shall be released to the pre-acquisition stockholders of Shoom pro-rata on the next anniversary date of the closing date of the Shoom acquisition, August 31, 2020.

Note 11 - Capital Raises

At-The-Market Program

On March 3, 2020, the Company entered into an Equity Distribution Agreement ("EDA") with Maxim Group LLC ("Maxim") under which the Company may offer and sell shares of our common stock in connection with an at-the-market equity facility ("ATM") in an aggregate offering amount of up to $50 million, which was increased on June 19, 2020 to $150 million pursuant to an amendment to the EDA, from time to time through Maxim, acting exclusively as our sales agent. The Company intends to use the net proceeds of the ATM primarily for working capital and general corporate purposes. The Company may also use a portion of the net proceeds to invest in or acquire businesses or technologies that it believes are complementary to its own, although the Company has no current plans, commitments or agreements with respect to any acquisitions as of the date of this filing. Maxim will be entitled to compensation at a fixed commission rate of 4.0% of the gross sales price per share sold for the initial $50.0 million of shares and 3.25% for any sales in excess of such amount. In addition, the Company has agreed to reimburse Maxim for its costs and out-of-pocket expenses incurred in connection with its services, including the fees and out-of-pocket expenses of its legal counsel.

The Company is not obligated to make any sales of the shares under the EDA and no assurance can be given that the Company will sell any shares under the EDA, or if it does, as to the price or amount of shares that the Company will sell, or the dates on which any such sales will take place. The EDA will continue until the earliest of (i) December 3, 2021, (ii) the sale of shares having an aggregate offering price of $150.0 million, and (iii) the termination by either Maxim or the Company upon the provision of 15 days written notice or otherwise pursuant to the terms of the EDA.

The Company issued 937,010 shares of common stock during the quarter ended March 31, 2020, in connection with the ATM at per share prices between $1.23 and $2.11, resulting in net proceeds to the Company of approximately $1.3 million after subtracting sales commissions and other offering expenses.

The Company issued 29,033,036 shares of common stock during the quarter ended June 30, 2020, in connection with the ATM at per share prices between $1.13 and $2.02, resulting in net proceeds to the Company of approximately $40.5 million after subtracting sales commissions and other offering expenses.

Note 12 - Common Stock

During the three months ended March 31, 2020, the Company issued 1,896,557 shares of common stock under exchange agreements to settle outstanding balances totaling approximately $4,194,000 under partitioned notes.

During the three months ended March 31, 2020, the Company issued 937,010 shares of common stock in connection with the ATM at per share prices between $1.23 and $2.11, resulting in net proceeds to the Company of approximately $1,300,000 after subtracting sales commissions and other offering expenses (see Note 11).

During the three months ended June 30, 2020, the Company issued 3,889,990 shares of common stock under exchange agreements to settle outstanding balances totaling approximately $4,592,000 under partitioned notes.

During the three months ended June 30, 2020, the Company issued 29,033,036 shares of common stock in connection with the ATM at per share prices between $1.13 and $2.02, resulting in net proceeds to the Company of approximately $40,500,000 after subtracting sales commissions and other offering expenses (see Note 11).

During the three months ended June 30, 2020, the Company issued 183,486 shares of common stock for the extinguishment of liability totaling approximately $200,000.

Note 13 - Preferred Stock

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

Series 4 Convertible Preferred Stock

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

As of June 30, 2020, there was 1 share of Series 4 Preferred outstanding.

Series 5 Convertible Preferred Stock

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

As of June 30, 2020, there were 126 shares of Series 5 Convertible Preferred Stock outstanding.

Note 14 - Reverse Stock Split

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

The condensed consolidated financial statements and accompanying notes give effect to 1-for-45 reverse stock split as if it occurred at the first period presented.

Note 15 - Stock Options

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

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

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

On August 10, 2020, our Board of Directors approved an amendment to the Company's 2018 Plan to remove the limit on the amount of non-qualified stock options that can be issued under the 2018 Plan to any one individual.

The aggregate number of shares that may be awarded as of June 30, 2020 under the 2011 Plan and the 2018 Plan were 417,270 and 11,230,073, respectively. As of June 30, 2020, 5,662,946 of options were granted to employees, directors and consultants of the Company (including 1 share outside of the Company's Option Plans) and 5,984,398 options were available for future grant under the Option Plans.

During the three months ended June 30, 2020, the Company granted stock options for the purchase of 5,567,500 shares of common stock to employees and directors of the Company. These stock options are 100% vested at grant or vest pro-rata over 12 to 48 months, have a life of ten years and an exercise price of $1.10 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the awards was determined to be approximately $1,911,000. The fair value of the common stock as of the grant date was determined to be $1.10 per share.

During the three months ended June 30, 2020 and 2019, the Company recorded a charge for the amortization of employee stock options of approximately $286,000 and $858,000, respectively, and $685,000 and $1,506,000 for the six months ended June 30,2020 and 2019, respectively.

As of June 30, 2020, the fair value of non-vested options totaled approximately $2,198,000, which will be amortized to expense over the weighted average remaining term of 1.12 years.

The fair value of each employee stock option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during the six months ended June 30, 2020 were as follows:

	For the Six Months Ended June 30, 2020
Risk-free interest rate	0.33%
Expected life of stock option grants	5 years
Expected volatility of underlying stock	34.43%
Dividends assumption	$-

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

Note 16 - Credit Risk and Concentrations

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

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Cash is also maintained at foreign financial institutions for its Canadian subsidiary and its majority-owned India subsidiary. Cash in foreign financial institutions as of June 30, 2020 and December 31, 2019 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-month period ended June 30, 2020 and 2019 (in thousands):

	For the Three Months Ended June 30, 2020		For the Three Months Ended June 30, 2019	
	$	%	$	%
Customer A	305	28%	306	21%
Customer B	--	--	750	50%

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 six-month period ended June 30, 2020 and 2019 (in thousands):

	For the Six Months Ended June 30, 2020		For the Six Months Ended June 30, 2019	
	$	%	$	%
Customer A	611	21%	612	21%
Customer B	500	17%	1,500	53%

As of June 30, 2020, Customer B represented approximately 32% and Customer C represented approximately 27 % of total accounts receivable. As of June 30, 2019, Customer B represented approximately 57%, and Customer C represented approximately 19% of total accounts receivable.

As of June 30, 2020, two vendors represented approximately 18% and 12% of total gross accounts payable. Purchases from these vendors during the three and six months ended June 30, 2020 was $0. As of June 30, 2019, two vendors represented approximately 43% and 14% of total gross accounts payable. Purchases from these vendors during the three and six months ended June 30, 2019 was $0.

For the three months ended June 30, 2020, three vendors represented approximately 54%, 20%, and 14% of total purchases. For the three months ended June 30, 2019, two vendors represented approximately 81% and 12% of total purchases.

For the six months ended June 30, 2020, five vendors represented approximately 30%, 18%, 15%, 14% and 13% of total purchases. For the six months ended June 30, 2019, two vendors represented approximately 80% and 11% of total purchases.

Note 17 - Foreign Operations

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

	United States	Canada	India	Eliminations	Total
For the Three Months Ended June 30, 2020:					
Revenues by geographic area	$ 536	$ 1,378	$ 297	$ (1,135)	$ 1,076
Operating income (loss) by geographic area	$ (5,231)	$ (4)	$ 107	$ --	$ (5,128)
Net income (loss) by geographic area	$ (7,503)	$ 92	$ 107	$ --	$ (7,304)
For the Three Months Ended June 30, 2019:					
Revenues by geographic area	$ 1,473	$ 18	$ 168	$ (168)	$ 1,491
Operating income (loss) by geographic area	$ (4,173)	$ (604)	$ 52	$ --	$ (4,725)
Net income (loss) by geographic area	$ (4,681)	$ (602)	$ 52	$ --	$ (5,231)
For the Six Months Ended June 30, 2020:					
Revenues by geographic area	$ 1,715	$ 2,726	$ 425	$ (1,986)	$ 2,880
Operating income (loss) by geographic area	$ (10,606)	$ (139)	$ 52	$ --	$ (10,693)
Net income (loss) by geographic area	$ (13,569)	$ 48	$ 52	$ --	$ (13,469)
For the Six Months Ended June 30, 2019:					
Revenues by geographic area	$ 2,834	$ 20	$ 236	$ (236)	$ 2,854
Operating income (loss) by geographic area	$ (8,700)	$ (911)	$ 24	$ --	$ (9,587)
Net income (loss) by geographic area	$ (9,495)	$ (909)	$ 24	$ --	$ (10,380)
As of June 30, 2020:					
Identifiable assets by geographic area	$ 47,436	$ 8,927	$ 449	$ --	$ 56,812
Long lived assets by geographic area	$ 5,434	$ 6,213	$ 286	$ --	$ 11,933
As of December 31, 2019:					
Identifiable assets by geographic area	$ 11,061	$ 9,675	$ 483	$ --	$ 21,219
Long lived assets by geographic area	$ 4,347	$ 6,981	$ 345	$ --	$ 11,673

Note 18 - Related Party Transactions

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

Sysorex Note Purchase Agreement

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

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

In accordance with the terms of the Systat License Agreement (see Note 7), on June 30, 2020, the Company partitioned a portion of the Secured Note into a new note in an amount equal to $3 million in principal plus accrued interest (the "Closing Note") and assigned the Closing Note and all rights and obligations thereunder to Systat in accordance with the terms and conditions of that certain Promissory Note Assignment and Assumption Agreement. The amount owed for principal and accrued interest by Sysorex to the Company as of June 30, 2020 and December 31, 2019 was approximately $8.5 million and $10.6 million, respectively.

The Secured Note has been classified as "held for sale" and the Company, with the assistance of a third-party valuation firm, estimated the fair value of such using Sysorex financial projections, a discounted cash flow model and a 12.3% discount rate. As a result, the Company established a full valuation allowance as of June 30, 2020. The Company is required to periodically re-evaluate the carrying value of the note and the related valuation allowance based on various factors, including, but not limited to, Sysorex's performance and collectability of the note. Sysorex's performance against those financial projections will directly impact future assessments of the fair value of the note.

Sysorex Receivable

On February 20, 2019, the Company, Sysorex and Atlas Technology Group, LLC ("Atlas") entered into a settlement agreement resulting in a net award of $941,796 whereby Atlas agreed to accept an aggregate of 16,655 shares of freely-tradable common stock of the Company in full satisfaction of the award. The Company and Sysorex each agreed pursuant to the terms and conditions of that certain Separation and Distribution Agreement, dated August 7, 2018, as amended, that 50% of the costs and liabilities related to the arbitration action would be shared by each party following the Spin-off. As a result, Sysorex owes the Company approximately $565,078 for the settlement plus the interest accrued through June 30, 2020 of approximately $83,105. The total owed to the Company for this settlement as of June 30, 2020 was approximately $648,183. The Company established a full valuation allowance against this balance as of June 30, 2020.

Note 19 - Leases

The Company has an operating lease for its administrative office in Palo Alto, California, effective October 1, 2014, for 8.3 years. The initial lease rate was $14,225 per month with escalating payments. In connection with the lease, the Company is obligated to pay $8,985 monthly for operating expenses for building repairs and maintenance. The Company also has an operating lease for its administrative office in Encino, CA. This lease was effective June 1, 2014 and will end on July 31, 2021. The current lease rate is $6,984 per month and $276 per month for the common area maintenance. Additionally, the Company has an amended operating lease for its administrative office in Coquitlam, Canada, from May1, 2020 through September 30, 2022. The initial lease rate was $4,479 CAD per month with escalating payments. In connection with the lease, the Company is obligated to pay $2,566 CAD monthly for operating expenses for building repairs and maintenance. The Company has an operating lease for its administrative office in Toronto, Canada, from August 15, 2019 through July 31, 2021. The monthly lease rate is $24,506 CAD per month with no escalating payments. In connection with the lease, the Company is obligated to pay $9,651 CAD monthly for operating expenses for building repairs and maintenance. Additionally, the Company has an operating lease for its administrative office in New Westminster, Canada, from August 1, 2019 through July 31, 2021. The initial lease rate was $575 CAD per month. The Company has an operating lease for its administrative office in Hyderabad, India, from January 1, 2019 through February 28, 2024. The monthly lease rate is 482,720 INR per month with 5% escalating payments. In connection with the lease, the Company is obligated to pay 68,960 INR monthly for operating expenses for building repairs and maintenance. The Company has no other operating or financing leases with terms greater than 12 months.

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

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

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

Note 19 - Leases (continued)

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

	As of June 30 2020
Palo Alto, CA Office	$ 808
Encino, CA Office	194
Hyderabad, India Office	354
Coquitlam, Canada Office	90
Westminster, Canada Office	10
Toronto, Canada Office	389
Less accumulated amortization	(654)
Right-of-use asset, net	$ 1,191

Lease expense for operating leases recorded in the balance sheet is included in operating costs and expenses and is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in the Company's condensed consolidated statement of income for the three-month period ended June 30, 2020 was $253,000 and $524,000 for the six-month period ended June 30, 2020.

During the three-month period ended June 30, 2020, the Company recorded $160,913 as rent expense to the right-of-use assets. During the six-month period ended June 30, 2020, the Company recorded $285,178 as rent expense to the right-of-use assets.

Lease liability is summarized below (in thousands):

	As of June 30, 2020
Total lease liability	$ 1,212
Less: short term portion	(589)
Long term portion	$ 623

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

Year ending December 31, 2020	$ 326
Year ending December 31, 2021	536
Year ending December 31, 2022	362
Year ending December 31, 2023	113
Year ending December 31, 2024	16
Total	$ 1,353
Less: Present value discount	(141)
Lease liability	$ 1,212

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of Topic 842. As of June 30, 2020, the weighted average remaining lease term is 2.41 years and the weighted average discount rate used to determine the operating lease liabilities was 8.0%.

Note 20 - 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 condensed 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.

Compliance with Nasdaq Continued Listing Requirement

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

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

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

Note 21 - Subsequent Events

At-The-Market Program

During the quarter ending September 30, 2020, the Company issued 1,604,312 shares of common stock in connection with the ATM, at per share prices between $1.5064 and $1.5134, resulting in net proceeds to the Company of approximately $2,324,000 after subtracting sales commissions of 4% of gross proceeds.

On August 13, 2020, we provided Payplant a Notice of Termination (the "Notice") of (i) that certain Loan and Security Agreement, dated as of August 14, 2017 (the "Loan Agreement"), by and among the Company, Payplant and Lender and (ii) that certain Payplant Client Agreement, dated as of August 14, 2017, as amended (the "Client Agreement"), by and between the Company and Payplant, pursuant to which we are able to request loans from the Lender. In accordance with Section 14 and Section 27 of the Loan Agreement and the Client Agreement, respectively, we terminated each agreement as the Company has fully satisfied all obligations under the Loan Agreement and will not incur any additional obligations thereunder. As a result of the termination, the security interest we previously granted under the Loan Agreement was terminated and we paid a corresponding UCC termination fee of $150 to Payplant in accordance with Section 27 of the Client Agreement.

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, 2019, 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 condensed consolidated financial statements, reflect the 1-for-45 reverse split of our common stock effective on January 7, 2020.

Overview of Our Business

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

Our Indoor Intelligence product line has long sales cycles, which result from customer-related issues such as budget and procurement processes but also because of the early stages of indoor-positioning technology and the learning curve required for customers to implement such solutions. Customers also often engage in a pilot program first which prolongs sales cycles and is typical of most emerging technology adoption curves. Indoor Intelligence sales can be licensed-based with government customers but commercial customers may prefer a SaaS or subscription model. Our other digital solutions are also delivered on a SaaS model and allow us to generate industry analytics that complement our indoor-positioning solutions.

We experienced a net loss of approximately $7.3 million and $5.2 million for the three months ended June 30, 2020 and 2019, respectively, and a net loss of $13.5 million and $10.4 million for the six months ended June 30, 2020 and 2019, respectively. We cannot assure you 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. During the first quarter of 2020, we raised $5 million in gross proceeds in connection with a debt financing and during the quarter ended June 30, 2020, we raised net proceeds of approximately $40 million, in connection with sales under our at-the-market equity facility (the "ATM") In addition, we may raise approximately $110 million of additional capital resulting in aggregate gross proceeds of $150 million under the ATM, however, general economic or other conditions resulting from COVID-19 or other events materially may impact the liquidity of our common stock or our ability to continue to access capital from the ATM to support our growth plans. Given our cash balances and budgeted cash flow requirements, we believe we have sufficient funds to support ongoing operations for the next twelve months.

Effects of COVID-19

The impact of the COVID-19 pandemic on our business and results of operations continues to remain uncertain at this time. While we have been able to continue operations remotely, we have experienced supply chain constraints and delays in the receipt of certain components of our products impacting delivery times for our products. We have also seen some impact in the demand of certain products and delays in certain projects and customer orders either because they require onsite services which could not be performed while shelter in place orders have been in effect or because of the uncertainty of the customer's financial position and ability to invest in our technology. These factors have resulted in a decrease in our revenue during the quarter ended June 30, 2020, when compared to the same period of last year. However, due to the growth in revenue experienced in the first quarter of 2020, revenue growth during the first six months of 2020 is substantially the same when compared to the same six month period of 2019. In addition, while certain anticipated second quarter projects were initially delayed by customers, following the end of the quarter we received a substantial purchase order for our sensors from a significant customer and have also secured certain reseller partnerships focused on increasing interest in our indoor intelligence solutions for workplace readiness which is directed at enterprise organizations and government agencies to assist them in optimizing the use of their facilities as well as in developing and monitoring compliance with corporate policies and government regulations for physical distancing, exposure notification, and the identification of high traffic areas for sanitizing and cleaning in order to keep their employees healthier and safer within the workplace . If we are successful in expanding the adoption of our products and services for this and or other solutions, and are able to add to our revenue growth through the completion of strategic transactions, we may be able to offset any revenue loss that may be experienced due to any constraints resulting from the pandemic or other general economic conditions, however, there are no assurances that we will be successful or that we will be able to offset any losses, if realized.

A further discussion of the impact of the COVID-19 pandemic on our business is set forth below in Part II, Item 1A. Risk Factors.

Corporate Strategy Update

Management continues to pursue a corporate strategy that is focused on building and developing our business as a provider of end-to-end solutions ranging from the collection of data to delivering insights from that data to our customers with a focus on securing, digitizing and optimizing premises with our indoor positioning, mapping and analytics solutions for businesses and governments. In connection with such strategy and to facilitate our long-term growth, we continue to evaluate various strategic transactions including acquisitions of companies with technologies and intellectual property ("IP") that complement those goals by adding technology, differentiation, customers and/or revenue. Some of these opportunities may offer us the ability to enhance our technology and product offerings, expand our verticals and/or our international presence and global footprint. We believe these complementary technologies will add value to the Company and allow us to provide a comprehensive indoor intelligence platform, offering a one-stop shop to our customers. In addition, we may seek to expand our capabilities around security, artificial intelligence, augmented reality and virtual reality or other high growth sectors. Candidates with proven technologies that complement our overall strategy may come from anywhere in the world, as long as there are strategic and financial reasons to make the acquisition. In addition, we are also exploring opportunities that will supplement our revenue growth. We are primarily looking for accretive acquisitions that have business value and operational synergies, but will be opportunistic for other strategic and/or attractive transactions that we believe may increase overall shareholder value, which may include, but not be limited to other alternative investment opportunities, such as minority investments. joint ventures or special purpose acquisition companies. If we make any acquisitions in the future, we expect that we may pay for such acquisitions with cash, equity securities and/or debt in combinations appropriate for each acquisition. In addition, we may consider an assignment of our remaining note receivable from Sysorex Inc. ("Sysorex"). In furtherance of this strategy, over the last year, we enhanced our product offerings and expanded our intellectual property portfolio by completing several strategic transactions, including, the acquisition of (1) Locality Systems, Inc. ("Locality"), a technology company based near Vancouver, Canada, specializing in wireless device positioning and radio frequency ("RF") augmentation of video surveillance systems and (2) Jibestream Inc. ("Jibestream"), a provider of a highly configurable intelligent indoor mapping platform to expand our suite of products. In addition, we acquired certain GPS products, software, technologies, and intellectual property from GTX Corp ("GTX"), a U.S. based company specializing in GPS technologies. Recently, we acquired an exclusive, worldwide license to market, distribute and develop the SYSTAT and SigmaPlot software suite of products from Systat Software, Inc.

Recent Events

Systat License Acquisition

On June 19, 2020, we entered into an exclusive license to market, distribute, and develop the SYSTAT and SigmaPlot software suite of products (the "License Grant") pursuant to the terms and conditions of that certain Exclusive Software License and Distribution Agreement, as amended on June 30, 2020 (as amended, the "License Agreement"), with Cranes Software International Ltd. ("Cranes") and Systat Software, Inc. ("Systat," and together with Cranes, the "Systat Parties"). In accordance with the terms of the License Agreement, on June 30, 2020 (the "Closing Date"), we acquired the License Grant, effective as of June 1, 2020, and we partitioned a portion of that certain promissory note (the "Sysorex Note") issued to us by Sysorex, Inc. ("Sysorex"), into a new note in an amount equal to $3 million in principal plus accrued interest (the "Closing Note") and assigned the Closing Note and all rights and obligations thereunder to Systat in accordance with the terms and conditions of that certain Promissory Note Assignment and Assumption Agreement. An additional $3.3 million of the principal balance underlying the Sysorex Note will be partitioned and assigned to Systat as consideration payable for the rights granted under the license as follows: (i) $1.3 million on the three month anniversary of the Closing Date; (ii) $1.0 million on the six month anniversary of the Closing Date; and (iii) $1.0 million on the nine month anniversary of the Closing Date. . Each assignment under the Sysorex Note will be represented by new secured promissory notes and our right to any repayment under the Sysorex Note will be subordinate and junior to Sysorex's obligation to make any payment to Systat unless we have exercised our right to offset any losses against such assigned notes as permitted in the License Agreement. In addition, we paid the remaining cash consideration of $2.2 million for the License Grant on July 8, 2020.

In connection with the License Grant, the Systat Parties provided us with equipment for us to use at no additional cost for a minimum period of six months following the Closing Date. In addition, we have the right, but not the obligation, to assume all of the Systat Parties' rights, interests, and obligations under the Systat Customer Contracts and the Systat Distribution Agreements (as such terms are defined in the License Agreement). We are also entitled to any customer maintenance revenue, new license fees, or license renewal fees, received by any of the Systat Parties after June 1, 2020 in connection with the Systat Customer Contracts and/or Systat Distribution Agreements assigned to and assumed by us in connection with the License Agreement. The License Grant will remain in effect for a period of 15 years following the Closing Date (the "Term"), unless terminated sooner upon mutual written consent of Systat and us or upon termination by either for the other party's specified breach.

At any time during the first 5-year period of the Term, we may exercise our option to purchase the Software, Software Source, User Documentation, Systat Intellectual Property, Customer Information and Equipment (as such terms are defined in the License Agreement) from the Systat Parties in exchange for an assignment of our right to receive an additional $1.0 million in principal under the Sysorex Note.

In connection with the License Grant, the Company expanded its operations into the United Kingdom and Germany. As a result of such expansion, the Company formed Inpixon Limited, a new wholly owned subsidiary in the United Kingdom, and established Inpixon GmbH, a wholly owned subsidiary incorporated under the laws of Germany.

The Company determined that the License Grant does not constitute an acquisition of a significant amount of assets and, as such, financial statements related to the License Agreement, including pro forma financial statements are not required to be reported with respect to such License Grant.

Equity Distribution Agreement

On March 3, 2020, we entered into an Equity Distribution Agreement with Maxim Group LLC (“Maxim”) under which we may offer and sell shares of our common stock in connection with the ATM in an aggregate offering amount of up to $50 million, which was increased on June 19, 2020 to $150 million pursuant to an amendment to the EDA, from time to time through Maxim, acting exclusively as our sales agent (the “ATM”). We intend to use the net proceeds of the ATM primarily for working capital and general corporate purposes. We may also use a portion of the net proceeds to invest in or acquire businesses or technologies that we believe are complementary to our own. We issued 29,033,036 shares of common stock during the quarter ended June 30, 2020, in connection with the ATM at per share prices between $1.13 and $2.02, resulting in net proceeds to the Company of approximately $40.5 million, after paying offering expenses and Maxim compensation of approximately $1.7 million, which is based on a rate of 4% of the gross sales of each sale for the first $50 million of shares and 3.25% for any remaining sales.

Subsequent to the quarter ended June 30, 2020, we have issued 1,604,312 shares of common stock in connection with the ATM, at per share prices between $1.5064 and $1.5134, resulting in net proceeds to the Company of approximately $2.3 million after paying offering expenses and Maxim compensation of approximately $97,000, which is based on a rate of 4% of the gross sales of each sale for the first $50 million of shares and 3.25% for any remaining sales.

Such sales were made pursuant to the Company’s effective shelf registration statement on Form S-3 (File No. 333-223960), which was filed with the Securities and Exchange Commission (the “SEC”) on March 27, 2018, as amended on May 15, 2018, and declared effective on June 5, 2018 (the “Registration Statement”), and a base prospectus dated as of June 5, 2018 included in the Registration Statement and the prospectus supplement relating to the ATM filed with the SEC on March 3, 2020, as supplemented by the prospectus supplement filed with the SEC on June 22, 2020.

Note Exchanges

During the quarter ended June 30, 2020, we entered into exchange agreements with noteholders pursuant to which we issued an aggregate of 3,889,990 shares of common stock in exchange for the satisfaction of an aggregate amount of approximately $4.6 million of the outstanding balance of promissory notes issued on December 21, 2018, August 8, 2019, September 17, 2019 and November 22, 2019 to the holders of such notes at exchange prices between $1.09 and $1.362 per share, in each case at a price per share equal to Nasdaq’s “minimum price” as defined by Nasdaq Listing Rule 5635(d).

Critical Accounting Policies and Estimates

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

Our significant accounting policies are discussed in Note 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

The Company records revenue according to “Revenue from Contracts with Customers (Topic 606)”, or ASU 2016-12, which requires revenue to be recognized either at a “point in time” or “over time”, depending on the facts and circumstances of the arrangement, and is evaluated using a five-step model.

Software As A Service Revenue Recognition

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

Mapping Services Revenue Recognition

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

Professional Services Revenue Recognition

The Company's professional services include fixed fee and time and materials contracts. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and materials contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts including maintenance service provided by in house personnel, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the three and six months ended June 30, 2020 and 2019, the Company did not incur any such losses. These amounts are based on known and estimated factors.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by our customers. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. As of June 30, 2020, the Company had deferred revenue of approximately $1,446,000 related to software license agreements and approximately $63,000 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 and related contract costs over the next twelve months.

Long-lived Assets

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

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

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

When assessing the recoverability of our long-lived assets, which include property and equipment and finite-lived intangible assets, we make assumptions regarding estimated future cash flows and other factors. Some of these assumptions involve a high degree of judgment and also bear a significant impact on the assessment conclusions. Included among these assumptions are estimating undiscounted future cash flows, including the projection of comparable sales, operating expenses, capital requirements for maintaining property and equipment and residual value of asset groups. We formulate estimates from historical experience and assumptions of future performance, based on business plans and forecasts, recent economic and business trends, and competitive conditions. In the event that our estimates or related assumptions change in the future, we may be required to record an impairment charge. Based on our evaluation we did not record a charge for impairment for the three and six months ended June 30, 2020 and 2019.

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 and six months ended June 30, 2020 and 2019, 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.

Acquired In-Process Research and Development ("IPR&D")

In accordance with authoritative guidance, we recognize IPR&D at fair value as of the acquisition date, and subsequently account for it as an indefinite-lived intangible asset until completion or abandonment of the associated research and development efforts. Once an IPR&D project has been completed, the useful life of the IPR&D asset is determined and amortized accordingly. If the IPR&D asset is abandoned, the remaining carrying value is written off. During fiscal year 2014, we acquired IPR&D through the acquisition of AirPatrol, in 2015 through the acquisition of the assets of LightMiner, in 2019 through the acquisitions of Locality, Jibestream and certain assets of GTX and in 2020 through the SYSTAT licensing agreement. Our IPR&D is comprised of AirPatrol, LightMiner, Locality, Jibestream, GTX and SYSTAT technology, which was valued on the date of the acquisition. It will take additional financial resources to continue development of these technologies.

We continue to seek additional resources, through both capital raising efforts and meeting with industry experts, for further development of the AirPatrol, Locality, Jibestream, GTX and SYSTAT technologies. Through June 30, 2020, we have made some progress with raising capital since these acquisitions, building our pipeline and getting industry acknowledgment. We have been recognized by leading industry analysts in a report on leading indoor positioning companies and was also awarded the IoT Security Excellence award by TMC. Management remains focused on growing revenue from these products and continues to pursue efforts to recognize the value of the AirPatrol, LightMiner, Locality, Jibestream, GTX and SYSTAT technologies. 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 IPR&D will be subject to significant impairment.

Impairment of Long-Lived Assets Subject to Amortization

We amortize intangible assets with finite lives over their estimated useful lives and review them for impairment whenever an impairment indicator exists. We continually monitor events and changes in circumstances that could indicate carrying amounts of our long-lived assets, including our intangible assets, may not be recoverable. When such events or changes in circumstances occur, we assess recoverability by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. We did not recognize any intangible asset impairment charges for the three and six months ended June 30, 2020 and 2019. See "Acquired In-Process Research and Development ("IPR&D")" for further information.

Software Development Costs

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

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 June 30, 2020 and December 31, 2019, reserves for credit losses included a reserve for doubtful accounts of approximately $ 467,000 and $646,000, respectively, due to the aging of the items greater than 120 days outstanding and other potential non-collections.

Business Combinations

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

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

Stock-Based Compensation

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

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

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

The Company incurred stock-based compensation charges of $286,000 and $858,000 for the three months ended June 30, 2020 and 2019, respectively, and $685,000 and $1,748,000 for the six months ended June 30, 2020 and 2019 respectively, which are included in general and administrative expenses. Key weighted-average assumptions used to apply this pricing model during the six months ended June 30, 2020 were as follows:

	For the Six Months Ended June 30, 2020
Risk-free interest rate	0.33%
Expected life of stock option grants	5 years
Expected volatility of underlying stock	34.43%
Dividends assumption	$ –

Results of Operations

Three months ended June 30, 2020 compared to three months ended June 30, 2019

	For the Three Months Ended				
	June 30, 2020		June 30, 2019		
(in thousands, except percentages)	Amount	% of Revenues	Amount	% of Revenues	% Change*
Revenues	$ 1,076	100%	$ 1,491	100%	(28)%
Cost of revenues	$ 305	28%	$ 391	26%	(22)%
Gross profit	$ 771	72%	$ 1,100	74%	(30)%
Operating expenses	$ 5,899	548%	$ 5,825	391%	1%
Loss from operations	$ (5,128)	(477)%	$ (4,725)	(317)%	9%
Net loss	$ (7,304)	(679)%	$ (5,231)	(351)%	40%
Net loss attributable to stockholders of Inpixon	$ (7,323)	(681)%	$ (5,240)	(351)%	40%

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

Revenues

Revenues for the three months ended June 30, 2020 were $1,076,000 compared to $1,491,000 for the comparable period in the prior year for a decrease of $415,000, or approximately 28%. Revenues decreased in the second quarter of 2020 over the prior period in 2019 primarily attributable to a delay in an anticipated customer order for our sensors from a significant customer that resulted from office closures in connection with responding to government imposed “shelter-in place” orders in connection with the COVID-19 pandemic.

Cost of Revenues

Cost of revenues for the three months ended June 30, 2020 were $305,000 compared to $391,000 for the comparable period in the prior year. This decrease of $86,000, or approximately 22%, was primarily attributable to the lower sales described above.

Gross Profit

The gross profit margin for the three months ended June 30, 2020 was 72% compared to 74% for the second quarter ended June 30, 2019. This decrease in margin is primarily due to lower margins associated with our mapping services during the second quarter ended June 30, 2020.

Operating Expenses

Operating expenses for the three months ended June 30, 2020 were $5.9 million and $5.8 million for the comparable period ended June 30, 2019. This increase of approximately $0.1 million is primarily attributable to the increased operating expenses from the Jibestream acquisition.

Loss From Operations

Loss from operations for the three months ended June 30, 2020 was $5.1 million as compared to $4.7 million for the comparable period in the prior year. This increase in loss of approximately $0.4 million was primarily attributable to the lower revenues during the second quarter of 2020 as compared to the same period of last year.

Other Income/Expense

Other income/expense for the three months ended June 30, 2020 was a loss of $2,176,000 compared to a loss of $506,000 for the comparable period in the prior year. This increase in loss of $1,670,000 is primarily attributable to the increase in interest expense and debt discount on promissory notes, a $835,000 valuation allowance adjustment due to the uncertainty of being repaid in connection with note receivable from Sysorex and a $628,000 valuation allowance for related party receivable in connection with obligations from a settlement agreement related to our spin-off of Sysorex in 2018.

Provision for Income Taxes

There was no provision for corporate income taxes for the three months ended June 30, 2020 and 2019 as the Company was in a net taxable loss position. Deferred tax assets resulting from such losses are fully reserved as of June 30, 2020 and 2019 since, at present, the Company has no history of taxable income and it is more likely than not that such assets will not be realized.

Net Income Attributable To Non-Controlling Interest

Net income attributable to non-controlling interest for the three months ended June 30, 2020 was $19,000 compared to net income of $9,000 for the comparable period in the prior year. This increase in income of $10,000 was attributable to the gain from Inpixon India and is immaterial.

Net Loss Attributable To Stockholders of Inpixon

Net loss attributable to stockholders of Inpixon for the three months ended June 30, 2020 was $7.3 million compared to $5.2 million for the comparable period in the prior year. The higher loss of approximately $2.1 million was primarily attributable to the lower revenues received this quarter as compared to the same period of last year, additional interest expense and debt discount on promissory notes, a $835,000 valuation allowance adjustment due to the uncertainty of being repaid in connection with note receivable from Sysorex and a $628,000 valuation allowance for related party receivable from a settlement agreement.

Six months ended June 30, 2020 compared to six months ended June 30, 2019

	For the Six Months Ended				
	June 30, 2020		June 30, 2019		
(in thousands, except percentages)	Amount	% of Revenues	Amount	% of Revenues	% Change*
Revenues	$ 2,880	100%	$ 2,854	100%	1%
Cost of revenues	$ 814	28%	$ 727	26%	12%
Gross profit	$ 2,066	72%	$ 2,127	75%	(3)%
Operating expenses	$ 12,759	443%	$ 11,714	410%	9%
Loss from operations	$ (10,693)	(371)%	$ (9,587)	(336)%	12%
Net loss	$ (13,469)	(468)%	$ (10,380)	(364)%	30%
Net loss attributable to stockholders of Inpixon	$ (13,478)	(468)%	$ (10,384)	(364)%	30%

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

Revenues

Revenues for the six months ended June 30, 2020 were $2,880,000 compared to $2,854,000 for the comparable period in the prior year for an increase of $26,000, or only approximately 1%, which was primarily attributable to the impact of the COVID-19 pandemic on our business.

Cost of Revenues

Cost of revenues for the six months ended June 30, 2020 were $814,000 compared to $727,000 for the comparable period in the prior year. This increase of $87,000, or approximately 12%, was primarily attributable to the increase in lower margin mapping revenue in 2020.

Gross Profit

The gross profit margin for the six months ended June 30, 2020 was 72% compared to 75% for the six months ended June 30, 2019. This decrease in margin is primarily due to lower margins associated with our mapping services during the six months ended June 30, 2020.

Operating Expenses

Operating expenses for the six months ended June 30, 2020 were $12.8 million and $11.7 million for the comparable period ended June 30, 2019. This increase of approximately $1.1 million is primarily attributable to the increased operating expenses from the Jibestream acquisition.

Loss From Operations

Loss from operations for the six months ended June 30, 2020 was $10.7 million as compared to $9.6 million for the comparable period in the prior year. This increase in loss of approximately $1.1 million was primarily attributable to the lower revenues in the second quarter of 2020 as compared to the same period in 2019 and the increased operating expenses from the Jibestream acquisition.

Other Income/Expense

Other income/expense for the six months ended June 30, 2020 was a loss of $2,863,000 compared to a loss of $793,000 for the comparable period in the prior year. This increase in loss of approximately $2,070,000 is primarily attributable to the increase in interest expense and debt discount on promissory notes, a $835,000 valuation allowance adjustment due to the uncertainty of being repaid in connection with note receivable from Sysorex and a $628,000 valuation allowance for related party receivable from a settlement agreement.

Provision for Income Taxes

There was no provision for corporate income taxes for the six months ended June 30, 2020 and 2019 as the Company was in a net taxable loss position. Deferred tax assets resulting from such losses are fully reserved as of June 30, 2020 and 2019 since, at present, the Company has no history of taxable income and it is more likely than not that such assets will not be realized. The Company recorded an income tax benefit of approximately $87,000 during the six months ended June 30, 2020 for the reduction of the deferred tax liability related to the amortization of the Locality and Jibestream intangibles.

Net Income Attributable To Non-Controlling Interest

Net income attributable to non-controlling interest for the six months ended June 30, 2020 was $9,000 compared to net income of $4,000 for the comparable period in the prior year. This increase in income of $5,000 was attributable to the gain from Inpixon India and is immaterial.

Net Loss Attributable To Stockholders of Inpixon

Net loss attributable to stockholders of Inpixon for the six months ended June 30, 2020 was $13.5 million compared to $10.4 million for the comparable period in the prior year. The higher loss of approximately $3.1 million was primarily attributable to the lower revenues received this quarter as compared to the same period last year, additional interest expense and debt discount on promissory notes, a $835,000 valuation allowance adjustment due to the uncertainty of being repaid in connection with note receivable from Sysorex and a $628,000 valuation allowance for related party receivable from a settlement agreement.

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 June 30, 2020 was a loss of $3.9 million compared to a loss of $1.9 million for the prior period in 2019. Adjusted EBITDA for the six months ended June 30, 2020 was a loss of $7.8 million compared to a loss of $4.5 million for the prior period in 2019.

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 three and six months ended June 30, 2020 and 2019 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss attributable to common stockholders	$ (7,323)	$ (5,240)	$ (13,478)	$ (11,634)
Adjustments:				
Non-recurring one-time charges:				
Loss on exchange of debt for equity	47	160	132	160
Provision for valuation allowance for held for sale loan	835	--	835	--
Provision for the valuation allowance for related party receivable	648	--	648	--
Settlement of litigation	--	--	--	6
Acquisition transaction/financing costs	169	510	196	647
Costs associated with public offering	--	50	--	50
Severance	--	100	--	100
Provision for doubtful accounts	--	--	--	105
Deemed dividend for triggering of warrant down round feature	--	--	--	1,250
Stock-based compensation - compensation and related benefits	286	858	685	1,748
Interest expense, net	777	508	1,397	864
Depreciation and amortization	682	1,117	1,908	2,160
Income tax benefit	--	(2)	(87)	(2)
Adjusted EBITDA	$ (3,879)	$ (1,939)	$ (7,764)	$ (4,546)

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

- to review and assess the operating performance of our Company as permitted by Accounting Standards Codification Topic 280, Segment Reporting;

- to compare our current operating results with corresponding periods and with the operating results of other companies in our industry;

- as a basis for allocating resources to various projects;

- as a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and

- to evaluate internally the performance of our personnel.

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

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

- we believe that it is useful to provide to investors with a standard operating metric used by management to evaluate our operating performance; and

- we believe that the use of Adjusted EBITDA is helpful to compare our results to other companies.

Even though we believe Adjusted EBITDA is useful for investors, it does have limitations as an analytical tool. Thus, we strongly urge investors not to consider this metric in isolation or as a substitute for net income (loss) and the other condensed 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 June 30, 2020 was ($0.32) compared to ($25.47) for the prior period in 2019. Basic and diluted net loss per share for the six months ended June 30, 2020 was ($0.97) compared to ($75.99) for the prior period in 2019.

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

Proforma non-GAAP net loss per basic and diluted common share for the three months ended June 30, 2020 was ($0.21) compared to a loss of ($13.33) per share for the prior period in 2019. Proforma non-GAAP net loss per basic and diluted common share for the six months ended June 30, 2020 was ($0.68) compared to a loss of ($38.76) per share for the prior period in 2019.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net loss attributable to common stockholders	$ (7,323)	$ (5,240)	$ (13,478)	$ (11,634)
Adjustments:				
Non-recurring one-time charges:				
Loss on exchange of debt for equity	47	160	132	160
Provision for valuation allowance for held for sale loan	835	--	835	--
Provision for the valuation allowance for related party receivable	648	--	648	--
Settlement of litigation	--	--	--	6
Acquisition transaction/financing costs	169	510	196	647
Costs associated with public offering	--	50	--	50
Severance	--	100	--	100
Provision for doubtful accounts	--	--	--	105
Deemed dividend for triggering of warrant down round feature	--	--	--	1,250
Stock-based compensation - compensation and related benefits	286	858	685	1,748
Amortization of Intangibles	508	820	1,524	1,633
Proforma non-GAAP net loss	$ (4,830)	$ (2,742)	$ (9,458)	$ (5,935)
Proforma non-GAAP net loss per basic and diluted common share	$ (0.21)	$ (13.33)	$ (0.68)	$ (38.76)
Weighted average basic and diluted common shares outstanding	22,823,976	205,730	13,931,245	153,108

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

- to review and assess the operating performance of our Company as permitted by Accounting Standards Codification Topic 280, Segment Reporting;
- to compare our current operating results with corresponding periods and with the operating results of other companies in our industry;

- as a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and

- to evaluate internally the performance of our personnel.

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

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

- we believe that it is useful to provide to investors a standard operating metric used by management to evaluate our operating performance; and

- we believe that the use of proforma non-GAAP net loss per share is helpful to compare our results to other companies.

Liquidity and Capital Resources as of June 30, 2020

Our current capital resources and operating results as of and through June 30, 2020, consist of:

1) an overall working capital of $30.0 million;

2) cash of approximately $39.5 million;

3) ATM equity facility in an aggregate offering amount of up to $150 million of which we have raised approximately $42 million of net proceeds as of June 30, 2020;

4) the Payplant credit facility which we may borrow against based on eligible assets with a balance of $0 as of June 30, 2020; and

5) net cash used by operating activities for the period of $10.4 million.

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

Working Capital	**Assets**	**Liabilities**	**Net**
Cash and cash equivalents	$ 39,458	$ –	$ 39,458
Accounts receivable, net / accounts payable	1,155	630	525
Operating lease obligation	–	589	(589)
Prepaid licenses and maintenance contracts/deferred revenue	–	1,509	(1,509)
Notes and other receivables / Short-term debt	160	5,523	(5,363)
Acquisition liability	–	2,950	(2,950)
Other	1,684	1,254	430
Total	$ 42,457	$ 12,455	$ 30,002

Net cash used in operating activities during the six months ended June 30, 2020 of $10.4 million consists of net loss of $13.5 million offset by non-cash adjustments of $6.4 million less net cash changes in operating assets and liabilities of approximately $3.3 million.

During the first quarter of 2020, we raised $5 million in gross proceeds in connection with a debt financing and during the quarter ended June 30, 2020, we raised net proceeds of approximately $40 million during the quarter ended June 30, 2020, in connection with sales under the ATM. Given our current cash balances and budgeted cash flow requirements, the Company believes such funds are sufficient to support ongoing operations for the next 12 months. In addition, we may continue to raise up to an aggregate of $150 million in gross proceeds under the ATM, however, general economic or other conditions resulting from COVID 19 or other events materially may impact the liquidity of our common stock or our ability to continue to access capital from the ATM to support our growth plans. In addition, the impact of the COVID-19 pandemic on our business and results of operations continues to remain uncertain at this time. While we have been able to continue operations remotely we have experienced supply chain constraints and delays in the receipt of certain components of our products impacting delivery times for our products, we have also seen some impact in the demand of certain products including our SaaS or subscription based services and products, delays in certain projects and customer requests either because they require onsite services which could not be performed while shelter in place orders have been in effect or because of the uncertainty of the customer's financial position and ability to invest in our technology, which resulted in a decrease in our revenue during the quarter ended June 30, 2020, when compared to the same period of last year. However, due to the growth in revenue experienced in the first quarter of 2020, revenue growth during the six months of 2020 is substantially the same when compared to the six month period of 2019. In addition, while certain anticipated second quarter projects were initially delayed by customers, we recently received a substantial purchase order for our sensors from a significant customer and have also seen an increase in interest in our indoor intelligence solutions for workplace readiness which is directed at enterprise organizations and government agencies to assist them in optimizing the use of their facilities as well as in developing and monitoring compliance with corporate policies and government regulations for physical distancing, exposure notification, and the identification of high traffic areas for sanitizing and cleaning in order to keep their employees healthier and safer within the workplace. If we are successful in expanding the adoption of our products and services for this and or other solutions, we may be able to offset any revenue loss that may be experienced due to any constraints that may result from the pandemic or other general economic conditions, however, there are no assurances that we will be successful or that we will be able to offset any losses, if realized. The Company is also pursuing possible strategic transactions and may raise such additional capital as needed, using our equity securities, an assignment of the remaining note receivable from Sysorex and/or cash and debt financings in combinations appropriate for each acquisition.

Liquidity and Capital Resources – Payplant

As of June 30, 2020, the principal amount outstanding under the Payplant Loan Agreement was $0.

Liquidity and Capital Resources as of June 30, 2020 Compared to June 30, 2019

The Company's net cash flows used in operating, investing and financing activities for the six months ended June 30, 2020 and 2019 and certain balances as of the end of those periods are as follows (in thousands):

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Net cash used in operating activities	$ (10,369)	$ (6,568)
Net cash used in investing activities	(472)	(963)
Net cash provided by financing activities	45,537	8,073
Effect of foreign exchange rate changes on cash	(15)	31
Net increase in cash	$ 34,681	$ 573

	As of June 30, 2020	As of December 31, 2019
Cash and cash equivalents	$ 39,458	$ 4,777
Working capital (deficit)	$ 30,002	$ (6,975)

Operating Activities for the six months ended June 30, 2020

Net cash used in operating activities during the six months ended June 30, 2020 was $10.4 million. The cash flows related to the six months ended June 30, 2020 consisted of the following (in thousands):

Net loss	$ (13,469)
Non-cash income and expenses	6,375
Net change in operating assets and liabilities	(3,275)
Net cash used in operating activities	$ (10,369)

The non-cash income and expense of $6.4 million consisted primarily of the following (in thousands):

$	1,908	Depreciation and amortization expenses (including amortization of intangibles) primarily attributable to the Shoom, AirPatrol, LightMiner, Locality, GTX, and Jibestream, which were acquired effective August 31, 2013, April 16, 2014, November 21, 2016, May 21, 2019, June 27, 2019, and August 15, 2019, respectively.
	356	Amortization of right of use asset
	685	Stock-based compensation expense attributable to warrants and options issued as part of Company operations
	132	Loss on exchange of debt for equity
	1,909	Amortization of debt discount
	835	Provision for the valuation allowance for held for sale loan
	648	Provision for the valuation allowance for related party receivable
	(32)	Accrued interest income, related party
	(87)	Income tax benefit
	21	Other
$	6,375	Total non-cash income

The net use of cash in the change in operating assets and liabilities aggregated a decrease of approximately $3.3 million and consisted primarily of the following (in thousands):

$	(107)	Increase in accounts receivable and other receivables
	(896)	Increase in inventory, other current assets and other assets
	(1,539)	Decrease in accounts payable
	(476)	Increase in accrued liabilities and other liabilities
	(362)	Decrease in operating lease liabilities
	105	Increase in deferred revenue
$	(3,275)	Net cash used in the changes in operating assets and liabilities

Operating Activities for the six months ended June 30, 2019

Net cash used in operating activities during the six months ended June 30, 2019 was $6.6 million. The cash flows related to the six months ended June 30, 2019 consisted of the following (in thousands):

Net loss	$	(10,380)
Non-cash income and expenses		5,194
Net change in operating assets and liabilities		(1,382)
Net cash used in operating activities	$	(6,568)

The non-cash income and expense of $5.2 million consisted primarily of the following (in thousands):

$	2,160	Depreciation and amortization expenses (including amortization of intangibles) primarily attributable to the Shoom, AirPatrol, LightMiner, Locality, GTX, and Jibestream, which were acquired effective August 31, 2013, April 16, 2014, November 21, 2016, May 21, 2019, June 27, 2019, and August 15, 2019, respectively.
	164	Amortization of right of use asset
	1,748	Stock-based compensation expense attributable to warrants and options issued as part of Company operations
	160	Loss on exchange of debt for equity
	33	Amortization of technology
	798	Amortization of debt discount
	105	Provision for doubtful accounts
	26	Other
$	5,194	Total non-cash income

The net use of cash in the change in operating assets and liabilities aggregated $1.4 million and consisted primarily of the following (in thousands):

$	(1,198)	Increase in accounts receivable and other receivables
	(236)	Increase in inventory, other current assets and other assets
	132	Increase in accounts payable
	(13)	Decrease in accrued liabilities and other liabilities
	(67)	Decrease in deferred revenue
$	(1,382)	Net cash used in the changes in operating assets and liabilities

Cash Flows from Investing Activities as of June 30, 2020 and 2019

Net cash flows used in investing activities during the six months ended June 30, 2020 was approximately $0.5 million compared to net cash flows used in investing activities during the six months ended June 30, 2019 of approximately $1.0 million. Cash flows related to investing activities during the six months ended June 30, 2020 include $433,000 investment in capitalized software and $39,000 for the purchase of property and equipment. Cash flows related to investing activities during the six months ended June 30, 2019 include $465,000 investment in capitalized software, $250,000 investment in GTX, $204,000 investment in Locality, and $44,000 for the purchase of property and equipment.

Cash Flows from Financing Activities as of June 30, 2020 and 2019

Net cash flows provided by financing activities during the six months ended June 30, 2020 was approximately $47.7 million. During the six months ended June 30, 2020, the Company received incoming cash flows of $41.8 million from the issuance of common stock, $5.0 million of proceeds from promissory notes, $2.0 million of acquisition liability repayments, $0.2 million of repayments from related parties, and $1,000 from notes payable proceeds offset by $1.0 million of loans to related party and $150,000 of net repayments to bank facility. Net cash flows provided by financing activities during the six months ended June 30, 2019 was $8.1 million. During the six months ended June 30, 2019, the Company received incoming cash flows of $10.9 million from the issuance of common stock, preferred stock and warrants, $4.5 million of net proceeds from promissory notes and $1.7 million of repayments from a related party offset by $8.9 million of loans to related parties, $23,000 of repayments to bank facility, and $1,000 of notes payable repayment.

Off-Balance Sheet Arrangements

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

Recently Issued Accounting Standards

For a discussion of recently issued accounting pronouncements, please see Note 3 to our financial statements, which are 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 GAAP.

In connection with our annual report on Form 10-K for the year ended December 31, 2019, we reported a material weakness in our internal controls over financial reporting resulting from the determination following initial audit procedures that the documentation underlying the preparation of forward projections, which included copies of customer contracts underlying the basis of projecting revenues and support for the projected cost structures associated with determining the fair value of the Sysorex note as of December 31, 2019, was not supportable thereby requiring material adjustments to be made to the carrying value of the note as determined by management as of December 31, 2019. To address the material weakness, we have enhanced our internal technical accounting capabilities by engaging and using third-party advisors to assist in areas requiring specialized technical accounting expertise, including with respect to designing the procedures and processes associated with assessing the fair value of our equity and debt instruments. We have tested these measures and believe these measures have enabled us to remediate the underlying control deficiency that gave rise to the previously disclosed material weakness.

As a result, and in connection with the preparation of this Form 10-Q, management, with the participation of our Principal Executive Officer and Principal Financial Officer, 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

Remediation Measures

With the exception of the remediation efforts described 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 June 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. The Company's management determined that there were no material changes needed to internal controls as a result of the COVID-19 pandemic.

Limitations of the Effectiveness of Control

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Item 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. Except as disclosed below, 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, 2019.

Risks Related to our Operations

The effects of the COVID-19 pandemic could adversely affect our business, operations, financial condition and results of operations, and the extent to which the effects of the pandemic will impact our business, operations, financial condition and results of operations remains uncertain.

The United States and the global community we serve are facing unprecedented challenges posed by the COVID-19 pandemic. The pandemic, and the preventative measures taken in response (including "shelter-in-place" or "stay-at-home" and similar orders issued by international, federal, state or local authorities), have resulted in, and are expected to continue to result in, significant volatility and business and economic disruptions and uncertainty. We have taken steps to protect our employees and we continue to operate all of our services, but the extent to which the effects of the pandemic will impact our business, operations, financial condition and results of operations is uncertain, rapidly changing and hard to predict and will depend on numerous evolving factors that we may not be able to control or predict, including:

- the duration and scope of the pandemic;
- the extent and effectiveness of responsive actions by authorities and the impact of these and other factors on our employees, customers and vendors;
- the impact of the pandemic on our employees, including key personnel;
- the extent to which we are able to maintain and replace critical internet infrastructure components, when necessary;
- any disruption of our supply chain and the impact of such disruptions on our suppliers or our ability to deliver products and services to our customers;
- our continued ability to execute on business continuity plans for the maintenance of our critical internet infrastructure, while most of our employees continue to work remotely; and
- any negative impact on the demand for our services and products resulting from the economic disruption caused by the pandemic and responses thereto.

If we are unable to successfully respond to and manage the impact of the pandemic, and the resulting responses to it, our business, operations, financial condition and results of operations could be adversely impacted.

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

As of June 30, 2020, we have an aggregate outstanding principal and accrued interest balance of approximately $6.7 million underlying the promissory note issued to Iliad Research and Trading, L.P. ("Iliad"). This promissory note matures in March 2021. In addition, Iliad may, subject to current standstill agreements, require us to redeem 1/3 of the initial principal balance of their promissory notes each month in cash. The ability to meet payment and other obligations under this note depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control as described in this Form 10-Q. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure debt, exchange debt for other securities, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet debt payment and other obligations, which could have a material adverse effect on our financial condition.

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

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

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

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

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

To address the material weakness, during February 2020, we enhanced our internal technical accounting capabilities by engaging and using third-party advisors to assist in areas requiring specialized technical accounting expertise, including with respect to designing the procedures and processes associated with assessing the fair value of our equity and debt instruments.

We have remediated this material weakness during the quarter ended June 30, 2020.

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

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

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

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

Risks Related to the Systat License Grant

We may not be able to successfully integrate the License Grant, or retain the existing customer base, which may result in our inability to fully realize the intended benefits of the Systat transactions. In addition the integration of the sale of these software products into our business operation may disrupt our current operations, which could have a material adverse effect on our business, financial position and/or results of operations.

During the second quarter, we acquired the license to use, modify, develop, market and distribute certain software owned or licensed by the Systat Parties. Incorporating the marketing and distribution of this software on a worldwide basis into our operations may result in operational, technological and personnel-related challenges, which are time-consuming and expensive and may disrupt our ongoing business operations. Furthermore, integration involves a number of risks, including, but not limited to:

- difficulties or complications in combining the acquired technologies, equipment and personnel into our operations;
- differences in controls, procedures and policies, regulatory standards and business cultures between the acquired personnel and our current personnel;
- the diversion of management's attention from our ongoing core business operations;
- the potential loss of key personnel;
- the potential loss of key customers or suppliers who choose not to do business with us;
- difficulties or delays in consolidating the acquired technologies; and/or
- unanticipated costs and other assumed contingent liabilities.

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

Several of our directors may be deemed to be interested parties in the transactions by virtue of their relationships with Sysorex, Cranes, or Systat. These interrelationships may create, or appear to create, conflicts of interest.

Nadir Ali, our chief executive officer and director, is also a director of Sysorex, the issuer of the Sysorex Note that was assigned as consideration for the transactions. Mr. Ali's dual roles may create conflicts of interest between Mr. Ali's obligations to our company and its shareholders and his obligations to Sysorex and its shareholders. For example, Mr. Ali may be in a position to influence whether Sysorex complies with its obligations under the note purchase agreement pursuant to which the promissory note was issued, and whether we lend additional amounts to Sysorex, waive defaults or accelerate such indebtedness or take other steps as a secured creditor in a manner that may be viewed as contrary to the best interests of either our company or Sysorex and their respective stockholders. Any such decision may also affect Systat the holder of a substantial portion of the indebtedness under the note purchase agreement.

There is substantial risk that Cranes may be forced into involuntary bankruptcy or receivership because it is defending several petitions from creditors seeking to wind-up its business, it is subject to considerable potential fines from Indian regulators, and owes significant amounts in taxes to Indian tax authorities.

Should Cranes be forced into bankruptcy or receivership, Cranes would likely reduce or discontinue its operations, and its assets and those of its subsidiaries could be sold to the benefit of creditors or to satisfy statutory amounts due to Indian authorities and regulators. Creditors of Cranes and Indian authorities may also seek to, in some circumstances, terminate, unwind or void, licensing agreements between Cranes and other entities, including its subsidiaries,. Should Cranes be forced into bankruptcy or receivership, our rights and remedies under the License Agreement may be impaired or inadequate, including our ability to purchase the software licensed thereunder. The bankruptcy of Cranes would only affect us to the extent that it affects the License Agreement, and the indemnification obligations thereunder, or the License Grant. For example, creditors of Cranes or Indian authorities could seek to withdraw authorization or otherwise void the License Agreement, in whole or in part, between us and Cranes, thereby depriving us of the intellectual property licenses thereunder. If we are unable to remedy the situation under the applicable circumstances, such an event would cause substantial harm to our business and any of our operations to the extent that they rely on or are structured around such licensed intellectual property.

We may not realize the full benefit of the License Grant if the licensed material has less market appeal than expected.

In addition to designing and developing our own products and services, we evaluate various strategic transactions and acquisitions of companies with technologies and intellectual property that complement our products and services by adding technology, differentiation, customers and/or revenue. We believe these complementary technologies will add value to the Company and allow us to provide a comprehensive indoor intelligence platform, offering a one-stop shop to our customers. We anticipate that the License Grant will result in an increase in our revenues; however, there can be no assurance that we will be able to retain the existing customer base or expand the technologies and products licensed from Systat with existing customers and finding new customers to sell our products and services to. This may require increasingly sophisticated and costly sales efforts and may not result in additional sales. In addition, the rate at which our customers purchase additional products and services, and our ability to attract new customers, depends on a number of factors, including the perceived need for indoor mapping products and services, as well as general economic conditions. If our efforts to sell additional products and services are not successful, our business may suffer.

If we fail to comply with our obligations in our intellectual property licenses, we could lose license rights that may important to our business and results of operations.

The License Agreement imposes certain obligations on us. If we fail to comply with the terms and obligations of the License Agreement, including the obligation to assign a portion of our right to repayment from the Sysorex Note in accordance with the schedule set forth in the License Agreement, our rights may be reduced or terminated, in which event we may not be able to develop and market any product that is covered by the License Grant. Termination of the License Grant for failure to comply with such obligations or for other reasons, or reduction or elimination of our licensed rights under it, may result in our having to negotiate new or reinstated licenses on less favorable terms or cause us to enter into a new license for a similar intellectual property. The occurrence of such events could materially harm our business and financial condition.

If we do not adequately protect our intellectual property rights received in connection with the License Agreement, we may experience a loss of revenue and our operations and growth prospects may be materially harmed.

The Systat Parties have represented to us that the licensed intellectual property is legally and beneficially owned or licensed by the Systat Parties. Although we are not aware of any infringement claims, it is possible that such claims are made during the Term. While the Systat Parties have agreed to indemnify us in connection with any losses or claims relating to any infringement of the licensed intellectual property, any loss of the intellectual property rights could result in a loss of revenue and our operations and growth prospects may be materially harmed.

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

a) Sales of Unregistered Securities

Note Exchanges

During the quarter ended June 30, 2020, we entered into exchange agreements with noteholders pursuant to which we issued an aggregate of 3,889,990 shares of common stock in exchange for the satisfaction of an aggregate amount of approximately $4.6 million of the outstanding balance of promissory notes issued on December 21, 2018, August 8, 2019, September 17, 2019 and November 22, 2019 to the holders of such notes at exchange prices between $1.09 and $1.362 per share, in each case at a price per share equal to Nasdaq's "minimum price" as defined by Nasdaq Listing Rule 5635(d).

The offer and sale of such shares was not registered under the Securities Act in reliance on an exemption from registration under Section 3(a)(9) of the Securities Act, in that (a) the shares of common stock were issued in exchange for the partitioned notes which were each another outstanding security of the Company; (b) there was no additional consideration of value delivered in connection with the exchanges; and (c) there were no commissions or other remuneration paid by the Company in connection with the exchanges.

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

The information set forth below is included herein for the purpose of providing the disclosure required under "Item 1.02 – Termination of a Material Definitive Agreement." of Form 8-K.

On August 13, 2020, we provided Payplant LLC ("Payplant"), as agent for Payplant Alternatives Fund LLC (the "Lender"), a Notice of Termination (the "Notice") of (i) that certain Loan and Security Agreement, dated as of August 14, 2017 (the "Loan Agreement"), by and among the Company, Payplant and Lender and (ii) that certain Payplant Client Agreement, dated as of August 14, 2017, as amended (the "Client Agreement"), by and between the Company and Payplant, pursuant to which we are able to request loans from the Lender. In accordance with Section 14 and Section 27 of the Loan Agreement and the Client Agreement, respectively, we terminated each agreement as the Company has fully satisfied all obligations under the Loan Agreement and will not incur any additional obligations thereunder. As a result of the termination, the security interest we previously granted under the Loan Agreement was terminated and we paid a corresponding UCC termination fee of $150 to Payplant in accordance with Section 27 of the Client Agreement.

The information set forth below is included herein for the purpose of providing the disclosure required under "Item 5.02 – Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers." of Form 8-K.

On August 10, 2020, our Board of Directors approved an amendment (the "Amendment") to the Company's 2018 Employee Stock Incentive Plan, as amended (the "Plan"), to remove the limit on the amount of non-qualified stock options that can be issued under the Plan to any one individual.

The foregoing description is qualified in its entirety by reference to the Amendment, a copy of which is attached hereto as Exhibit 10.7, and incorporated herein by reference.

The information set forth below is included herein, by our option, for the purpose of providing disclosure under "Item 8.01 – Other Events." of Form 8-K.

We entered into an Equity Distribution Agreement, dated March 3, 2020,with Maxim Group LLC ("Maxim") under which we may offer and sell shares of our common stock in connection with an at-the-market equity facility ("ATM") from time to time through Maxim, acting exclusively as our sales agent. The ATM had an initial aggregate offering amount of up to $50.0 million, which we increased to $150.0 million pursuant to Amendment No. 1 to Equity Distribution, dated as of June 19, 2020 (the "Amendment"). The Amendment also provided that Maxim will receive a reduced commission of 3.25%, down from 4.0%, from any sales in excess of the initial $50.0 million offering amount. We intend to use the net proceeds of the ATM primarily for working capital and general corporate purposes. We may also use a portion of the net proceeds to invest in or acquire businesses or technologies that we believe are complementary to our own. We issued and sold 29,033,036 shares of common stock during the quarter ended June 30, 2020, in connection with the ATM at per share prices between $1.13 and $2.02, resulting in net proceeds to the Company of approximately $40.5 million, after paying offering expenses and Maxim compensation of approximately $1.7 million, which is based on a rate of 4% of the gross sales of each sale for the first $50 million of shares and 3.25% for any remaining sales.

Subsequent to the quarter ended June 30, 2020, we have issued 1,604,312 shares of common stock in connection with the ATM, at per share prices between $1.5064 and $1.5134, resulting in net proceeds to the Company of approximately $2.3 million after paying offering expenses and Maxim compensation of approximately $97,000, which is based on a rate of 4% of the gross sales of each sale for the first $50 million of shares and 3.25% for any remaining sales.

Such sales were made pursuant to the Company's effective shelf registration statement on Form S-3 (File No. 333-223960), which was filed with the Securities and Exchange Commission (the "SEC") on March 27, 2018, as amended on May 15, 2018, and declared effective on June 5, 2018 (the "Registration Statement"), and a base prospectus dated as of June 5, 2018 included in the Registration Statement and the prospectus supplements relating to the ATM filed with the SEC on March 3, 2020 and June 22, 2020.

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: August 14, 2020

INPIXON

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

By: /s/ Wendy Loundermon
Wendy Loundermon
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1*	Share Purchase Agreement, dated May 21, 2019, by and among Inpixon, Inpixon Canada, Inc., Locality Systems Inc., Kirk Moir, in his capacity as the Sellers' Representative, the Sellers and Garibaldi Capital Advisors Ltd.	8-K	001-36404	2.1	May 22, 2019	
2.2*#	Asset Purchase Agreement, dated June 27, 2019, by and between Inpixon and GTX Corp.	8-K	001-36404	2.1	July 1, 2019	
2.3*	Share Purchase Agreement, dated July 9, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc., the Vendors, and Chris Wiegand, in his capacity as the Vendors' Representative.	8-K	001-36404	2.1	July 11, 2019	
2.4*	Amendment to Share Purchase Agreement, dated as of August 8, 2019, by and among Inpixon, Inpixon Canada, Inc., Chris Wiegand, in his capacity as the Vendors' Representative, any other shareholder who subsequently signs an adoption agreement, and Jibestream Inc.	8-K	001-36404	2.1	August 9, 2019	
2.5*	The Second Amendment to the Share Purchase Agreement, dated August 15, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc, and Chris Wiegand, in his capacity as the Vendors' representative.	8-K	001-36404	2.1	August 19, 2019	
3.1	Restated Articles of Incorporation.	S-1	333-190574	3.1	August 12, 2013	
3.2	Certificate of Amendment to Articles of Incorporation (Increase Authorized Shares).	S-1	333-218173	3.2	May 22, 2017	
3.3	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	April 10, 2014	
3.4	Articles of Merger (renamed Sysorex Global).	8-K	001-36404	3.1	December 18, 2015	
3.5	Articles of Merger (renamed Inpixon).	8-K	001-36404	3.1	March 1, 2017	
3.6	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.2	March 1, 2017	
3.7	Certificate of Amendment to Articles of Incorporation (Authorized Share Increase).	8-K	001-36404	3.1	February 5, 2018	

3.8	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	February 6, 2018	
3.9	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	November 1, 2018	
3.10	Certificate of Amendment to Articles of Incorporation, effective as of January 7, 2020 (Reverse Split).	8-K	001-36404	3.1	January 7, 2020	
3.11	Bylaws, as amended.	S-1	333-190574	3.2	August 12, 2013	
4.1	Specimen Stock Certificate of the Company.	S-1	333-190574	4.1	August 12, 2013	
4.2	Form of Certificate of Designation of Preferences, Rights and Limitations of Series 4 Convertible Preferred Stock.	8-K	001-190574	3.1	April 24, 2018	
4.3	Certificate of Designation of Series 5 Convertible Preferred Stock, dated as of January 14, 2019.	8-K	001-36404	3.1	January 15, 2019	
4.4	Promissory Note, dated as of March 18, 2020.	8-K	001-36404	4.1	March 20, 2020	
10.1	Subscription Agreement	8-K	001-36404	10.1	April 13, 2020	
10.2+	Employment Agreement, dated May 5, 2020, by and between Inpixon and Tyler Hoffman.					X
10.3*	Exclusive Software License and Distribution Agreement, dated as of June 19, 2020, by and among Inpixon, Cranes Software International Ltd., and Systat Software, Inc.	8-K	001-36404	10.1	June 22, 2020	
10.4	Amendment and Waiver to Exclusive Software License & Distribution Agreement, dated as of June 30, 2020, by and among Inpixon, Cranes Software International Ltd., and Systat Software, Inc.	8-K	001-36404	10.1	July 2, 2020	
10.5	Promissory Note Assignment and Assumption Agreement, dated as of June 30, 2020, by and between Inpixon, Systat Software, Inc. and Sysorex, Inc.	8-K	001-36404	10.3	July 2, 2020	
10.6	Intercreditor Agreement, dated as of June 30, 2020, among Inpixon, Sysorex, Inc. and Systat Software, Inc.	8-K	001-36404	10.4	July 2, 2020	
10.7+	Amendment No. 4 to Inpixon 2018 Employee Stock Incentive Plan.					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 June 30, 2020.	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 June 30, 2020.	X
32.1##	Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instant Document	X
101.SCH	XBRL Taxonomy Extension Schema Document	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X

* Certain schedules, exhibits and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Inpixon hereby undertakes to furnish copies of such omitted materials supplementally upon request by the SEC.

\# Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets ("[****]") because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

\+ Indicates a management contract or compensatory plan.

\## This certification is deemed not filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Exhibit 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement"), dated May 5, 2020 (the "Effective Date"), is entered into by and between Inpixon (the "Employer" or the "Company") and Tyler Hoffman (the "Employee").

WITNESSETH:

WHEREAS, Employer desires to employ Employee to serve as Chief Revenue 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 Revenue Officer. Subject at all times to the direction of the Company's Chief Executive Officer, Employee shall perform those duties and hold those responsibilities that are usual and customary for a Chief Revenue Officer to perform and hold. Employee shall primarily perform his job duties at Employer's office 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. Except as may otherwise be approved by Employer, during the term of this Agreement, Employee will not perform any services for any other business entity, whether such entity conducts a business which is competitive with the business of Employer or is engaged in any other business activity; 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, provided such investment or investments do not require any services on his part in the operation of the affairs of the entity in which such investment is made and in which his participation is solely that of an investor, (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 *5%* 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 volunteering his time or serving on the Board of any non-competing entity, such as a school, non-profit, or community organization, or (d) preventing Employee from engaging in any other activities, if he receives the prior written approval of the Chief Executive Officer 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 single twenty-four (24) month period (the "Initial Term"), which shall commence **May 19, 2020** (the "Start Date"). Thereafter, this Agreement shall automatically be renewed for additional twelve (12) month periods (the "Subsequent Term"), unless and until either party terminates this Agreement pursuant to Section 14 hereof.

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 each Subsequent Term (if applicable), Employer shall pay Employee a base salary at the rate of Two Hundred and Ninety Thousand Dollars ($290,000) per annum (which may be increased from time to time as agreed by the Employer and Employee, payable semi-monthly ("Base Salary").

(ii) Bonuses. In addition to Base Salary, Employee shall be eligible for an annual bonus in an amount of $210,000 which, except as set forth below, shall be subject to the terms and conditions of the Company's employee bonus plan then in effect and the completion of certain performance milestones to be determined by the Chief Executive Officer, with Employee's input, and payable quarterly in equal installments and prorated for any period less than a full quarter. Except as set forth in Section 14 herein, bonuses earned for the calendar quarter, will be paid within 60 days of the close of the calendar quarter.

6. **EQUITY**

(i) Stock Option Grant. Subject to the approval of the Company's Board of Directors (the "Board"), Employee shall be entitled to a minimum of 200,000 options to purchase shares of common stock of the Company, to be issued in accordance with the terms and conditions of the Company's 2018 Employee Stock Incentive Plan (the "Plan"), at an exercise price and upon such vesting terms as shall be determined by the Board and set forth in an award agreement issued pursuant to the Plan and consistent with the terms of this Agreement. 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 Change of Control, the vesting of each outstanding stock option or other equity-based award granted to Employee shall automatically be accelerated so that 100% of the unvested shares covered by such award shall be fully vested upon the consummation of the Change of Control.

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

(i) any consolidation, merger 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 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; or

(v) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act of an aggregate of 25% or more 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.)

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. Reimbursement for the foregoing expenses will be made in accordance with regular Company policy then in effect and within a reasonable period following Employee's presentation of the details of, and proof of, such expenses.

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.

(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.

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 one year 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, 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 one year 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**

Employee's employment with Employer may be terminated as follows:

(a) Termination Without Just Cause.

(i) Employer, in its sole discretion, may terminate Employee's employment hereunder for any reason without Just Cause (as defined below), at any time, by notifying Employee in writing of its decision. Employee, in his sole discretion, may terminate his employment hereunder at any time and for any reason.

(ii) If Employer terminates Employee's employment hereunder without Just Cause, or Employee has a Resignation for Good Reason (as defined below), Employer shall: (1) continue to pay to Employee his Base Salary then in effect, subject to customary payroll practices and withholdings, for three (3) months if Employee was employed by the Company for six (6) but not more than twelve (12) months as of the date of termination or resignation, for six (6) months if Employee was employed by the Company more than twelve (12) months as of the date of resignation or termination; (2) within 45 days of termination or resignation, pay to Employee 100% of the value of any earned and accrued but unpaid bonus amounts that Employee is then eligible for in accordance with Section 5 hereof; (3) within 45 days of termination or resignation, pay to Employee a lump sum equal to six (6) months (two quarters) of his bonus calculated based on Employee's bonus payout for the previous two quarters; (4) within 45 days of termination or resignation, pay to Employee a lump sum equal to six (6) months of the COBRA premiums that Employee would have to pay to maintain medical, dental, and vision insurance coverage for Employee, his spouse and his children, to the same extent, and on the same terms and conditions as he had immediately prior to termination (regardless of any COBRA election actually made by Employee); (5) accelerate six (6) months of vesting of any unvested options and other equity-based awards, unless Employee is terminated within the first year of employment in which case he shall receive his one-year cliff vest, accelerated to the termination date; (6) upon termination or resignation, pay to Employee the value of any accrued but unpaid vacation time; and (7) 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.

(b) Termination With Just Cause.

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

(ii) For purposes of this Agreement, the phrase "Just Cause" means: (A) Failure or refusal to carry out the lawful duties of Employee described in Section 1 hereof or any reasonable directions of the CEO or Board of Directors of Employer made in good faith which failure or refusal, if curable, is not cured within ten (10) business days after written notice thereof from the Employer; (B) The commission by Employee of any act of gross negligence, fraud or dishonesty causing material harm to the Employer, or any entities in which Employer owns a majority of the voting securities (collectively, the "Affiliates"); (C) The procurement by Employee of personal gain or profit at the expense of the Employer or from any transaction in which the Employee has an interest which is adverse to the interest of the Employer or any Affiliate, unless Employee shall have obtained the prior written consent of the CEO or Board of Directors of the Employer; (D) Unauthorized use or disclosure of the confidential information or trade secrets of the Employer, except as may be required by law (in which event Employee shall promptly provide the Employer with written notice of such legal requirement which shall be advance written notice where practicable); (E) A material breach by Employee of this Agreement, which breach is not cured within ten (10) business days' written notice from the Employer; (F) Conviction of, or a plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof; (G) Acts of violence directed at any present, former or prospective employee, independent contractor, vendor, customer or business partner of the Employer; (H) The sale, possession or use of illegal drugs on the premises of the Employer or a client of the Employer; (I) Misappropriation of the assets of the Employer or other acts of dishonesty related to the business of the Employer and resulting in a material adverse effect on the Employer; or (J) Employee, on behalf of himself or the Employer, violates or orders the violation of any laws or governmental regulations applicable to the business of the Employer, resulting in a material adverse effect on the Employer.

(iii) For purposes of this Agreement, the phrase “Resignation for Good Reason” means that 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 Employee’s Base Salary; (b) a material diminution in the Employee’s authority, duties, responsibilities over which the Employee has responsibility; (c) a requirement that the Employee report to someone other than the CEO; (d) the requirement by the Company that the Employee relocate his primary place of employment more than 20 miles from the Palo Alto, California office; or (e) the Company’s material breach of this Agreement; provided that Good Reason based on any of the above shall exist only if within 30 days of the condition first occurring, the Employee notifies the Company in writing of the act or omission constituting Good Reason, and the Company fails to correct or cure the act or omission within 30 days after receiving the Employee’s written notice.

(iv) If Employee’s employment hereunder is terminated by Employer for Just Cause or Employee terminates his employment hereunder for any reason other than a Resignation for Good Reason, Employer will be required to pay to Employee only that portion of his Base Salary, earned and accrued but unpaid bonus amounts, accrued but unused vacation pay that has been earned through the date of termination, 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.

(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, the value of any earned and accrued but unpaid bonus amounts, accrued but unpaid vacation pay earned through the date of termination, 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 to the extent required under the terms of any benefit plan or this Agreement, the vested portion of any benefit under such 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.

15. **INJUNCTION**

(i) Should Employee at any time reveal, or threaten to reveal, any Confidential Information or Trade Secret of Employer, or in any way violate, or threaten to violate, Paragraph 12 or 13 of this Agreement, Employer shall be entitled to an injunction restraining Employee from doing, or continuing to do so, or performing any such acts; and Employee hereby consents to the issuance of such an injunction without any requirement that Employer post a bond.

(ii) In the event that a proceeding is brought in equity to enforce the provisions of this Paragraph, Employee shall not argue as a defense that there is an adequate remedy at law, nor shall Employer be prevented from seeking any other remedies which may be available.

(iii) The existence of any claim or cause of action by Employer against Employee, or by Employee against Employer, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by Employer of the foregoing restrictive covenants but shall be litigated separately.

16. **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 his discretion, award reasonable attorneys' fees to the prevailing party.

17. **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.

18. **MISCELLANEOUS**

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.

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.

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.

Employee agrees to abide by Employer's rules and regulations as detailed in the Employee Handbook and an Employment, Confidential Information, Invention Assignment, and Arbitration Agreement, Code of Business Ethics, Electronic Access Policy, and Drug-Free Workplace Policy Statement.

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.

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 date set forth above.

EMPLOYER

INPIXON

By: /s/ Nadir Ali
Nadir Ali, CEO

EMPLOYEE

/s/ Tyler Hoffman
Tyler Hoffman

AMENDMENT TO THE INPIXON 2018 EMPLOYEE STOCK INCENTIVE PLAN

This Amendment (the "Amendment") to the Inpixon 2018 Employee Stock Incentive Plan (the "Plan") is made pursuant to Section 12 of the Plan. Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Plan.

WHEREAS, the Plan was approved and adopted by the board of directors (the "Board") of Inpixon (the "Company") on January 4, 2018 and approved by the stockholders of the Company on February 2, 2018;

WHEREAS, Section 12.2 of the Plan provides that the Board may modify or amend the Plan in whole or in part and from time to time in such respects as it deems advisable;

WHEREAS, the Board has determined that it is in the best interest of the Company and its stockholders to amend the Plan as set forth below.

NOW THEREFORE, the Plan is amended as follows:

1. Section 4.2. Section 4.2 is hereby amended and restated with the following:

"*Maximum Stock Option Grant.* With respect to Stock Options which are intended to qualify as Incentive Stock Options, the aggregate Fair Market Value (determined as of the time the Stock Option is granted) of the Common Stock with respect to which Incentive Stock Options granted to any participant (whether under this Plan or under any other stock option plan of the Company or its Subsidiaries) become exercisable for the first time in any calendar year, may not exceed $100,000. Notwithstanding the forgoing, nothing contained in the Plan shall be construed to prohibit the grant of Stock Options under the Plan to an Eligible Person by reason of such person holding Stock Options to purchase shares of Common Stock or any other securities of the Company granted otherwise than under the Plan.."

In all other respects, the terms and conditions of the Plan shall remain the same.

[*Signature page follows.*]

IN WITNESS WHEREOF, the Company has adopted this Amendment, effective as of the 10th day of August, 2020.

INPIXON

By: /s/ Nadir Ali

Name: Nadir Ali

Title: Chief Executive Officer

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: August 14, 2020

/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: August 14, 2020

/s/ Wendy Loundermon

Wendy Loundermon
Chief Financial Officer
(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 June 30, 2020 as filed with the Securities and Exchange Commission (the "Report"), we, Nadir Ali, Chief Executive Officer (Principal Executive Officer) and Wendy Loundermon, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 14, 2020

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

/s/ *Wendy Loundermon*
Wendy Loundermon
Chief Financial Officer
(Principal Financial and Accounting Officer)