As filed with the Securities and Exchange Commission on January 21, 2014

Registration Statement No. 333-191648

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO

FORM S-1

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

SYSOREX GLOBAL HOLDINGS CORP.

(Exact name of Registrant as specified in its charter)

Nevada	**7379**	**88-0434915**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

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Approximate Date of Proposed Sale to the Public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☑

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered		Proposed Maximum Aggregate Offering Price (1) (2)		Amount of Registration Fee (2)
Common Stock, par value $.001	$	23,000,000	$	2,962.40
Shares of Common Stock, par value $.001 underlying underwriters' Warrants	$	862,500 (3)(4)	$	111.09
Underwriters' Warrants	$	(5)	$	(5)
TOTAL	$	23,862,500	$	3,073.49(6)

(1) Includes shares of Common Stock which may be issued upon exercise of a 45-day option granted to the Underwriter to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended (the "Act").
(3) Includes the aggregate offering price of shares issuable upon exercise of warrants held by the Underwriters equal to 3% of the number of shares sold in the Offering (based on a minimum $5.00 per share offering price), including shares issuable pursuant to the Underwriters' over-allotment option.
(4) Pursuant to Rule 416 under the Securities Act, this registration statement shall be deemed to cover additional securities (i) to be offered or issued in connection with any provision of any securities purported to be registered hereby pursuant to terms which provide for a change in the amount of securities being offered or issued to prevent dilution resulting from stock splits, stock dividends, or similar transactions and (ii) of the same class as the securities covered by this registration statement issued or issuable prior to completion of the distribution of the securities covered by this registration statement as a result of a split of, or a stock dividend on, the registered securities.
(5) Pursuant to Rule 457(g) under the Securities Act no separate registration fee is required as the underlying common stock is being registered for distribution.
(6) Of this amount $3,069.05 was paid on October 9, 2013, upon the initial filing of this Registration Statement and the remaining $4.44 was paid with the filing of Amendment No. 2 on December 9, 2013.

This Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JANUARY 21, 2014

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Prospectus

3,636,364 Shares of Common Stock

Sysorex Global Holdings Corp.

This is the initial public offering of our common stock. Of the shares of Common Stock offered hereby, 3,454,546 shares are being sold by Sysorex Global Holdings Corp. (the "Company" or "Sysorex") and 181,818 shares by Geoffrey Lilien, an officer and director of the Company (the "Selling Stockholder") in a firm commitment offering (the "Offering"). See "Principal and Selling Stockholder". It is currently estimated that the initial public offering price per share will be between $5.00 and $6.00. We have assumed an initial public offering price of $5.50 per share of Common Stock.

	Per Share	Total
Public Offering Price	$ 5.50	$ 20,000,000
Underwriter's Fee	$ 0.385	$ 1,400,000
Net Proceeds to Company before expenses	$ 5.115	$ 17,670,000
Net Proceeds to Selling Stockholder	$ 5.115	$ 930,000

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We have agreed to pay Wellington Shields & Co. LLC and Dougherty & Company LLC (the "Underwriters") a fee equal to 7% of the gross proceeds raised in this offering (the Selling Stockholder to pay his proportionate share), a $50,000 non-refundable engagement fee, a 2% non-accountable expense allowance, and to reimburse the Underwriters for certain incurred expenses. The terms and arrangements with the Underwriters will comply with FINRA Rule 5110(f)(c)(z). See "Underwriting." In addition, we have agreed to grant to the Underwriters for no additional consideration: (i) warrants to purchase shares of common stock equal in number to 3% of the number of shares sold in this Offering (including any shares issued pursuant to the Underwriters' over-allotment option. We will also grant Wellington Shields & Co., LLC an 18-month right of first refusal on future offerings. See "Underwriting."

The Underwriters have the option to purchase up to 545,455 additional shares (based on an assumed offering price of $5.50 per share) from us at the public offering price for 45 days after the date of this prospectus to cover over-allotments, if any.

We are an "emerging growth company" under the Federal Securities laws and will be subject to reduced public company reporting requirements as set forth on page 3 of this prospectus. Our common stock is quoted under the symbol "SYRX" on the OTC Pink. On January 17, 2014 the last reported sales price was $3.04 per share.

All historical share and per share data in this prospectus give effect to a proposed reverse stock split to be effected following the pricing of the Offering and upon the effective date of the Registration Statement, of which this prospectus is a part. We have assumed a 1 for 2 ratio to approximate the $5.50 per share assumed initial public offering price. The Company has applied for a listing on the Nasdaq Capital Market with the share symbol SYRX, which listing upon the effective date of this prospectus, is a condition to this Offering.

Investing in our common stock is highly speculative and involves a high degree of risk. You should carefully consider the risks and uncertainties described under the heading "Risk Factors" beginning on page 11 of this prospectus before making a decision to purchase our common stock.

The shares will be ready for delivery on ________________, 2014.

WELLINGTON SHIELDS & CO. **DOUGHERTY & COMPANY LLC**

The Date of this prospectus is ______________, 2014

ADDITIONAL INFORMATION

You should rely only on the information contained or incorporated by reference in this prospectus and in any accompanying prospectus supplement. No one has been authorized to provide you with different information. The shares are not being offered in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of such documents.

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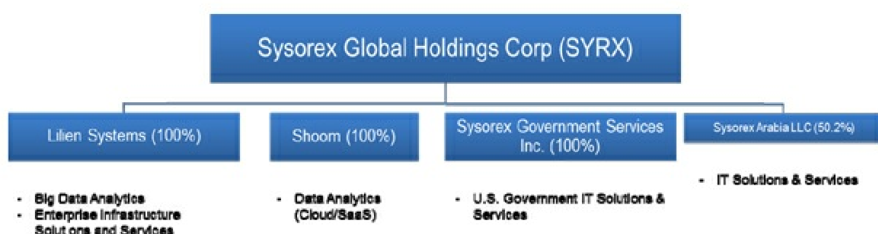
PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and related notes included elsewhere in this prospectus. In this prospectus, unless otherwise noted, the terms "the Company," "we," "us," and "our" refer to Sysorex *Global Holdings Corp., and its subsidiaries, Sysorex Federal, Inc., Sysorex Government Services Inc., Sysorex Arabia LLC, Lilien Systems, and Shoom, Inc.*

Expect where otherwise indicated, all share and per share data in this prospectus give retroactive effect to a proposed one for two reverse stock split to be effected following the pricing of this Offering and upon the effective date of the registration statement of which this prospectus is a part.

The Company

The following organizational chart sets forth the four subsidiaries of Sysorex Global Holdings Corp. and the lines of business in which they are engaged, as described below:



Overview

Sysorex Global Holdings Corp. provides a variety of IT services and technologies that enable customers to manage, protect and monetize their enterprise assets whether on-premise, in the cloud, or via mobile. Historically Sysorex' customer base was 100% public sector but that has changed significantly with the acquisitions we have made in 2013. Currently, approximately 90% of the revenues we earn are from commercial enterprises and only approximately 10% are from government agencies. Our goal is to continue to build our private and public sector offerings and contracts. We intend to do this by acquiring other businesses. On March 1, 2013, we acquired Lilien Systems, an enterprise IT infrastructure solutions provider with over $40 million in annual revenue, in consideration of a combination of $6,000,000 in value of common stock and $3 million in cash from debt financing. Subsequently, on August 31, 2013, we acquired Shoom, Inc. ("Shoom") a provider of cloud-based data analytics and enterprise solutions to the media, publishing, and entertainment industries with over $4 million in annual revenue with a retention rate of approximately 90% (over the last five years) in consideration of a combination of 1,381,000 (2,762,000 pre-split) shares of common stock and $2.5 million in cash. The cash portion was funded by the excess working capital we obtained from the Shoom acquisition. Finally, as of December 20, 2013, we entered into an Agreement and Plan of Merger to acquire AirPatrol Corporation, a developer of mobile device identification and locating systems. We expect to complete the acquisition following the completion of this Offering. Up to over 50% of the gross proceeds of the Offering have been allocated towards the acquisition of this company although there can be no assurance the acquisition will be completed. See "Use of Proceeds" and "Business - Pending Acquisition – AirPatrol Corporation."

The acquisitions of Lilien and Shoom have expanded our depth of enterprise service offerings, including big data services and cloud-based advanced analytics, while providing premier partnership status with leading vendors in IT infrastructure. Shoom also provides Sysorex with secure cloud-based software products which result in higher gross margins. These acquisitions reflect our business strategy, the purpose of which is to transform Sysorex from a services company to a technology company. We believe the acquisitions of Lilien and Shoom also provide us with an opportunity for vertical market and geographic expansion. We are focusing our primary efforts on the U.S. market in the near-term future. We have a small operating unit in Saudi Arabia and we intend to seek government contracts there. This unit does not represent a significant portion of our business and a failure to obtain contracts from the Saudi Arabian government will not have a material impact on our revenues or operations.

Cyber security and big data analytics are the areas we are targeting because we believe, based on industry data that these are growing market segments. For example, security of all forms, especially cyber-security, are significant growth areas (source: Market Research Media - U.S. Federal Cyber-Security Market Forecast 2013-2018 dated April 12, 2013), and Sysorex intends to increase its role in this sector. Gartner predicts that by 2015, 20% of Global 1000 organizations will have established a strategic focus on information infrastructure equal to that of application management. This is one of five Gartner predictions about big data and information infrastructure discussed in "Predicts 2013: Big Data and Information Infrastructure;" a November 30, 2012 report that describes in detail how the big data phenomenon will affect organizations, resources and information infrastructure. Our plan is to acquire companies with unique technologies and possibly some with patents, which we believe will give us an advantage over our competitors. However, the IT services and technologies industry is extremely competitive and many of the providers in the industry are extremely large and well financed. Therefore, there is a risk that the technologies we acquire or develop could become obsolete if others in the industry develop better products.

Recent events in the federal government including the on-going budget impasse and sequestration can impact our business with the federal government. However, our government contracts are less than 10% of our total revenues. Specifically, Congressional action could delay payment on our current contracts, delay the award of contracts that Sysorex has under submission and delay the release of task orders from the government on its contracts including the US Navy SPAWAR contract. We believe the budget impasse and sequestration are longer-term issues that we believe will have a minimal impact on our business because we are focused on cyber security and big data analytics, which we believe will continue to receive funding. We believe both of these will be growth areas for the government despite budget challenges because of the increased need for solutions in this space and recent high profile events, such as NSA information leaks by Edward Snowden and LexisNexis information leaks such as the social security number of the United States First Lady along with millions of other Americans, that have made it more of a focus. Our government contracts are typically three to five years and we believe that our recent historical government contract revenues will be indicative of future government contact based revenues. New contracts would be accretive.

Lilien's revenues are typically driven by purchase orders that are captured every month. Approximately 25% of these purchase orders are contracts that range from one to five years for warranty and maintenance support and are recurring. For these contracts the customer is invoiced one time and pays Lilien upfront for the full term of the warranty and maintenance contract. The unearned revenue is recorded as deferred revenue and amortized over the contract period. Lilien has a 29-year history and track record with a management team that we expect will continue to successfully generate and grow Lilien's business. Lilien also has a high repeat customer rate of approximately 60% annually. Lilien's revenues are diversified over hundreds of customers and no one customer exceeds 15% of its revenues. We believe this diversification provides stability to Lilien's revenue streams.

Shoom's software-as-a-service contracts are typically performed for periods of one or more years and Shoom has a high customer retention rate. Shoom offers eSolutions including eTearsheets, invoicing, CRM, and other products and services to 750 newspapers in the cloud. Cloud or SaaS based analytics is a growing market that Sysorex intends to pursue beyond the media vertical that Shoom is in today. According to industry sources, cloud based business analytics and business intelligence is expected to grow from $5.2 billion in 2013 to $16.52 billion in 2018 a 25.8% CAGR (source: PRWeb Article - Cloud Analytics Market is Growing at an Estimated CAGR of 25.8% & to Reach $16.52 Billion by 2018 - New Report by MarketsandMarkets April 2, 2013.) Shoom has been in business for over 10 years and providing its cloud solutions for over four years.

The Lilien Acquisition significantly impacted our results of operations for the nine months ended September 30, 2013, as indicated in the discussion below. The results show a net loss which was attributable, in part, to certain one-time non-recurring charges related to the Lilien and Shoom Acquisitions, resulting in the Company incurring significant legal, accounting, due diligence, financing and general and administrative expenses as compared to the expenses incurred in comparable period in 2012.

We believe the accretive impact of our acquisition strategy is becoming evident and the quarter ended September 30, 2013 included a full quarter of Lilien's revenues. We anticipate synergies and operational efficiencies to improve revenues and profitability for both Sysorex and Lilien, especially in Q3 and Q4 when Lilien's business is historically stronger as a result of customer budgeting processes. Sysorex' U.S. government operations are profitable and this division is expected to grow based on the U.S. Navy SPAWAR contract award to Sysorex earlier this year. The U.S. Navy SPAWAR contract is expected to start releasing task orders in Q1 2014 and other awards are expected later in the year, now that the budget impasse is resolved. With the addition of Shoom we believe that our liquidity will improve significantly as Shoom's business model generates 77% gross margins. We believe that our shift to technology based business lines like Shoom and other future acquisitions will increase our customer base and, in turn, increase revenues to a level that will allow us to achieve profitability.

Corporate Strategy

Sysorex management has a mergers and acquisitions strategy to acquire companies and innovative technologies servicing the multi-billion dollar IT services industry. We have targeted services and technology/IP based companies since they add significant value to the Company and allow us to command a higher sales price should there be a sale or a spinoff. Sysorex plans to facilitate and manage cross-selling opportunities among the companies and provide shared corporate services to create efficiencies and be cost effective. We are seeking opportunities with the following profiles:

- Innovative and commercially proven technologies primarily in cyber-security, business intelligence/analytics, Big Data services, Cloud and mobile/BYOD.
- Commercial and government IT service companies which have an established customer base and are seeking growth capital to expand their capabilities, product offerings and substantially increase their revenues and operating profits.
- Companies with profitable, proven technologies that are complementary to the Company's overall strategy. We are looking at companies primarily in the United States. However, we may expand in our existing markets (e.g., Middle East) and into other geographies such as India and Europe, if there are significant strategic and financial reasons to do so.

An important element of our mergers and acquisitions strategy is to acquire companies with complementary capabilities/technologies and an established customer base in each of the above categories. We believe that the customer base of each potential acquisition will present an opportunity to cross-sell solutions to the customer base of other acquired companies. For example, when we acquire a company that primarily specializes in BYOD cyber security, we will be in position to market this solution to both Sysorex's public sector government clients and Lilien's private sector clients.

Another important criteria is an acquisition candidate's contract backlog. This is one of the most important benefits of having public sector clients. These customers provide very large multi-year contracts that can provide secure revenue visibility typically for three to five years. Based on Management's experience, we understand government contracting very well and have built a core competency in bidding on government requests for proposals (RFPs). We are actively seeking companies that have built a backlog with various government agencies that can complement Sysorex's existing contracts.

We intend to acquire innovative technologies and established, reputable IT services companies, using restricted common stock, cash and debt financing in combinations appropriate for each potential acquisition.

Industry Overview

Worldwide, companies and organizations are expected to spend a combined $3.8 trillion on hardware, software, IT services and telecommunications in 2013 with approximately 3.9% growth rate over the next five years (Source: Gartner, Inc. March 28, 2013 press release). The automatic sequestration that has mandated sudden cuts in United States government spending and the current budget impasse and recent U.S. Government shutdown have offset anticipated gains. Although European economies appear less volatile, intermittent sovereign debt issues (e.g., Cyprus) have also served to reduce the level of IT spending (Source: All Things D Article, "Gartner Raises 2013 IT Spending Forecasts to $3.8 Trillion," by Arik Hesseldahl, March 28, 2013).

The U.S. Government spends approximately $80 billion in IT annually and this level of spending is expected to continue at a 3% compound annual growth rate (CAGR), compared with 6% historically in the first decade of the 21st Century (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018). Security of all forms, especially cyber-security, are significant growth areas, and Sysorex intends to increase its role in this sector (based on: Market Research Media - U.S. Federal Cyber-Security Market Forecast 2013-2018 dated April 12, 2013). The focus is on deployment of technologies that proved their worth in the private sector. The technology segments like business intelligence, cloud computing, eDiscovery, GIS and geospatial, non-relational database management systems, smart grid, SOA, unified communications and virtualization are expected to have double digit growth in the period 2013 – 2018 (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018). The total annual U.S. Federal IT market is expected to surpass $93 billion by 2018 (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018).

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our most recently completed fiscal year, we qualify as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, which we refer to as the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable, in general, to public companies that are not emerging growth companies. These provisions include:

- Reduced disclosure about our executive compensation arrangements;
- No non-binding shareholder advisory votes on executive compensation or golden parachute arrangements;
- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting; and
- Reduced disclosure of financial information in this prospectus, limited to two years of audited financial information and two years of selected financial information.

As a smaller reporting company, each of the foregoing exemptions is currently available to us. We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.0 billion in annual revenues as of the end of a fiscal year, if we are deemed to be a large-accelerated filer under the rules of the Securities and Exchange Commission, or if we issue more than $1.0 billion of non-convertible debt over a three-year-period.

The JOBS Act permits an emerging growth company to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to "opt out" of this provision. Therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Corporate Information

We were incorporated in the State of Nevada in April, 1999, under the name Liquidation Bid, Inc., and we subsequently changed our name to Sysorex Global Holdings Corp. pursuant to a July 2011 merger with Sysorex Federal, Inc. and its wholly-owned subsidiary Sysorex Government Services Inc. Our principal executive offices are located at 3375 Scott Blvd., Suite 448, Santa Clara, CA 95054, and our telephone number is (408) 702-1267. Our subsidiaries maintain offices in Herndon, VA, Larkspur CA, Encino, CA and Riyadh, Saudi Arabia. Our Internet website is wwwsysorex.com. The information on, or that can be accessed through, our website is not part of this prospectus, and you should not rely on any such information in making the decision whether to purchase our common stock.

The Offering

Common Stock Offered	3,636,364 shares, of which 3,454,546 are being offered by the Company and 181,818 shares by the Selling Stockholder.
Common Stock Outstanding	14,089,606 as of January 17, 2014 (1)
Common Stock to be Outstanding Immediately after the Offering (2)	17,544,152 shares which does not include up to 545,455 shares that the Underwriter may acquire to cover over-allotments pursuant to the over-allotment option or up to 109,091 shares (3% of the Offering) issuable upon exercise of the Underwriter's warrants.
Option to Purchase Additional Shares	The Underwriter has the option to purchase up to 545,455 additional shares (15% of the Offering) from the Company to cover over-allotments. The Underwriter can exercise the option at any time within 45 days from the date of this prospectus.
Use of Proceeds	We estimate that the net proceeds to the Company from the sale of common stock that we are offering will be approximately $17,090,000 after deducting the underwriter's fee and estimated offering expenses that we must pay, assuming (i) an initial public offering price of $5.50 per share, and (ii) the Underwriter does not exercise its over-allotment option. We intend to use the net proceeds approximately as follows: (a) $10.5 million to acquire AirPatrol Corporation a developer of mobile device identification and locating systems (see "Business - Pending Acquisition"); (b) $2.0 million to expand our sales and marketing efforts, including expansion of our Washington D.C. office; (c) $4.0 million for future strategic acquisitions; and (d) the remainder for working capital and other general corporate purposes. We will not receive any of the proceeds from the sale of shares by the Selling Stockholder. See "Use of Proceeds."
Dividend Policy	We have never declared any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in financing the growth of our business and do not anticipate paying any cash dividends for the foreseeable future. See "Dividend Policy."
OTC Symbol	SYRX Pink. We have applied for a listing on the Nasdaq Capital Market under the symbol SYRX,which listing upon the effective date of this prospectus is a condition to this Offering.

(1) Gives retroactive effect to a proposed one-for two reverse stock split in connection with the pricing of this Offering. Includes up to 1,381,000 shares of common stock reserved for issuance to all former shareholders of Shoom, some of whom have not yet exchanged their shares.

(2) Does not include 2,077,500 shares issuable upon exercise of outstanding options and 411,262 shares issuable upon exercise of outstanding warrants.

Reverse Stock Split and Listing Application	Our Board of Directors and stockholders holding a majority of our outstanding voting power approved a resolution authorizing our Board of Directors to effect a reverse split of our common stock at an exchange ratio of approximately one-for two to with our Board of Directors retaining the discretion as to whether to implement the reverse split and the exact exchange ratio to implement. We anticipate that immediately following the effectiveness of the registration statement of which this prospectus forms a part, and in connection with the pricing of this Offering, our Board of Directors will determine the reverse stock split ratio. For purposes of this prospectus, we have assumed a one-for two ratio for all historical share and per share data (but not the historical financial statements) to approximate the assumed initial public offering price of $5.50 per share. The reverse stock split is intended to allow us to meet the minimum share price requirement of Nasdaq. We have applied for such listing of our common on Nasdaq, which is a condition to this Offering. If the application is not approved, we will not complete this Offering or effect the reverse stock split, and the shares of our common stock will continue to be traded on the OTC Pink Market.
Risk Factors	You should carefully consider the information set forth in this prospectus and, in particular, the specific factors set forth in the "Risk Factors" section beginning on page 11 of this prospectus before deciding whether or not to invest in our common stock.

Summary Financial Information

The summary financial information set forth below is derived from the more detailed audited and unaudited financial statements of the Company appearing elsewhere in this prospectus. You should read the summary financial information below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, including the notes to such financial statements.

Statement of Operations Data:

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Years Ended December 31, 2012	Years Ended December 31, 2011
	(Unaudited)		(Audited)	
Revenues Net	$ 34,091,608	$ 3,182,046	$ 4,237,789	$ 7,003,549
Cost of Revenues	$ 25,854,640	$ 1,730,487	$ 2,344,592	$ 4,312,281
Gross profit	$ 8,236,968	$ 1,451,559	$ 1,893,197	$ 2,691,268
Total Operating Expenses	$ 10,641,976	$ 1,686,925	$ 2,348,611	$ 2,739,641
Loss from Operations	$ (2,405,008)	$ (235,366)	$ (455,414)	$ (48,373)
Other Income (expense)	$ (501,044)	$ (140,515)	$ (329,211)	$ 79,225
Net (Loss) Income	$ (2,906,052)	$ (375,881)	$ (784,625)	$ 246
Net (Loss) Income Attributable to Non-Controlling Interest	$ (104,050)	$ (46,799)	$ (90,779)	$ 35,775
Dividends	$ -0-	$ -0-	$ 0	$ 118,200
Net Loss Attributable to Stockholders of Sysorex	$ (2,802,002)	$ (329,082)	$ (693,846)	$ (153,729)
Basic and Diluted				
Net Loss Per Share	$ (0.12)	$ (0.02)	$ (0.04)	$ (0.01)
Weighted Average Number of Shares Outstanding	23,364,101	17,962,518	17,962,586	13,879,817
Pro forma basic and diluted net loss per share - after reverse stock split	$ (0.24)	$ (0.04)	$ (0.08)	$ (0.02)
Pro forma weighted average number of basic and diluted common shares outstanding - after reverse stock split	11,682,051	8,981,259	8,981,293	6,939,909

Balance Sheet Data:

	September 30, 2013	December 31, 2012	December 31, 2011
	(Unaudited)	(Audited)	
Cash and Cash Equivalents	$ 4,082,026	$ 8,301	$ 225,134
Other Current Assets	$ 16,981,874	$ 418,482	$ 457,837
Property and Equipment, Net	$ 256,752	$ 49,238	$ 144,921
Other Assets	$ 770,536	$ 20,060	$ 784,824
Intangibles	$ 7,557,736	$ -	$ -
Goodwill	$ 5,788,012	-	-
Total Assets	$ 41,014,045	$ 1,615,112	$ 1,612,716
Total Current Liabilities	$ 28,177,805	$ 6,182,953	$ 5,598,619
Total Long Term Liabilities	$ 5,406,039	$ -0-	$
Common Stock	$ 28,107	$ 17,988	$ 17,963
Additional Paid-In Capital	$ 21,023,994	$ 6,130,440	$ 5,901,968
Due from Sysorex Consulting	$ (665,554)	$ (665,554)	$ (639,744)
Accumulated Deficit	$ (11,644,560)	$ (8,842,558)	$ (8,148,712)
Stockholders' Equity (Deficiency) Attributable to Sysorex Global Holdings Corp.	$ 8,742,408	$ (3,359,684)	$ (2,868,525)
Non-Controlling Interest	$ (1,312,207)	$ (1,208,157)	$ (1,117,378)
Total Stockholdings Equity (Deficiency)	$ 7,340,201	$ (4,567,841)	$ (3,985,903)
Total Liabilities and Stockholders' Equity	$ 41,014,045	$ 1,615,112	$ 1,612,716

	Proforma Stockholders' Equity (Deficiency) after stock split as of		
	September 30, 2013	December 31, 2012	December 31, 2011
		(Unaudited)	
Common Stock	$ 14,054	$ 8,994	$ 17,963
Additional Paid-In Capital	$ 21,038,468	$ 6,139,434	$ 5,901,968
Due from Sysorex Consulting	$ (665,554)	$ (665,554)	$ (639,744)
Accumulated Deficit	$ (11,644,560)	$ (8,842,558)	$ (8,148,712)
Stockholders' Equity (Deficiency) Attributable to Sysorex Global Holdings Corp.	$ 8,742,408	$ (3,359,684)	$ (2,868,525)
Non-Controlling Interest	$ (1,312,207)	$ (1,208,157)	$ (1,117,378)
Total Stockholders Equity (Deficiency)	$ 7,430,201	$ (4,567,841)	$ (3,985,903)

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the SEC registering under the Securities Act the common stock being offered under this prospectus. This prospectus, which is a part of such registration statement, does not include all of the information contained in the registration statement and its exhibits. For further information regarding us, the Selling Stockholder and our common stock, you should consult the registration statement and its exhibits.

Statements contained in this prospectus concerning the provisions of any documents are summaries of those documents and are not necessary complete, and we refer you to the documents filed with the SEC for more information. The registration statement and any of its amendments, including exhibits filed as a part of the registration statement or an amendment to the registration statement, are available for inspection and copying as described below.

We will distribute annual reports to our stockholders, including financial statements audited and reported on by an independent registered public accounting firm. Any or all reports and other documents we will file with the SEC, as well as any or all of the documents incorporated by reference in this prospectus or the registration statement we filed with the SEC registering for sale the shares of our common stock being offered pursuant to this prospectus, are available at the SEC's website www.sec.gov, as well as our website www.sysorex.com. If you do not have Internet access, requests for copies of such documents should be directed to Ms. Wendy Loundermon, the Company's Chief Financial Officer, at Sysorex Global Holdings Corp., 3375 Scott Blvd., Suite 440, Santa Clara, CA 95054; Tel: 703-356-2900.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Prospective investors should carefully consider the risks described below, together with all of the other information included or referred to in this prospectus, before purchasing shares of our common stock. There are numerous and varied risks that may prevent us from achieving our goals. If any of these risks actually occurs, our business, financial condition or results of operations may be materially adversely affected. In such case, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Related to Consolidated Operations

Since we have recently acquired Lilien Systems and Shoom, it is difficult for potential investors to evaluate our future consolidated business.

We completed the Lilien Acquisition on March 20, 2013 and the Shoom Acquisition on September 6, 2013. Therefore, our limited combined operating history makes it difficult for potential investors to evaluate our business or prospective operations and your purchase of our securities. Therefore, we are subject to the risks inherent in the financing, expenditures, complications and delays inherent in a newly combined business. These risks are described below under the risk factor titled *"Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results."* In addition, while the former members of Lilien and the shareholders of Shoom have indemnified the Company from any undisclosed liabilities there may not be adequate resources to cover such indemnity. Furthermore, there are risks that Lilien's and Shoom's vendors, suppliers and customers may not renew their relationships for which there is no indemnification. Accordingly, our business and success faces risks from uncertainties faced by developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

We need the proceeds of this Offering to complete a pending acquisition and execute our business plan which financing may otherwise not be available on reasonable terms or at all.

As of September 30, 2013, we had $4,082,026 cash on hand. On March 20, 2013, we entered into a revolving credit line for $5 million from Bridge Bank, N.A. which was increased to $6,000,000 with a $750,000 term loan on August 29, 2013. As of January 17, 2014, the Company owed $6,000,000 under its revolving credit line and $750,000 under the term loan which matures August 27, 2016. In view of our business plan we require the proceeds of this Offering to execute the same and fund business operations long enough to achieve profitability. Specifically, we have allocated approximately $10.5 million, or more than 50% of the gross proceeds of the Offering for a pending acquisition which we are unable to acquire without the proceeds of the Offering. We expect that this Offering will be for approximately 20% of the outstanding shares of common stock of the Company. Future financings through equity investments will also be dilutive to existing stockholders. Also, the terms of securities we may issue in future capital transactions may be more favorable to new investors than our current investors. Newly issued securities may include preferences, superior voting rights, the issuance of warrants or other derivative securities, and the issuance of incentive awards under employee equity incentive plans, which may have additional dilutive effects. Further, in connection with this Offering, we will incur substantial costs, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs while there is no assurance such offering will be completed. We may also be required to recognize non-cash expenses in connection with certain securities we may issue in the future such as convertible notes and warrants, which would adversely impact our financial condition and results of operations. Our ability to obtain needed financing may be impaired by factors, including the condition of the economy and capital markets, both generally and specifically in our industry, and the fact that we are not profitable, which could impact the availability or cost of future financing. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, we may need to reduce our operations accordingly.

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

The Lilien and Shoom Acquisitions require a substantial expansion of the Company's systems, workforce and facilities. We may fail to adequately manage our anticipated future growth. The substantial growth in our operations as a result of the Lilien and Shoom Acquisitions is expected to place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. Lilien's growth strategy includes broadening its service and product offerings, implementing an aggressive marketing plan and employing leading technologies. There can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems.

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

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

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

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

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

The success of our business depends on the skill of our personnel. Accordingly, it is critical that we maintain, and continue to build, a highly experienced management team and specialized workforce, including software programs and sales professionals. Competition for personnel, particularly those with expertise in government consulting, a security clearance is high, and identifying candidates with the appropriate qualifications can be costly and difficult. We may not be able to hire the necessary personnel to implement our business strategy given our anticipated hiring needs, or we may need to provide higher compensation or more training to our personnel than we currently anticipate. In addition, our ability to recruit, hire and indirectly deploy former employees of the U.S. Government is subject to complex laws and regulations, which may serve as an impediment to our ability to attract such former employees.

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

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

We have allocated a substantial portion of the net proceeds of this Offering to expand our business, in part, through future acquisitions, but we may not be able to complete the pending acquisition or identify or complete suitable acquisitions, which could harm our financial performance.

Acquisitions are a significant part of our growth strategy. We have allocated approximately $14.5 million of the net proceeds of the Offering for strategic acquisitions including $10.5 million for AirPatrol Corporation. See "Use of Proceeds." We

continually review, evaluate and consider potential investments and acquisitions. In such evaluations, we are required to make difficult judgments regarding the value of business opportunities and the risks and cost of potential liabilities. We plan to use acquisitions of companies or technologies to expand our project skill-sets and capabilities, expand our geographic markets, add experienced management and increase our product and service offerings. Although we have identified several acquisition considerations, we may be unable to implement our growth strategy if we cannot reach agreement with acquisition targets on acceptable terms or arrange required financing for acquisitions on acceptable terms. In addition, the time and effort involved in attempting to identify acquisition candidates and consummate acquisitions may divert members of our management from the operations of our company.

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

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

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

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

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

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

If we are unable to comply with certain financial and operating restrictions in our credit facilities, we may be limited in our business activities and access to credit or may default under our credit facilities

Pursuant to our existing credit facility with Bridge Bank, N.A., all of the Company's and our subsidiaries' assets, other than excluded and future projects are secured with our senior lender. As of January 17, 2014 the Company owed $6 million under its revolving line of credit and $750,000 under a term loan. Provisions in our credit facilities and debt instruments impose restrictions or require prior approval on our and certain of our subsidiaries' ability to, among other things:

- incur additional debt;
- pay cash dividends and make distributions;

- make certain investments and acquisitions;
- guarantee the indebtedness of others or our subsidiaries;
- redeem or repurchase capital stock;
- create liens or encumbrances;
- enter into transactions with affiliates;
- engage in new lines of business;
- sell, lease or transfer certain parts of our business or property;
- restrictions on incurring obligations for capital expenditures;
- issue additional capital stock of the Company or any subsidiary of the Company;
- acquire new companies and merge or consolidate.

These agreements also contain other customary covenants, including covenants that require us to meet specified financial ratios and financial tests. We may not be able to comply with these covenants in the future. Our failure to comply with these covenants may result in the declaration of an event of default and cause us to be unable to borrow under our credit facilities and debt instruments. In addition to preventing additional borrowings under these agreements, an event of default, if not cured or waived, may result in the acceleration of the maturity of indebtedness outstanding under these agreements, which would require us to pay all amounts outstanding. If the maturity of our indebtedness is accelerated, we may not have sufficient funds available for repayment or we may not have the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us or at all. Our failure to repay our bank indebtedness would result in the bank foreclosing on all or a portion of our assets and force us to curtail our operations.

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

Upon completion of any acquisitions by the Company, we may be subject to claims that our acquired companies and their employees may have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of former employers or competitors. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent our ability to commercialize certain products, which could severely harm our business.

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

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

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

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

Customer systems failures could damage our reputation and adversely affect our revenues and profitability.

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

Our financial performance could be adversely affected by decreases in spending on technology products and services by our public sector customers.

Our sales to our public sector customers are impacted by government spending policies, budget priorities and revenue levels. Although our sales to the federal government are diversified across multiple agencies and departments, they collectively accounted for approximately 10% of 2012 net sales. An adverse change in government spending policies (including budget cuts at the federal level resulting from sequestration), budget priorities or revenue levels could cause our public sector customers to reduce their purchases or to terminate or not renew their contracts with us, which could adversely affect our business, results of operations or cash flows.

Our business could be adversely affected by the loss of certain vendor partner relationships and the availability of their products.

We purchase products for resale from vendor partners, which include OEMs, software publishers, and wholesale distributors. For the year ended December 31, 2012, we purchased approximately 52% of the products we sold directly from vendor partners and the remaining amount from wholesale distributors. We are authorized by vendor partners to sell all or some of their products via direct marketing activities. Our authorization with each vendor partner is subject to specific terms and conditions regarding such things as sales channel restrictions, product return privileges, price protection policies, purchase discounts and vendor partner. In the event we were to lose one of our significant vendor partners, our business could be adversely affected.

We have entered, and expect to continue to enter, into joint venture, teaming and other arrangements, and these activities involve risks and uncertainties.

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

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

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

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

We have not registered copyrights on any of the software we have developed. We rely upon confidentiality agreements signed by our employees, consultants and third parties to protect our intellectual property. We cannot assure you that we can adequately protect our intellectual property or successfully prosecute potential infringement of our intellectual property rights. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. Our failure to protect our intellectual property rights may result in a loss of revenue and could materially adversely affect our operations and financial condition.

Our performance and ability to compete are dependent to a significant degree on our proprietary technology. Our proprietary software is protected by common law copyright laws, as opposed to registration under copyright statutes. Common law protection may be narrower than that which we could obtain under registered copyrights. As a result, we may experience difficulty in enforcing our copyrights against certain third party infringements. As part of our confidentiality-protection procedures, we generally enter into agreements with our employees and consultants and limit access to, and distribution of, our software, documentation and other proprietary information. There can be no assurance that the steps we have taken will prevent misappropriation of our technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford us little or no protection of our intellectual property. We also rely on a variety of technology that we license from third parties. There can be no assurance that these third party technology licenses will continue to be available to us on commercially reasonable terms, if at all. The loss of or inability to maintain or obtain upgrades to any of these technology licenses could result in delays in completing software enhancements and new development until equivalent technology could be identified, licensed or developed and integrated. Any such delays would materially and adversely affect our business.

Risks Related to Lilien's Business and Industry

Our growth is dependent on increasing sales to our existing clients and obtaining new clients, which, if unsuccessful, could limit our financial performance.

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

Our results depend on the continued growth of the market for IT products and services, which is uncertain.

Lilien's IT products and services solutions are designed to address the growing markets for off-premises services (including migrations, consolidations, cloud computing and disaster recovery), technology integration services (including storage and data protection services and the implementation of virtualization solutions) and managed services (including operational support and client support). These markets are still evolving. Competing technologies and services or reductions in corporate spending may reduce the demand for our products and services.

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

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

We operate in a highly competitive market and Lilien may be required to reduce the prices for its products and services to remain competitive, which could adversely affect our profitability and financial condition.

Our industry is developing rapidly and related technology trends are constantly evolving. In this environment, we face significant price competition from our competitors. We may be unable to offset the effect of declining average sales prices through increased sales volumes and/or reductions in our costs. Furthermore, we may be forced to reduce the prices of the products and services we sell in response to offerings made by our competitors. Finally, we may not be able to maintain the level of bargaining power that we have enjoyed in the past when negotiating the prices of our services.

Lilien faces substantial competition from other national, multi-regional, regional and local value-added resellers and IT service providers, some of which may have greater financial and other resources than we do or that may have more fully developed business relationships with clients or prospective clients than we do. Many of our competitors compete principally on the basis of price and may have lower costs or accept lower selling prices than we do and, therefore, we may need to reduce our prices. In addition, manufacturers may choose to market their products directly to end-users, rather than through IT solutions providers such as us, and this could adversely affect our business, financial condition and results of operations.

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

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

If we are not able to maintain favorable pricing for our products and services, our profit margin and our profitability could suffer.

Lilien's sales are subject to quarterly and seasonal variations that may cause significant fluctuations in our operating results.

The timing of our revenues can be difficult to predict. Our sales efforts involve educating our clients about the use and benefit of the products we sell and our services and solutions, including their technical capabilities and potential cost savings to an organization. Clients typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle, which typically lasts several months, and may last a year or longer. We spend substantial time, effort and money on our sales efforts without any assurance that our efforts will produce any sales during a given period.

In addition, many of our clients spend a substantial portion of their IT budgets in the second half of the year. Other factors that may cause our quarterly operating results to fluctuate include changes in general economic conditions and the impact of unforeseen events. We believe that our revenues will continue to be affected in the future by cyclical trends. As a result, you may not be able to rely on period to period comparisons of our operating results as an indication of our future performance.

A delay in the completion of our clients' budget processes could delay purchases of Lilien's products and services and have an adverse effect on our future revenues.

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

Lilien's profit margins depend, in part, on the volume of products and services sold, and we may be unable to achieve increases in our profit margins in the future.

Given the significant levels of competition that characterize the IT reseller market, it is unlikely that Lilien will be able to increase gross profit margins through increases in its sales of IT products alone. Any increases in its gross profit margins in the future will depend, in part, on the growth of our higher margin businesses such as IT consulting and professional services. In addition, low margins increase the sensitivity of our results of operations to increases in costs of financing. Any failure by us to maintain or increase our gross profit margins could have a material adverse effect on our financial condition and results of operations.

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

Our success depends in part on our ability to provide reliable remote services, technology integration and managed services to our clients. Lilien currently has its company data center located in Larkspur, California, which is susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failure, terrorist attacks and similar events. We could also experience failures or interruptions of our systems and services, or other problems in connection with our operations, as a result of:

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

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

Lilien's services and solutions involve storing and replicating mission-critical data for our clients and are highly technical in nature. If client data is lost or corrupted, our reputation and business could be harmed.

Lilien's data center and technology integration services include storing and replicating mission-critical data for our clients. The process of storing and replicating that data within their data centers or at our facilities is highly technical and complex. If any data is lost or corrupted in connection with the use of our products and services, our reputation could be seriously harmed and market acceptance of our IT solutions could suffer. In addition, our solutions have contained, and may in the future contain, undetected errors, defects or security vulnerabilities. Some errors in our solutions may only be discovered after a solution has been in use by clients. Any errors, defects or security vulnerabilities discovered in our solutions after use by clients could result in loss of revenues, loss of clients, increased service and warranty cost and diversion of attention of our management and technical personnel, any of which could significantly harm our business. In addition, we could face claims for product liability, tort or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention and adversely affect the market's perception of us and our service offerings and solutions.

Lilien does not have long-term recurring revenue generating contracts with its clients, and its clients may cease providing new purchase orders at any time or reduce the amount of purchases they make that would depress Lilien's revenues and harm our results of operations.

Our operations depend upon our relationships with our clients. Lilien's revenues are typically driven by purchase orders received every month. The majority of Lilien's revenues comes from one time purchase orders that do not guarantee any future recurring revenues. Approximately twenty five percent of Lilien's revenues are recurring and based on contracts that range from 1-5 years for warranty and maintenance support. For these contracts the customer is invoiced one time and pays Lilien up front for the full term of the warranty and maintenance contract. Revenue from these contracts is determinable ratably over the contract period with the unearned revenue recorded as deferred revenue and amortized over the contract period. Lilien's clients may cease providing new purchase orders at any time, may elect not to renew such contracts, cancel and request a refund of maintenance/warranty services that have not yet been provided (upon 30 days advance written notice) or reschedule purchases. If clients cease providing us with new purchase orders, diminish the services purchased from us, cancel executed purchase orders or delay future purchase orders, Lilien's revenues would be negatively impacted, which could have a material adverse effect on our business and results of operations. There is no guarantee that we will be able to retain or generate future revenue from Lilien's existing clients or develop relationships with new clients.

There is a risk that Lilien could lose a large client without being able to find a ready replacement.

The loss of any large client, the failure of any large client to pay its accounts receivable on a timely basis or a material reduction in the amount of purchases made by any large client could have a material adverse effect on our business, financial position, results of operations and cash flows.

Consolidation in the industries that we serve or from which we purchase could adversely affect our business.

Clients that Lilien serves may seek to achieve economies of scale by combining with or acquiring other companies. If two or more of our current clients combine their operations, it may decrease the amount of work that we perform for these clients. If one of our current clients merges or consolidates with a company that relies on another provider for its consulting, systems integration and technology, or outsourcing services, we may lose work from that client or lose the opportunity to gain additional work. If two or more of our suppliers merge or consolidate operations, the increased market power of the larger company could also increase our product costs and place competitive pressures on us. Any of these possible results of industry consolidation could adversely affect our business.

The loss of any key manufacturer or distributor relationships, or related industry certifications, could have an adverse effect on our business.

As part of Lilien's end-to-end IT solutions, we are authorized resellers of the products and services of leading IT manufacturers and distributors. In many cases, we have achieved the highest level of relationship the manufacturer or distributor offers. In addition, our employees hold certifications issued by these manufacturers and by industry associations relating to the configuration, installation and servicing of these products. Lilien differentiates itself from its competitors by the range of manufacturers and distributors we represent, the relationship level we have achieved with these manufacturers and distributors and the scope of the manufacturer and industry certifications our employees hold. There can be no assurance that we will be able to retain these relationships with our manufacturers and distributors, that we will be able to retain the employees holding these manufacturer and industry certifications, or that our employees will maintain their manufacturer or industry certifications. The loss of any of these relationships or certifications could have a material adverse effect on our business.

Lilien may experience a reduction in the incentive programs offered to us by our vendors.

Lilien receives payments and credits from vendors, including consideration pursuant to volume sales incentive programs and marketing development funding programs. These programs are usually of finite terms and may not be renewed or may be changed in a way that has an adverse effect on us. Vendor funding is used to offset, among other things, inventory costs, costs of goods sold, marketing costs and other operating expenses. Certain of these funds are based on our volume of net sales or purchases, growth rate of net sales or purchases and marketing programs. If we do not grow our net sales over prior periods or if we are not in compliance with the terms of these programs, there could be a material negative effect on the amount of incentives offered or paid to us by vendors. No assurance can be given that we will continue to receive such incentives or that we will be able to collect outstanding amounts relating to these incentives in a timely manner, or at all. Any sizeable reduction in, the discontinuance of, or a significant delay in receiving or the inability to collect such incentives, particularly related to incentive programs with Lilien's largest partner, Hewlett-Packard Company, could have a material adverse effect on our business, results of operations and financial condition. If we are unable to react timely to any fundamental changes in the programs of vendors, including the elimination of funding for some of the activities for which we have been compensated in the past, such changes would have a material adverse effect on our business, results of operations and financial condition.

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

Lilien management believes that its current cash and cash flow from operations should be sufficient to meet its anticipated cash needs for at least the next 12 months. Lilien may, however, require additional cash resources due to changed business conditions or other future developments, including any new lines of business it may decide to pursue. If these resources are insufficient to satisfy its cash requirements, Lilien may seek additional cash from the parent company. If we are unable to raise the required cash, Lilien's ability to grow its business and develop or enhance its service offerings to respond to market demand or competitive challenges could be limited.

Lilien relies on inventory financing and vendor credit arrangements for its daily working capital and certain operational functions, the loss of which could harm our financial condition.

Lilien relies on its inventory financing and vendor financing arrangements for daily working capital and to fund equipment purchases for our technology sales business. The loss of any of our inventory financing or vendor credit financing arrangements, a reduction in the amount of credit granted to us by our vendors, or a change in any of the material terms of these arrangements could increase our need for and the cost of working capital and have a material adverse effect on our future results. These credit arrangements are discretionary on the part of our creditors and require the performance of certain operational covenants. There can be no assurance that we will continue to meet those covenants and failure to do so may limit availability of, or cause us to lose, such financing. There can be no assurance that such financing will continue to be available to us in the future on acceptable terms.

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

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

Risks Relating to Sysorex's Business and Industry

We depend on the U.S. Government for a substantial portion of our business and the recent budget impasse together with changes in government defense spending could have adverse consequences on our financial position, results of operations and business.

A substantial portion of our U.S. revenues from Sysorex Government Service's operations have been from and will continue to be from sales and services rendered directly or indirectly to the U.S. Government. Consequently, the Company's revenues are highly dependent on the Government's demand for computer systems and related services. Our revenues from the U.S. Government largely result from contracts awarded to us under various U.S. Government programs, primarily defense-related programs with the Department of Defense (DoD), as well as a broad range of programs with the Department of Homeland Security, the Intelligence Community and other departments and agencies. Cost cutting including through consolidation and elimination of duplicative organizations and insurance has become a major initiative for DoD. The funding of our programs is subject to the overall U.S. Government budget and appropriation decisions and processes which are driven by numerous factors, including geo-political events and macroeconomic conditions. It is expected that U.S. Government spending on IT will decrease from 6% CAGR during the first decade of the 21 st Century to 3%. (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018). The overall level of U.S. defense spending increased in recent years for numerous reasons, including increases in funding of operations in Iraq and

Afghanistan. However, with the winding down of both wars, defense spending levels are becoming increasingly difficult to predict and are expected to be affected by numerous factors. Such factors include priorities of the Administration and the Congress, and the overall health of the U.S. and world economies and the state of governmental finances.

The Budget Control Act of 2011 enacted 10-year discretionary spending caps which are expected to generate over $1 trillion in savings for the U.S. Government, a substantial portion of which comes from DoD baseline spending reductions. In addition, the Budget Control Act of 2011 provides for additional automatic spending cuts (referred to as "sequestration") totaling $1.2 trillion over nine years which are being implemented beginning in the current U.S. Government fiscal year ending September 30, 2013 (GFY13). These reduction targets will further reduce DoD and other federal agency budgets. Although the Office of Management and Budget has provided guidance to agencies on implementing sequestration cuts, there remains much uncertainty about how exactly sequestration cuts will be implemented and the impact those cuts will have on contractors supporting the government. In light of the budget impasse over raising the debt ceiling, we are not able to predict the impact of budget cuts, including sequestration, on our Company or our financial results. However, we expect that budgetary constraints and concerns related to the national debt will continue to place downward pressure on DoD spending levels and that implementation of the automatic spending cuts without change will reduce, delay or cancel funding for certain of our contracts - particularly those with unobligated balances - and programs and could adversely impact our operations, financial results and growth prospects.

Significant reduction in defense spending could have long-term consequences for our size and structure. In addition, reduction in government priorities and requirements could impact the funding, or the timing of funding, of our programs, which could negatively impact our results of operations and financial condition. In addition, we are involved in U.S. Government programs, which are classified by the U.S. Government and our ability to discuss these programs, including any risks and disputes and claims associated with and our performance under such programs, could be limited due to applicable security restrictions.

The U.S. Government Systems integration business is intensely competitive and we may not be able to win government bids when competing against much larger companies, which could reduce our revenues and profitability.

Large computer systems integration contracts awarded by the U.S. Government are few in number and are awarded through a formal competitive bidding process, including IDIQ, GSA Schedule and other multi-award contracts. Bids are awarded on the basis of price, compliance with technical bidding specifications, technical expertise and, in some cases, demonstrated management ability to perform the contract. There can be no assurance that the Company will win and/or fulfill additional contracts. Moreover, the award of these contracts is subject to protest procedures and there can be no assurance that the Company will prevail in any ensuing legal protest. The Company's failure to secure a significant dollar volume of U.S. Government contracts in the future would adversely affect the Company.

The U.S. Government Systems integration business is intensely competitive and subject to rapid change. The Company competes with a large number of systems integrators, hardware and software manufacturers, and other large and diverse companies attempting to enter or expand their presence in the U.S. Government market. Many of the existing and potential competitors have greater financial, operating and technological resources than the Company. The competitive environment may require us to make changes in our pricing, services or marketing. The competitive bidding process involves substantial costs and a number of risks, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, or that may be awarded, but for which we do not receive meaningful revenues. Accordingly, our success depends on our ability to develop services and products that address changing needs and to provide people and technology needed to deliver these services and products. To remain competitive, we must consistently provide superior service, technology and performance on a cost-effective basis to our customers. Our response to competition could cause us to expend significant financial and other resources, disrupt our operations, strain relationships with partners, any of which could harm our business and/or financial condition.

Our financial performance is dependent on our ability to perform on our U.S. Government contracts, which are subject to termination for convenience, which could harm our financial performance.

Sysorex Government Service's financial performance is dependent on our performance under our U.S. Government contracts. The Company's strategy is to pursue a limited number of relatively large contracts. As a result, prior to the Lilien Acquisition, the Company derived a significant portion of its revenues from a small number of contracts. Government customers have the right to cancel any contract for its convenience. An unanticipated termination of, or reduced purchases under, one of the Company's major contracts whether due to lack of funding, for convenience or otherwise, or the occurrence of delays, cost overruns and product failures could adversely impact our results of operations and financial condition. If one of our contracts were terminated for convenience, we would generally be entitled to payments for our allowable costs and would receive some allowance for profit on the work performed. If one of our contracts were terminated for default, we would generally be entitled to payments for our work that has been accepted by the government. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts and orders. Furthermore, on contracts for which we are a subcontractor and not the prime contractor, the U.S. Government could terminate the prime contract for convenience or otherwise, irrespective of our performance as a subcontractor.

Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for penalties, including termination of our U.S. Government contracts, disqualification from bidding on future U.S. Government contracts and suspension or debarment from U.S. Government contracting that could adversely affect our financial condition .

We must comply with laws and regulations relating to the formation, administration and performance of U.S. Government contracts, which affect how we do business with our customers and may impose added costs on our business. U.S. Government contracts generally are subject to the Federal Acquisition Regulation (FAR), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. Government, department-specific regulations that implement or supplement DFAR, such as the DoD's Defense Federal Acquisition Regulation Supplement (DFARS) and other applicable laws and regulations. We are also subject to the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with certain contract negotiations; the Procurement Integrity Act, which regulates access to competitor bid and proposal information and government source selection information, and our ability to provide compensation to certain former government officials; the Civil False Claims Act, which provides for substantial civil penalties for violations, including for submission of a false or fraudulent claim to the U.S. Government for payment or approval; the Civil False Claims Act, which provides for substantial civil penalties for violations, including for submission of a false or fraudulent claim to the U.S. Government for payment or approval; and the U.S. Government Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. Government contracts. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, contract termination and adjustment, and audit requirements. A contractor's failure to comply with these regulations and requirements could result in reductions to the value of contracts, contract modifications or termination, and the assessment of penalties and fines and lead to suspension or debarment, for cause, from government contracting or subcontracting for a period of time. In addition, government contractors are also subject to routine audits and investigations by U.S. Government agencies such as the Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA). These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of and a contractor's compliance with its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. During the term of any suspension or debarment by any U.S. Government agency, contractors can be prohibited from competing for or being awarded contracts by U.S. Government agencies. The termination of any of the Company's significant Government contracts or the imposition of fines, damages, suspensions or debarment would adversely affect the Company's business and financial condition.

The U.S. Government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.

Our industry has experienced, and we expect it will continue to experience, significant changes to business practices as a result of an increased focus on affordability, efficiencies, and recovery of costs, among other items. U.S. Government agencies may face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential conflicts of interest and environmental responsibility or sustainability, as well as any resulting shifts in the buying practices of U.S. Government agencies, such as increased usage of fixed price contracts, multiple award contracts and small business set-aside contracts, could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or renew our existing contracts when those contracts are recompeted. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our future revenues, profitability and prospects.

We may incur cost overruns as a result of fixed priced government contracts which would have a negative impact on our operations.

Most of Sysorex's current U.S. Government contracts are multi-award, multi-year indefinite delivery/indefinite quantity ("IDIQ") task order based contracts, which generally provide for fixed price schedules for products and services, have no pre-set delivery schedules, have very low minimum purchase requirements, are typically competed among multiple awardees and force us to carry the burden of any cost overruns. Due to their nature, fixed-priced contracts inherently have more risk than cost reimbursable contracts. If we are unable to control costs or if our initials cost estimates are incorrect, we can lose money on these contracts. In addition, some of our contracts have provisions relating to cost controls and audit rights, and if we fail to meet the terms specified in those contracts, we may not realize their full benefits. Lower earnings caused by cost overruns and cost controls would have a negative impact on our results of operations. The U.S. Government has the right to enter into contract with other suppliers, which may be competitive with the Company's IDIQ contracts. The Company also performs fixed priced contracts under which the Company agrees to provide specific quantities of products and services over time for a fixed price. Since the price competition to win both IDIQ and fixed price contracts is intense and the costs of future contract performance cannot be predicted with certainty, there can be no assurance as to the profits, if any, that the Company will realize over the term of such contracts.

Misconduct of employees, subcontractors, agents and business partners could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and customers and could have a significant adverse impact on our business and reputation.

Misconduct could include fraud or other improper activities such as falsifying time or other records and violations of laws, including the Anti-Kickback Act. Other examples could include the failure to comply with our policies and procedures or with federal, state or local government procurement regulations, regulations regarding the use and safeguarding of classified or other protected information, legislation regarding the pricing of labor and other costs in government contracts, laws and regulations relating to environmental, health or safety matters, bribery of foreign government officials, import-export control, lobbying or similar activities, and any other applicable laws or regulations. Any data loss or information security lapses resulting in the compromise of personal information or the improper use or disclosure of sensitive or classified information could result in claims, remediation costs, regulatory sanctions against us, loss of current and future contracts and serious harm to our reputation. Although we have implemented policies, procedures and controls to prevent and detect these activities, these precautions may not prevent all misconduct, and as a result, we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or misconduct by any of our employees, subcontractors, agents or business partners could damage our reputation and subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which would adversely affect our business, reputation and our future results.

We use estimates in recognizing revenues and if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.

Revenues from our contracts are primarily recognized using the percentage-of-completion method or on the basis of partial performance towards completion. These methodologies require estimates of total costs at completion, fees earned on the contract, or both. This estimation process, particularly due to the technical nature of the services performed and the long-term nature of certain contracts is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimate is recognized as events become known. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may adversely affect our future financial results.

We may fail to obtain and maintain necessary security clearances, which may adversely affect our ability to perform on certain U.S. government contracts and depress our potential revenues.

Many U.S. government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business, and our existing clients could terminate their contracts with us or decide not to renew them. To the extent we are not able to obtain and maintain facility security clearances or engage employees with the required security clearances for a particular contract, we may not be able to bid on or win new contracts, or effectively rebid on expiring contracts, as well as lose existing contracts, which may adversely affect our operating results and inhibit the execution of our growth strategy.

Our future revenues and growth prospects could be adversely affected by our dependence on other contractors.

If other contractors with whom we have contractual relationships either as a prime contractor or subcontractor eliminate or reduce their work with us, or if the U.S. Government terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract our financial and business condition may be adversely affected. Companies that do not have access to U.S. Government contracts may perform services as our subcontractor and that exposure could enhance such companies' prospect of securing a future position as a prime U.S. Government contractor which could increase competition for future contracts and impair our ability to perform on contracts.

We may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, our hiring of a subcontractor's personnel or the subcontractor's failure to comply with applicable law. Current uncertain economic conditions heighten the risk of financial stress of our subcontractors, which could adversely impact their ability to meet their contractual requirements to us. If any of our subcontractors fail to timely meet their contractual obligations or have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor or higher tier subcontractor may be jeopardized. Significant losses could arise in future periods and subcontractor performance deficiencies could result in our termination for default. A termination for default could eliminate a revenue source, expose us to liability and have an adverse effect on our ability to compete for future contracts and task orders, especially if the customer is an agency of the U.S. Government.

Historical liabilities may adversely affect the Company.

Sysorex has been operating since 2002. During our past history, the Company has had its share of financial and operational issues. In the United States the Company suffered from an under-performing sales team; losses in operations; lack of proper working capital; protests on lost contract bids; supplier liabilities; etc. Sysorex Government Services has worked through most of these issues and has become profitable once again. Sysorex Federal no longer has any contracts and we are attempting to negotiate and settle the outstanding liabilities with vendors of approximately $533,000 which are several years old. This may be adverse to our credit rating and reputation.

Sysorex Arabia is currently without contracts and is unable to repay its indebtedness, which could have an adverse impact on our financial condition.

As of September 30, 2013, Sysorex Arabia had minimal cash, approximately $414,000 in contracts receivable, $891,000 in deposits and $48,000 in other assets and inter-company balances and debts. Sysorex Arabia had an accumulated deficit balance of approximately $1,391,000. Sysorex Arabia's largest contract was with Optical Connections Corp.'s ("OCC"), main contractor Tuwaiq Communications. This contract was to build three data centers to support OCC's FTTH (Fiber to the Home) Network. It was signed in April 2008 and put on hold soon after because of OCC's financial and legal troubles. Therefore, Sysorex Arabia is currently without business and is seeking new contracts. These issues with OCC are still being resolved and could result in the cancellation of the project or OCC could sell its telecom license to a third party and which could cancel the project. Sysorex Arabia also has aging liabilities due to vendors, employees, social insurance payments, and partners amounting to approximately $2.8 million. This has been a result primarily of the two-year delay in the OCC Data Center project as revenue and cash-flow projections did not materialize because of the delays. Sysorex Arabia is working with local suppliers on payment plans.

Included in Sysorex Arabia's liabilities is a judgment in the amount of $800,000 for non-performance by Sysorex's shareholder. That amount has been paid by the shareholder and Sysorex Arabia is waiting for the Saudi Courts to remove this judgment and release it from any claims. Sysorex Arabia has taken on several loans to finance the losses to date and to pay some liabilities. In the event that any unsatisfied claims are made against the Company, this could have a material adverse effect on our financial condition if not resolved satisfactorily, as Sysorex Arabia would not be expected to satisfy its liabilities.

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

Our foreign operations pose complex management, foreign currency, legal, tax and economic risks, which we may not adequately address. We have foreign operations in the Middle East and expect to do business in South Asia. These risks differ from and potentially may be greater than those associated with our domestic business.

Our international business is sensitive to changes in the priorities and budgets of international customers and geo-political uncertainties, which may be driven by changes in threat environments and potentially volatile worldwide economic conditions, various regional and local economic and political factors, risks and uncertainties, as well as U.S. foreign policy. Our international sales are subject to U.S. laws, regulations and policies, including the International Traffic in Arms Regulations (ITAR) and the Foreign Corrupt Practices Act (see below) and other export laws and regulations. Due to the nature of our products, we must first obtain licenses and authorizations from various U.S. Government agencies before we are permitted to sell our products outside of the U.S. We can give no assurance that we will continue to be successful in obtaining the necessary licenses or authorizations or that certain sales will not be prevented or delayed. Any significant impairment of our ability to sell products outside of the U.S. could negatively impact our results of operations and financial condition.

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

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

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

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

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

As a U.S. defense contractor we are vulnerable to security threats and other disruptions that could negatively impact our business.

As a U.S. defense contractor, we face certain security threats, including threats to our information technology infrastructure, attempts to gain access to our proprietary or classified information, and threats to physical security. These types of events could disrupt our operations, require significant management attention and resources, and could negatively impact our reputation among our customers and the public, which could have a negative impact on our financial condition, results of operations and liquidity. We are continuously exposed to cyber-attacks and other security threats, including physical break-ins. Any electronic or physical break-in or other security breach or compromise may jeopardize security of information stored or transmitted through our information technology systems and networks. This could lead to disruptions in mission-critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Although we have implemented policies, procedures and controls to protect against, detect and mitigate these threats, we face advanced and persistent attacks on our information systems and attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated. These attempts include covertly introducing malware to our computers and networks and impersonating authorized users, among others, and may be perpetrated by well-funded organized crime or state sponsored efforts. We seek to detect and investigate all security incidents and to prevent their occurrence or recurrence. We continue to invest in and improve our threat protection, detection and mitigation policies, procedures and controls. In addition, we work with other companies in the industry and government participants on increased awareness and enhanced protections against cyber security threats. However, because of the evolving nature and sophistication of these security threats, which can be difficult to detect, there can be no assurance that our policies, procedures and controls have or will detect or prevent any of these threats and we cannot predict the full impact of any such past or future incident. We may experience similar security threats to the information

A technology systems that we develop, install or maintain under customer contracts. Although we work cooperatively with our customers and other business partners to seek to minimize the impacts of cyber and other security threats, we must rely on the safeguards put in place by those entities. Any remedial costs or other liabilities related to cyber or other security threats may not be fully insured or indemnified by other means. Occurrence of any of these security threats could expose us to claims, contract terminations and damages and could adversely affect our reputation, ability to work on sensitive U.S. Government contracts, business operations and financial results.

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

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. Weak economic conditions generally, sustained uncertainty about global economic conditions, skepticism about the resolution of U.S. fiscal cliff negotiations and the implementation of resulting agreements, concerns about future scheduled budgetary cuts and that the U.S. government may reach its debt ceiling in 2013, or a prolonged or further tightening of credit markets could cause our customers and potential customers to postpone or reduce spending on technology products or services or put downward pressure on prices, which could have an adverse effect on our business, results of operations or cash flows. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, and the real estate market in the U.S. have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a global recession. Domestic and international equity markets have been experiencing heightened volatility and turmoil. These events and the continuing market upheavals may have an adverse effect on our business. In the event of extreme prolonged market events, such as the global credit crisis, we could incur significant losses.

Risks Related to Our Common Stock

We are eligible to be treated as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company", as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which we refer to as the Sarbanes-Oxley Act, (2) reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, as an emerging growth company, we are only required to provide two years of audited financial statements and two years of selected financial data in this prospectus. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds $700.0 million as of any June 30 before that time or if we have total annual gross revenue of $1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31 or, if we issue more than $1.0 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report required to be filed with the Commission following the date we are no longer an "emerging growth company" as defined in the JOBS "Act. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal controls in the future.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Our directors and executive officers beneficially own a significant number of shares of our common stock. Their interests may conflict with our outside stockholders, who may be unable to influence management and exercise control over our business .

As of the date of this prospectus, our executive officers and directors beneficially own approximately 51% of our shares of Common Stock. As a result, our executive officers and directors may be able to: elect or defeat the election of our directors, amend or prevent amendment to our certificates of incorporation or bylaws, effect or prevent a merger, sale of assets or other corporate transaction, and control the outcome of any other matter submitted to the shareholders for vote. Accordingly, our outside stockholders may be unable to influence management and exercise control over our business.

We do not intend to pay cash dividends to our stockholders, so you will not receive any return on your investment in our Company prior to selling your interest in the Company.

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

Anti-Takeover, Limited Liability and Indemnification Provisions

Some provisions of our articles of incorporation and by-laws may deter takeover attempts, which may inhibit a takeover that stockholders consider favorable and limit the opportunity of our stockholders to sell their shares at a favorable price.

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

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

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

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

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

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

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

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

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

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

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

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

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

Upon the effective date of this prospectus, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition, proxy statement, and other information. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Our Chief Executive Officer and Chief Financial Officer will need to certify that our disclosure controls and procedures are effective in ensuring that material information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We will need to hire additional financial reporting, internal controls and other financial personnel in order to develop and implement appropriate internal controls and reporting procedures. As a result, we will incur significant legal, accounting and other expenses. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs will materially increase our selling, general and administrative expenses.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act of 2002, then we may not be able to obtain the independent account and certifications required by that act, which may preclude us from keeping our filings with the SEC current, and interfere with the ability of investors to trade our securities and our shares to continue to be quoted on the OTC PINK or our ability to list our shares on any national securities exchange.

If we fail to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. 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.

Risks Related to our Securities

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

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

Our stock price may be volatile and you may not be able to resell your shares at or above the initial public offering price.

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

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

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

Our shares of common stock are thinly traded, the price may not reflect our value, and there can be no assurance that there will be an active market for our shares of common stock either now or in the future.

Our shares of common stock are thinly traded, our common stock is available to be traded and is held by a small number of holders, and the price may not reflect our actual or perceived value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future. The market liquidity will be dependent on the perception of our operating business, among other things. We will take certain steps including utilizing investor awareness campaigns and firms, press releases, road shows and conferences to increase awareness of our business. Any steps that we might take to bring us to the awareness of investors may require that we compensate consultants with cash and/or stock. There can be no assurance that there will be any awareness generated or the results of any efforts will result in any impact on our trading volume. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business, and trading may be at an inflated price relative to the performance of the Company due to, among other things, the availability of sellers of our shares.

If an active market should develop, the price may be highly volatile. Because there is currently a low price for our shares of common stock, many brokerage firms or clearing firms are not willing to effect transactions in the securities or accept our shares for deposit in an account. Many lending institutions will not permit the use of low priced shares of common stock as collateral for any

loans. Furthermore, our securities are currently traded on the OTC Pink where it is more difficult (1) to obtain accurate quotations, (2) to obtain coverage for significant news events because major wire services generally do not publish press releases about these companies, and (3) to obtain needed capital.

Our common stock may be deemed a "penny stock," which would make it more difficult for our investors to sell their shares.

Our common stock is currently subject to the "penny stock" rules adopted under Section 15(g) of the Exchange Act. However, it is a condition to the Offering that our securities be listed for trading on a national securities exchange. The penny stock rules generally apply to companies whose common stock is not listed on The Nasdaq Stock Market or another national securities exchange and trades at less than $4.00 per share, other than companies that have had average revenues of at least $6,000,000 for the last three years or that have tangible net worth of at least $5,000,000 ($2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in these securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

If you purchase shares of our common stock in this Offering, you will experience substantial and immediate dilution.

If you purchase shares of our common stock in this offering, you will experience substantial and immediate dilution in the adjusted net tangible book value per share after giving effect to this Offering of $4.56 per share as of September 30, 2013, based on an assumed initial public offering price of $5.50 per share and an assumed one-for-two reverse split ratio, because the price that you pay will be substantially greater that the net book value per share of the common stock that you acquire. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares of our capital stock, and if the Underwriter exercises the over-allotment option or any of our outstanding options or warrants are exercised, you will incur further dilution. See "Dilution."

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

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

In general, a non-affiliated person who has held restricted shares for a period of six months, under Rule 144, may sell into the market our common stock all of their shares, subject to the Company being current in its periodic reports filed with the SEC. As of November 7, 2013, approximately 1,958,000 shares of common stock of the 14,089,606 shares issued and outstanding were free trading and all but approximately 1,450,000 had been held for more than six months. An affiliate may sell an amount equal to the greater of 1% of the outstanding shares or, if listed on Nasdaq or another national securities exchange, the average weekly number of shares sold in the last four weeks prior to such sale. Such sales may be repeated once every three months, and any of the restricted shares may be sold by a non-affiliate without any restriction after they have been held one year.

Sales of substantial amounts of our common stock in the public market after this Offering, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. Upon completion of this Offering, we will have approximately 17,544,152 shares of common stock outstanding (assuming none of our outstanding warrants are exercised). All of the 3,454,546 shares of common stock (or 4,000,000 shares if the Underwriters exercise in full their over-allotment option to purchase additional shares) sold in this Offering will be freely tradable without restriction under the Securities Act of 1933, as amended (the "Securities Act"), except for any shares of our common stock that may be held or acquired by our directors, executive officers and other affiliates, as that term is defined in the Securities Act, which will be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

We and each of our officers, directors and stockholders owning 2% or more of our common stock have agreed. subject to certain exceptions, not to dispose of or hedge any of the shares of our common stock or securities convertible into or exchangeable for shares of our common stock for a period of 180 days following the date of this prospectus, without the prior written consent of Wellington Shields & Co. However, Geoffrey Lilien, CEO of Lilien and a director of the Company is a Selling Stockholder in this Offering and is selling $1 million of the shares offered hereby.

In addition, as of September 30, 2013, there were 411,262 shares subject to outstanding warrants, 2,077,500 shares subject to outstanding options and an additional 1,047,500 shares (as amended) reserved for future issuance under our 2011 Employee Stock Incentive Plan that will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements, the lock-up agreements and Rules 144 and 701 under the Securities Act of 1933, as amended. Moreover, after this Offering, holders of an aggregate of 3,000,000 shares of common stock held by the former Lilien members and 1,381,000 shares by the Shoom shareholders may not be sold for 180 days from the date of this prospectus. However, they will have rights, subject to some conditions, to require us to file registration statements covering their shares of to include their shares in registration statements that we may file for ourselves or other stockholders. If such holders, by exercising their registration rights, cause a large numbers of securities to be registered and sold into the public market, these sales could have an adverse effect on the market price for our common stock. See “Shares Eligible for Future Sale - Rule 144”.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.

There may be risks associated with us becoming public through a “reverse merger.” Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any offerings on behalf of our Company.

Forward Looking Statements

This prospectus contains forward-looking statements within the meaning of the Federal Securities laws. These statements relate to future events or future predictions, including events or predictions relating to our future financial performance, and are based on current expectations, estimates, forecasts and projections about us, our future performance, our beliefs and management’s assumptions. They are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “feel,” “confident,” “estimate,” “intend,” “predict,” ”forecast,” “potential” or “continue” or the negative of such terms or other variations on these words or comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks described under “Risk Factors” that may cause the Company’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In addition to the risks described in Risk Factors, important factors to consider and evaluate in such forward-looking statements include: (i) general economic conditions and changes in the external competitive market factors which might impact the Company’s results of operations; (ii) unanticipated working capital or other cash requirements including those created by the failure of the Company to adequately anticipate the costs associated with acquisitions and other critical activities; (iii) changes in the Company’s corporate strategy or an inability to execute its strategy due to unanticipated changes; and (iv) the failure of the Company to complete any or all of the transactions described herein on the terms currently contemplated. In light of these risks and uncertainties, many of which are described in greater detail elsewhere in this Risk Factors discussion, there can be no assurance that the forward-looking statements contained in this prospectus will in fact transpire.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such statements. We do not undertake any duty to update any of the forward-looking statements after the date of this prospectus to conform such statements to actual results or changes in our expectations.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

USE OF PROCEEDS

We estimate that the net proceeds to the Company from the sale of common stock that we are offering will be approximately $17,090,000 after deducting the underwriter's fee and estimated offering expenses that we must pay, assuming (i) an initial public offering price of $5.00 per share, and (ii) that the Underwriter does not exercise its over-allotment option.

We intend to use such net proceeds for the following purposes:

- Approximately $10.5 million to acquire AirPatrol Corporation, a developer of mobile device identification and locating systems, including approximately $500,000 allocated for fees and expenses incurred and to be incurred in connection with said acquisition. The Company has entered into an Agreement and Plan of Merger to acquire 100% of the capital stock of AirPatrol Corporation in the mobile cyber-security and location-based services (LBS) space with leading-edge solutions and proprietary intellectual property. AirPatrol develops indoor device locationing, monitoring and management technologies for mobile devices operating on WiFi, cellular and wideband RF network. We expect to complete the acquisition following the date of this prospectus with a portion of the proceeds of this Offering. See "Business - Pending Acquisition – AirPatrol Corporation" for the terms of this transaction and additional information concerning AirPatrol.
- Approximately $2.0 million to hire sales and marketing personnel for our Sysorex and Lilien subsidiaries and to expand our Washington, D.C. office for Sysorex Government Services. See "Business - Sales and Marketing; and Properties."
- Approximately $4.0 million to fund in whole or in part, strategic acquisitions for which we currently do not have any agreements or understandings. See "Business - Corporate Strategy."
- The remaining net proceeds will be used for working capital and general corporate purposes.

The allocation of net proceeds to the Company from this Offering set forth above represents the Company's current intentions. This allocation is based upon our present plans, and certain assumptions regarding current economic and industry conditions and the Company's future prospects. In the event the acquisition of AirPatrol Corporation cannot be completed, the Company will seek out other potential acquisitions consistent with its business strategy. The amounts and timing of our actual expenditures will depend on numerous factors, including market conditions, results from our research and development efforts, business developments and opportunities and related rate of growth, sales and marketing activities and competition. Accordingly, our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the proceeds from this Offering. We may find it necessary or advisable to use portions of the proceeds from this Offering for other purposes. From time to time, we evaluate these purposes and other factors and we anticipate continuing to make such evaluations to determine if the existing allocation of resources, including the proceeds of this Offering, is being optimized.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock has been quoted on the OTC Pink under the symbol SYRX since June 2, 2011. Prior thereto, it was quoted under the symbol SFTL. As of November 7, 2013 there were 568 holders of record of our common stock.

The following table sets forth the high and low bid closing prices for our common stock for the periods indicated, as reported by the OTC Pink. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may to represent actual transactions. All prices reflect a 1 for 2 reverse split effected by the Company on June 3, 2011, but do not give effect to a proposed reverse split to be effected upon the date of this prospectus.

Period	High	Low
Year Ending December 31, 2013		
October 31, 2013 through December 31, 2013	$3.45	$1.00
July 1, 2013 through September 30, 2013	$3.50	$2.40
April 1, 2013 through June 30, 2013	$1.50	$1.00
January 1, 2013 through March 31, 2013	$1.60	$0.34
Year Ended December 31, 2012		
October 1, 2012 through December 31, 2012	$1.02	$0.40
July 1, 2012 through September 30, 2012	$1.20	$1.02
April 1, 2012 through June 30, 2012	$2.20	$0.24
January 1, 2012 through March 31, 2012	$2.18	$0.84
Year Ended December 31, 2011		
October 1, 2011 through December 31, 2011	$2.78	$2.02
July 1, 2011 through September 30, 2011	$5.80	$2.80
April 1, 2011 through June 30, 2011	$20.00	$5.80
January 1, 2011 through March 31, 2011	$1.60	$0.28

The last report sales price of our common stock on the OTC Pink on January 17, 2014 was $3.04 per share.

We have applied for the listing of our common stock on the Nasdaq Capital Market, however, cannot assure you that our application will be approved. Approval of our application is a condition to completion of this Offering.

Dividend Policy

Sysorex Global Holdings Corp. has not declared nor paid any cash dividend on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, and we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our board of directors, in their discretion, and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors considers significant.

Registration Rights Agreements

The Company has entered into registration rights agreements concerning an aggregate of 9,041,164 shares of common stock, all of which holders have waived such rights for this registration statement. Pursuant to the March 20, 2013 Lilien acquisition, the Company agreed to register its 3,000,000 shares issued to the former Lilien Members of which 181,818 shares are registered for the Selling Stockholder under this Offering. Under the Registration Rights Agreements dated March 15, 2013 and August 29, 2013, the Company agreed to register 83,334 and 56,250 shares of common stock, respectively, underlying warrants issued to Bridge Bank, N.A. in connection with credit facilities. Pursuant to the Shoom Acquisition, the Company agreed to register 1,380,999 shares issued to the former Shoom Shareholders following the effective date of this registration statement, although no sales are permitted under lock-up agreements with any of these shareholders until six months after the effective date of this registration statement.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2013:

- in each case after giving retroactive effect to a proposed one-for-two reverse stock split based on an assumed $5.50 per share initial public offering price;
- on an actual basis;
- on an as adjusted basis, giving effect to the sale by the Company of 3,454,546 shares of common stock in this Offering at an assumed public offering price of $5.50 per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read the following table in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus.

	As of September, 2013	
	Actual	**As Adjusted (2)**
Total long-term debt	$ 5,406,039	$ 5,406,039
Shareholders' equity:		
Common stock, par value $0.001 per share: 40,000,000 shares of common stock authorized; 14,053,152 shares issued and outstanding, actual, and 17,507,698 shares issued and outstanding, as adjusted.	14,053	17,507 (3)
Additional paid-in capital	21,038,048	38,124,594
Accumulated deficit	(11,644,560)	(11,644,560)
Total stockholders' equity	7,430,201	24,520,201
Total capitalization	12,836,240	29,926,240

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(1) Does not include outstanding warrants to purchase an aggregate 411,262 shares of Common Stock and 2,077,500 shares of Common Stock issuable upon exercise of outstanding options.

(2) Assumes that $19,000,000 of our common stock is sold in this Offering at $5.50 per share and that the net proceeds thereof are approximately $17,090,000 after deducting underwriting discounts and commissions and our estimated expenses. If the Underwriters' over-allotment option is exercised in full, net proceeds will increase to approximately $19,820,000.

(3) Includes shares issuable to the former Shoom shareholders who have not yet exchanged the certificates representing their Shoom shares.

DILUTION

As of September 30, 2013, the Company had a pro forma net tangible deficit of approximately ($127,535) or ($0.01) per share of Common Stock. All share and per share data give relative effect to a proposed one-for-two reverse stock split based on an assumed $5.50 per share initial offering price. Pro forma net tangible book value per share represents the Company's total tangible assets less its total liabilities, divided by the aggregate 14,089,606 number of shares of common stock outstanding, including shares issuable to former Shoom Stockholders who have not yet exchanged the certificates representing their Shoom shares. After giving effect to the sale of the 3,454,546 shares of common stock offered hereby by the Company (at an assumed initial public offering price of $5.50 per share and after deducting the estimated offering expenses of $200,000 payable by the Company) and the receipt of $17,090,000 proceeds therefrom, the Company's pro forma net tangible book value at September 30, 2013 would have been approximately $16,962,465 or $0.97 per share based on 17,544,152 shares issued and outstanding. This represents an immediate increase in net tangible book value per share of $0.98 to existing stockholders and an immediate dilution of $4.53 per share to the investors purchasing the shares of common stock offered hereby. The following table illustrates this dilution per share:

Assumed initial offering price per share	$	5.50
Pro forma net tangible deficit per share as of June 30, 2013		(0.01)
Increase in net tangible book value attributable to new investors	$	0.98
Pro forma net tangible book value per share after the Offering	$	0.97
Dilution per share to new investors	$	4.53

The following table summarizes, on a pro forma basis, as of September 30, 2013, the total number of shares of common stock purchased from the Company, the total consideration paid, and the average price per share paid, by existing stockholders and by new investors, assuming an initial offering price of $5.50 per share, before deducting the estimated offering expenses:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing Stockholders	14,089,606(1)	80.3%	$ 21,052,101	52.6%	$ 1.49
New Investors	3,454,546	19.7%	$ 19,000,000	47.4%	$ 5.50
Total	17,544,152	100%	$ 40,052,101	100%	

(1) Includes shares issuable to the former Shoom shareholders who have not yet exchanged the certificates representing their Shoom shares. Does not include, outstanding warrants to purchase an aggregate 411,262 shares of Common Stock and 2,077,500 shares of Common Stock issuable upon exercise of outstanding options. The Company has reserved an additional 1,047,500 shares of Common Stock for future option and restricted stock grants under the Company's 2011 Employee Stock Incentive Plan. The exercise of these options and warrants would result in further dilution to new investors. See "Management—Employee Stock Options." "Certain Relationships and Related Transactions" and "Description of Securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The follow discussion should be read in conjunction with the consolidated financial statements and the related notes contained elsewhere in this prospectus. In addition to historical information, the following discussion contains forward looking statements based upon current expectations that re subject to risks and uncertainties. Actual results may differ substantially from those referred to herein due to a number of factors, including, but not limited to, risks described in the section entitled "Risk Factors" and elsewhere in this prospectus.

Except where indicated, all share and per share data in this section, as well as the consolidated financial statements, do not reflect the proposed reverse stock split and will not until after the registration statement, of which this prospectus is a part, is declared effective.

Overview

Sysorex Global Holdings Corp. provides a variety of IT services and technologies that enable customers to manage, protect and monetize their enterprise assets whether on-premise, in the Cloud, or via mobile. Historically, our customer base was 100% public sector, however, that has changed significantly with the acquisitions we have made in 2013. Currently, approximately 90% of the revenues we earn are from commercial enterprises and approximately only 10% only are from government agencies. Our goal is to continue to build our private and public sector offerings and contracts. We intend to do this by acquiring other businesses. On March 1, 2013, we acquired Lilien Systems, an enterprise IT infrastructure solutions provider with over $40 million in annual revenue, in exchange for a combination of 3,000,000 (6,000,000 pre-split) shares of common stock and $3 million in cash from debt financing. Subsequently, on August 31, 2013, we acquired Shoom, Inc. ("Shoom") a provider of Cloud-based data analytics and enterprise solutions to the media, publishing, and entertainment industries with over $4 million in annual revenue, in exchange for a combination of 1,381,000 (2,762,000 pre-split) shares of common stock and $2.5 million in cash. The cash portion was funded by the excess working capital we obtained from the Shoom acquisition. Finally, as of December 20, 2013, we signed an Agreement and Plan of Merger to acquire AirPatrol Corporation ("AirPatrol") for a purchase price equal to (a) $10,000,000 in cash, subject to certain adjustments, allocated to and among certain creditors, payees, holders of AirPatrol's issued and outstanding capital stock and (b) 2,000,000 (4,000,000 pre-split) shares of Company common stock. See "Business - Pending Acquisition - AirPatrol Corporation."

The acquisitions of Lilien and Shoom have expanded our depth of enterprise service offerings, including Big Data services and Cloud-based advanced analytics, while providing premier partnership status with leading vendors in IT infrastructure. Shoom also provides Sysorex with secure Cloud-based software products which result in higher gross margins. These acquisitions reflect our business strategy, the purpose of which is to transform Sysorex from a services company to a technology company. We believe the acquisitions of Lilien and Shoom also provide us with an opportunity for vertical market and geographic expansion. We are focusing our primary efforts on the U.S. market in the near-term. We have a small operating unit in Saudi Arabia and we intend to seek government contracts there. This unit does not represent a significant portion of our business and a failure to obtain contracts from the Saudi Arabian government will not have a material impact on our revenues or operations.

Cyber security and Big Data analytics are the areas we are targeting because we believe, based on industry data, that these are growing market segments. For example, security of all forms, especially cyber-security, are significant growth areas (source: Market Research Media - U.S. Federal Cyber-Security Market Forecast 2013-2018 dated April 12, 2013), and Sysorex intends to increase its role in this sector. Gartner predicts that by 2015, 20% of Global 1000 organizations will have established a strategic focus on information infrastructure equal to that of application management. This is one of five Gartner predictions about Big Data and information infrastructure discussed in "Predicts 2013: Big Data and Information Infrastructure;" a November 30, 2012 report that describes in detail how the Big Data phenomenon will affect organizations, resources and information infrastructure. Our plan is to acquire technology companies, some of which may have patented technology, which we believe will give us an advantage over our competitors. However, the IT services and technologies industry is extremely competitive and many of the providers in the industry are extremely large and well financed. Therefore, there is a risk that the technologies we acquire or develop might not be able to compete with the better financed marketing and sales efforts of our larger competitors or that the technology could become obsolete if our competitors develop better products.

Recent events in the federal government including the on-going budget impasse and sequestration can impact our business with the federal government. However, our government contracts are less than 10% of our total revenues. Specifically, Congressional action could delay payment on our current contracts, delay the award of contracts that we have under submission and delay the release of task orders from the government on its contracts, including the U.S. Navy SPAWAR contract. The budget impasse and sequestration are long-term issues that we believe will have a minimal impact on our business, because we are focused on cyber security and Big Data analytics, which we believe will continue to receive funding. We believe both of these will be growth areas for the government despite budget challenges because of the increased need for solutions in this space and recent high profile events, such as NSA information leaks by Edward Snowden and LexisNexis information leaks such as the Social Security number of the United States First Lady along with millions of other Americans, that have made it more of a focus. Our government contracts are typically three to five years and we believe that our recent historical government contract revenues will be indicative of future government contact based revenues. New contracts are expected to be accretive.

Lilien's revenues are typically driven by purchase orders that are received on a monthly basis. Approximately 25% of these purchase orders are contracts that range from one to five years for warranty and maintenance support and are recurring. For these contracts the customer is invoiced one time and pays Lilien upfront for the full term of the warranty and maintenance contract. Revenue from these contracts is determinable ratably over the contract period with the unearned revenue recorded as deferred revenue and amortized over the contract period. Lilien has a 29-year history and track record with a senior management team that we expect will continue to successfully generate and grow Lilien's business. Lilien also has a high repeat customer rate of approximately 60% annually. Lilien's revenues are diversified over hundreds of customers and no one customer exceeds 15% of its revenues. Management believes this diversification provides stability to Lilien's revenue streams.

Shoom's software-as-a-service (SaaS) contracts are typically performed for periods of one or more years and Shoom has a high customer retention rate. Shoom offers eSolutions including eTearsheets, invoicing, CRM, and other products and services to 750 newspapers in the Cloud. Cloud or SaaS based analytics is a growing market that Sysorex intends to pursue beyond the media vertical that Shoom is in today. According to industry sources, Cloud based business analytics and business intelligence is expected to grow from $5.2 billion in 2013 to $16.52 billion in 2018 a 25.8% CAGR (source: PRWeb Article - Cloud Analytics Market is Growing at an Estimated CAGR of 25.8% & to Reach $16.52 Billion by 2018 - New Report by Markets and Markets April 2, 2013.) Shoom has been in business for over 10 years and has been providing its Cloud solutions for over four years.

The Lilien and Shoom acquisitions significantly impacted our results of operations for the nine months ended September 30, 2013, as indicated in the discussion below. The results show a net loss which was attributable, in part, to certain one-time non-recurring charges related to the Lilien and Shoom acquisitions, resulting in our incurring significant legal, accounting, due diligence, financing and general and administrative expenses as compared to the expenses incurred in the comparable period in 2012.

We believe the accretive impact of our acquisition strategy is becoming evident as the quarter ended September 30, 2013 included a full quarter of Lilien's revenues. We anticipate synergies and operational efficiencies to improve revenues and profitability for both Sysorex and Lilien, especially in Q3 and Q4 when Lilien's business is historically stronger as a result of customer budgeting processes. Sysorex' U.S. government operations are profitable and this division is expected to grow based on the U.S. Navy SPAWAR contract awarded to Sysorex earlier this year. The U.S. Navy SPAWAR contract is expected to start releasing significant task orders in Q1 2014 and other awards are expected later in the year, now that the budget impasse is resolved. With the addition of Shoom we believe that our liquidity will improve significantly as Shoom's business model generates 77% gross margins. We believe that our shift to technology based business lines like Shoom and other future acquisitions will increase our customer base and, in turn, increase revenues to a level that will allow us to achieve profitability.

Prospective Acquisition

In the event we are able to acquire AirPatrol, as discussed in other sections of this prospectus, such company is expected to generate in excess of $10 million in revenue with approximately 30% net income in 2014 with a 50% growth rate expected for 2015. Such estimates for 2014 and 2015 are based upon AirPatrol's existing sales pipeline, the audited financial statements included in this prospectus and our assessment of LBS market opportunities. These numbers are projections and there is no guarantee they will meet these financial targets. AirPatrol's customer base is heavily government and could be affected by government delays and shut downs. However, based on their current projections we expect AirPatrol's operations to be cash flow positive for 2014 and beyond and to not require any additional significant infusion of cash from the Company after the acquisition date. Finally, any additional cash consideration to be paid for AirPatrol through the contemplated earn out arrangement is expected to be funded primarily through AirPatrol's 2014 operations with little reliance upon the Company's general financial resources.

JOBS Act

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

Critical Accounting Policies and Estimates

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

Our significant accounting policies are discussed in note 2 of the audited financial statements for the year ended December 31, 2012. 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 majority of our revenues are derived from the following sources: sales of third-party products, software, software assurance, maintenance and services and sales of our services. The products and services we sell, and the manner in which they are bundled, are technologically complex and the characterization of these product and services require judgment in order to apply revenue recognition policies. For all these revenue sources, we determine whether we are the principal or agent in accordance with Codification Topic, Revenue Recognition, Subtopic Principal Agent Considerations.

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

Generally, sales of third-party products and software are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met upon shipment to customers with respect to the sales of hardware and software products. With respect to our maintenance and service agreements, this criteria is met once the service has been provided, therefore revenue is determinable ratably over the service period. We sell maintenance and service contracts whereby our employees will initially diagnose the customer problem and provide the required services, or, if necessary, refer the required service to a third-party service provider from which the Company has purchased warranty and maintenance services on behalf of the customer. With respect to all of its existing customer relationships, the Company is responsible for the day to day maintenance and warranty services provided to the customer, whether such services are ultimately provided directly by the Company and its employees or by the applicable third party service provider. As of the date of this filing, the Company has concluded that it is the primary obligor to the customer with respect to all maintenance and service contracts currently in effect and therefore recognizes revenue on a gross basis.

Long-lived Assets

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

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

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

When assessing the recoverability of our long-lived assets, which include property and equipment and finite-lived intangible assets, we make assumptions regarding estimated future cash flows and other factors. Some of these assumptions involve a high degree of judgment and also bear a significant impact on the assessment conclusions. Included among these assumptions are estimating undiscounted future cash flows, including the projection of comparable sales, operating expenses, capital requirements for maintaining property and equipment and residual value of asset groups. We formulate estimates from historical experience and assumptions of future performance, based on business plans and forecasts, recent economic and business trends, and competitive conditions. In the event that our estimates or related assumptions change in the future, we may be required to record an impairment charge. We concluded there were no triggering events to further measure for impairment during the year ended December 31, 2012 or for the nine months ended September 30, 2013.

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 year ended December 31, 2012 or for the nine months ended September 30, 2013, which would indicate a revision to the remaining amortization period related to any of our long-lived assets. Accordingly, we believe that the current estimated useful lives of long-lived assets reflect the period over which they are expected to contribute to future cash flows and are therefore deemed appropriate.

Goodwill and Indefinite-lived Assets

We have recorded goodwill and other indefinite-lived assets in connection with our acquisitions of Lilien and Shoom. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of the acquired company, is not amortized. Indefinite-lived intangible assets are stated at fair value as of the date acquired in a business combination. Our goodwill balance and other assets with indefinite lives are evaluated for potential impairment during the fourth quarter of each year and in certain other circumstances. The evaluation of impairment involves comparing the current fair value of the business to the recorded value, including goodwill. To determine the fair value of the business, we utilize both the "Income Approach", which is based on estimates of future net cash flows and the "Market Approach", which observes transactional evidence involving similar businesses. There was no goodwill impairment for either of the year ended December 31, 2012 or for the nine months ended September 30, 2013.

Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value due to the short-term nature of these instruments.

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1. Quoted prices in active markets for identical assets or liabilities.
- Level 2. Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3. Significant unobservable inputs that cannot be corroborated by market data.

The derivative liability was measured at fair value using the Black Scholes pricing model and was classified within Level 3 of the valuation hierarchy. The significant assumptions and valuation methods that we used to determine fair value and the change in fair value of the Company's derivative liability was

Risk-free interest rate	0.3%
Expected life of option grants	0.5 to 2.0 years
Expected volatility of underlying stock	39%
Dividends	$0

In accordance with the provisions of ASC 815 "Derivatives and Hedging Activities," ("ASC 815"), we presented the derivative liabilities at fair value on the consolidated balance sheet, with the corresponding changes in fair value recorded in our consolidated statements of operations for the applicable reporting periods. We computed the fair value of the derivative liabilities at the date of issuance and the reporting dates of December 31, 2012 and September 30, 2013.

The fair value of conversion options that are convertible at variable rate are deemed to be a "down-round protection" and therefore, do not meet the scope exception for treatment as a derivative under ASC 815. Since, "down-round protection" is not an input into the calculation of the fair value of the conversion option and cannot be considered "indexed to the Company's own stock" which is a requirement for the scope exception as outlined under ASC 815. The Company determined the fair value of the Binomial Lattice Model and the Black-Scholes Valuation Model to be materially the same. Warrants that have been reclassified to derivative liability that did not contain "down-round protection" were valued using the Black-Scholes model. The Company's outstanding warrants did not contain any down round protection.

The Black-Scholes option valuation model is used to estimate the fair value of the warrants or options granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants or options granted

The fair value of our common stock was derived from the valuation of us using a combination of the discounted cash flows method and comparable companies' methods that included multiples based upon the last twelve months and forward revenues and earnings before interest, taxes, depreciation and amortization (EBITDA). Management determined that the results of its valuation are reasonable. The term represents the remaining contractual term of the derivative. The volatility rate was developed based on analysis of the historical volatility rates of several other similarly situated companies (using a number of observations that was at least equal to or exceeded the number of observations in the life of the derivative financial instrument at issue). The risk free interest rates were obtained from publicly available U.S. Treasury yield curve rates. The dividend yield is zero because we have not paid dividends and do not expect to pay dividends in the foreseeable future.

Deferred Income Taxes

In accordance with ASC 740 "Income Taxes" ("ASC 740"), management routinely evaluates the likelihood of the realization of its income tax benefits and the recognition of its deferred tax assets. In evaluating the need for any valuation allowance, management will assess whether it is more likely than not that some portion, or all, of the deferred tax asset may not be realized. Ultimately, the realization of deferred tax assets is dependent upon the generation of future taxable income during those periods in which temporary differences become deductible and/or tax credits and tax loss carry-forwards can be utilized. In performing its analyses, management considers both positive and negative evidence including historical financial performance, previous earnings patterns, future earnings forecasts, tax planning strategies, economic and business trends and the potential realization of net operating loss carry-forwards within a reasonable timeframe. To this end, management considered (i) that the we have had historical losses in the prior years and cannot anticipate generating a sufficient level of future profits in order to realize the benefits of its deferred tax asset; (ii) tax planning strategies; and (iii) the adequacy of future income as of and for the year ended December 31, 2012, based upon certain economic conditions and historical losses through December 31, 2012, management deemed it appropriate and established a full valuation allowance.

A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax filings that do not meet these recognition and measurement standards. As of December 31, 2012 and September 30, 2013, no liability for unrecognized tax benefits was required to be reported. The guidance also discusses the classification of related interest and penalties on income taxes. The Company's policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. No interest or penalties were recorded during the years ended December 31, 2012 and the nine months ended September 30, 2013.

Convertible Instruments

We account for hybrid contracts that feature conversion options in accordance with ASC 815 and ASC 480 "Distinguishing Liabilities from Equity", which require us to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (i) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (ii) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (iii) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. The derivative is subsequently marked to market at each reporting date based on current fair value, with the changes in fair value reported in results of operations.

Conversion options that contain variable settlement features such as provisions to adjust the conversion price upon subsequent issuances of equity or equity linked securities at exercise prices more favorable than that featured in the hybrid contract generally result in their bifurcation from the host instrument.

We account for convertible debt instruments when we have determined that the embedded conversion options should not be bifurcated from their host instruments, in accordance with ASC 470-20 "Debt with Conversion and Other Options". We record, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt. We also record, when necessary, deemed dividends for the fair value of conversion options embedded in preferred stock.

Derivative Financial Instruments

In connection with the issuance of certain convertible promissory notes, the terms of the convertible notes included an embedded conversion feature which provided for a conversion of the convertible promissory notes into shares of our common stock at a rate which was determined to be variable. We determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 "Derivatives and Hedging."

The accounting treatment of derivative financial instruments requires that we record the conversion option and related warrants at their fair values as of the inception date of the convertible debenture agreements and at fair value as of each subsequent balance sheet date. As a result of entering into the convertible promissory notes, we were required to reclassify all other non-employee warrants and options as derivative liabilities and record them at their fair values at each balance sheet date. Any change in fair value was recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. We reassess the classification of the instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

Allowance for Doubtful Accounts

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

As of December 31, 2012 and September 30, 2013 allowance for credit losses included a general allowance of $133,180 due to the aging of the items greater than 120 days outstanding and other potential non-collections.

Business Combinations

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

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

Significant Factors, Assumptions, and Methodologies Used in Estimating Fair Value of Common Stock

We performed valuations to estimate the fair value of our common stock at March 20, 2013 (the "Initial Valuation Date"), the effective date of the acquisition of Lilien, and August 31, 2013 (the "Subsequent Valuation Date", together with the Initial Valuation Date, the "Valuation Dates"), the effective date of the acquisition of Shoom. Our valuations consider a number of objective and subjective factors that we believe market participants would consider as of each Valuation Date, including (a) our business, financial condition, and results of operations, including related industry trends affecting our operations; (b) our forecasted operating performance and projected future cash flows; (c) the liquid or illiquid nature of our common stock; (d) liquidation preferences, redemption rights, and other rights and privileges of our common stock; (e) market multiples of our most comparable public peers; (f) recent sales of our securities; and (g) market conditions affecting our industry.

To determine the value of our common stock at each Valuation Date, we considered the following three possible valuation methods (1) the income approach, (2) the market approach and the (2) cost approach to estimate our enterprise value.

The income approach focuses on the income-producing capability of a business by estimating value based on the expectation of future cash flows that a company will generate – such as cash earnings, cost savings, tax deductions, and the proceeds from disposition. These cash flows are discounted to the present using a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The selected discount rate is generally based on rates of return available from alternative investments of similar type, quality, and risk. We developed a discounted cash flow analysis based on a quantitative analysis of our: (i) forecast of revenue, expense, and profitability data through 2014, (ii) the Company's historical financials, and (iii) guideline company/industry growth and margin indications. The financial forecasts were based on assumed revenue growth rates and operating margin levels that took into account our past experience and future expectations. The risks associated with achieving these forecasts were assessed in selecting the appropriate cost of capital rates, 15% as of the Initial Valuation Date and 24% as of the Subsequent Valuation Date.

We also applied the market approach valuation method in determining the fair value of the Company's common stock at each Valuation Date. This approach measures the value of an asset or business through an analysis of recent sales or offerings of comparable investments or assets. When applied to the valuation of equity interests, consideration is given to the financial condition and operating performance of the entity being appraised relative to those of publicly traded entities operating in the same or similar lines of business, potentially subject to corresponding economic, environmental, and political factors and considered to be reasonable investment alternatives. We utilized both the public company market multiple method ("PCMMM") to compare the Company to guideline publicly traded entities and the similar transaction method to determine valuation multiples based on actual transactions that have occurred in the Company's industry or related industries. After utilizing both the PCMMM and the similar transactions method of the market approach we arrived at an estimated enterprise value for the Company.

In addition to the income approach and market approach valuation methods, we also considered the cost approach as a valuation method. This approach measures the value of an asset by the cost to reconstruct or replace it with another of like utility. This methodology was considered but not used to estimate the value of the Company, as it did not accurately reflect the going concern value of the Company.

When estimating the enterprise value at each Valuation Date and the corresponding value of the common stock, we determined an appropriate weighting between the valuations derived from the PCMM and similar transactions method of the market approach and the income approach. Ultimately, the income approach was used as the primary methodology in valuing the Company's equity at each of the Valuation Dates, as the Company is an operating entity expected to generate future cash flows for its capital owners and any future sale or transaction is expected to be based on the Company's future cash flow expectations. For each of the Valuation Dates, a weight of 70% was applied to the results of the income approach (given the most weight due to the fact that the comparable companies identified and used in the market comparable approach were lacking in specific correlation to the Company), 20% to the results of the PCMM and 10% to the results of the similar transaction method.

- *March 20, 2013.* We determined that the estimated fair value of our common stock at the Initial Valuation Date, upon the closing of the acquisition of Lilien was $1.00 per share (prior to taking into account the anticipated one for two reverse split). Upon applying the income approach, we arrived at an indicated value of invested capital of approximately $40,700,000. Upon applying the PCMM method of the market approach, we arrived at an indicated value for the Company's invested capital of approximately $30,900,000 and a value of $37,640,000 after applying the similar transactions method. After weighting the valuation methods, as set forth above, we arrived at a concluded value of invested capital of $38,434,000 as of the Initial Valuation Date. After deducting existing interest bearing debt in an amount equal to $6,303,574 and adding anticipated proceeds of $965,163 from the exercise of outstanding options and warrants as of the Initial Valuation Date, the resulting value of equity (on a controlling, marketable basis) as of the Initial Valuation Date was determined to be $33,095,589. After taking into account a 20% valuation discount equal to $6,619,118 we arrived at the resulting value of $26,476,471 and we concluded that the estimated value per share on a non-controlling, non-marketable basis was $1.00 per share. Management's determination of the fair value of the Company's common stock as of the Initial Valuation Date, factored in the Company's new SPAWAR contract in February 2013 which management anticipated will lead to greater revenue generation as the Company's largest prime contract award, in addition to the acquisition of Lilien, which expanded our depth of enterprise service offering and provided the Company with premier partnership status with leading vendors in IT infrastructure.
- *August 31, 2013.* We have determined, on a preliminary basis, that the estimated fair value of our common stock at the Subsequent Valuation Date, the effective date of the acquisition of Shoom was $2.03 per share (prior to taking into account the anticipated one for two reverse split). Upon applying the income approach we arrived at an indicated value of invested capital of approximately $86,800,000 and after applying the PCMM method of the market approach, we arrived at an indicated value for the Company's invested capital of approximately $83,700,000 and a value of $70,700,000 after applying the similar transactions method. After weighting the valuation methods we arrived at a concluded value of invested capital of $84,570,000 as of the Subsequent Valuation Date. After deducting existing interest bearing debt in an amount equal to $8,532,599 and adding

deposits of $919,894 and anticipated proceeds of $1,236,646 from the exercise of outstanding options and warrants as of the Subsequent Valuation Date, the resulting value of equity (on a controlling, marketable basis) as of the Subsequent Valuation Date was determined to be $78,193,941. After taking into account a 20% valuation discount equal to $15,638,788 we arrived at the resulting value of $62,555,153 and we concluded that the estimated value per share on a non-controlling, non-marketable basis was $2.03 per share. The fair value of the Company's common stock as of the Subsequent Valuation Date was determined by management after considering the acquisition of Shoom which resulted in a further expansion of the Company's product and service offerings to include cloud-based data analytics and enterprise software products which result in higher gross margins. The Shoom acquisition also fortified the Company's working capital balance, as Shoom had a $4,000,000 cash balance at the effect date of the acquisition. The determined fair value of our common stock as of the Subsequent Valuation Date is subject to adjustment upon the receipt by management of a valuation analysis with respect to our common stock as of the Subsequent Valuation Date, from a third party valuation firm.

There is inherent uncertainty in our forecasts and projections, and if we had made different assumptions and estimates than those described previously, the determined fair value of our common stock as of each of the Valuation Dates could have been materially different.

The following factors have contributed to the increase in the fair value of the Company's equity shares from $2.03 (prior to taking into account the anticipated one for two reverse split) at the most recent valuation date, August 31, 2013, and the assumed offering price of $5.50 (after giving effect to an assumed one for two reverse stock split):

- since August 31, 2013, management believes the Company has strengthened its position in its industry as a result of the expansion of its product and service offerings, including big data services, cloud-based data analytics, enterprise solutions and software, and its achievement of premier partnership status with leading vendors in IT infrastructure, resulting from the Company's recent acquisitions;
- management believes that the integration of Shoom's high margin yielding secure cloud-based software products into the Company's overall product mix has enhanced the marketability of the Company's product and service offerings; and
- management expects increased revenues resulting from cross-selling opportunities created by the each of the Shoom and Lilien acquisitions, and believes that certain overlapping fixed costs may be eliminated, thereby allowing the Company to achieve further operational efficiencies as a result of the acquisitions.

Furthermore, in order to determine the assumed offering price, management has taken into consideration the current market price of the Company's common stock and value expected to be added to the Company's common stock upon the acquisition of AirPatrol following the Company's receipt of the net proceeds of this Offering. Management believes that the acquisition of AirPatrol will increase the fair value of the Company's equity securities and estimates that the acquisition will result in the generation of additional revenues and increase projected growth rates as a result of AirPatrol's existing sales pipeline, audited financial statements included in this prospectus, and our assessment of LBS market opportunities. These estimates set forth above are projections and there is no guarantee they will meet these financial targets. In addition, management expects the AirPatrol technology will serve as a foundation for future product development and services.

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 their equivalent granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the options granted.

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

	December 31, 2012	September 30, 2013
Risk-free interest rate	0.7% to 1.8%	1.8% to 2.8%
Expected life of option grants	10 years	10 years
Expected volatility of underlying stock	39.7% to 41.6%	40%

The Company issued the following options and warrants since March 20, 2013:

Date	Pre Split Options/Warrants Granted	Post Split Options/Warrants Granted	Exercise Price	Black Sholes Value of Option	Fair Value of Common Stock per Share
3/20/13	209,500	104,750	$0.40	$154,400	$1.00
3/20/13	166,667	83,334	$0.45	$109,300	$1.00
4/01/13	20,000	10,000	$1.00	$10,400	$1.00
4/08/13	15,000	7,500	$1.00	$7,700	$1.00
8/14/13	81,000	40,500	$1.35	$105,600	$2.03
8/14/13	1,250,000	625,000	$1.35	$1,629,000	$2.03
8/29/13	112,500	56,250	$1.20	$137,100	$2.03
8/31/13	200,000	100,000	$1.30	$264,300	$2.03
11/14/13	5,000	2,500	$1.50	$6,300	$2.03
11/18/13	916,500	458,250	$1.28	$1,213,000	$2.03

The Company issued the following shares of common stock as compensation from March 20, 2013 to the date of this filing.

Date	Pre Split Common Shares Issued	Post Split Common Shares Issued	Fair Value of Common Stock per Share	Fair Value of Common Stock Issued
3/20/13	195,000	97,500	$1.00	$195,000
4/8/13	31,746	15,873	$1.00	$31,746
5/2/13	60,000	30,000	$1.00	$60,000
6/30/13	15,000	7,500	$1.00	$15,000
7/8/13	31,746	15,873	$2.03	$64,444
9/30/13	15,000	7,500	$2.03	$30,450
10/1/13	20,000	10,000	$2.03	$40,600
10/8/13	31,746	15,873	$2.03	$64,444
10/11/13	6,875	3,438	$2.03	$13,956
11/6/13	14,286	7,143	$0.70(A)	$10,000
12/24/13	9,852	4,926	$2.03	$20,000

(A) The 14,286 shares issued on November 6, 2013 were valued at the measurement date of January 25, 2012 and accrued as of the year ended December 31, 2012; they were just not issued until November 6, 2013.

Operating Segments

The Company operates in the following business segments as follows:

- Information technology solutions services to commercial organizations. These services include enterprise computing and storage, virtualization, business continuity, networking and information technology business consulting services.
- Information technology and telecommunications solutions and services primarily to government agencies in the United States, (Domestic) and Saudi Arabia (Foreign). The operations include systems integration and consulting, including, but not limited to: custom application/software design, architecture and development, data center design and operations services, command control, computer communication, intelligence (C4I) system consulting, program management and security solutions and services.
- Internet based hosting eServices to its customers located in Europe (Foreign), Canada (Foreign) and the United States (Domestic) by providing Cloud-based data analytics and enterprise solutions to the media, publishing, and entertainment industries.

Prior to the acquisitions of Lilien and Shoom the Company operated in only one segment.

	Information technology solutions services to commercial organizations	Information technology solutions services to U.S. and Foreign Gov'ts	Internet based hosting eServices	Unallocated/ Corporate/Other	Total
Nine months ended September 30, 2013					
Revenues from external customers	$ 30,359,838	$ 3,406,930	$ 324,840	$ 0	$ 34,091,608
Intersegment revenues	$ 0	$ 0	$ 0	$ 0	$ 0
Cost of revenues	$ (24,032,360)	$ (1,812,189)	$ (10,091)	$ 0	$ (25,854,640)
Gross margin	$ 6,327,478	$ 1,594,741	$ 314,749	$ 0	$ 8,236,968
Segment profit (loss)	$ 142,441	$ 303,997	$ 41,967	$ (3,394,457)	$ (2,906,052)
Nine months ended September 30, 2012					
Revenues from external customers	$ 0	$ 3,182,046	$ 0	$ 0	$ 3,182,046
Intersegment revenues	$ 0	$ 0	$ 0	$ 0	$ 0
Cost of revenues	$ 0	$ (1,730,487)	$ 0	$ 0	$ (1,730,487)
Gross margin	$ 0	$ 1,451,559	$ 0	$ 0	$ 1,451,559
Segment profit (loss)	$ 0	$ 299,263	$ 0	$ (675,144)	$ (375,881)
September 30, 2013					
Total property and equipment	$ 203,806	$ 22,196	$ 28,467	$ 2,283	$ 256,752
Property and equipment additions	$ 4,588	$ 0	$ 0	$ 0	$ 4,588
Intangible assets	$ 9,475,718	$ 0	$ 3,870,030	$ 0	$ 13,345,748
Intangible assets additions	$ 9,475,718	$ 0	$ 3,870,030	$ 0	$ 13,345,748
Total segment assets	$ 29,927,295	$ 3,908,266	$ 8,556,782	$ (1,378,298)	$ 41,014,045
September 30, 2012					
Total property and equipment	$ 0	$ 101,507	$ 0	$ 0	$ 101,507
Property and equipment additions	$ 0	$ 4,544	$ 0	$ 0	$ 4,544
Intangible assets	$ 0	$ 0	$ 0	$ 0	$ -
Intangible assets additions	$ 0	$ 0	$ 0	$ 0	$ -
Total segment assets	$ 0	$ 1,894,842	$ 0	$ 133	$ 1,894,975

Rounding

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

Results Of Operations - For The Nine Months Ended September 30, 2013 Compared To The Nine Months Ended September 30, 2012

Revenues

Revenues for the nine months ended September 30, 2013 were $34,092,000 compared to $3,182,000 for the comparable period in the prior year. This increase of $30,910,000 was primarily attributable to the Lilien Acquisition effective March 1, 2013 and the inclusion of Lilien's revenues of $30,360,000 and the Shoom Acquisition effective August 31, 2013 and the inclusion of Shoom's revenues of $325,000 from the effective date of the acquisition. Revenues of $3,407,000 related to the historical Sysorex business were essentially unchanged. Information technology solutions services to commercial organizations revenue was $30,360,000 for the nine months ended September 30, 2013 and $0 during the comparable period in the prior year as the Company did not do business in this segment prior to the acquisition of Lilien. Internet based hosting eService revenue was $325,000 during the nine months ended September 30, 2013 and $0 during the comparable period in the prior year as the Company did not do business in this segment prior to the acquisition of Shoom. Information technology solutions services to U.S. and foreign governments revenue was $3,407,000 from the historical Sysorex business and remained essentially unchanged from the comparable period in the prior year.

We expect historical Sysorex business revenues to increase in 2014 as award decisions are made in connection with several outstanding proposals and our U.S. Navy SPAWAR contract releases task orders in 2014, although it is not currently possible to quantify the value of the contract to Sysorex. We also expect an increase in revenue as a result of introductions to the acquired companies' customers, along with a general increase in the number of proposal opportunities.

Costs of Revenues

Cost of revenues for the nine months ended September 30, 2013 were $25,855,000 compared to $1,730,000 for the comparable period in the prior year. This increase of $24,125,000 was primarily attributable to the Lilien Acquisition effective March 1, 2013 and the inclusion of Lilien's cost of revenues of $24,032,000 and the Shoom Acquisition effective August 31, 2013 and the inclusion of Shoom's cost of revenues of $10,000 from the effective date of the acquisition. Costs of revenues of $1,812,000 related to the historical Sysorex business were essentially unchanged. However, we expect historical Sysorex business cost of revenues to increase during 2014 as award decisions are made in connection with several outstanding proposals and our U.S. Navy SPAWAR contract is expected to release a large number of task orders during 2014.

The gross profit margin for the nine months ended September 30, 2013 was 24.2% compared to 45.6% for the comparable period in the prior year as the nine months ended September 30, 2013 included Lilien revenues for the months of March through September 2013 which have lower gross profit margins than the Sysorex service revenues. Information technology solutions services to commercial organizations gross margin was 20.8% and Internet based hosting eService gross margin was 96.9% during the nine months ended September 30, 2013. There are no comparable amounts for the prior year as the Company did not do business in these segments prior to the acquisitions of Lilien and Shoom. The gross margin from information technology solutions services to U.S. and foreign governments (Sysorex' historical business) was 46.8% for the nine months ended September 30, 2013 and 45.6% during the comparable period in the prior year.

Operating Expenses

Operating expenses for the nine months ended September 30, 2013 were $10,642,000 compared to $1,687,000 for the comparable period in the prior year. This increase of $8,955,000 was primarily attributable to the Lilien aquisition effective March 1, 2013 and the inclusion of Lilien's operating expenses of $6,185,000 and the Shoom acquisition effective August 31, 2013 and the inclusion of Shoom's operating expenses of $278,000 from the effective date of the acquisition. Operating expenses related to the historical Sysorex business for the nine months ended September 30, 2013 were $4,179,000 compared to $1,687,000 for the comparable period in the prior year. This increase of $2,492,000 consisted primarily of one-time non-recurring charges of $1,224,000 related to the acquisitions of Lilien and Shoom and consisted of legal, accounting, due diligence, and financing expenses, $618,000 of legal, accounting, professional fees and other costs related to other potential acquisitions and the S-1 filing and $523,000 of other non-cash stock based compensation that isn't included as part of the acquisition costs. Operating expenses will increase for reporting and compliance costs once we are a reporting company with the SEC.

Loss From Operations

Loss from operations for the nine months ended September 30, 2013 was $2,405,000 compared to $235,000 for the comparable period in the prior year. This increase of $2,170,000 was primarily attributable to the historical Sysorex business for the nine months ended September 30, 2013 which consisted of a loss from operations of $2,492,000 which was attributable to the non-cash and one-time expenses as discussed in the preceding paragraphs.

Other Expense

Other expense consisted primarily of interest expense and derivative liabilities. Such interest expense and derivative liabilities for the nine months ended September 30, 2013 were $668,000 compared to $144,000 for the comparable period in the prior year. This increase of $524,000 was attributable to $489,000 of non-cash change in the fair value of derivative liability for warrants issued and $86,000 in fees related to the closing of a prior credit facility and the borrowings under the Bridge Bank revolving line of credit in the amount of $4,200,000. The majority of those borrowings were used in connection with the acquisition of Lilien.

Provision for Income Taxes

The was no provision for income taxes for the nine months ended September 30, 2013 as we were in a net loss position. Deferred tax assets resulting from such losses are fully reserved as of December 31, 2012 and 2011 since, at present we have no history of taxable income and it is more likely than not that such assets will not be realized.

Net Loss Attributable To Non-Controlling Interest

Net loss attributable to non-controlling interest for the nine months ended September 30, 2013 was $104,000 compared to $47,000 for the comparable period in the prior year. This increase in net loss of $57,000 was attributable to the loss incurred at Sysorex Arabia due to the conclusion of the MODA II contract in January 2013.

Net Loss Attributable To Stockholders of Sysorex Global Holdings Corp.

Net income/loss attributable to stockholders of Sysorex Global Holdings Corp. for the nine months ended September 30, 2013 was a loss of $2,802,000 compared to $329,000 for the comparable period in the prior year. This increase of $2,473,000 was attributable to the changes described for the various reporting captions discussed above.

Non-GAAP Financial information

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 Company's management as the matrix in which it manages the business 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 nine months ended September 30, 2013 was income of $649,000 compared to income of $48,000 for the comparable period in the prior year. Overall, Adjusted EBITDA compares favorably to the net loss attributable to stockholders of Sysorex Global Holdings Corp. as described in the following paragraph.

The following table presents a reconciliation of net income/loss attributable to stockholders of Sysorex Global Holdings Corp., which is our GAAP operating performance measure, to Adjusted EBITDA for the nine months ended September 30, 2013 and 2012:

	Nine Months Ended September 30, 2013 (unaudited)	Nine Months Ended September 30, 2012 (unaudited)
Adjusted EBITDA	$ 649,000	$ 48,000
Gain on settlement of obligations *	155,000	
Other *		3,000
Acquisition expenses of acquisition not consummated - non recurring one time charges		(189,000)
S-1 and acquisition transaction costs - Non recurring	(618,000)	
Lilien and Shoom acquisition transaction costs - non-recurring one time charges	(1,029,000)	
Stock-based compensation – included in acquisition costs	(195,000)	
Stock-based compensation – included in SG&A expense	(523,000)	
Stock-based compensation – included in interest expense		(62,000)
Change in the fair value of derivative liability	(489,000)	
Other interest expense	(179,000)	(81,000)
Depreciation and amortization	(573,000)	(48,000)
Net loss attributable to stockholders of Sysorex Global Holdings Corp.	$ (2,802,000)	$ (329,000)

* - Included on our statement of operations as a component of other income

We rely on Adjusted EBITDA, 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 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), and that 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:

- We believe Adjusted EBITDA is a useful tool for investors to assess the operating performance of our business without the effect of interest, income taxes, and other non-operating expenses as well as depreciation and amortization which are non-cash expenses;
- We believe that it is useful to provide to investors with a standard operating metric used by management to evaluate our operating performance; and
- We believe that the use of Adjusted EBITDA is helpful to compare our results to other companies.

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

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

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

Sysorex Global Holdings Corp. Results Of Operations - For The Year Ended December 31, 2012 Compared To The Year Ended December 31, 2011

Revenues

Revenues for the year ended December 31, 2012 were $4,238,000 compared to $7,004,000 for the comparable period in the prior year. This decrease of $2,766,000 was attributable to the conclusion of the MODA C4I contract in October 2011. However, we expect revenues to increase during 2013 and further increase in 2014 as award decisions are made in connection with several outstanding proposals and our U.S. Navy SPAWAR contract is expected to start releasing task orders during 2014.

Costs of Revenues

Cost of revenues for the year ended December 31, 2012 were $2,345,000 compared to $4,312,000 for the comparable period in the prior year. This decrease of $1,967,000 was primarily attributable to the conclusion of the MODA C4I contract in October 2011. However, as indicated above, we expect revenues and therefore, cost of revenues to increase during 2013 and further increase in 2014 as award decisions are made in connection with several outstanding proposals and our U.S. Navy SPAWAR contract is expected to release a significant number of task orders during 2014. The gross profit margin for the year ended December 31, 2012 was 44.7% compared to 38.4% for the comparable period in the prior year as the Sysorex Arabia MODA C4I contract ended in 2011 and the Sysorex U.S. contracts yield higher profit margins.

Operating Expenses

Operating expenses for twelve months ended December 31, 2012 were $2,349,000 compared to $2,740,000 for the comparable period in the prior year. This decrease of $391,000 consisted of: a) decreases of $324,000 and $186,000 in compensation and consulting expenses, respectively, related to the conclusion of the MODA C41 contract in October 2011 as discussed in the preceding paragraphs; b) an increase of $331,000 in professional and legal fees related to the pursuit of the Company acquisition strategy as discussed in the preceding sections; and c) a decrease of $218,000 in other administrative expenses attributable to general cost containment measures. Operating expenses will increase for reporting and compliance costs once we are a reporting company with the SEC.

Loss From Operations

Loss from operations for the year ended December 31, 2012 was $455,000 compared to $48,000 for the comparable period in the prior year. This increase of $407,000 was attributable to the decrease in gross profit of $798,000 related to the conclusion of the MODA C41 contract in October 2011, as discussed in the preceding paragraph, offset by the decrease of $391,000 in operating expenses as also discussed in the preceding paragraphs.

Other Income (Expense)

Other income (expense) for twelve months ended December 31, 2012 was an expense of $329,000, as compared to income of $79,000 for the comparable period in the prior year. This change of $408,000 consisted of: a) a decrease of $110,000 related to a gain on settlement of a vendor liability during 2011 for which there was no comparable amount present during 2012; b) a decrease related to an additional $319,000 interest expense primarily attributable to the debt incurred by us during 2012 to finance operations; and c) an increase of $18,000 related to the change in the fair value of our derivative liability for which there was no comparable amount during 2011.

Provision for Income Taxes

There was no provision for income taxes for the year ended December 31, 2012 as we were in a net loss position. Deferred tax assets resulting from such losses are fully reserved as of December 31, 2012 and 2011 since, at present we have no history of taxable income and it is more likely than not that such assets will not be realized. The provision for income taxes for the year ended December 31, 2011 of $31,000 represented the income tax provision for the Saudi subsidiary computed under Saudi Arabia's tax law.

Net Income/Loss Attributable To Non-Controlling Interest

Net income/loss attributable to non-controlling interest for the year ended December 31, 2012 was a loss of $91,000 compared to income of $36,000 for the comparable period in the prior year. This change of $127,000 was attributable to the loss incurred at Sysorex Arabia due to the conclusion of the MODA C4I contract in October 2011.

Net Loss Attributable To Stockholders of Sysorex Global Holdings Corp.

Net income/loss attributable to stockholders of Sysorex Global Holdings Corp. for the year ended December 31, 2012 was a loss of $694,000 compared to a loss of $36,000 for the comparable period in the prior year. This increase of $658,000 was attributable to the changes described for the various reporting captions discussed above.

Non-GAAP Financial information

Adjusted EBITDA for the year ended December 31, 2012 was income of $83,000 compared to income of $394,000 for the comparable period in the prior year. Overall, Adjusted EBITDA compares favorably to the net loss attributable to stockholders of Sysorex Global Holdings Corp. as described in the following paragraph.

The following table presents a reconciliation of net income/loss attributable to stockholders of Sysorex Global Holdings Corp., which is our GAAP operating performance measure, to Adjusted EBITDA for the years ended December 31, 2012 and 2011:

	Year Ended 2012	Year Ended 2011
Adjusted EBITDA	$ 83,000	$ 394,000
Non-recurring one time charges (acquisition expenses and related charges of an acquisition that was not consummated)	(236,000)	-
Stock-based compensation – included in SG&A expense	(113,000)	(395,000)
Stock-based compensation – included in interest expense	(111,000)	-
Other interest expense	(239,000)	(31,000)
Provision for income taxes	-	(31,000)
Depreciation and amortization	(99,000)	(83,000)
Gain on settlement of obligations *	-	110,000
Change in fair value of derivative liability *	18,000	-
Other *	3,000	-
Net loss attributable to stockholders of Sysorex Global Holdings Corp.	$ (694,000)	$ (36,000)

* Included on our statement of operations as a component of other income

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

Lilien LLC and Subsidiary Results Of Operations - For The Year Ended December 31, 2012 Compared To The Year Ended December 31, 2011

Revenues

Revenues for the year ended December 31, 2012 were $40,571,000 compared to $35,026,000 for the comparable period in the prior year. This increase of $5,545,000 was attributable to Lilien's organic growth. We expect this growth to continue in 2013.

Costs of Revenues

Cost of revenues for the year ended December 31, 2012 was $30,412,000 compared to $25,933,000 for the comparable period in the prior year. This increase of $4,479,000 was primarily attributable to the growth in net sales of hardware, software and services. As indicated above, we expect revenues and therefore, cost of revenues to increase during the balance of 2013 due to the expected organic growth. The gross profit margin for the year ended December 31, 2012 was 25% compared to 26% for the comparable period in the prior year.

Operating Expenses

Operating expenses for twelve months ended December 31, 2012 were $10,718,000 compared to $9,339,000 for the comparable period in the prior year. This increase of $1,379,000 was primarily due to the Company's continued expansion sales, increased headcount and related commission and bonus, higher spending in outside professional services, marketing, and increased variable costs associated with the overall growth of the Company's net sales.

Loss From Operations

Loss from operations for the year ended December 31, 2012 was $559,000 compared to $246,000 for the comparable period in the prior year. This increase of $313,000 was primarily due to increased commission and bonus, increased headcount and higher spending in in professional services connected with IT infrastructure installation and configuration.

Other Income (Expense)

Other income (expense) for twelve months ended December 31, 2012 was an expense of $4,000, as compared to income of $800 for the comparable period in the prior year. This increase in expense of $4,800 is immaterial.

Provision for Income Taxes

Lilien LLC is organized as a limited liability company and, accordingly, is a "pass through" entity for federal and state income tax purposes whereby the income of Lilien LLC is taxed at the member level. Lilien Systems operates on a break-even basis and there are no current or historical net operating losses or differences between the book and tax basis of assets, or liabilities. Consequently, no provisions for income taxes were recorded for the years ended December 31, 2012 and 2011.

Net Loss

Net Loss for the year ended December 31, 2012 was $563,000 compared to a loss of $245,000 for the comparable period in the prior year. This increase of $318,000 was attributable to the changes described for the various reporting captions discussed above.

Liquidity And Capital Resources as of September 30, 2013 Compared With December 31, 2012

The Company's net cash flows used in operating, investing and financing activities for the nine months ended September 30, 2013 and 2012 and certain balances as of the end of those periods are as follows:

		2013		2012
Net cash used in operating activities	$	(2,606,000)	$	(398,000)
Net cash provided by (used in) investing activities		1,066,000		(5,000)
Net cash provided by financing activities		5,614,000		377,000
Net change in cash	$	4,074,000	$	(26,000)
Cash and cash equivalents at September 30, 2013 and December 31, 2012		4,082,000		8,000
Working capital (deficit) at September 30, 2013 and December 31, 2012	$	(7,114,000)	$	(5,756,000)

Operating Activities:

Net cash flows related to operating activities during the nine months ended September 30, 2013 and 2012 were negative $2,606,000 and $398,000, respectively. The net negative cash flows related to the nine months ended September 30, 2013 consisted of the following:

$ (2,906,000)	Net loss before non-controlling inteterest
1,953,000	Non-cash expenses
(1,653,000)	Net change in operating assets and liabilities
$ (2,606,000)	Net cash used in operating activities

The net loss of $2,906,000 consisted of:

$ (1,842,000)	Expenses attributable to transaction costs of $1,224,000 directly related to the Lilien and Shoom acquisitions and $618,000 related to our ongoing acquisition related activities.
142,000	Profit attributable to the Lilien operations from March 1, 2013, the effective date of our acquisition of Lilien, through September 30, 2013. As these operating results included non-cash charges for amortization of intangible assets totaling $448,000, otherwise Lilien's reported operating results would have been a profit of $590,000.
42,000	Profit attributable to the Shoom operations from September 1, 2013, the effective date of the acquisition, through September 30, 2013. These charges include amortization of intangibles of $44,000 otherwise Shoom's reported operating results would have been a profit of $86,000.
304,000	Profit attributable to the information technology solutions services to U.S. and Foreign governments.
(1,552,000)	Losses attributable to other Company activities primarily consisting of a non-cash charge of $489,000 for the change in the fair value of the derivative liability associated with warrants issued, and a non-cash charge of $523,000 for stock based compensation expense. All other Company activities represented a net loss of $540,000.
$ (2,906,000)	Net loss

As previously discussed, Lilien is an information technology company whose operations complement and significantly expand our current base of business and enables us to provide integrated consulting and implementation solutions and services to both government and private organizations in the United States, and potentially in the Middle East and South Asia. In that light, we expect significant increases in Lilien's revenues, profits, and cash flows during 2013. Cash flows related to operating activities during the nine months ended September 30, 2012 were, in comparison, minimal and consisted of normal operating activities.

We also expect significant increases in the balance of our business with respect to revenues, profits, and cash flows during the balance of 2013 as the U.S. Navy SPAWAR contract (which we won in February 2013) has begun releasing task orders during the fourth quarter and we expect to win additional contracts during the balance of the year.

The non-cash expenses of $1,953,000 consisted of:

$ 573,000	Depreciation and amortization expenses primarily attributable to the Lilien operations which were acquired effective March 1, 2013.
719,000	Stock-based compensation expense attributable to warrants and options issued in connection with Lilien, Shoom and other Company operations.
489,000	Change in the fair value of the derivative liability associated warrants issued as discussed in the nine months ended September 2013 financial Note 19
172,000	Other
$ 1,953,000	Total non-cash expenses

The net source (use) of cash in the change in operating assets and liabilities aggregated ($1,653,000) and consisted primarily of changes attributable to the acquisition of Lilien effective March 1, 2013 as follows:

$ (3,101,000)	Increase in accounts receivable
(1,709,000)	Increase in prepaid licenses and maintenance contracts
1,613,000	Increase in accounts payable
1,426,000	Increase in deferred revenue
118,000	Other
$ (1,653,000)	Net use of cash in the changes in operating assets and liabilities

Investing Activities:

Net cash flows related to investing activities during the nine months ended September 30, 2013 and 2012 were approximately $1,066,000 and ($5,000), respectively. The cash flows related to the nine months ended September 30, 2013 was comprised of a $3,000,000 investment in Lilien and a $1,000,000 loan to AirPatrol offset by $1,112,000 in cash acquired in connection with the Lilien acquisition, $3,668,000 of cash acquired in connection with the Shoom acquisition and $290,000 from the redemption of marketable securities. Cash flows related to investing activities during the nine months ended September 30, 2012 were minimal.

Financing Activities:

Net cash flows from financing activities during the nine months ended September 30, 2013 and 2012 were a positive approximately $5,614,000 and $377,000, respectively. The positive cash flows related to the nine months ended September 30, 2013 was comprised primarily of $5,750,000 of advances from a credit facility. Those funds were primarily utilized for the $3,000,000 investment in Lilien, $1,000,000 loan to an unrelated party, Lilien and Shoom acquisition costs of approximately $1,224,000, and $489,000 of repayments of notes, balances due under other credit arrangements and advances from related parties. Cash flows related to financing activities during the nine months ended September 30, 2012 were, in comparison, minimal and consisted of advances of approximately $432,000 from Duroob Technology, Inc. ("Duroob"). The owners and management of Duroob own slightly less than 50% of our subsidiary operating in Saudi Arabia. Therefore, Duroob made such advances to the Company to support those operations while we pursued the acquisition and expansion strategy described in the preceding paragraphs.

Liquidity And Capital Resources - General:

Our current capital resources and operating results as of and through September 30, 2013, as described in the preceding paragraphs, consist of:

1) An overall working capital deficit of $7,114,000;
2) Cash of $4,082,000;
3) Marketable securities of $316,000;
4) A revolving line of credit for up to $6,000,000 with a maturity date of March 15, 2015 of which $5,000,000 is utilized;
5) A term loan for $750,000 with a maturity date of August 27, 2016;and
6) Net cash used in operating activities year-to-date of $2,606,000.

We believe our total working capital deficit of $7,114,000 does not represent a severe impediment to our operations and growth when its principal components are separately identified and analyzed and the growth of our business is taken into account. The breakdown of our overall working capital deficit is as follows:

Working capital	Assets	Liabilities	Net
Cash	$ 4,082,000	-	$ 4,082,000
Marketable securities	316,000	-	316,000
Accounts receivable / accounts payable	8,775,000	7,981,000	794,000
Note receivable	1,000,000	-	1,000,000
Prepaid contracts / deferred revenue	6,584,000	7,825,000	(1,241,000)
Accrued compensation and related benefits	-	2,225,000	(2,225,000)
Notes payable		2,735,000	(2,735,000)
Revolving line of credit and current portion of term loan	-	5,333,000	(5,333,000)
Other	307,000	2,078,000	(1,771,000)
Net	$ 21,064,000	$ 28,178,000	$ (7,114,000)

Accounts receivable exceeds the related accounts payable by $794,000. We do not believe there are material collectability issues with respect to our accounts receivable. In accordance with industry practice, payments to major vendors included in our accounts payable are normally extended until the time the collection of the related sale is received. Deferred revenue exceeds the related prepaid contracts by $1,241,000 and other liabilities exceed other assets by $1,771,000. These deficits are expected to be funded by our anticipated cash flow from operations, as described below, over the next twelve months. The revolving line of credit and the current portion of the term loan total $5,333,000, which we believe will not have a material adverse effect on our liquidity in the next twelve months as the principal balance is not due until March 2015, eighteen months from the current balance sheet date of September 30, 2013. Additionally, as described in the preceding paragraphs, the amount of this credit facility was increased to $6,000,000 in August 2013.

Net cash used in operating activities year-to-date of $2,606,000 consists of net cash used in operations of $953,000 (net loss of $2,906,000 less non-cash expenses of $1,953,000) and net cash used of $1,653,000 in changes in operating assets and liabilities. We expect net cash from operations during the period from September 30 to December 31, 2013 to be positive as:

1) The newly acquired Lilien business is historically stronger during the fourth quarter of every year because customer budgets are typically larger in those months;
2) Lilien complements and significantly expands our current base of business and enables us to provide integrated consulting and implementation solutions and services to both government and private organizations in the United States, and potentially in the Middle East and South Asia. In that light, we anticipate increases in revenues and cash flows during the balance of 2013; and
3) We concluded the acquisition of Shoom, Inc. ("Shoom"), a company with operations compatible to both Sysorex and Lilien, effective August 31, 2013 through the issuance of shares of Sysorex common stock. The acquisition provided us with:
   a) Positive working capital of approximately $4,163,000 which consisted almost exclusively of cash; and
   b) A business that benefits from high margins and generates approximately $1,000,000 positive cash flow on an annual basis.

Consequently, we expect that our current capital resources as of September 30, 2013, as described in the preceding paragraphs, will be sufficient to fund planned operations during the next twelve months. We also expect that as our business expands, cash provided from operations will, over time, eliminate our working capital deficit and provide ongoing improvement in our long-term liquidity.

We have been actively pursuing equity financing to provide us with capital necessary to continue pursuing the acquisition and expansion strategy that we launched with the acquisition of Lilien in March 2013 and, if necessary, to provide working capital to our current operations. Upon the completion of this Offering, we expect to have sufficient funds to continue this acquisition and expansion strategy. If we are unsuccessful in raising additional capital through this Offering or obtaining alternative financing during 2013, we may have to postpone or abandon our acquisition and expansion plans. However, if such postponement or abandonment of our acquisition and expansion plans is required, it should have a limited effect on our liquidity or the ongoing operations of Sysorex, Lilien, or Shoom as described above.

Liquidity And Capital Resources - Bridge Bank Financing Agreement

On March 15, 2013 and in connection with and concurrent with our acquisition of Lilien, Sysorex Government Services, Inc. and On March 15, 2013 and in connection with and concurrent with our acquisition of Lilien, Sysorex Government Services, Inc. and Lilien Systems, both 100%-owned subsidiaries of Sysorex Global Holdings, Inc., entered into a Business Finance Agreement (the "Agreement") as co-borrowers (the "Borrowers") with Bridge Bank, NA (the "Bank") under which the Borrowers obtained a revolving line of credit for up to $5,000,000 with a maturity date of March 15, 2015. Terms of this Agreement include compliance with certain debt covenants to include an asset coverage ratio of 1.4 to 1.0, a debt service coverage ratio of 1.5 to 1.0 and performance-to-plan covenants. During the quarter ended September 30, 2013 there were a few periods where the Company was in an over-advance position on the bank credit line and due to a misunderstanding of the terms some of the compliance documents were not filed timely. The Company took corrective action and paid down the line. Subsequent to September 30, 2013 the bank waived the defaults and the Company is in compliance. The line of credit matures on March 15, 2015 and incurs interest at the greater of 5.25% or the bank's prime rate, plus 2%. The interest rate as of September 30, 2013 was 5.25%.

The Company and its wholly-owned subsidiary, Sysorex Federal Inc., entered into unconditional guarantees of all indebtedness under the Agreement and granted the Bank a continuing security interest in all assets of the Company and its subsidiary. The Company and Sysorex Federal pledged to the Bank all of the capital stock of Lilien Systems, Sysorex Federal and Sysorex Government Services, respectively. Lilien Systems and Sysorex Government Services each entered into an intercreditor subordination agreement subordinating their right of payment to the Bank.

Terms of this Agreement require all cash receipts of Sysorex Government Services, Inc. and Lilien Systems to be remitted to a lockbox for application to the balance due in connection with this Agreement. Use of this lockbox arrangement has no noteworthy effect upon our liquidity or upon our domestic or international operations. As with any such arrangement, the Bank could limit or suspend drawdowns upon the credit facility in the event of non-compliance with the terms of the Agreement which would have a serious impact upon our liquidity and ability to operate. However, we constantly communicate with the Bank and believe we have an excellent working relationship. This Agreement was modified on August 29, 2013 to increase the line of credit available to us as explained below.

On March 20, 2013, the Borrowers received $4,175,000 under this Agreement. Of that amount, $3,000,000 was paid as consideration in connection with the Lilien acquisition effective March 1, 2013. The balance of $1,175,000 was primarily utilized for acquisition program related expenses totaling $594,000 and reduction of debt and accrued expenses totaling $467,000. As of January 17, 2014, the principal amount outstanding under the Agreement was $6,000,000 and an additional $750,000 is outstanding under a term loan.

On August 29, 2013 the Company entered into Amendment 1 (the "Amendment") to the Agreement dated March 15, 2013 in connection with the Company's acquisition of Shoom. Under the Amendment certain sections and terms of the Agreement were amended and existing defaults were waived. The Amendment waived the asset coverage ratio for April 2013 and the performance-to-plan ratio for June 30, 2013. The Amendment includes an increase to the credit limit to $6,000,000, the asset coverage ratio was amended to be not at any time less than (i) 1.0 to 1.0, tested as at the end of each month, commencing with the month ended July 31, 2013, and (ii) 1.4 to 1.0, tested as at the end of each month, commencing with the month ending September 30, 2013 and the performance-to-plan covenant was amended to state that the combined revenues and net income are not to deviate by more than 20% or $100,000 from the projections of combined revenues and net income approved by Borrowers' boards of directors with respect to the rolling three month period ended on the date of determination, tested as at June 30, 2013, September 30, 2013, and the end of each month thereafter, commencing with the month ending October 31, 2013.

Additionally and concurrently with the Amendment the Company entered into a term loan for $750,000 which accrues interest at the greater of 5.25% or the Bank's prime rate plus 2% and matures on August 27, 2016. The Company is obligated to make payments of $41,667 on the first day of each month commencing on February 1, 2014 until the loan amount is paid in full.

The Bank received (i) warrants to purchase 83,334 (166,667 pre-split) shares of Common Stock exercisable at $0.90 ($0.45 pre-split) per share in connection with the Agreement on March 20, 2013, and (ii) warrants to purchase 56,250 (112,500 pre-split) shares of Common Stock exercisable at $2.40 ($1.20 pre-split) per share in connection with the Amendment on August 29, 2013.

BUSINESS

Overview

The following organizational chart sets forth the four subsidiaries of Sysorex Global Holdings Corp. and the lines of business in which they are engaged, as described below:

Sysorex Global Holdings Corp. ("Sysorex" or the "Company"), provides information technology and telecommunications solutions and services to commercial and government customers primarily in the United States, as well as the Middle East and India. We provide a variety of IT services and/or technologies that enable customers to manage, protect and monetize their enterprise assets whether on-premise, in the Cloud, or via mobile. Sysorex is a systems integration and consulting company and has a wide range of offerings, including, but not limited to: custom application/software design, architecture and development, data center design and operations services, command control, computer communication, intelligence (C4I) system consulting, program management and security solutions and services. Sysorex is currently engaged in an acquisition strategy to add cutting edge technologies and intellectual property that complement its service offerings. The targeted technologies typically include software and/or hardware products providing cyber security, and Big Data/Analytics capabilities on premise, in the Cloud or on a mobile device. Cyber security and Big Data Analytics are expected to be our primary focus going forward.

Effective March 1, 2013, the Company acquired Lilien Systems ("Lilien" and the "Lilien Acquisition") based in Larkspur, California, an information technology company, which significantly expanded "Lilien's Systems the Company's operations in the fields described above. Lilien delivers right-fit information technology solutions that help organizations reach their next level of business advantage. Lilien brings unsurpassed commitment, a highly qualified and educated staff with deep technical expertise, premier technology certifications, key manufacturer partnerships, and business vision to its solutions, enterprise computing and storage, virtualization, business continuity, networking and IT business consulting. See "Business - The Lilien Acquisition" below.

Effective August 31, 2013, the Company acquired Shoom, Inc. ("Shoom") based in Encino, California, a leading provider of Cloud based data analytics and enterprise solutions to the media, publishing and entertainment industries. Shoom provides Shoom specializes in providing comprehensive and integrated Internet/intranet based information services and electronic delivery systems to its expanding client base around the world. Shoom liberates publishers and advertisers from cumbersome legacy and hard-copy systems with software as a service (SaaS) products including eTearSheets, eInvoice, Ad Delivery and ePaper electronic publication solutions while generating critical data analytics for its customers. The acquisition represents another milestone for the Company, which validates our strategy of acquiring a portfolio of complementary IP/Technology based companies. Shoom expands Sysorex's depth of enterprise service offerings with powerful Cloud–based solutions. Shoom's customers can now take advantage of Lilien's Big Data expertise and advanced analytics, while Sysorex and Lilien will leverage Shoom's talent pool of expert Cloud solution engineers. Based on Management's due diligence investigation of Shoom, the Company expects Shoom to generate approximately $4 million in revenues with a retention rate of approximately 90% (during the last five years), and 25% net income in 2014 and a 10% annual growth rate thereafter exclusive of the benefits of leveraging synergies with Sysorex.

On December 20, 2013, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire 100% of the capital stock of AirPatrol Corporation ("AirPatrol"), a company in the mobile cyber-security and location-based services (LBS) space with leading-edge solutions and proprietary intellectual property, for a purchase price equal to (a) $10,000,000 in cash, subject to certain adjustments, allocated to and among certain creditors, payees, holders of AirPatrol's issued and outstanding capital stock and (b) 2,000,000 shares of Company common stock, of which 800,000 shall be held in escrow for one year, as security to satisfy any indemnity claims that may be owed by the AirPatrol shareholders to the Company (the "Merger Consideration"). The Merger Consideration also includes an earnout, half of the value of which shall be in stock and the other half in cash (unless otherwise agreed or required pursuant to the Merger Agreement) payable to the shareholders of AirPatrol in 2015 in accordance with the following formula: if for the five quarter period ending March 31, 2015, AirPatrol Net Income meets or exceeds $3,500,000, the Company shall pay to the AirPatrol shareholders an earnout payment equal to (i) AirPatrol Net Income, divided by $5,000,000, times (ii) $10,000,000, provided that the total earnout payment shall not exceed $10,000,000. The closing of the Merger is conditioned upon the consummation of an initial public offering of the Company's common stock with gross proceeds of at least $10,000,000 on terms acceptable to the Company and certain other customary conditions. The Company can give no assurance it will be successful in the consummation of the Merger.

Based on the audited financial statements included in this prospectus, AirPatrol's existing sales pipeline, and our assessment of LBS market opportunities, AirPatrol is expected to generate in excess of $10 million in revenue with approximately 30% net income in 2014 with a 50% growth rate expected for at least 2015, although no assurance can be given prior to completion of the pending acquisition. These numbers are projections for which they believe they have a reasonable basis, however, there is no guarantee they will meet these financial targets. AirPatrol's customer base is heavily government based and could be effected by government delays and shut downs. The Company has allocated approximately $10.5 million of the proceeds of this Offering for this acquisition. See "Use of Proceeds" and "Business - Pending Acquisition – AirPatrol Corporation."

Management intends to accelerate introduction of the acquired technology and products of Lilien and Shoom, as well as any future acquisitions, by offering them through its U.S. Federal government contracts by adding their solutions and services to its GSA schedule and other relevant contract vehicles where Sysorex is the prime contractor. Sysorex expects to leverage Lilien's sales force and customer base with any future acquisition as and when appropriate.

Corporate Strategy

Sysorex management has a mergers and acquisitions strategy to acquire companies and innovative technologies servicing the multi-billion dollar IT services industry. We have targeted services and technology/IP based companies since they add significant value to the Company and allow us to command a higher sales price should there be a sale or a spinoff. Sysorex plans to facilitate and manage cross-selling opportunities among the companies and provide shared corporate services to create efficiencies and be cost effective. We are seeking opportunities with the following profiles:

- Innovative and commercially proven technologies primarily in cyber-security, business intelligence/analytics, Big Data services, Cloud and mobile/BYOD.
- Commercial and government IT service companies which have an established customer base and are seeking growth capital to expand their capabilities, product offerings and substantially increase their revenues and operating profits.
- Companies with profitable, proven technologies that are complementary to the Company's overall strategy. We are looking at companies primarily in the United States. However, we may expand in our existing markets (e.g., Middle East) and into other geographies such as India and Europe, if there are significant strategic and financial reasons to do so.

An important element of our mergers and acquisitions strategy is to acquire companies with complementary capabilities/technologies and an established customer base in each of the above categories. We believe that the customer base of each potential acquisition will present an opportunity to cross-sell solutions to the customer base of other acquired companies. For example, when we acquire a company that primarily specializes in BYOD cyber security, we will be in position to market this solution to both Sysorex's public sector government clients and Lilien's private sector clients.

Another important criteria is an acquisition candidate's contract backlog. This is one of the most important benefits of having public sector clients. These customers provide very large multi-year contracts that can provide secure revenue visibility typically for three to five years. Based on Management's experience, we understand government contracting very well and have built a core competency in bidding on government requests for proposals (RFPs). We are actively seeking companies that have built a backlog with various government agencies that can complement Sysorex's existing contracts.

We intend to acquire innovative technologies and established, reputable IT services companies, using restricted common stock, cash and debt financing in combinations appropriate for each potential acquisition.

Industry Overview

Worldwide, companies and organizations are expected to spend a combined $3.8 trillion on hardware, software, IT services and telecommunications in 2013 with approximately 3.9% growth rate over the next five years (Source: Gartner, Inc. March 28, 2013 press release). The automatic sequestration that has mandated sudden cuts in United States government spending and budget impasse have offset anticipated gains. Although European economies appear less volatile, intermittent sovereign debt issues (e.g., Cyprus) have also served to reduce the level of IT spending (Source: All Things D Article, "Gartner Raises 2013 IT Spending Forecasts to $3.8 Trillion," by Arik Hesseldahl, March 28, 2013).

The U.S. Government spends approximately $80 billion in IT annually and this level of spending is expected to continue at a 3% compound annual growth rate (CAGR), compared with 6% historically in the first decade of the 21st Century (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018). Security of all forms, especially cyber-security, are significant growth areas, and Sysorex intends to increase its role in this sector (based on: Market Research Media - U.S. Federal Cyber-Security Market Forecast 2013-2018 dated April 12, 2013). The focus is on deployment of technologies that proved their worth in the private sector. The technology segments like business intelligence, cloud computing, eDiscovery, GIS and geospatial, non-relational database management systems, smart grid, SOA, unified communications and virtualization are expected to have double digit growth in the period 2013 – 2018 (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018). The total annual U.S. Federal IT market is expected to surpass $93 billion by 2018 (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018).

The Company's headquarters offices are located at 3375 Scott Boulevard, Suite 440, Santa Clara, California 95054. Our telephone number is (408) 702-2167. The Company's subsidiaries maintain offices in Herndon, VA, Larkspur CA, and Riyadh, Saudi Arabia.

Corporate Structure

Sysorex has four operating subsidiaries: Sysorex Federal, Inc. (100% ownership) and its wholly owned subsidiary Sysorex Government Services, Inc. based in Herndon, Virginia, which focuses on the U.S. Federal Government market; Lilien Systems (100% ownership) based in Larkspur, California; Shoom, Inc. (100% ownership) based in Encino, California, and Sysorex Arabia LLC (50.2% ownership) based in Riyadh, Saudi Arabia.

Mr. Nadir Ali is the Chief Executive Officer ("CEO") of Sysorex and the four Sysorex subsidiaries. Geoffrey Lilien is the CEO of Lilien Systems and William Freschi is the CEO of Shoom. Future acquisitions may be operated as separate business units or merged into one of the existing subsidiaries depending on its business focus.

Although the subsidiaries operate independently, they work in concert to cross sell and leverage each other's capabilities, technologies and customer base. Sysorex provides shared corporate services across the entities. We believe that the implementation and execution of our corporate strategy will benefit our shareholders and attract investors.

Corporate History

The Company was formed in Nevada in April 1999, under the name Liquidation Bid, Inc. It changed its name to Softlead, Inc. on September 9, 2003.

On March 2, 2011 by a majority vote of shareholders a special meeting, the Company elected to change its name to Sysorex Global Holdings, Corp.; effect a 1 for 20 reverse split of its stock; and acquired the Sysorex operational businesses. On June 2, 2011, the Company affected a 1 for 20 reverse split and changed its name to Sysorex Global Holdings Corp.

On July 29, 2011, the Company acquired all of the stock of the U.S. Federal Government business of Sysorex (Sysorex Federal, Inc. and its subsidiary Sysorex Government Services, Inc.) and 50.2% of the stock of the operating unit of Sysorex engaged in Saudi Arabian Government contracts (Sysorex Arabia, LLC). The acquisition was based on a share exchange, with Sysorex shareholders being issued 14,600,000 restricted common shares of the Company in exchange for stock of the three operating entities.

The Company recapitalized itself by amending its Articles of Incorporation on August 3, 2011 and increased its authorized common stock to 30,000,000 common shares, with a par value $0.001 per share. On September 1, 2011, the Board of Directors and the majority shareholders authorized the increase of the authorized shares from 30,000,000 to 40,000,000; however, the filing of the Amendment to the Articles of Incorporation was not filed with the State of Nevada until April, 2012.

Effective March 20, 2013, the Company completed the acquisition of the assets of Lilien LLC and 100% of the stock of Lilien Systems in exchange for $3,000,000 cash and 6,000,000 shares of common stock.

Effective August 31, 2013, the Company completed the acquisition of 100% of the stock of Shoom Inc. in exchange for 2,761,997 shares of Common Stock and $2,500,000 in cash.

Sysorex Products and Services

Sysorex's focus is largely on services and related solutions; its solutions are primarily software and select high-end hardware products required for our contracts. Sysorex services cover a full range of systems integration, cyber-security, Business Intelligence (BI)/Analytics, mobile/bring your own device (BYOD) and custom application development services as described in the table below. Sysorex also assists customers with:

- assessment of available solutions;
- strategy to apply these solutions to existing processes;
- road-map for streamlining processes to take advantage of new technologies;
- management and implementation resources to deliver a solution; and
- maintenance, training and support of solutions.

Project/Program Management and Independent Validation & Verification	Sysorex provides life-cycle comprehensive project and program management services, reorganization/cost-cutting strategies IV&V services and training. Recent projects include C41SR system implementation to fiber network roll-out.
Custom Application Development and Enterprise Architecture Design	Providing technology consulting (architecture; platform; technology) and outsourced product design; SOA development; enhancement; testing for enterprise, mobile, etc.; On-site, off-site, off-shore or a combination.
Green Data Center Design and Operations & Facilities Management	Providing full service infrastructure management and managed services on-site or remotely; design, build, operate and manage data centers using green methodologies and solutions.
Security (Cyber/Network, Physical, Information), Critical Infrastructure Protection	Designing and implementing solutions that integrate physical (surveillance/access control) to cyber security; information assurance, designing and implementing security policies and re-designing business processes; secure information sharing and collaboration solutions.
Business Intelligence/Analytics	Business intelligence and analytics in real-time using semantic ontologies and other methodologies; predictive analytics; forensics; and decision support systems.

Sysorex Government Services Contracts

Sysorex Government Services, Inc. enters into various types of contracts with our customers, such as Indefinite Delivery Indefinite Quantity (IDIQ), Cost-Plus-Fixed-Fee (CPFF) Level of Effort (LOE), Cost-Plus-Fixed-Fee (CPFF) Completion, Cost-reimbursement (CR), Firm-Fixed-Price (FFP), Fixed-Price Incentive (FPI) and Time-and-materials (T&M).

IDIQ contracts provide for an indefinite quantity of services or stated limits of supplies for a fixed period. They are used when the customer cannot determine, above a specified minimum, the precise quantities of supplies or services that the government will require during the contract period. IDIQs help streamline the contract process and speed service delivery. IDIQ contracts are most often used for service contracts and architect-engineering services. Awards are usually for base years and option years. The customer places delivery orders (for supplies) or task orders (for services) against a basic contract for individual requirements. Minimum and maximum quantity limits are specified in the basic contract as either a number of units (for supplies) or as dollar values (for services).

CPFF LOE contracts will be issued when the scope of work is defined in general terms requiring only that the contractor devote a specified LOE for a stated time period. A CPFF completion contract will be issued when the scope of work defines a definite goal or target which leads to an end product deliverable (e.g., a final report of research accomplishing the goal or target).

CR contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer and are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

FFP contract will be issued when acquiring supplies or services on the basis of definite or detailed specifications and fair and reasonable prices can be established at the outset.

FPI target delivery contract will be issued when acquiring supplies or services on the basis of reasonably definite or detailed specifications and cost can be reasonably predicted at the outset wherein the cost risk will be shared. A firm target cost, target profit, and profit adjustment formula will be negotiated to provide a fair and reasonable incentive and a ceiling that provides for the contractor to assume an appropriate share of the risk.

T&M contract provides for acquiring supplies or services on the basis of (1) direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and (2) actual cost for materials. A customer may use this contract when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.

Lilien Systems Products and Services

On March 20, 2013, Sysorex Global Holdings, Corp., acquired substantially all of the assets and liabilities of Lilien, LLC and 100% of the stock of Lilien Systems, a California corporation, with an effective date of March 1, 2013. Founded in 2004, Lilien Systems based in Larkspur, California, had approximately $42 million in revenues in 2012. Lilien Systems currently serves approximately 700 commercial businesses in California, Oregon, Washington and Hawaii with its approximately 50 employees as of December 31, 2012.

Lilien delivers right-fit information technology solutions that help organizations reach their next level of business advantage. Lilien brings technical expertise and business vision to its solutions – enterprise computing and storage, virtualization, business continuity, networking and IT business consulting.

Lilien has received a variety of industry awards. CRN recently recognized Lilien as one of the 50 fastest-growing VARs in the nation over the last three years. For 2009, Lilien was named *Top Partner* for *HP Storage Sales* in a nationwide field by Avnet, the largest distributor of technology products in the U.S. The year before, Lilien was honored with Avnet's *Innovation Award* and CRN's *Best Partnership Award*, for our collaboration with HP on delivering customer value. Since 2006, Lilien has been included in CRN's annual *VAR500 (top 500 VARs in the U.S.)*.

Lilien is a full-service solutions integrator, effecting sales of hardware and software for enterprise infrastructure solutions. Lilien's core practice areas include:

- Big Data – mining terabytes of data from disparate sources in real time
- Advanced analytics
- Secure wireless networking
- Enterprise IT as a service
- Converged infrastructure

Lilien enjoys a leadership position among solution providers in the Western United States. Lilien holds premier partner status with many of its Technology Partners as a result of its commitment to solution training, its business orientation and its performance. In addition, Lilien is regularly recognized by the industry as a top Solution Integrator/VAR and was recently named to CRN's inaugural Tech Elite 250 which recognizes the top IT organizations in the U.S.

The Lilien Acquisition

The purchase price for Lilien, under the Asset Purchase and Merger Agreement (the "APMA"), effective March 1, 2013 was $9,000,000. This consisted of the payment of $3,000,000 of cash and the issuance of 3,000,000 shares of restricted common stock of Sysorex deemed to have a fair value of $6,000,000, or $2.00 per share to the members of Lilien, LLC (the "Former Lilien Members") in exchange for all of the outstanding capital stock of Lilien Systems, Inc. The cash consideration of $3,000,000 was obtained by the Company under a credit facility entered into for the purpose of completing the acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." All of the Company's 3,000,000 shares issued in the Lilien Systems Acquisition (collectively, the "Company Shares") are subject to Lock-up/Leak-out and Guaranty Agreements. All of the Lilien Systems, Inc. stockholders, including Geoffrey Lilien, who continued as CEO of Lilien, Bret Osborn, President of Lilien and Dhruv Gulati, EVP of Lilien (the "Lilien Stockholders") cannot sell any of their Company Shares for a six-month period beginning on the effective date of this Offering. In addition, Geoffrey Lilien can sell up to $1,000,000 in shares in this Offering. The Company contingently guaranteed (the "Guaranty") to the Former Lilien Members the net sales price of $2.00 per share (as adusted) for a two year period following the closing, provided the Lilien Stockholders are in compliance with the terms and conditions of the lock-up agreement. At the end of the two year Guaranty period the Former Lilien Members shall have an option to put all, but not less than all, of their unsold Sysorex shares to Sysorex, for the price of $2.00 per unsold share. Notwithstanding the foregoing, in the event the gross profit for calendar 2013 and 2014, attributable to the Lilien business is more than 20% below what was forecasted to the Company the Guaranty will be proportionately reduced.

Under the APMA, the Former Lilien Members were entitled to any excess cash above $1,000,000, provided both Lilien's net worth immediately preceding the closing was greater than $1,000,000 and its net worth less excess cash of at least $1,000,000 was greater than $1,000,000. As a result of a post-closing adjustment, Lilien's net worth was less than $1,000,000 and the former Lilien Members refunded $153,000 to the Company, subject to further adjustment.

Upon the completion of the Lilien Acquisition, Geoffrey Lilien, Bret Osborn and Dhruv Gulatui were elected to the Company's then existing Board of Directors of three persons. Sysorex and Lilien agreed to mutually elect an independent seventh director, who has not yet been elected. Sysorex also agreed to nominate Lilien's three representatives for re-election for two successive annual shareholder meetings except in the event the Company's securities are listed on a national securities exchange. See "Management - Board of Directors."

Shoom Products and Services

On September 6, 2013, Sysorex Global Holdings Corp. completed the acquisition, effective August 31, 2013, of substantially all of the assets and liabilities of Shoom, Inc. Shoom was founded in 1998 and is based in Encino, California. Management believes based on its knowledge of the industry that Shoom is a leading provider of cloud based data analytics and enterprise solutions to the media, publishing and entertainment industries with over 700 active publications in North America. Shoom specializes in providing comprehensive and integrated Internet/intranet based information services and electronic delivery systems to

its expanding client base around the world. Shoom liberates publishers and advertisers from cumbersome legacy and hard-copy systems with software as a service (SaaS) products including eTearSheets, eInvoice, Ad Delivery and ePaper electronic publication solutions while generating critical data analytics for its customers. Shoom's software-as-a-service contracts are typically performed for periods of one or more years and Shoom has a high customer retention rate. Shoom offers eSolutions including eTearsheets, invoicing, CRM, and other products and services to 750 newspapers in the cloud. Cloud or SaaS based analytics is a growing market that Sysorex intends to pursue beyond the media vertical that Shoom is in today. According to industry sources, cloud based business analytics and business intelligence is expected to grow from $5.2 billion in 2013 to $16.52 billion in 2018 a 25.8% CAGR (source: PRWeb Article - Cloud Analytics Market is Growing at an Estimated CAGR of 25.8% & to Reach $16.52 Billion by 2018 - New Report by MarketsandMarkets April 2, 2013.) Shoom has been in business for over 10 years and providing its cloud solutions for over 4 years. The acquisition validates Sysorex's strategy of acquiring (see prior comments) a portfolio of complementary IP/Technology based companies. Shoom expands Sysorex's depth of enterprise service offerings with powerful Cloud–based solutions. Shoom's customers can now take advantage of Lilien's Big Data expertise and advanced analytics; Sysorex and Lilien plan to leverage Shoom's talent pool of expert Cloud solution engineers. Based on Management's due diligence investigation of Shoom, the Company expects Shoom to generate approximately $4 million in revenues with a retention rate of approximately 90% (during the last five years) and 25% net income in 2014 and a 10% annual growth rate thereafter exclusive of the benefits of leveraging synergies with Sysorex. As of October 1, 2013, Shoom has 20 employees and is located at 6345 Balboa Blvd., Suite 247, Encino, CA 91316.

The Shoom Acquisition

Pursuant to an Agreement and Plan of Merger dated as of August 31, 2013, a wholly-owned subsidiary of Sysorex was merged with and into Shoom which continued its existence as a California wholly-owned subsidiary of Sysorex. Sysorex issued approximately 1,381,000 shares of its common stock to the former shareholders of Shoom, plus their pro rata share of $2,500,000 cash consideration, subject to adjustment based on the Net Worth (as defined in the Agreement of Plan and Merger) of Shoom as of August 31, 2013 compared with $6,038,020, the net worth of Shoom on July 31, 2013. Of this amount, approximately 250,000 shares of Sysorex common stock, plus approximately $500,000 of the cash consideration is being held in escrow for the benefit of the former Shoom stockholders, pro rata, for one year based on any claim for indemnification, other than tax matters for which there is a seven-year escrow. All of the Company's 1,381,000 shares issued in the Shoom Acquisition are restricted and subject to lock-up agreements during which they cannot sell any shares for a six-month period beginning on the effective date of this Offering. In addition, the Company issued stock options to Shoom employees to purchase an aggregate of 100,000 shares of Sysorex common stock. William Freschi (CEO/CFO), Dan Cole (President/COO), Michael Lynch (Executive VP/GM) and Sharon Ryoji (Senior VP Customer Services) each entered into employment agreements with Shoom upon the completion of the acquisition.

Pending Acquisition - AirPatrol Corporation

On December 20, 2013, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire 100% of the capital stock of AirPatrol, a company in the mobile cyber-security and location-based services (LBS) space with leading-edge solutions and proprietary intellectual property, for a purchase price equal to (a) $10,000,000 in cash, subject to certain adjustments, allocated to and among certain creditors, payees, holders of AirPatrol's issued and outstanding capital stock and (b) 2,000,000 shares of Company common stock, of which 800,000 shall be held in escrow for one year, as security to satisfy any indemnity claims that may be owed by the AirPatrol shareholders to the Company (the "Merger Consideration"). The Merger Consideration also includes an earnout, half of the value of which shall be in stock and the other half in cash (unless otherwise agreed or required pursuant to the Merger Agreement) payable to the shareholders of AirPatrol in 2015 in accordance with the following formula: if for the five quarter period ending March 31, 2015, AirPatrol Net Income (as defined in the Merger Agreement) meets or exceeds $3,500,000, the Company shall pay to the AirPatrol shareholders an earnout payment equal to (i) AirPatrol Net Income, divided by $5,000,000, times (ii) $10,000,000, provided that the total earnout payment shall not exceed $10,000,000. The closing of the Merger is conditioned upon the closing of this Offering and certain other customary conditions. The Company can give no assurance that the terms and conditions will be met and the transaction will close.

AirPatrol develops indoor device locationing, monitoring and management technologies for mobile devices operating on WiFi, cellular and wideband RF networks. AirPatrol has two product lines. The first is a mobile security platform that locates devices operating within a monitored area, determines their compliance with network security policies for that zone, and then can trigger policy modification of device apps and/or features — either directly or via leading third party mobile device, application and network management tools. AirPatrol's other product is a commercial platform for enabling location and/or context-based services and information delivery to mobile devices based on zones as small as 10 feet or as large as a square mile. The monitored areas may include a building, a campus, a mall, and outdoor regions like a downtown. Unlike other mobile locationing technologies, AirPatrol technologies use passive sensors that work over both cellular and WiFi networks and offer device locationing and zone-based app and information delivery accurate to within 10 feet -- three to five times more precise than the industry standard. Additionally, unlike geo-fencing systems, AirPatrol technologies are capable of simultaneously enabling different policies and delivering different apps or information to multiple devices within the same zone based on contexts such as the type of device, the device user and time of day.

AirPatrol's products and technologies deliver solutions to address an exploding global location-based mobile security and services (LBS) market currently estimated to be more than $12 billion in 2014, growing at a fast rate (Jupiter Research, 2013). AirPatrol has 15 patents currently pending in the areas of context-aware policy management, RF detection, cellular monitoring, end node network applications for mobile devices and related technologies. Customers for the security platforms are big box retailers,

healthcare facilities, property managers (malls, shopping centers, etc.), hotels and resorts, gaming operators and government agencies. This platform requires no app installation for anonymous collection of behavioral data such as traffic flow, entry and exit patterns, length of stay and other business intelligence and analytics functions. It also serves as a location-based services, sales and marketing system. In these cases, the security platform connects to third party apps on a user's mobile device that provide functions such as location-based offers, discounts and suggestive selling, VIP service functions (for hotels, resorts, casinos, etc.), and location-based information delivery such as mobile-based guided tours of historic sites, points of interest and museums, shopping center maps, building floor plans and so on.

Based on audited financial statements included in this prospectus, AirPatrol's sales pipeline, and our assessment of LBS market opportunities, AirPatrol is expected to generate in excess of $10 million in revenue with approximately 30% net income in 2014 with a 50% growth rate expected for at least 2015, although no assurance can be given prior to completion of this Offering and the pending acquisition. These numbers are projections for which they believe they have a reasonable basis, however, there is no guarantee they will meet these financial targets. AirPatrol's customer base is heavily government based and could be effected by government delays and shut downs. The Company has included audited financial statements of AirPatrol in the final prospectus. See "Use of Proceeds."

In addition, pursuant to a Loan Agreement dated as of August 30, 2012, the Company loaned AirPatrol $1 million evidenced by a secured promissory note due March 1, 2014. The Note bears interest at 8% per annum secured by all assets of AirPatrol. The Note shall accelerate and be due and payable if the proposed acquisition is terminated for any reason before March 1, 2014.

Market Size

Worldwide, companies and organizations are expected to spend a combined $3.8 trillion on hardware, software, IT services and telecommunications in 2013 (Source: Gartner, Inc. March 2013 Forecast.) That is $100 billion higher than the last forecast it made in October 2012.

The current budget impasse and automatic sequestration that has mandated severe cuts in government spending has cast a pall over everything related to the global economy, including IT spending. Although European economies appear less volatile, intermittent sovereign debt issues (e.g., Cyprus) have also served to reduce the level of IT spending. (Source: All Things D Article, "Gartner Raises 2013 IT Spending Forecasts to $318 trillion," by Arik Hesseldahl, March 28, 2013).

Spending on devices — smartphones, tablets and printers — has grown rapidly, and is expected to continue to grow according to Gartner Inc. Last year, spending on devices was $665 billion globally, and is expected to reach $718 billion this year, or 8 percent more (Source: All Things D Article, "Gartner Raises 2013 IT Spending Forecasts to $318 Trillion," by Arik Hesseldahl, March 28, 2013).

Spending on enterprise software is running a close second, and is expected to grow this year by more than 6 percent to $297 billion. In this sector, a slowdown in IT operations management software is being offset by growth in spending on database management systems (Source: All Things D Article, "Gartner Raises 2013 IT Spending Forecasts to $318 Trillion," by Arik Hesseldahl, March 28, 2013).

IT services and data center systems are also expected to grow this year, but a bit more slowly than in the previous forecast. Spending is coming down in the near-term on external storage and in Europe. IT services are subject to intense price competition and redirection of budgets away from new consulting projects (Source: All Things D Article, "Gartner Raises 2013 IT Spending Forecasts to $318 Trillion," by Arik Hesseldahl, March 28, 2013).

The slowest-growing segment according to Gartner, Inc. is expected to be telecom services, which declined last year. Gartner, Inc. has stated that one television sector will generate approximately $1.7 trillion in revenue, up about 2 percent from last year. Declines in spending on voice are being offset by mobile data (Source: All Things D Article, "Gartner Raises 2013 IT Spending Forecasts to $318 Trillion," by Arik Hesseldahl, March 28, 2013).

Government IT Services and Solutions Market

The U.S. government spends approximately $80 billion on IT annually. This spending is expected to continue at a 3% growth rate vs. 6% historically because of the sequester. (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018.) Security of all forms, especially cyber-security, are significant growth areas (Source: Market Research Media - U.S. Federal Cyber Security Market Forecast 2013-2018 and Sysorex intends to increase its role in this sector. Sysorex Government Services, Inc. ("SGS") is servicing U.S. Government customers in both civilian and defense agencies. SGS provides a variety of IT Solutions and services through its various government contract vehicles including our GSA Schedule, SPAWAR, TEIS-III, SITE, and others. SGS serves as a prime and subcontractor depending on the contract. SGS is also well positioned to win Foreign Military Sales (FMS) contracts leveraging the Sysorex Group presence overseas.

With a cumulative market valued at $518 billion (2013–2018), the U.S. Federal IT market is expected to grow steadily – at about 3% CAGR over the period 2013–2018. The projected growth rate of 3% is less than the historical average 6% in the first decade of 21st century, reflecting not only the struggling economy and budget pressures, but also confidence in better performing government IT machine at lower costs. (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018).

Our focus is on deployment of technologies with proven worth in the private sector. Technology segments like business intelligence, cloud computing, eDiscovery, GIS and geospatial, non-relational database management systems, Smart Grid, SOA, unified communications and virtualization are expected to experience double digit growth in the period from 2013 to 2018 (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018.). Total annual U.S. Federal IT market is expected to surpass $93 billion by 2018 (Source: Market Research Media - U.S. Federal IT Market Forecast 2013-2018.)

Despite sequestration, the U.S. government is still expanding its cyber security force. (Source: Market Research Media - U.S. Federal Cyber Security Market Forecast 2013-2018.). In our opinion, the Government IT market is expected to continue to grow under the Obama Administration as funds shift from Defense to Civilian Agencies and the Government tries to create jobs and opportunities for businesses like Sysorex. Many Government agencies continue to struggle with:

- Standalone applications/technology silos
- Interoperability issues
- Information sharing challenges
- Cyber-security challenges
- A critical lack of internal IT skills and resources
- Fast evolving technology is making it difficult for government employees to stay current
- Government is outsourcing civilian positions under the A-76 Rule
- Government cannot successfully attract and maintain required technical staff for critical systems development
- The on-going war on terrorism, Iraq and Afghanistan and homeland security requirements has forced the Government to expedite critical system deployments. This is expected to continue despite the focused shift to civilian agencies
- The larger established integrators often move too slowly, miss many smaller critical pilot opportunities and have rigid structures that inhibit innovation.

Sysorex expects to provide a variety of systems integration services to many Government agencies. Many of our target clients have specialized systems that need to be modernized, integrated or connected to the Cloud, all with proper security infrastructure and resulting in efficiencies. Government customers are also looking to create more efficient systems to deploy green IT pursuant to Government guidelines. This could be LEED certification by “greening” federal buildings or simply improving energy utilization from large complex systems by using cutting edge IT and alternative energy technologies.

Cyber Security:

“Federal agencies have spent more on cyber security than the entire GDP of North Korea, who some have speculated is to be involved with some of this cyber-attacks,” said Senator Thomas. L. Carper. “The issue of Cyber Warfare is not science fiction anymore. It’s reality” (Source: Market Research Media - U.S. Federal Cyber Security Market Forecast 2013-2018 .)

The short- to long-term federal cyber security investments is expected to be driven by:

- an ever-increasing number and severity of cyber-attacks,
- dramatic expansion in computer interconnectivity and the exponential increase in the data flows and computing power of the government networks;
- perception of the U.S. adversaries that the United States is dependent on information technology and that this dependency constitutes an exploitable weakness; and
- developments in the existing cyber security approaches and technologies and emergence of new technologies and approaches.

With a cumulative market valued at $65.5 billion (2013–2018), the U.S. Federal Cyber security market is expected to grow steadily–at about 6.2% CAGR over the next six years (Source: Market Research Media - U.S. Federal Cyber Security Market Forecast 2013-2018).

Cloud Services:

Spending on public Cloud services is expected to increase 20 percent, to $109 billion, from $91 billion in 2011. By 2016, Gartner said, this expenditure could nearly double, to $207 billion (Source: Gartner, Inc. March 2013 Forecast Press Release dated July 9, 2012 “Gartner Says Worldwide IT Spending on Pace to Surpass $3.6 billion in”.)

Big Data/Analytics:

The volume, velocity and variety of big data can be overwhelming to IT organizations and their leaders. Gartner predicts that by 2015, Big Data demand will reach 4.4 million jobs. While this provides many opportunities to collect, manage and deploy data, we believe that a well thought out strategy is needed. According to a recent Gartner Survey ("Predicts 2013: Information Innovation" and published in "Invest in Information and Analytics to Benefit from Big Data" document dated March 8, 2013), 42% of respondents stated they had invested in Big Data technology or were planning to do so within a year.

Gartner predicts that by 2015, 20% of Global 1000 organizations will have established a strategic focus on information infrastructure equal to that of application management. This is one of five Gartner predictions about Big Data and information infrastructure discussed in "Predicts 2013: Big Data and Information Infrastructure;" a November 30, 2012 report that describes in detail how the big data phenomenon will affect organizations, resources and information infrastructure.

"Big Data Adoption in the Logical Data Warehouse" by Gartner dated February 7, 2013, reports on the results of a Gartner study about Big Data. For example, over 40% of all organizations plan on using the data warehouse and data integration practices.

Mobile/BYOD:

The mobile software and services capabilities are a market that is predicted by McKinsey & Co. to reach $130 billion in revenue by 2015 (Source: Article from FierceMobileIT dated, November 9, 2012 http://news.enterprisemobilitytoday.com/articles/share/54230/.) According to Forrester Research statistics provided by IBM, mobile spending is predicted to reach $1.3 trillion by 2016. In addition, there are expected to be 200 million employees bringing their mobile devices to work by 2016. (Source: Article from FierceMobileIT dated, November 9, 2012 - http://news.enterprisemobilitytoday.com/articles/share/54230/).

Sales and Marketing

Sysorex has built a core competency in bidding on government RFPs. It utilizes its internal bid and proposal team as well as consultants to prepare the proposal responses for Government clients. Sysorex also uses business development, sales and account management employees or consultants and expects to increase these departments as the Company grows.

Lilien Systems utilizes direct marketing through approximately 20 outside and inside sales representatives, who are compensated with a base salary and commission, and relationships with customers and channel partners to generate new projects. Lilien Systems also maintains the following web site: www.lilien.com.

Shoom has a sales force of two outside sales representatives and a VP of Sales and VP of Customer Service, who are compensated with a base salary and commission. Shoom maintains the following Web site: www.shoom.com.

Customers

Sysorex

In the United States, Sysorex has already re-established itself with a variety of Government contracts and subcontracts serving the U. S. Army, FAA, DHS, Army Corps of Engineers, U.S. Navy, Department of Defense, Department of Health and Human Services and others. Sysorex is currently providing services, solutions or training to the following customers and holds a variety of contracts (either as a prime or subprime contractor):

- U.S. GSA Schedule 70 (prime contractor)
- U.S. Navy SPAWAR BFS Pillar (prime contractor)
- GSA Alliant (subcontractor to CSC)
- DIA - SITE– (subcontractor to Lockheed Martin)
- Department of Treasury – TIPPS 4 (subcontractor to VIP)
- U.S. Army Rock Island Arsenal (prime contractor)
- FAA e-FAST (subcontractor to HiTec Systems)
- U.S. Army – ITES-2 (subcontractor to NCI & ManTech)
- DoD– Encore II (subcontractor to Lockheed Martin & ManTech)
- BOSS-U – (subcontractor to Northrop Grumman)
- Saudi War College (Foreign Military Sales Project, subcontractor to SAIC)
- DoD - PORTICO Program – (subcontractor to Lockheed Martin)
- TEIS III – (subcontractor to General Dynamics)

Our relationships with our prime contractors (when we act as a subcontractor) and our subcontractors (when we act as a prime contractor) are based on Non-Disclosure Agreements, Teaming Agreements and Subcontracts, Delivery, Task and Purchase Orders which include the agreed upon general terms and conditions between the prime contractor and subcontractor. In addition, these agreements are governed by the Government issued prime contract which prescribes the rights and responsibilities of the prime contractor and subcontractor(s). The rights and responsibilities at the solicitation and contract level are further described by the Federal Acquisition Regulations (FAR) and Defense Federal Acquisition Regulations Supplement (DFARS); these clauses are incorporated in the prime contract and passed along in the subcontract(s) as Government Flow-Down clauses. The FAR is the principal set of rules in the Federal Acquisition Regulation System. This system consists of sets of regulations issued by agencies of the federal government of the United States to govern what is called the "acquisition process"; this is the process through which the government purchases ("acquires") goods and services. That process consists of three phases: (1) need recognition and acquisition planning, (2) contract formation, and (3) contract administration. The DFARS are a supplement to the FAR that provides Department of Defense (DoD) specific acquisition regulations. The Office of the Under Secretary of Defense for Acquisition Technology and Logistics maintains the Defense Procurement and Acquisition Policy.

Lilien Systems

Lilien Systems' key customers in 2012 were BioRad, Healthnet, Gilead Sciences, E&J Gallo, Boswell, Hawaiian Electric Company and several other commercial customers and several state, local and educational agencies including City of Kirkland and City of Oakland.

Shoom

Shoom's key customers in the Media, Publishing and Entertainment industries include Gannett, Hearst Corporation, Media General, USA Today, MediaOne, Dow Jones Local Media Group, Gate House Media and others.

Competition

Sysorex

The market-space for those providing IT solutions and services is competitive throughout the world. However, the Government sector is less competitive as fewer companies understand how to successfully penetrate the Government tendering process. The management of Sysorex has 30 plus years of experience in this area and knows how to compete against the smallest to the largest players. In the past, our predecessor Sysorex went head to head with companies such as EDS, Micron, IBM, and Accenture on large government projects and was able to compete effectively. We are seeking to do the same going forward.

Competition comes in a variety of forms in today's global economy. There are large systems integrators and defense contractors as well as small businesses, 8a, Women-owned, Veteran Disabled, Alaskan Native, etc. Some of these players include global defense & IT service companies including IBM Global Services, LogicaCMG, CSC, ATOS Origins, Northrop Grumman, Raytheon IT Services and SAIC. Sysorex expects to also face new competitors as it makes acquisitions in its target areas of cyber-security, Big Data, Cloud services and mobile/BYOD; etc. We believe these will range from services companies to companies with products and technologies.

Traditional consulting firm potential competitors include: KPMG, Accenture, Ernst & Young

Medium/small business potential competitors include: Starry Associates, Eyak Technologies, Hi-Tec Systems, Inc., CACI, Apptis and Cylab.

Indian IT service firm potential competitors include: Wipro, TCS, Infosys, HC and Polaris

Middle East IT service firms potential competitors include: Jeraisy Group, Ebttikaar, Ejada, ACS and NATCOM

This complex landscape of domestic and multi-national services companies creates a challenging environment, however, Sysorex has a successful history and brand that it believes it can leverage. Our strategy is to be a global services provider with presence in two high growth markets (India and Middle-East). Our focus is on public, as well as private sectors, which we believe gives us a balanced and strong base for success.

Lilien Systems

The enterprise infrastructure and IT VAR industry is highly competitive. Lilien competes with various types and sizes of companies ranging from local and national service providers such as Fusion Storm Global Inc., Bear Data, LLC, enPointe Technologies and sometimes manufacturers of the products themselves. Lilien believes that it can differentiate itself from its competitors because it brings commitment, technical expertise and business vision to its solutions – enterprise computing and storage, virtualization, business continuity, networking and IT business consulting.

Shoom

Shoom competes primarily with in-house solutions that media and publishing companies may have. In addition, companies like MerlinOne and PressTeligence have part of Shoom's solutions but usually only provide information for the specific customer and not for their competiors or for the industry.

Intellectual Property

The Company currently does not have any legally filed trademarks for the names Sysorex or Lilien although it has assigned value to the Lilien trade name as part of the acquisition accounting. Sysorex is investigating a trademark and is also looking at future acquisitions, which have intellectual property with patents, trademarks, etc. Sysorex believes that it does not infringe upon any intellectual property rights held by other parties.

Employees

As of November 22, 2013, Sysorex Government Services had 21 employees, including its parents two executive officers and one administrative person. Lilien Systems had 44 full-time, non-union employees, including the executive officers and no part-time employees. Shoom had 20 employees including its four officers, including its VP of Sales and VP of Customer Services, two sales representatives, one administrative person and 13 technical/engineering persons.

Properties

The Company's executive offices are located at 3375 Scott Blvd. Suite 440 Santa Clara, CA 95054; Tel (408) 702-2167. The Company entered into a 12 month lease for the facility commencing in August 2012 at a monthly rental of $1,785 for approximately 1,275 square feet of office space. Sysorex Government Services/Sysorex Federal offices are located at 13800 Coppermine Road, Suite 300, Herndon, VA 20171 under a shared office lease which ends on January 31, 2014. Monthly rental is $175.

Lilien's executive offices are located at 17 E. Sir Francis Drake Blvd. Suite 110 Larkspur, CA 94939. The monthly rental is $17,885 for approximately 6,062 square feet of office space under a lease which expires on July 31, 2014. Sysorex' fixed assets include computers, servers, desks, chairs, conference table and other miscellaneous office equipment.

Shoom's executive offices are located at 6345 Balboa Boulevard, Suite 247, Encino, California 91316. The monthly rental is currently $11,433 under a lease which expires on July 31, 2017 with a five-year option to extend. Shoom is responsible for taxes, utilities and operating expenses under the lease.

Sysorex Arabia LLC maintains an office at Akaria Center, Building 1, Suite 302-2, Riyadh, Saudi Arabia. The lease was renewed for a one year until February 6, 2014, at an annual rental of approximately $16,500.

We believe that each of our properties is suitable and adequate for the operations conducted therein.

Legal Proceedings

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. No legal proceedings, government actions, administrative actions, investigations or claims are currently pending against us or involve the Company which, in the opinion of the management of the Company, could reasonably be expected to have a material adverse effect on its business or financial condition.

During the year ended December 31, 2011, a judgment in the amount of $936,330 was levied against Sysorex Arabia LLC in favor of Creative Edge, Inc. in connection with amounts advanced for operations. Of that amount, $214,187 has been repaid, $514,836 will be paid through a surety bond, and the remaining $207,320 has been accrued by Sysorex Arabia as of June 30, 2013 in its consolidated financial statements.

There are no proceedings in which any of the directors, officers or affiliates of the Company, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to that of the Company.

MANAGEMENT

Set forth below is certain information regarding our executive officers and directors. Each of the directors listed below was elected to our board of directors to serve until our next annual meeting of stockholders or until his or her successor is elected and qualified. All directors hold office for one-year terms until the election and qualification of their successors. The following table sets forth information regarding the members of our board of directors and our executive officers:

Name	Age	Position
Abdus Salam Qureishi,	76	Chairman of the Board of Directors
Nadir Ali	45	CEO & Director
Wendy Loundermon	43	Chief Financial Officer, Secretary, President Sysorex Government Services, Inc.
Geoffrey Lilien	50	CEO Lilien Systems, Director
Bret Osborn	49	President Lilien Systems, Director
Dhruv Gulati	51	EVP Lilien Systems, Director
Leonard Oppenheim	66	Director

Management Team

The CEO of Sysorex Global is Nadir Ali. He has been responsible for Sysorex growth since prior to its sale to Vanstar Corporation in 1997 where he managed $165 million annual federal government business. The Sysorex management team in the United States, consisting of Nadir Ali and Wendy Loundermon, Chief Financial Officer, has recently won contracts with the U.S. Navy, U.S. Army, Homeland Security, U.S. Treasury, Department of Defense, FAA and others. Mr. Ali has an employment contract with the Company.

Geoffrey Lilien serves as the CEO of Lilien Systems with Bret Osborn as the President and Dhruv Gulati as the EVP of Lilien Systems. All three Lilien executives have two-year employment contracts. This team is responsible for the operations of Lilien Systems.

William Freschi serves as CEO of Shoom with Dan Cole as President and COO. They serve under two-year employment contracts and are responsible for the daily operations of Shoom.

Mr. Abdul-Aziz Salloum as General Manager heads Sysorex Arabia operations. He is responsible for the day-to-day operations of Sysorex Arabia. Nabil Abdul-Baqi is the VP of local business development activities and business partnerships. Mr. Abdul-Baqi has an employment contract.

Abdus Salam Qureishi, Chairman

Abdus Salam Qureishi is the Founder and Chairman of the Board of Directors of the Company, and was the CEO of the predecessor of Sysorex. Until September 2011, he was also Chief Executive Officer. He launched Sysorex Information Systems (SIS) in 1972 establishing the company as a major force in the international computer industry. In less than four years he brought the company to prominence with offices in key cities and clients worldwide. SIS became one of the leading providers of information technology solutions to U.S. Federal government customers worldwide. Headquartered in the Washington, D.C. metropolitan area, SIS was awarded and successfully managed multi-year multi-million dollar contracts, before being sold to the Vanstar Corporation in 1997.

Mr. Qureishi is a veteran of the IT industry and has been as an investor in cutting edge technologies in Silicon Valley since the 1970's. He invented, developed, and marketed a highly successful player selection/organization system used by three major NFL championship-winning athletic teams. He conceived, designed, and installed a personnel-testing system for a 300,000-person organization. The system effectively evaluated numerous behavioral, professional, and performance facets of key employees in the organization. Mr. Qureishi has also managed the development, marketing, and implementation of a broad series of successful computer application programs in business, education, and government. He has vast technical and business experience that he brings to the Sysorex Board along with extensive contacts and relationships. He is the father-in-law of Nadir Ali, the Company's CEO.

Nadir Ali, CEO

Nadir Ali was elected CEO and a Director of the Company in September 2011. Prior thereto, from 2001, he served as President of Sysorex Consulting and its subsidiaries. As CEO of the Company, Nadir is responsible for establishing the vision, strategic intent, and the operational aspects of Sysorex. Nadir works with the Sysorex executive team to deliver both operational and strategic leadership and has over 15 years of experience in the consulting and high tech industries.

Prior to joining Sysorex, from 1998-2001, Nadir was the co-founder and Managing Director of Tira Capital, an early stage technology fund. Immediately prior thereto, Nadir served as Vice President of Strategic Planning for Isadra, Inc., an e-commerce software start-up. Nadir led the company's capital raising efforts and its eventual sale to VerticalNet. From 1995 through 1998, Nadir

was Vice President of Strategic Programs at Sysorex Information Systems (acquired by Vanstar Government Systems in 1997) a leading computer systems integrator. Nadir played a key operations role and was responsible for implementing and managing the company's $1 billion plus in multi-year contracts. He worked closely with the investment bankers on the sale of Sysorex Information Systems to Vanstar in 1997. This started Mr. Ali's mergers and acquisitions experience which was enhanced with additional M&A activity totaling $150 million which experience is critical and relevant to Sysorex's strategy today. Mr. Ali's extensive experience in Sysorex' core Government business, as well as extensive contacts and relationships in Silicon Valley and Washington, D.C. were further considered by the Company in appointing Nadir to the Board of Directors.

From 1989 to 1994 he was a management consultant, first with Deloitte & Touche LLC in San Francisco and then independently. Nadir received a Bachelor of Arts degree in Economics from the University of California at Berkeley in 1989. Mr. Ali is the son-in-law of Abdus Salam Qureishi, the Company's Chairman of the Board.

Wendy Loundermon, Chief Financial Officer

Ms. Loundermon has overseen all of Sysorex's finance, accounting and HR activities as Chief Financial Officer since 2002. She is responsible for the preparation and filing of financial statements and reports for all companies, tax return filings, negotiating vendor credit terms, banking relationships, and managing the accounting staff. Ms. Loundermon also assists in 401(k) activities and prepares financial projection and budgeting models. Ms. Loundermon and her team manage all of the HR activities for the Company including payroll, employment contracts, compensation packages, health plans, etc. Ms. Loundermon received a Bachelor of Science degree in Accounting and a Masters of Science degree in Taxation from George Mason University.

Geoffrey Lilien, CEO, Lilien Systems

Geoffrey Lilien was elected CEO of Lilien Systems and a member of the Company's Board of Directors upon the Company's acquisition of Lilien on March 20, 2013. Prior thereto, he held the position of Chairman and CEO with Lilien since 1984, when he founded the Company. He has overseen Lilien's growth from his being the only employee to having five offices in four states with over 50 employees. Geoffrey has authority over the operations of Lilien including sales/marketing, business development, program management, partnerships, etc. Geoffrey's leadership in the reseller community includes his participation on HP Enterprise Council and Avnet Executive Partner Council, and is regularly quoted in CRN and other trade press. In 2009, he received the VAR 500 Best Partnership Award recognizing nearly two decades of successful partnering with Hewlett-Packard. Geoffrey has a B.S. in Applied Science and Business from the University of San Francisco. Much of Lilien Systems' longevity and success can be attributed to that company's culture that has evolved under Geoffrey's leadership. Geoffrey started out as a technologist and instituted the practice of having the most capable and communicative technical staff in the industry. He was responsible for the company's finances until its acquisition by Sysorex, and continues to be responsible for strategic business planning and expansion, which will help guide the Board of Directors going forward.

Bret Osborn, President, Lilien Systems

Bret Osborn was elected President of Lilien Systems, and a member of the Company's Board of Directors upon the Company's acquisition of Lilien on March 20, 2013. Prior thereto, he held the position of President with Lilien since 2005. Bret is responsible for the general operations of Lilien and sets Lilien's strategic direction, oversees Lilien's sales, marketing and services organizations, and manages partner relationships. Since Bret jointed Lilien in 2005 as Vice President of Sales, Lilien has doubled in employees, quadrupled in revenue, and made VAR Business's list of Top 50 fastest growing VARs.

Prior to joining Lilien, from 2003-2004, Bret was Regional Vice President for BlueArc. Corp., where his key responsibilities included strategy formulation, team acquisition, solution development, sales, and account penetration strategies. From 1997-2002, Bret was Area Vice President for EMC Corporation, where he helped grow the business from $10 million to $110 million per year. Bret has a B.A. in Speech Communications and Minor in Business Administration from Humboldt State University. Mr. Osborn's extensive sales and operations experience brings valuable capabilities as Sysorex grows its business. He will help guide the Board of Directors as the Company builds its sales organization.

Dhruv Gulati, EVP Lilien Systems

Dhruv Gulati was elected EVP of Lilien Systems and a director of the Company upon the Company's acquisition of Lilien on March 20, 2013. Prior thereto, he held the same position with Lilien since 1992. Dhruv is responsible for the business development of Lilien, where he is responsible for partner relationships for the purpose of building synergies that drive revenue growth for the Company. Individually, Dhruv has been one of the top revenue producers for Lilien over the past 20 years. Mr. Gulati's business development and sales marketing experience across the Company's operations were factors that the Company considered in appointing Mr. Gulati to the Board of Directors.

As Managing Director at GG Ventures SA, Dhruv has also founded and built a property development business in Nicaragua called El Encanto del Sur, where Dhruv manages finance, marketing and investor relations for the ongoing business. Dhruv has a B.S. in Manufacturing Design and Process from San Francisco State University, with a Minor in Business Administration from San Francisco State University.

Board of Directors

The Sysorex Board of Directors includes:

Mr. A. Salam Qureishi, Chairman -- see “Management Team” above

Mr. Nadir Ali, CEO -- see “Management Team” above

Mr. Geoffrey Lilien, CEO Lilien Systems -- see “Management Team” above

Mr. Bret Osborn, President Lilien Systems -- see “Management Team” above

Mr. Dhruv Gulati, EVP Lilien Systems -- see “Management Team” above

Mr. Leonard A. Oppenheim – Director – Mr. Oppenheim has served as a director of the Company since July 29, 2011. Mr. Oppenheim retired from business in 2001 and has since been active as a private investor. From 1999 to 2001, he was a partner in Faxon Research, a company offering independent research to professional investors. From 1983 to 1999, Mr. Oppenheim was a principal in the Investment Banking and Institutional Sales division of Montgomery Securities. Prior to that, he was a practicing attorney. Mr. Oppenheim is a graduate of New York University Law School. Mr. Oppenheim serves on the Board of Apricus Biosciences, Inc. (Nasdaq:APRI), a publicly held bioscience company. Mr. Oppenheim’s public company board experience is essential to Sysorex. Mr. Oppenheim also meets the Audit Committee Member requirements as an audit expert.

It is a condition of this Offering that the Company’s securities be listed on a national securities exchange. Therefore, the Company will be required to have a Board consisting of a majority of independent directors as such term is defined under the listing standards of the Nasdaq Stock Market and SEC rules. In that event, Bret Osborn and Dhruv Gulati, two of the three former Lilien shareholders who currently serve on the Board, have agreed to resign upon the Company’s securities being listed on Nasdaq.

There are no family relationships among any of our directors and executive officers other than Mr. Qureishi is the father-in-law of Mr. Ali.

Board of Advisors

Sysorex has established a Board of Advisors to review transactions, including, but not limited to, mergers and acquisitions in which Sysorex is involved, as well to consult and advise Sysorex on any proposed or potential transactions and to recommend any significant contracts or transactions that Sysorex should pursue. Members of the Board of Advisors, acting as independent contractors shall provide consulting services from time to time as requested by the Company. The Company plans to enter into individual consulting agreements with each member of the Board of Advisors to be negotiated on a case-by-case basis.

Robert Guerra

Mr. Guerra joined the Sysorex Board of Advisors in 2011. He has since 2002, been the Executive Vice President of Guerra Kiviat, Inc., a strategic sales consulting firm specializing in Federal Government solution selling, sales strategy and tactics, and market analysis and positioning. Immediately before that he was a founding Partner of Guerra, Kiviat, Flyzik & Associates, Inc. Prior thereto, he was the President of Robert J. Guerra & Associates for eight years.

Mr. Guerra is a highly respected veteran in the Federal Information Technology (IT) community. On five occasions (1993, 1994, 1998, 2001, and 2003) Mr. Guerra was selected as one of *Federal Computer Week’s* Federal 100 award recipients. The Federal 100 is an annual selection of leading Federal Government and industry executives, nominated by readers and selected by a panel of Federal IT executives. He is one of only two private sector executives to be so honored this many times in the history of the award. He has also been selected as the Federation of Government Information Processing Councils (FGIPC) “Industry Executive of the Year.”

Mr. Guerra was Executive Vice President of Sysorex Information Systems Inc. from 1995 to 1997, where he oversaw the identification, account development, contract capture, and contract implementation aspects of the Company’s Federal IT business. He also served as Vice President of Strategic Programs at Falcon Micro Systems, a major provider of information technology solutions to Federal agencies. Prior to that Mr. Guerra served as President of Everex Federal Systems Inc. where he led the growth of annual Federal sales from $22 million in excess of $160 million in 18 months. His background includes a 14-year career at the Xerox Corporation and a career at Federal Data Corporation (FDC) where he engineered the sale of FDC’s client/server subsidiary to Everex Systems Inc. He was active in the Math Box Inc. (later MBI Business Centers) three public stock offerings in 1983 and 1984.

Mr. Guerra served as the founding President of the Bethesda/National Institutes of Health (NIH) chapter of the Armed Forces Communications & Electronics Association (AFCEA), and now serves on its Advisory Committee. He has served on the NIH AFCEA sponsored gala for 13 years assisting in raising over $3.2 million in contributions. Mr. Guerra holds a Bachelor of Business Administration degree concentrating in Finance, from St. John Fisher College in Rochester, New York. He currently resides with his family in Ashburn, Virginia.

Director or Officer Involvement in Certain Legal Proceedings

Our directors and executive officers were not involved in any legal proceedings as described in Item 401(f) of Regulation S-K in the past ten years.

Directors and Officers Liability Insurance

We have directors' and officers' liability insurance insuring our directors and officers against liability for acts or omissions in their capacities as directors or officers, subject to certain exclusions. Such insurance also insures us against losses, which we may incur in indemnifying our officers and directors. In addition, officers and directors also have indemnification rights under applicable laws, and our articles of incorporation and bylaws.

Independent Directors

We believe Len Oppenheim is an "independent director," and an audit committee financial expert as those terms are defined by listing standards of the national securities exchanges and SEC rules, including the rules relating to the independence standards of an audit committee and the non-employee director definition of Rule 16b-3 under the Securities Exchange Act of 1934. We intend to add additional independent directors in order to meet listing requirements of a national securities exchange.

Committees of the Board of Directors

Currently, our Board of Directors acts as audit, nominating, corporate governance and compensation committees. The Board of Directors has adopted charters relative to its audit committee, compensation committee and nominating committee. Until such time as we add more members to the Board, the entire Board will determine all matters and no committees have been formed. We intend to appoint persons to the board of directors and committees of the board of directors as required to meet the corporate governance requirements of a national securities exchange, although we are not required to comply with these requirements until we are listed on a national securities exchange. We intend to appoint directors in the future so that we have a majority of our directors who will be independent directors, and of which at least one director will qualify as an "audit committee financial expert," prior to a listing on a national securities exchange.

Audit Committee

The audit committee's duties under the terms of its charter are to recommend to our board of directors the engagement of independent auditors to audit our financial statements and to include the terms of its charter review our accounting and auditing principles. The audit committee reviews the scope, timing and fees for the annual audit and the results of audit examinations performed by independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee oversees the independent auditors, including their independence and objectivity. However, the committee members are not acting as professional accountants or auditors, and their functions are not intended to duplicate or substitute for the activities of management and the independent auditors. The audit committee is empowered to retain independent legal counsel and other advisors as it deems necessary or appropriate to assist the audit committee in fulfilling its responsibilities, and to approve the fees and other retention terms of the advisors. The audit committee members possess an understanding of financial statements and generally accepted accounting principles.

Compensation Committee

The compensation committee has certain duties and powers as described in its charter, including but not limited to periodically reviewing and approving our salary and benefits policies, compensation of our executive officers, administering our stock option plans, and recommending and approving grants of stock options under those plans.

Nominating Committee

Under the charter of our nominating and corporate governance committee, the nominating and corporate governance committee considers and makes recommendations on matters related to the practices, policies and procedures of the board of directors and takes a leadership role in shaping our corporate governance. As part of its duties, the nominating and corporate governance committee assesses the size, structure and composition of the board of directors and its committees, coordinates evaluation of board performance and reviews board compensation. The nominating and corporate governance committee also acts as a screening and nominating committee for candidates considered for election to the board of directors.

Compensation Committee Interlocks and Insider Participation

None of our directors or executive officers serves as a member of the board of directors or compensation committee of any other entity that has one or more of its executive officers serving as a member of our board of directors.

EXECUTIVE COMPENSATION

The table below sets forth, for the last three fiscal years, the compensation earned by (i) each individual who served as our principal executive officer or principal financial officer, and (ii) our most highly compensated executive officers, other than those listed in clause (i) above, who was serving as executive officers at the end of the last fiscal year (together, the "Named Executive Officers"). No other executive officer had annual compensation in excess of $100,000 during the last fiscal year.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Nadir Ali,	2012	$ 240,000(1)	-0-	$ 29,000	-0-	$ 269,000
Chief Executive Officer	2011	$ 310,000(2)	-0-	-0-	-0-	$ 310,000
	2010	$ 240,000(2)	-0-	-0-	-0-	$ 240,000
Abdus Salam Qureishi	2012	-0-	-0-	$ 86,000(3)	-0-	$ 86,000
Chief Executive Officer	2011	-0-	-0-	-0-	-0-	-0-
	2010	-0-	-0-	-0-	-0-	-0-
Wendy Loundermon,	2012	$ 117,083	2,917	$ 21,300	-0-	$ 141,300
Chief Financial Officer	2011	$ 110,000	10,000	$ 57,400	-0-	$ 177,400
	2010	$ 110,000	2,083	$ -0-	-0-	$ 112,083

(1) As of December 31, 2012, an aggregate of approximately $180,000 of Mr. Ali's salary had been accrued but not yet paid.
(2) Includes approximately $210,000 and $240,000 of accrued salary to be paid by Sysorex Consulting and not the Company for fiscal 2011 and 2010, respectively.
(3) Mr. Qureishi resigned as Chief Executive Officer of the Company in September 2011. Mr. Qureishi received 250,000 options and 154,928 warrants during 2012 with an aggregate value of $86,000 in consideration of loans made by him to the Company.

Outstanding Equity Awards at Fiscal Year-End

Other than as set forth below, there were no outstanding unexercised options, unvested stock, and/or equity incentive plan awards issued to our named executive officers as of December 31, 2012.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Warrants Exercisable	Number of Securities Underlying Unexercised Warrants Un-exercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Warrants	Warrant Exercise Price ($)	Warrant Expiration Date	Number of Shares or Units of Stock That Have Not Vested #	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
Abdus Salam	250,000	-0-	-0-	0.312	12/21/2022	-0-	-0-	-0-	-0-
Qureishi	154,928	-0-	-0-	0.312	12/21/2017	-0-	-0-	-0-	-0-
Nadir Ali	125,000	-0-	-0-	0.312	12/21/2022	-0-	-0-	-0-	-0-
Wendy	82,500	-0-	-0-	1.40	12/05/2021	-0-	-0-	-0-	-0-
Loundermon	75,000	-0-	-0-	0.312	12/21/2022	-0-	-0-	-0-	-0-
	21,750	-0-	-0-	0.312	12/21/2017	-0-	-0-	-0-	-0-

(1) The closing price of the Company's Common Stock on December 31, 2012 was $0.40 per share.

Employment Agreements

On July 1, 2010, Nadir Ali entered into an "at will" Employment and Non-Compete Agreement, as subsequently amended, with the Sysorex Group, consisting of Sysorex Federal, Inc., Sysorex Government Services and Sysorex Consulting prior to their acquisition by the Company. Under the terms of the Employment Agreement Mr. Ali serves as President. The Employment

Agreement was assumed by the Company and Mr. Ali became CEO in September 2011. Mr. Ali's salary under the Agreement is $240,000 per annum plus other benefits including a bonus plan, a housing allowance, health insurance, life insurance and other standard Sysorex employee benefits. If Mr. Ali's employment is terminated without Cause (as defined), he will receive his base salary for 12 months from the date of termination. Mr. Ali's employment agreement provides that he will not compete with the Company for a period ending 12 months from termination and will be subject to non-solicitation provisions relating to employees, consultants and customers, distributors, partners, joint ventures or suppliers of the Company.

On March 20, 2013, upon the Company's acquisition of Lilien Systems, Lilien Systems entered into a two-year employment agreement with Geoffrey Lilien, as CEO of Lilien Systems. The parties agreed to negotiate in good faith either a new contract or an extension no later than six months prior to the expiration of the term. Mr. Lilien's compensation is $238,704 per annum. He is entitled to a bonus based on a compensation plan to be agreed to between him and Lilien. If the contract is terminated by Lilien for Cause (as defined), or if Mr. Lilien resigns without Good Reason (as defined), Mr. Lilien shall only receive his compensation earned through the termination date. If the contract is terminated by Lilien without Cause or if Mr. Lilien terminates his employment for Good Reason, or upon a Change in Control (as defined), Mr. Lilien shall also be entitled to one year's severance pay; all non-vested equity in the Company shall accelerate and vest on the date of termination and all healthcare and life insurance coverage through the end of the term shall be paid by the Company. For purposes of this Agreement, Cause shall include, among other things: the gross profits for calendar years ending December 31, 2013 and 2014 attributable to Lilien are more than 25% below the Gross Profit Projections for Lilien provided by Mr. Lilien.

On March 20, 2013, Lilien System entered into an employment agreement with Bret Osborn to serve as President of Lilien Systems. Mr. Osborn's salary is $180,000 per year and he is eligible to receive compensation under a bonus plan. Otherwise, Mr. Osborn's contract is the same as that of Mr. Lilien.

On March 20, 2013, Lilien System entered into an employment agreement with Dhruv Gulati to serve as Executive Vice President of Business Development for Lilien Systems. Mr. Gulati's salary is $60,000 per year, plus commissions on sales and is eligible to receive compensation under a bonus plan. Otherwise, Mr. Gulati's contract is the same as that of Mr. Lilien.

Equity Compensation Plan Information

On September 1, 2011 our Board of Directors and stockholders adopted the 2011 Employee Stock Incentive Plan (the "Plan"). The purpose of the Plan is to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship, and to stimulate an active interest of these persons in our development and financial success. Under the Plan, as amended, we are authorized to issue up to 2,500,000 shares of Common Stock, including incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options, stock appreciation rights, performance shares, restricted stock and long term incentive awards. In December 2012, the Company obtained shareholder approval to increase the number of shares available under the Plan to 2,500,000 with yearly increases equal to 10% of the number of shares issued during the prior calendar year. The 2011 Equity Incentive Plan will be administered by our board of directors until authority has been delegated to a committee of the board of directors.

As of June 30, 2013, an aggregate of 994,000 options had been granted under the Plan. The options are exercisable at prices ranging from $0.312 to $1.40 per share. Included are options to the following officers of the Company: A. Salam Qureishi, Chairman of the Board (250,000 options); Nadir Ali, CEO (125,000 options); and Wendy Loundermon, CFO (157,500 options). Included, effective March 1, 2013, upon the Lilien Acquisition, are 38 employees of Lilien Systems who granted an aggregate of 104,750 incentive stock options with four-year vesting schedules exercisable for ten (10) years at $0.80 per share plus an additional 40,500 options granted to Lilien employees on August 14,2013. As of the September 6, 2013 closing date of the Shoom Acquisition, 22 employees were granted an aggregate of 100,000 incentive stock options with three-year vesting schedules exercisable for 10 years at $2.60 per share. On November 18, 2013, existing employees were granted an aggregate of 458,250 options with a three-year vesting schedule exercisable for 10 years at $ 2.56 per share. Thus, there are 1,452,500 options currently issued and outstanding that the Plan and 1,011,500 options and shares available for future issuance with the Plan.

In addition, on August 14, 2013 the Board of Directors granted to Nadir Ali non-qualified stock options outside of the Plan to purchase 625,000 shares of Common Stock at $2.70 per share, the current fair market value. The options vest in four equal installments from the second through the fifth anniversary dates of grant. However, in the event of a Change of Control (as defined) where Mr. Ali is no longer employed by the Company as an executive officer, the Option will accelerate and be fully vested (and non-forfeitable) and immediately exercisable.

Director Compensation

Len Oppenheim was our sole independent director during the year ended December 31, 2012. We have accrued, not but paid $20,000 as the value of the restricted shares of common stock earned by Mr. Oppenheim for 2012. Directors are reimbursed ordinary and reasonable expenses incurred in exercising their responsibilities.

PRINCIPAL AND SELLING STOCKHOLDER

The following table sets forth certain information as of January 17, 2014, and as adjusted to give retroactive effect to a one-for-two reverse stock split to be effected in connection with pricing of this Offering at an assumed initial public offering price of $5.50 per share and to reflect the sale of Common Stock in this Offering, assuming no exercise by the Underwriters of their over-allotment option regarding the beneficial ownership of our common stock by the following persons:

- each person or entity who, to our knowledge, owns more than 5% of our common stock;
- our executive officers named in the Summary Compensation Table above;
- each director;
- all of our executive officers and directors as a group; and
- the Selling Stockholder.

Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power and that person's address is c/o Sysorex Global Holdings Corp., 3375 Scott Boulevard, Suite 440, Santa Clara, California 95054. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of the date of this prospectus, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the stockholder holding the options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other stockholder.

	Shares Beneficially Owned Prior to Offering		Shares Beneficially Owned After Offering	
Name and Address of Beneficial Owner	**Number (1)**	**Percentage**	**Number (2)**	**Percentage**
Abdus Salam Qureishi	2,236,623(3)	15.4%	2,236,623(3)	12.5%
Nadir Ali	1,047,017(4)	7.3%	1,047,017(4)	5.9%
Wendy Loundermon	197,547(5)	1.4%	197,547(5)	1.1%
Geoffrey I. Lilien (6)	1,705,900	12.1%	1,524,090	8.7%
Bret Osborn	611,006	4.3%	611,006	3.5%
Dhruv Gulati	442,883	3.1%	442,883	2.5%
Len Oppenheim	23,968	*	23,968	*
All Directors and Executive Officers as a Group (7 persons)	6,264,947	42.2%	6,083,129	33.2%
5% Beneficial Owners				
Dr. Shaheen Ahmad 909 Third Avenue, New York, NY 10150.7584	1,331,544	9.4%	1,331,544	7.6%
Sy Holdings Corporation (7)	2,168,168	15.4%	2,168,168	12.4%
Qureishi 1998 Family Trust (8)	907,288	6.4%	907,288	5.2%

* less than 1% of the issued and outstanding Shares.

(1) Based on 14,089,606 shares issued and outstanding as of January 17, 2014, including shares reserved for issuance to former stockholders of Shoom who have not yet exchanged their shares. Does not include shares of Common Stock issuable upon exercise of 411,262 warrants, 2,077,500 outstanding options, as well as an additional 1,947,500 shares reserved for issuance under the Company's 2011 Employee Stock Incentive Plan, as amended.

(2) Based on 17,544,152 shares to be outstanding upon completion of this Offering giving effect to an assumed one for two reverse stock split, without giving effect to the exercise of the Underwriter's over-allotment option.

(3) Includes 250,000 options and 154,928 warrants, all currently exercisable, as well as 1,688,941 shares held by various trusts and corporations related to family interests of Mr. Qureishi, including the Qureishi 1998 Family Trust, for which Mr. Qureishi holds the power to vote and dispose of the shares. Does not include Sy Holdings Corporation of which Mr. Qureishi is a director

(4) Includes 125,000 options and 43,750 warrants held directly or indirectly by Mr. Ali, but excludes 625,000 options not currently exercisable.

(5) Includes 157,500 options and 21,750 warrants held directly by Mrs. Loundermon.

(6) Mr. Lilien is CEO of Lilien Systems, a wholly-owned subsidiary of the Company and a director of the Company. He may be deemed an underwriter within the meaning of the Securities Act. The Company will pay all of the direct expenses of this Offering, except the Selling Stockholder will bear his pro rata share of the Underwriter's fee and any legal fees and transfer and other taxes incurred in connection with the sale of his Shares in this Offering.

Mr. Lilien acquired his shares of common stock in the Company's March 20, 2013 Lilien Acquisition. These Shares were part of the 3,000,000 shares of common stock issued to the former members of Lilien pursuant to an Asset Purchase and Merger Agreement, a copy of which has been filed as an exhibit to this registration statement.

The Selling Stockholder is a party to a Lock-Up/Leak-Out and Registration Rights Agreement. Mr. Lilien's Shares were restricted for the six-month period ended September 20, 2013. He is permitted to sell pursuant to Rule 144 until the effective date of this prospectus. However, except for the shares offered hereby by Mr. Lilien, all Former Lilien Members will be restricted from selling for a six-month period commencing with the effective of this prospectus. The Company agreed to register the remainder of Mr. Lilien's Shares, as well as the balance of the 6 million shares held by other Former Lilien Members concurrent with this registration statement, and keep such registration effective until all Shares can be sold without registration pursuant to Rule 144 under the Securities Act.

(7) The power to vote and dispose of these shares is held by Mr. Tanveer Khader, 1735 Technology Drive, #430, San Jose, CA 95110.

(8) The power to vote and dispose of these shares is held by Abdus Salam Qureishi.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Except as set forth below, during the past three years, there have been no transactions, whether directly or indirectly, between the Company and any of its officers, directors or their family members.

Employment Agreements

The Company entered into an employment agreement with Nadir Ali, as the CEO, on July 1, 2010, as amended. Lilien Systems has entered into substantively similar employment agreements effective March 20, 2013, with Geoffrey Lilien, as Chief Executive Officer, Bret Osborn as President and Dhruv Gulati, as Executive Vice President of Business Development. See "Executive Compensation - Employment Agreements."

Acquisition of Lilien

As discussed under the heading "The Lilien Acquisition" in the "Business" section above, on March 1, 2013, the Company completed the acquisition of Lilien LLC ("Lilien LLC"), for consideration consisting of $3,000,000 cash and the issuance of 3,000,000 shares of restricted common stock of the Company with a deemed fair market value of $6,000,000, or $1.00 per share, to the former members of Lilien LLC (the "Former Lilien Members"), pursuant to the Asset Purchase and Merger Agreement (the "APMA"). Pursuant to the APMA, the Company purchased the assets of Lilien LLC which included all of the capital stock of Lilien Systems ("Lilien"), now a subsidiary of the Company.

Upon the completion of the Lilien Acquisition, Geoffrey Lilien, Bret Osborn and Dhruv Gulatui were elected to the Company's then existing Board of Directors of three persons. Sysorex and Lilien LLC agreed to mutually elect an independent seventh director, who has not yet been elected. Bret Osborn and Dhruv Gulati have each agreed to resign from the Board of Directors, if required, in order for the Company to have a Board consisting of a majority of independent directors upon the Company's listing on Nasdaq. Sysorex also agreed to nominate Lilien's three representatives for re-election for two successive shareholder meetings. In addition to serving as directors of the Company, Geoffrey Lilien is the Chief Executive Officer of Lilien, Bret Osborn serves as the President of Lilien, and Dhruv Gulati serves as the Executive Vice President.

In the Lilien Acquisition, Geoffrey Lilien received 1,705,908 shares of Common Stock of the Company and $1,705,908, Bret Osborn received 611,006 shares of Common Stock and $611,006 and Dhruv Gulati received 442,883 shares of Common Stock and 442,883 with the cash components subject to adjustment.

All of the shares of common stock of the Company that were issued in the Lilien Acquisition are subject to Lock-up/Leak-out and Guaranty Agreements, prohibiting the holders from selling such shares for six months from the effective date of this registration statement. Notwithstanding that fact, Geoffrey Lilien can sell up to $1,000,000 in shares in this Offering. The Company contingently guaranteed (the "Guaranty") to the Former Lilien Members the net sales price of $2.00, as adjusted, per share for a two year period following the closing, provided the stockholders are in compliance with the terms and conditions of the lock-up agreement. At the end of the two year Guaranty period the Former Lilien Members shall have an option to put all, but not less than all, of their unsold Sysorex shares to Sysorex, for the price of $2.00 per unsold share. Notwithstanding the foregoing, in the event the gross profit for calendar 2013 and 2014, attributable to the Lilien assets is more than 20% below what was forecasted to the Company the Guaranty will be proportionately reduced.

Under the APMA, the Former Lilien Members were entitled to any excess cash above $1,000,000, provided both Lilien's net worth immediately preceding the closing was greater than $1,000,000 and its net worth less excess cash of at least $1,000,000 was greater than $1,000,000. Since net worth was less than $1,000,000 there was an $153,000 working capital settlement adjustment, however, this amount is subject to continuing negotiation.

Note Payable to Related Party

The Company has borrowed funds from the Qureishi 1998 Family Trust, pursuant to an oral agreement with no stated interest rate and which is payable upon demand. As of December 31, 2012, the Company owed $136,977 to the Qureishi 1998 Family Trust, which was repaid in full March 2013. The largest aggregate amount of principal indebtedness outstanding during the year ended December 31, 2012 was $145,608, with $74,854 of principal and no interest paid during that year. The largest aggregate amount of principal outstanding during the six months ended June 30, 2013 was $136,977, all of which was paid without interest during that period. The Qureishi 1998 Family Trust owns 907,288 shares of common stock of the Company, representing approximately 6.5% of the issued and outstanding common stock of the Company as of October 4, 2013. The power to vote and dispose of the shares held by the Qureishi 1998 Family Trust is held by Abdus Salam Qureishi, the chairman of the board of directors of the Company. Nadir Ali and his wife are beneficiaries of the Trust.

The Company has borrowed funds from Sysorex Consulting, Inc., pursuant to an oral agreement with no stated interest rate and which is payable upon demand. As of December 31, 2012, the Company owed $11,717 to Sysorex Consulting, Inc., which has since been repaid in full. The largest aggregate amount of principal outstanding during the year ended December 31, 2012 was $108,520 with $98,983 of additional borrowings, of which $195,787 of principal and no interest was paid during the year. The largest aggregate amount of principal outstanding during the six months ended June 30, 2013 was $11,717 with $10,858 of additional borrowings, of which $22,575 of principal and no interest was paid during the period. Sysorex Consulting, Inc. owns 210,783 shares of common stock of the Company, representing approximately 1.5% of the issued and outstanding common stock of the Company as of October 1, 2013. The power to vote and dispose of the shares held by Sysorex Consulting, Inc. is held by Abdus Salam Qureishi, the chairman of the board of directors of the Company.

Non-interest bearing amounts due on demand from Sysorex Consulting to Sysorex Saudi Arabia, Inc. were $665,554 as of June 30, 2013 and December 31, 2012. These advances were made to fund operations of Sysorex Consulting and recorded as intercompany accounts without any written agreement. The largest aggregate amount of principal outstanding during the year ended December 31, 2012 and the six months ended June 30, 2013 was $665,554 with no principal or interest paid during those periods. As Sysorex Consulting is a direct shareholder and invested in the Company, the amounts due to the Company as of June 30, 2013 and December 31, 2012 have been included in Stockholders' Equity.

Agreements with Duroob Technology, Inc.

On March 31, 2013, the Company issued 443,717 shares of common stock in satisfaction of $1,774,865 owed by Sysorex Arabia LLC to Duroob Technology, Inc., a Saudi Arabian limited liability company ("Duroob"), a related party, as Duroob's CEO owns a minority interest in Sysorex Arabia LLC. The money owed by Sysorex Arabia to Duroob was for working capital loans for payroll, rent and past-due liabilities. The fair market value of the shares was $887,433 and since Duroob is a related party the resulting gain of $887,443 has been credited to additional paid-in capital. As of June 30, 2013, Duroob was owed $237,798. The largest aggregate amount of principal outstanding during the year ended December 31, 2012 was $1,813,957 with $403,534 of principal payments and no interest paid during the year. The largest aggregate amount of principal outstanding during the six months ended June 30, 2013 was $1,774,865. The Company issued stock to repay the entire $1,774,865 balance as described above and subsequently borrowed $237,798 during the period. There were no interest payments paid during the six months ended June 30, 3013. Sysorex Arabia LLC is 50.2% owned by the Company and 49.8% owned by Abdul Aziz Salloum ("Salloum"), its general manager. Salloum is also the CEO and principal shareholder of Duroob.

The issuance of these shares was recorded by Sysorex Global Holdings Corp. as an additional investment in its majority-owned subsidiary, Sysorex Arabia LLC. However, by agreement with Salloum, the ownership percentages of Sysorex Arabia LLC remained unchanged. The Company's 50.2% interest in Sysorex Arabia LLC was acquired from Sysorex Consulting, Inc. and the Qureishi Family Trust pursuant to a July 29, 2011 Acquisition and Share Exchange Agreement. The power to vote and dispose of the shares held by Sysorex Consulting, Inc. and the Qureishi Family Trust are held by Abdus Salam Qureishi, the chairman of the board of directors of the Company.

Family Relationships

Abdus Salam Qureishi, the Chairman of the Board of Directors of the Company, is the father-in-law of Nadir Ali, the CEO and a director of the Company.

DESCRIPTION OF SECURITIES

Reverse Stock Split

The following description of our capital stock and provisions of our articles of incorporation and by-laws are summaries and are qualified by reference to our articles of incorporation and by-laws. Copies of these documents have been filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part.

Our Board of Directors and stockholders holding a majority of our outstanding voting power approved a resolution authorizing our Board of Directors to effect a reverse split of our common stock in connection with the pricing of this Offering immediately following the effectiveness of the registration statement, of which this prospectus is a part, at an exchange ratio of one-for-two with our Board of Directors retaining the discretion as to whether to implement the reverse split and the exact exchange ratio to implement. The anticipated reverse split of our common stock will not affect the number of shares of authorized common stock or the par value of our shares of common stock. Unless otherwise stated below, all information regarding share amounts of common stock and prices per share of common stock described below assume the consummation of the one-for-two reverse stock split.

Authorized and Outstanding Capital Stock - Reverse Stock Split

We have authorized 55,000,000 shares of capital stock, par value $0.001 per share, of which 50,000,000 are shares of common stock and 5,000,000 are shares of "blank check" preferred stock.

As of November 22, 2013, giving effect to an assumed one for two reverse stock split, we had14,089,606 shares of common stock held of record (including up to 1,381,000 shares reserved for issuance to former Shoom shareholders) by 568 shareholders of record There are no shares of preferred stock outstanding.

Common Stock

The holders of our common stock are entitled to one vote per share. In addition, the holders of our common stock will be entitled to receive ratably dividends, if any, declared by our board of directors out of legally available funds; however, the current policy of our board of directors is to retain earnings, if any, for operations and growth. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of our board of directors and issued in the future.

Preferred Stock

Our board of directors are authorized, subject to any limitations prescribed by law, without further vote or action by our stockholders, to issue from time to time shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by our board of directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of our common stock until the board of directors determines the specific rights of the holders of our preferred stock. However, the effects might include, among other things:

- Impairing dividend rights of our common stock;
- Diluting the voting power of our common stock;
- Impairing the liquidation rights of our common stock; and
- Delaying or preventing a change of control without further action by our stockholders.

Underwriters' Warrants

We have agreed to issue to the Underwriters warrants to purchase a number of shares of our common stock equal to an aggregate of 3% of the shares of our common stock sold in this Offering (including any shares issued pursuant to the Underwriters' over-allotment option). The warrant will have an exercise price equal to 125% of the Offering price of the shares sold in this Offering. The warrant is exercisable commencing one year after the effective date of the registration statement related to this Offering, and will be exercisable for four years thereafter, including exercise on a cashless basis. The warrant is not redeemable by us. The

Underwriters (or permitted assignees under the Rule) may not sell, transfer, assign, pledge, or hypothecate the warrantor the shares of our common stock underlying the warrant, except to any underwriter and selected dealer participating in the Offering and their bona fide officers or partners, nor will they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the warrant or the underlying shares of our common stock for a period of 180 days from the effective date of this prospectus. Additionally, the warrant may not be sold, transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180-day period) following the effective date of this prospectus. Except to any underwriter and selected dealers participating in the Offering and their bona fide officers or partners. The warrant will provide for adjustment in the number and price of such warrant (and the shares of common stock underlying such warrant) in the event of recapitalization, merger or other structural transaction to prevent mechanical dilution.

Transfer Agent

Our transfer agent is Corporate Stock Transfer, 3200 Cherry Creek Drive South, Suite 430, Denver, CO 80209.

National Securities Exchange Listing

We have applied for listing of our common stock on the Nasdaq Capital Market which listing is a condition to this Offering.

Indemnification of Directors and Officers

Section 718.7502 of the Nevada Revised Statutes ("NRS") provides, in general, that a corporation incorporated under the laws of the State of Nevada, as we are, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person (a) is not liable pursuant to Section 73.138 of the NRS, and (b) acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. In the case of a derivative action, a Nevada corporation may indemnify any such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person (a) is not liable pursuant to Section 73.138 of the NRS, and (b) acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation.

Our Articles of Incorporation and Bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the NRS, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract. In addition, our director and officer indemnification agreements with each of our directors and officers provide, among other things, for the indemnification to the fullest extent permitted or required by Nevada law, provided that no indemnitee will be entitled to indemnification in connection with any claim initiated by the indemnitee against us or our directors or officers unless we join or consent to the initiation of the claim, or the purchase and sale of securities by the indemnitee in violation of Section 16(b) of the Exchange Act.

Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification.

We are also permitted to maintain insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the NRS would permit indemnification.

Anti-Takeover Effect of Nevada Law, Certain By-Law Provisions

Certain provisions of our Bylaws are intended to strengthen the board of directors' position in the event of a hostile takeover attempt. These provisions have the following effects:

We are subject to the provisions of NRS 78.378 to 78.3793, inclusive, an anti-takeover law which applies to any acquisition of a controlling interest in an "issuing corporation." In general, such anti-takeover laws permit the articles of incorporation, bylaws or a resolution adopted by the directors of an "issuing corporation" (as defined in NRS 78.3788) to impose stricter requirements on the acquisition of a controlling interest in such corporation than the provisions of NRS 78.378 to 78.3793, inclusive, as well as permit the directors of an issuing corporation to take action to protect the interests of the corporation and its stockholders, including, but not limited to, adopting plans, arrangements or other instruments that grant or deny rights, privileges, power or authority to holder(s) of certain percentages of ownership and/or voting power. Further, an "acquiring person" (and those acting in association) only obtains

such voting rights in the control shares as are conferred by resolution of the stockholders at either a special meeting requested by the acquiring person, provided it delivers an offeror's statement pursuant to NRS 78.3789 and undertakes to pay the expenses thereof, or at the next special or annual meeting of stockholders. In addition, the anti-takeover law generally provides for (i) the redemption by the issuing corporation of not less than all of the "control shares" (as defined) in accordance with NRS 78.3792, if so provided in the articles of incorporation or bylaws in effect on the 10th day following the acquisition of a controlling interest in an "issuing corporation", and (ii) dissenter's rights pursuant to NRS 92A.300 to 92A.500, inclusive, for stockholders that voted against authorizing voting rights for the control shares.

We are also subject to the provisions of NRS 78.411 to 78.444, inclusive, which generally prohibits a publicly held Nevada corporation from engaging in a "combination" with an "interested stockholder" (each as defined) that is the beneficial owner, directly or indirectly, of at least ten percent of the voting power of the outstanding voting shares of the corporation or is an affiliate or associate of the corporation that previously held such voting power within the past three years, for a period of three years after the date the person first became an "interested stockholder", subject to certain exceptions for authorized combinations, as provided therein.

In accordance with NRS 78.195, our articles of incorporation provide for the authority of the board of directors to issue shares of preferred stock in series by filing a certificate of designation to establish from time to time the number of shares to be included in such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, subject to limitations prescribed by law.

Blank Check Preferred Stock

The ability to authorize "blank check" preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our Company.

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to the commencement of this Offering, there was a limited public market for our common stock and a limited number of shares in the public float. Sales of substantial amounts of our common stock in the public market commencing six months after the effective date of this prospectus when lock-up agreements expire could adversely affect the prevailing market price and our ability to raise capital in the future.

As of the date of this prospectus, we have 14,089,606 shares of common stock issued and outstanding. Upon the completion of this Offering, we will have outstanding an aggregate of 17,544,152 shares of common stock, assuming the issuance of 3,454.546 shares of common stock in this Offering and assuming that the Underwriter does not exercise its option to purchase up to an additional 545,455 shares and assuming that none of our other outstanding warrants or options granted under our 2011 Employee Stock Incentive Plan are exercised. Of these outstanding shares, all 3,454,546 shares sold by us in the Offering will be freely tradable without restriction or further registration under the Securities Act, unless these shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. Of the 14,089,606 shares of our common stock outstanding prior to the completion of this Offering and held by existing stockholders, approximately 1,958,000 shares are currently free trading and the remaining are "restricted securities" as that term is defined in Rule 144 under the Securities Act all but approximately 1,450,000 of which have been held for more than six months. Restricted shares may be sold in the public market only if registered or if they qualify for exemption under Rule 144 or 701 promulgated under the Securities Act, which rules are summarized below, or another exemption.

Lock-Up Agreements

We have obtained lock-up agreements from each of our officers and directors and stockholders owning 2% or more of our common stock and their respective affiliates who, immediately prior to the commencement of this Offering, collectively held approximately 67% of our shares. Pursuant to the lock-up agreements, each such stockholder has agreed that such stockholder will not, directly or indirectly, offer, sell, pledge, contract to sell, grant any option to purchase or otherwise transfer or dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock, for a period of 180 days following the date of this prospectus, without the prior written consent of the Underwriter, subject to an extension in the event we issue an earnings release or make a public announcement of a material event during the last 17 days of the lock-up period. The lock-up agreements permit transfers of shares of our common stock in limited circumstances, provided that the transferee agrees to be bound in writing by the provisions of the lock-up agreement.

As a result of these lock-up agreements and rules of the Securities act, the restricted shares will be available for sale in the public market, subject to certain volume and other restrictions, and subject to release as mentioned above, as follows:

Date	Number of Shares
On the date of this prospectus	7,637,653
For 180 days following the date of this prospectus*	4,380,999
At various times after the six-month anniversary of the date of this prospectus	1,450,000

* Subject to an extension in the event we issue an earnings release or make a public announcement of a material event during the last 17days of the lock-up period.

Rule 144

In general, under Rule 144, as currently in effect, a person who owns shares that were acquired from us or one of our affiliates at least six months prior to the proposed sale is entitled to sell, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- One percent of the number of shares of common stock then outstanding, which will equal approximately 175,442 shares immediately after this Offering, assuming that the Underwriter does not exercise its option to purchase additional shares; or
- The average weekly trading volume of the common stock on a national securities exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.
- In addition to these volume limitations, sales of unregistered shares of our common stock in reliance on Rule 144 may only be made by affiliates if such sales:
- are preceded by a notice filing on Form 144;
- are limited to broker's transactions, as such term is defined under Section 4(4) of the Securities Act; and
- only occur at a time when current public information about us is available, which generally would require that we are not delinquent with any of our reports required pursuant to Sections 13 or 15(d) of the Exchange Act.

Rule 144 also provides that our affiliates who sell shares of our common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, with the exception of the holding period requirement.

Under Rule 144, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144. If the non-affiliate has held the shares for at least one year, then the shares may be sold without regard to the public information provisions of Rule 144. Therefore, unless otherwise restricted, shares held by non-affiliates may be sold immediately upon the expiration of the lock-up agreements.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, consultants or advisors who acquire shares from us in connection with a compensatory stock or option plan or other written agreement will be eligible to resell such shares 90 days after the effective date of this offering in reliance of Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

Penny Stock Rules

Broker-dealer practices in connection with transactions in penny stocks are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than US $5.00. Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Our shares may in the future be subject to such penny stock rules in which care our stockholders would, in all likelihood, as a result of the penny stock rules, find it difficult to sell their securities.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, Wellington Shields & Co. LLC and Dougherty & Company LLC (the "Underwriters") have agreed to purchase from us in a firm commitment offering 3,454,546 shares of common stock in this offering and from the Selling Stockholder 181,818 shares of common stock at a public offering price, less the Underwriter's fee, set forth on the cover page of this prospectus.

The underwriting agreement provides that the obligations of the Underwriter to purchase the shares of common stock offered hereby are subject to certain conditions precedent and that the Underwriter will purchase all of the shares of common stock offered by this prospectus, other than those covered by the over-allotment option described below, if any of these shares are purchased.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel and other conditions specified in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have been advised by the Underwriter that the Underwriter proposes to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of $[—] per share under the public offering price. The Underwriter may allow, and these dealers may re-allow, a concession of not more than $[—] per share to other dealers. After the initial public offering, the Underwriter may change the Offering price and other selling terms.

We have granted to the Underwriter an option, exercisable not later than 45 days after the date of this prospectus, to purchase up to 545,455 additional shares of common stock at the public offering price set forth on the cover page of this prospectus, less the Underwriter's fee. The Underwriter may exercise this option only to cover over-allotments made in connection with the sale of the common stock offered by this prospectus. We will be obligated, pursuant to the option, to sell these additional shares of common stock to the Underwriter to the extent the option is exercised. If any additional shares of common stock are purchased, the Underwriter will offer the additional shares on the same terms as those on which the shares are being offered.

Under our underwriting agreement with the Underwriters, we are to pay (or, in some incidences have paid) to the underwriters (a) an underwriting fee equal to 7% of the gross proceeds of the Offering to us but not to the Selling Stockholder who will pay his proportionate share, (b) an engagement fee of $50,000 which will be applied against the accountable expenses that will be paid by us to the Underwriters in connection with this Offering that in the event the Offering is terminated will be returned to us to the extent that offering expenses are not actually incurred by the Underwriters, and (c) a non-accountable expense allowance equal to 2% of the gross proceeds of the Offering.

We have also agreed to pay the Underwriters' expenses relating to the Offering, including (a) all fees, expenses and disbursements relating to background checks of our officers and directors; (b) all filing fees incurred in clearing this offering with FINRA; (c) all fees, expenses and disbursements relating to the registration or qualification of securities under the "blue sky" securities laws of such states and other jurisdictions as the Underwriters may reasonably designate (including, without limitation, all filing and registration fees, and the reasonable fees and disbursements of "blue sky" counsel); (d) all fees, expenses and disbursements relating to the registration, qualification or exemption of securities offered under the securities laws of foreign jurisdictions designated by the Underwriters; and (e) the fees and expenses of the Underwriters' counsel, not to exceed $75,000.

The following table shows the per share and total underwriting discounts, fees and commissions to be paid to the underwriters by us, as well as the number of warrants issuable to the underwriter. Such amounts are shown assuming both no exercise and full exercise of the underwriter's option to purchase 545,455 additional shares.

	Underwriters' Fee Payable in Cash		Number of Underwriter Warrants Issuable	
	No Exercise	**Full Exercise**	**No Exercise**	**Full Exercise**
Per Share	$ 0.385	$ 0.385	--	--
Sysorex	$ 1,710,000	$ 1,980,000	114,000	132,000
Selling Stockholder	$ 90,000	$ 90,000	6,000	6,000
Total:	$ 1,800,000	$ 2,070,000	120,000	138,000

We estimate that our total expenses of this offering, excluding the Underwriter's fees, will be approximately $200,000 which includes our legal and accounting costs and various other fees associated with registering and listing the shares offered hereby.

We also agreed to issue to the Underwriters warrants to purchase a number of shares of our common stock equal to an aggregate of 3% of the shares of our common stock sold in this Offering (including any shares issued pursuant to the Underwriters' over-allotment option). The warrant will have an exercise price equal to 125% of the offering price of the shares sold in this Offering. The warrant is exercisable commencing one year after the effective date of the registration statement related to this Offering, and will

be exercisable for four years thereafter. The warrant is not redeemable by us. The warrants have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to Rule 5110(g)(1) of FINRA. The Underwriters (or permitted assignees under the Rule 5110(g)(1)) may not sell, transfer, assign, pledge, or hypothecate the warrant or the shares of our common stock underlying the warrant, except to any underwriter and selected dealer participating in the Offering and their bona fide officers or partners, nor will they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the warrant or the underlying shares of our common stock for a period of 180 days from the date of this prospectus. Additionally, the warrant may not be sold, transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180 day period) following the effective date of the registration statement except to any underwriter and selected dealer participating in the Offering and their bona fide officers or partners. The warrant will provided for adjustment in the number and price of such warrant (and the shares of common stock underlying such warrant) in the event of recapitalization, merger or other structural transaction to prevent mechanical dilution.

We have granted Wellington Shields & Co. a right of first refusal ("ROFR") if we complete a private placement, public offering or other transaction within two months of the effective date of this registration statement. For the 18 month period commencing upon the closing of such transaction, the Underwriter shall have a ROFR to provide any financing arrangements to the Company, with the role of the Underwriter, if any, to be determined at that time - pursuant to FINRA Rule 5110(f)(2)(F)(i). The Underwriters will not have more than one opportunity to waive or terminate the right of first refusal in consideration of any payment or fee pursuant to FINRA Rule 5110(f)(2)(F)(ii). In addition, for the one year period commencing two months after the effective date of this registration statement, the Underwriter shall have a preferential right to participate as co-manager with no less than a 25% economic interest (fees) in providing any financial arrangements for the Company or be paid a breakup fee of $200,000.

We have agreed to indemnify the Underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the Underwriters may be required to make in respect of any of these liabilities.

We and each of our officers, directors and stockholders owning 2% or more of our common stock and their respective affiliates have agreed not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock or derivatives of our common stock owned by these persons prior to this offering or common stock issuable upon exercise of options held by these persons for a period of 180 days following the effective date of the registration statement of which this prospectus is a part. Transfers or dispositions can be made during the lock-up period in the case of gifts or for estate planning purposes where the donee signs a lock-up agreement. There are no agreements between the underwriter and any of our officers, directors, stockholders or affiliates releasing them from these lock-up agreements prior to the expiration of the one-year period.

The Underwriters have advised us that they do not intend to confirm sales to any account over which it exercises discretionary authority.

In connection with the Offering, the Underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by an Underwriters of a greater number of shares than it is required to purchase in the Offering. Covered short sales are sales made in an amount not greater than an Underwriter's option to purchase additional shares of common stock from us in the Offering. An Underwriters may close out any covered short position by either exercising its option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the Underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which it may purchase shares through the over-allotment option.

Naked short sales are any sales in excess of the over-allotment option. An Underwriter must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if an Underwriter is concerned that there may be downward pressure on the price of the shares in the open market prior to the completion of the Offering.

Stabilizing transactions consist of various bids for or purchases of our common stock made by an Underwriter in the open market prior to the completion of the Offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our common stock. In addition, these purchases may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on a national securities exchange, in the over-the-counter market or otherwise.

A prospectus in electronic format is being made available on Internet web sites maintained by the Underwriters of this Offering. Other than the prospectus in electronic format, the information on the Underwriters' web site and any information contained in any other web site maintained by such Underwriter is not part of the prospectus or the registration statement of which the prospectus forms a part.

Other Relationships

Wellington Shields & Co. LLC may provide investment banking services to us in the future.

LEGAL MATTERS

Davidoff Hutcher & Citron LLP, 605 Third Avenue, New York, New York 10158, will pass upon the validity of the shares of our common stock to be sold in this Offering.

EXPERTS

The financial statements as of and for the years ended December 31, 2011 and 2012, included in this prospectus have been audited by Marcum LLP an independent registered public accounting firm as set forth in their report, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

SYSOREX GLOBAL HOLDINGS CORP.
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SYSOREX GLOBAL HOLDINGS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)	Proforma Stockholders' Equity as of September 30, 2013 (Unaudited) (Note 24)
Current Assets			
Cash and cash equivalents	$ 4,082,026	$ 8,301	
Marketable securities	316,127	--	
Accounts receivable, net	8,774,704	386,720	
Note receivable	1,000,000	--	
Inventory	103,815	--	
Prepaid expenses	203,417	31,762	
Prepaid licenses and maintenance contracts	6,583,811	--	
Total Current Assets	21,063,900	426,783	
Property and equipment - net	256,752	49,238	
Deposits	890,560	749,227	
Contract receivable, long term	414,492	369,804	
Prepaid licenses and maintenance contracts, non-current	4,272,057	--	
Other assets	770,536	20,060	
Trade name/trademarks, net	3,087,859	--	
Customer relationships, net	3,138,210	--	
Developed technology, net	1,331,667	--	
Goodwill	5,788,012	--	
Total Assets	$ 41,014,045	$ 1,615,112	
Liabilities and Stockholders' Equity (Deficiency)			
Current Liabilities			
Accounts payable	7,981,465	1,075,311	
Accrued expenses	1,088,677	503,634	
Accrued compensation and related benefits	2,224,654	1,078,330	
Deferred revenue	7,825,221	236,291	
Due to factoring company	--	46,426	
Due to related parties	264,465	1,829,141	
Advances payable	722,157	722,156	
Notes payable	2,735,233	391,181	
Notes payable to related party	2,597	35,050	
Convertible note payable	--	88,333	
Revolving line of credit	5,000,000	--	
Term loan	333,336	--	
Derivative liability	--	177,100	
Total Current Liabilities	28,177,805	6,182,953	
Long Term Liabilities			
Deferred revenue, non-current	4,989,375	--	
Term loan, non-current portion	416,664	--	
Total Liabilities	33,583,844	6,182,953	
Commitments and Contingencies			
Stockholders' Equity (Deficiency)			
Preferred stock - $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	--	--	--
Common stock - $0.001 par value; 40,000,000 shares authorized; 28,106,305 and 17,987,518 issued and outstanding	28,107	17,988	14,054
Additional paid-in capital	21,023,994	6,130,440	21,038,047
Due from Sysorex Consulting Inc.	(665,554)	(665,554)	(665,554)
Accumulated other comprehensive gain	421	--	421
Accumulated deficit (excluding $2,441,960 reclassified to additional paid in capital in quasi-reorganization)	(11,644,560)	(8,842,558)	(11,644,560)
Stockholders' Equity (Deficiency) Attributable to Sysorex Global Holdings Corp.	8,742,408	(3,359,684)	8,742,408
Non- controlling Interest	(1,312,207)	(1,208,157)	(1,312,207)
Total Stockholders' Equity (Deficiency)	7,430,201	(4,567,841)	7,430,201
Total Liabilities and Stockholders' Equity (Deficiency)	$ $41,014,045	$ 1,615,112	

See Accompanying Notes.

SYSOREX GLOBAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Nine Months Ended September 30, 2013	2012
	(Unaudited)	
Revenues, Net	$ 34,091,608	$ 3,182,046
Cost of Revenues	25,854,640	1,730,487
Gross Profit	8,236,968	1,451,559
Operating Expenses		
Compensation and related benefits	5,840,336	1,049,954
Professional and legal fees	1,069,813	373,422
Consulting expenses	529,963	1,498
Occupancy	267,330	31,956
Acquisition transaction costs	1,224,253	--
Amortization of intangibles	492,264	--
Other administrative	1,218,017	230,095
Total Operating Expenses	10,641,976	1,686,925
Loss from Operations	$ (2,405,008)	$ (235,366)
Other Income (Expense)		
Other income	12,234	2,987
Interest expense	(178,846)	(143,502)
Gain on the settlement of obligation	154,736	--
Change in fair value of derivative liability	(489,168)	--
Total Other Income (Expense)	(501,044)	(140,515)
Loss before Provision for Income Taxes	(2,906,052)	(375,881)
Provision for income taxes	--	--
Net Loss	(2,906,052)	(375,881)
Net Loss Attributable to non-controlling interest	(104,050)	(46,799)
Net Loss Attributable to Stockholders of Sysorex Global Holdings Corp.	$ (2,802,002)	$ (329,082)
Net Loss Per Share - Basic and Diluted	$ (0.12)	$ (0.02)
Weighted Average Shares Outstanding		
Basic and Diluted	23,364,101	17,962,518
Proforma net loss per share – basic and diluted (note 24)	$ (0.24)	$ (.04)
Proforma weighted average number of shares outstanding (note 24)	11,682,051	8,981,259

See Accompanying Notes.

SYSOREX GLOBAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	For the Nine Months Ended September 30,	
	2013	2012
	(Unaudited)	
Net Loss	$ (2,802,002)	$ (329,082)
Unrealized holding gains in marketable securities including reclassification adjustment of realized gains included in net income	421	--
Comprehensive Loss	$ (2,801,581)	$ (329,082)

See Accompanying Notes.

SYSOREX GLOBAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited)

	Common Stock		Additional Paid-In Capital	Due to Sysorex Consulting, Inc.	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders Equity (Deficiency)
	Shares	Amount						
Balance - January 1, 2013	17,987,518	$ 17,988	$ 6,130,440	$ (665,554)	$ --	$ (8,842,558)	$ (1,208,157)	$ (4,567,841)
Reclassification of derivative liability to equity	--	--	666,268	--		--	--	666,268
Common stock issued for Lilien Acquisition	6,000,000	6,000	5,994,000	--		--	--	6,000,000
Common stock issued for services	348,492	349	396,292	--		--	--	396,641
Stock options granted to employees and consultants for services	--	--	212,644	--		--	--	212,644
Warrants issued in connection with Lilien Acquisition	--	--	109,300	--		--	--	109,300
Warrants issued with recast of bank agreement (Note 16)	--	--	137,100	--		--	--	137,100
Common stock issued for Shoom Acquisition	2,761,997	2,762	5,604,092	--		--	--	5,606,854
Common stock issued for settlement of related party payable	887,433	887	1,773,979	--		--	--	1,774,866
Issuance of stock in connection with the cashless exercise of warrants (Note 17)	120,865	121	(121)	--		--	--	--
Unrealized gain on marketable securities					421			421
Net loss	--	--	--	--	--	(2,802,002)	(104,050)	(2,906,052)
Balance - September 30, 2013	28,106,305	$ 28,107	$ 21,023,994	$ (665,554)	$ 421	$ (11,644,560)	$ (1,312,207)	$ 7,430,201

See Accompanying Notes.

SYSOREX GLOBAL HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30,	
	2013	2012
	(Unaudited)	
Cash Flows from Operating Activities		
Net loss	$ (2,906,052)	$ (375,881)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	81,181	47,958
Amortization of intangible assets	492,264	--
Stock based compensation	718,585	62,200
Change in fair value of the derivative liability	489,168	--
Amortization of debt discount	16,667	41,667
Gain on settlement of obligations	154,736	
Changes in operating assets and liabilities:		
Accounts receivable	(3,101,459)	(260,197)
Inventory	(48,405)	--
Prepaid expenses	87,759	14,207
Prepaid licenses and maintenance contracts	(1,708,914)	--
Deposits	(141,333)	13,511
Other assets	(180,420)	(118,963)
Accounts payable	1,613,338	106,458
Accrued expenses	(91,145)	93,851
Accrued compensation	491,671	119,204
Deferred revenue	1,426,064	(142,266)
Total Adjustments	299,757	(22,370)
Net Cash Used in Operating Activities	(2,606,295)	(398,251)
Cash Flows From (Used In) Investing Activities		
Purchase of property and equipment	(4,588)	(4,544)
Investment in Lilien	(3,000,000)	--
Cash Acquired in Lilien Acquisition	1,112,485	--
Cash Acquired in Shoom Acquisition	3,668,548	--
Loan to non-related company	(1,000,000)	--
Proceeds from the sale of marketable securities	289,763	--
Net Cash Flows Provided by (Used in) Investing Activities	1,066,208	(4,544)
Cash Flows from Financing Activities		
Advances from bank facility	5,750,000	--
Repayment of advances to related parties	(148,694)	(131,269)
Repayment of notes payable	(188,400)	(98,525)
Repayment of convertible notes	(105,000)	--
Repayment of factor	(46,426)	560
Advance to related party	--	(25,810)
Advance from Duroob Technology	358,884	432,072
Proceeds from convertible note	--	200,000
Deferred financing fees	(6,552)	
Net Cash Provided by Financing Activities	5,613,812	377,028
Net Increase (Decrease) in Cash and Cash Equivalents	4,073,725	(25,767)
Cash and Cash Equivalents - Beginning of period	8,301	225,134
Cash and Cash Equivalents - End of period	$ 4,082,026	$ 199,367

Supplemental Disclosure of cash flow information:		
Cash paid for:		
Interest	$ 173,619	$ 39,017
Income taxes	$ 33,201	$ -
Supplemental disclosures for non-cash operating, investing and financing activities:		
Acquisition of Lilien:		
Assumption of assets other than cash	$ 15,180,332	$ -
Assumption of liabilities	$ 17,216,770	$ -
Issuance of common stock	$ 6,000,000	$ -
Issuance of common stock for settlement of liability	$ 1,774,866	$ -
Acquisition of Shoom:		
Assumption of assets other than cash	$ 826,000	$ -
Assumption of liabilities	405,000	-
Issuance of common stock	$ 2,762,000	$ -
Fair value of warrants granted to bank for credit line amendment	$ 137,100	$ -
Reclassification of derivative liability to equity	$ 666,268	$ 12,225

See Accompanying Notes.

Note 1 - Organization and Nature of Business

Sysorex Global Holdings Corp. (“SGHC”), through its wholly-owned subsidiaries, Sysorex Federal, Inc. and Sysorex Government Services, Inc., and majority-owned subsidiary, Sysorex Arabia LLC (collectively the “Company”), provides information technology and telecommunications solutions and services primarily to government customers in the United States and Saudi Arabia. The Company is a systems integration and consulting company and has a wide range of offerings, including, but not limited to: custom application/software design, architecture and development, data center design and operations services, command control, computer communication, intelligence (C4I) system consulting, program management and security solutions and services. The Company is headquartered in the State of California, has an office in the Commonwealth of Virginia, and the Company’s majority-owned subsidiary operates in Saudi Arabia.

Effective March 1, 2013, and as more fully described in Note 4, the Company acquired the assets of Lilien LLC (“Lilien”), and 100% of the stock of Lilien Systems. The Company expanded its operations by providing information technology solutions services to organizations. These services include enterprise computing and storage, virtualization, business continuity, networking and information technology business consulting services.

Effective August 31, 2013 and as more fully described in Note 5, the Company acquired Shoom, Inc. (“Shoom”) a California based provider of Cloud-based data analytics and enterprise solutions to the media, publishing, and entertainment industries. Shoom expands Sysorex’s depth of enterprise service offerings with Cloud–based solutions.

Liquidity

As of September 30, 2013 the Company has a working capital deficiency of approximately $7.1 million. For the nine months ended September 30, 2013 the Company incurred a net loss of approximately $2.8 million and utilized cash in operations of approximately $2.6 million.

During the quarter ended September 30, 2013, the Company entered into an agreement to acquire the stock of Shoom, Inc. a California based provider of cloud based data analytics and enterprise solutions to the media, publishing, and entertainment industries. In addition the Company amended its bank line of credit to increase the credit limit to $6,000,000. As of September 30, 2013 and November 22, 2013 the Company had $1,000,000 and $1,327,410 available under the credit line respectively. The Company’s current capital resources as of September 30, 2013 are expected to be sufficient to fund planned operations during the succeeding twelve months. The Company’s plans include entering into agreements to obtain additional equity financing to fund short-term operating activities and implementing its expansion strategy that was launched with the acquisition of Lilien in March 2013. In addition, in February 2013 the Company was awarded a U.S. Navy SPAWAR contract which is expected to start releasing task orders during the fourth quarter of 2013 and first quarter of 2014.

The Company can give no assurance that it will be successful in implementing its business plan and obtain financing that will be available on terms advantageous to the Company, if at all. Should the Company not be successful in implementing its business plan or obtaining the necessary financing to fund its short-term operations, the Company may need to curtail certain or all of its expansion activities.

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 for interim financial information. 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, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the nine -month period ended September 30, 2013 are not necessarily indicative of the results to be expected for the year ending December 31, 2013. These interim condensed consolidated financial statements should be read in connection with the Company's audited financial statements and footnotes for the years ended December 31, 2012 and 2011contained elsewhere in this document.

Note 3 - Significant Accounting Policies and Recent Accounting Pronouncements

Significant Accounting Policies

The Company's complete accounting policies are described in Note 2 to the Company's audited financial statements and footnotes for the years ended December 31, 2012 and 2011 contained elsewhere in this document.

Principles of Consolidation

The condensed consolidated financial statements have been prepared using the accounting records of the Company and its wholly-owned subsidiaries, Lilien Systems, Shoom, Inc., Sysorex Federal, Inc., and Sysorex Government Services, Inc., and its majority-owned subsidiary, Sysorex Arabia LLC. All material inter-company balances and transactions have been eliminated.

The Company owns 50.2% of Sysorex Arabia (“SA”). As of September 30, 2013, SA had minimal cash, approximately $414,000 in contracts receivable, $891,000 in deposits, $48,000 in other assets and intercompany balances and debts as disclosed in the following footnotes, with an accumulated deficit of approximately $1,391,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US 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 the assets and liabilities acquired from Lilien LLC and Shoom as described in Note 4 and 5, respectfully, as well as the valuation of the Company's common shares issued in those transactions;
- The valuation of stock-based compensation;
- The allowance for doubtful accounts;
- The valuation allowance for the deferred tax asset; and
- Impairment of intangible assets.

Marketable Securities

The Company accounts for marketable securities in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 320-10, Investments-Debt and Equity Securities. The Company classifies its investments in equity securities that have readily determinable fair values and all debt securities as held-to-maturity, available-for-sale or trading at acquisition and reevaluate such classification at each subsequent balance sheet date. The Company has investments classified as available-for-sale and held-to-maturity at September 30, 2013. Available-for-sale securities are reported at fair value and any difference between cost and fair value is recorded as unrealized gain or loss and is reported as accumulated other comprehensive income (loss) in the statement of changes in stockholders’ equity. Held-to-maturity securities are those investments that the Company has the ability and intend to hold until maturity. Held-to-maturity securities are recorded at cost, adjusted for the amortization of premiums and discounts, which approximates market value at the purchase date. The Company generally purchases fixed-income securities that have a remaining maturity of one year or less. Realized gains and losses and declines in value expected to be other-than-temporary on available-for-sale securities are included in other expenses in the statement of income. The cost of securities sold is based on the specific identification method. Interest and dividends on marketable securities are included in interest income.

Comprehensive Income (Loss)

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

Note 3 - Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Inventory

Inventory consisting primarily of finished goods is stated at the lower of cost or market utilizing the first-in, first-out method. The Company continually analyzes its slow-moving, excess and obsolete inventories. Based on historical and projected sales volumes and anticipated selling prices, the Company establishes reserves. If the Company does not meet its sales expectations, these reserves are increased. Products that are determined to be obsolete are written down to net realizable value. As of September 30, 2013 and December 31, 2012, the Company deemed any such allowance nominal.

Deferred Financing Costs

Cost incurred in conjunction with the debt financing has been capitalized and will be amortized to interest expense using the straight line method, which approximates the interest rate method over the term of the debt and is included as a component of other assets.

Business Combinations

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

Intangible Assets

Intangible assets primarily consist of developed technology, customer lists/relationships, and trade names and trademarks and are amortized ratably over a range of four to seven years which approximates customer attrition rate and technology obsolescence. The Company assesses the carrying value of its intangible assets for impairment each year. Based on its assessments, the Company did not incur any impairment charges for the nine months ended September 30, 2013.

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, 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 internal use software development costs are amortized over the estimated useful life which management has determined is four years following the year incurred.

Goodwill

The Company records goodwill and other indefinite-lived assets in connection with business combinations. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of acquired companies, is not amortized. Indefinite-lived assets are stated at fair value as of the date acquired in a business combination. The Company’s goodwill balance and other assets with indefinite lives are evaluated for potential impairment annually each year and in certain other circumstances. The evaluation of impairment involves comparing the current fair value of the business to the recorded value, including goodwill. To determine the fair value of the business, the Company utilizes both the “Income Approach”, which is based on estimates of future net cash flows, and the “Market Approach”, which observes transactional evidence involving similar businesses. There was no impairment for the nine months ended September 30, 2013.

Prepaid Licenses and Maintenance Contracts

Prepaid licenses and maintenance contracts represent payments made by the Company directly to the manufacturer. The Company acts as the principal and the primary obligor in the transaction and amortizes the capitalized costs ratably over the term of the contract to cost of revenues, generally one to five years.

Note 3 - Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Stock-Based Compensation

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

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

The Company incurred stock-based compensation charges, net of estimated forfeitures, of $718,585 and $62,200 for the nine months ended September 30, 2013 and 2012, respectively. The following table summarizes the nature of such charges for the nine months ended September 30, 2013:

	For the Nine Months Ended September 30,	
	2013	2012
	(unaudited)	
Compensation and related benefits	$ 212,644	$ 0
Professional and legal fees	201,641	0
Acquisition transaction costs	304,300	0
Interest Expense	0	62,200
Total	**$** 718,585	**$** 62,200

Revenue Recognition

Revenues for the nine months ended September 2013 and 2012 are comprised of the following:

	For the Nine Months Ended September 30,	
	2013	2012
	(unaudited)	
Resale of hardware	$ 17,224,063	$ 132
Resale of software	5,016,256	1,376
Maintenance Services	5,903,759	4,018
Professional services contracts – time and materials	1,120,251	534,863
Professional services contracts – firm fixed price	4,502,439	2,641,657
Revenues from digital advertising and electronic services	324,840	0
Total	**$** 34,091,608	**$** 3,182,046

The Company is primarily a reseller of third-party manufactured products, maintenance, and services, recognizes the revenue on sales of products (software and hardware) and maintenance agreements once four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) delivery (software and hardware) or fulfillment (maintenance) has occurred, and (4) there is reasonable assurance of collection of the sales proceeds. Generally, these criteria are met upon shipment to customers with respect to the sales of hardware and software products. With respect to our maintenance and service agreements, this criteria is met once the service has been provided, therefore revenue is determinable ratably over the service period. Revenues from the sales of hardware products, software products, licenses, and maintenance agreements are recognized on a gross basis in accordance with applicable standards with the selling price to the customer recorded as sales and the acquisition cost of the product recorded as cost of sales.

Note 3 - Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Revenue Recognition (continued)

Revenue on time and material contracts is recognized based on a fixed hourly rate for direct labor hours expended. The fixed rate includes direct labor, indirect expenses, and profits. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. Anticipated losses are recognized as soon as they become known. For the nine months ended September 30, 2013 and 2012 the Company did not incur any such losses. These amounts are based on known and estimated factors. Revenues from time and material or firm fixed price long-term and short-term contracts are derived principally with various United States Government agencies, Saudi Arabian Government agencies, and commercial customers.

Revenues from digital advertising and electronic services are recognized when services are rendered. Cash received as prepayments for services to be rendered are recognized as deferred revenue. Revenue from such prepayments are recognized when the services are provided.

The Company records revenues from sales of third party products in accordance with Accounting Standards Codification ("ASC") Topic 605-45 "Principal Agent Consideration" ("ASC 605-45"). Furthermore, in accordance with ASC 605-45, the Company evaluates sales on a case by case basis to determine whether the transaction should be recorded gross or net, including, but not limited to, assessing whether or not the Company: 1) acts as principal in the transaction, 2) takes title to the products, and 3) has risks and rewards of ownership, such as the risk of loss for collection, delivery, or returns. The Company did not record any revenues on a net basis for the nine months ended September 30, 2013 and 2012.

The Company also enters into sales transactions whereby customer orders contain multiple deliverables, and reports its multiple deliverable arrangements under ASC 605-25 "Revenue Arrangements with Multiple Deliverables" ("ASC-605-25"). These multiple deliverable arrangements primarily consist of the following deliverables: third-party computer hardware, third-party software, third-party hardware and software maintenance (a.k.a. support), and third-party services. From time to time the personnel of the Company were contracted to perform installation and services for the customer. In situations where the Company bundles all or a portion of the separate elements, Vendor Specific Objective Evidence ("VSOE") is determined based on prices when sold separately. For the nine months ended September 30, 2013 and 2012 revenues recognized as a result of customer contracts requiring the delivery of multiple elements was $21,190,397 and $0, respectively. The Company had no multiple deliverable arrangements prior to the acquisition of Lilien.

Product delivery to customers occur in a variety of ways, including (i) as physical product shipped from the Company's warehouse, (ii) via drop-shipment by the vendor, or (iii) via electronic delivery for software licenses. The Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse, thereby increasing efficiency and reducing costs. Furthermore, in such drop-ship arrangements, the Company negotiates the price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. The Company serves as the principal with the customer and, therefore, recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped.

Maintenance agreements allow customers to obtain technical support and to upgrade, at no additional cost, to the latest technology if new software updates are introduced during the period that the maintenance agreement is in effect. Revenue derived from maintenance contracts primarily consists of the sale of maintenance contracts by the Company, whereby the Company acts as the principal and the primary obligor in the transaction. Typically, the Company sells maintenance contracts for a separate fee with initial contractual periods ranging from one to three years with renewal for additional periods thereafter. The Company generally bills maintenance fees in advance. The Company recognizes maintenance revenue ratably over the term of the maintenance agreement. In situations where the Company bundles all or a portion of the maintenance fee with products, VSOE for maintenance is determined based on prices when sold separately.

Customers that have purchased maintenance/warranty services have a right to cancel and receive a refund of the amounts paid for unused services at any time during the service period upon 30 days advance written notice to the Company. Such a refund is available only with respect to the portion of the maintenance and warranty services that have not yet been provided. Cancellation and refund privileges with respect to maintenance/warranty services lapse as to any period during the term of the agreement for which such services shave already been provided. Customers do not have the right to a refund of paid fees for maintenance/warranty services that the Company has earned and recognized as revenue. Invoices issued for maintenance/warranty services not yet rendered are recorded as deferred revenue and then recognized as revenue ratably over the service period. As a result (1) the warranty and maintenance service fees payable by each customer are separately accounted for in each customer purchase order as a separate line item, and (2) upon the Company's receipt and acceptance of a request for refund of maintenance/warranty services not yet provided, the Company's obligation to perform any additional maintenance/warranty services will end.

Note 3 - Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Revenue Recognition (continued)

The Company recognizes revenue for sales of internally-performed services ratably over the time period over which the service will be provided. Billings for such services that are made in advance of the related revenue recognized are recorded as deferred revenue and recognized as revenue ratably over the billing coverage period. For service engagements that are on a time and materials basis, revenues are recognized based upon hours incurred as services are performed and amounts are earned. Sales are recorded net of discounts, rebates, and returns. Vendor rebates and price protection are recorded when earned as a reduction to cost of sales or merchandise inventory, as applicable. Vendor product price discounts are recorded when earned as a reduction to cost of sales. Vendor product sales volume and growth incentive rebates based on total Company quarterly sales are recorded when earned as other income.

Cooperative reimbursements from vendors, which are earned and available, are recorded in the period the related advertising expenditure is incurred. Cooperative reimbursements are recorded as a reduction of cost of sales in accordance with ASC Topic 605-50 "Accounting by a Customer (including reseller) for Certain Consideration Received from a Vendor." Provisions for returns are estimated based on historical sales returns and credit memo analysis which are adjusted to actual on a periodic basis. The Company receives Marketing Development Funds (MDF) from vendors based on quarterly sales performance to promote the marketing of vendor products and services. The Company must file claims with vendors for these cooperative reimbursements by providing invoices and receipts for marketing expenses. Reimbursements are recorded as a reduction of marketing expenses and other applicable selling general and administrative expenses in the period in which the expenses were incurred.

In general, the Company requires an upfront deposit for significant arrangements. If the Company receives a payment from a customer prior to meeting all of the revenue recognition criteria, the payment is recorded as deferred revenue. The Company's current arrangements with its third party integrators, value added resellers and distributors generally do not provide for any rights of return, price protection or other contingencies.

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 share equivalents excluded from the calculation of diluted net loss per common share as of September 30, 2013 and 2012:

	September 30, 2013 (unaudited)	**September 30, 2012**
Options	3,238,500	528,500
Warrants	822,523	-
Totals	4,061,023	528,500

Segment Reporting

In accordance with ASC 280 " *Segment Reporting"* , operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. Our chief decision maker, as defined under the FASB's guidance, is the Chief Executive Officer. It is determined that the Company operates in three business segments and three geographic segments, Canada, Saudi Arabia and the United States although the Company's Canadian revenues are nominal.

Note 3 - Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB and the SEC did not have, or are not expected to have, a material impact on the Company's condensed consolidated financial statements.

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 - Acquisition of the Business of Lilien LLC

On March 20, 2013, the Company entered into an Asset Purchase and Merger Agreement (the "Agreement") to acquire substantially all of the assets and liabilities of Lilien LLC and 100% of the stock of Lilien Systems (collectively referred hereafter as "Lilien") effective as of March 1, 2013. Lilien is an information technology company whose operations complement and significantly expands the Company's current base of business.

The purchase price of this acquisition aggregated $9,000,000 and consisted of cash of $3,000,000, and 6,000,000 shares of the Company's common stock deemed to have a fair value of $6,000,000. The cash consideration of $3,000,000 was obtained by the Company through a borrowing under a credit facility entered into jointly by Sysorex Government Services, Inc. and Lilien Systems concurrently with and for the express purpose of consummating that acquisition. Total costs incurred for the Lilien acquisition were $907,865 which consisted primarily of professional fees.

Lilien Systems and Sysorex Government Services are co-borrowers on the loan and both guaranteed the debt. As they are part of the consolidated group of the Company no accounting consideration related to the co-guaranty was deemed necessary since such impact, if any, would be eliminated in consolidation.

Additionally, under the terms of the Agreement, the Company is liable to the former members of Lilien LLC for the payment of additional cash consideration on March 20, 2015 to the extent that they receive less than $1.00 per share from the sale of the 6,000,000 shares of the Company's common stock referred to above (the "Guaranteed Amount"), less customary commissions, on or before March 20, 2015, provided the stockholders are in compliance with the terms and conditions of the lock-up agreement. Notwithstanding the foregoing, in the event that the gross profits for calendar 2013 and 2014 attributable to the Lilien assets are more than 20% below what was forecasted to the Company, the Guaranteed Amount will be proportionately reduced. As of the date of the acquisition and September 30, 2013 the guaranteed amount was de minimis.

The acquisition of Lilien was accounted for by the Company under the acquisition method of accounting, whereby assets acquired and liabilities assumed by the Company are recorded at their estimated fair values as of the date of acquisition and the results of operations of the acquired company are consolidated with those of the Company from the date of acquisition. The Company deemed the quoted market prices for those shares not to be a reliable measurement method due to the very limited trading activity in such securities.

The purchase price is allocated as follows:

Assets Acquired:		
Cash	$	1,112,485
Receivables		4,870,471
Inventory		55,410
Other current assets (Note A)		852,759
Prepaid Licenses/Contracts (Note B)		9,146,954
Property and equipment		254,638
Trade name/trademarks (Note C)		3,250,000
Customer relationships (Note C)		2,130,000
Goodwill		4,544,053
		26,216,770

Note 4 - Acquisition of the Business of Lilien LLC (continued)

Liabilities Assumed:		
Accounts payable		5,094,390
Accrued expenses (Note D)		970,139
Deferred Revenue		11,152,241
		17,216,770
Purchase Price	$	9,000,000

(A) Other current assets consist primarily of $356,000 of rebates receivable, $107,000 of prepaid expenses, $195,000 of unbilled revenues and $153,000 for a working capital settlement adjustment. The asset purchase agreement included a provision for an adjustment to working capital as of the closing date of the transaction. This is the amount due to Sysorex for that adjustment; however, this amount is subject to continuing negotiation.
(B) Prepaid licenses/contracts are payments made by the Company directly to the manufacturer for the third party maintenance services and are being amortized over the life of the contract
(C) The trade name/trademarks and customer relationships are identifiable intangible assets that are being amortized over their useful life of seven years.
(D) Accrued expenses consist primarily of $654,000 of accrued compensation, $50,000 of accrued other operational expenses and $35,000 of sales taxes payable.

Note 5 - Acquisition of Shoom, Inc.

Effective August 31, 2013, the Company entered into an Agreement and Plan of Merger (the “Agreement”) to acquire 100% of the stock of Shoom, Inc. “(Shoom”), a California based provider of cloud based data analytics and enterprise solutions to the media, publishing, and entertainment industries.

The purchase price of this acquisition aggregated $8,107,000 and consisted of cash to be paid of $2,500,000, and 2,762,000 shares of the Company's common stock deemed to have a fair value of $5,607,000. The cash portion was funded by the excess working capital the Company obtained from the Shoom acquisition. The cash consideration is subject to adjustment under terms of the Agreement. Total costs incurred for the Shoom acquisition were $316,387 which consisted primarily of professional fees.

The acquisition of Shoom was accounted for by the Company under the acquisition method of accounting, whereby assets acquired and liabilities assumed by the Company are recorded at their estimated fair values as of the date of acquisition and the results of operations of the acquired company are consolidated with those of the Company from the date of acquisition. The Company deemed the quoted market prices for those shares not to be a reliable measurement method due to the very limited trading activity in such securities.

The purchase price was initially allocated as follows:

Assets Acquired:		
Cash	$	3,669,000
Marketable securities		605,000
Receivables		141,000
Other assets (A)		153,000
Property and equipment		29,000
Trade name/trademarks (B)		110,000
Customer relationships (B)		1,200,000
Developed technology (C)		1,360,000
Goodwill		1,245,000
		8,512,000
Liabilities Assumed:		
Accounts payable		44,000
Other current liabilities (D)		361,000
		405,000
Purchase Price	$	8,107,000

Note 5 - Acquisition of Shoom, Inc. (continued)

(A) Other current assets consist primarily of $112,000 of prepaid expenses, $26,000 of other receivables and $11,000 of security deposits.
(B) The trade name/trademarks and customer relationships are identifiable intangible assets that are being amortized over their useful life of seven years.
(C) The developed technology is an identifiable intangible asset that is being amortized over their useful life of four years.
(D) Other current liabilities consist primarily of $136,000 of payroll liabilities and $167,000 of profit sharing liabilities.

A final valuation of the assets and liabilities of Shoom has not been completed as of this reporting period. Consequently, the purchase price was preliminarily allocated based upon the asset and liability amounts in Shoom's accounting records with the excess classified as intangible assets and unallocated purchase price. These amounts are subject to revision upon the completion of formal studies and valuations which will occur during the fourth quarter of 2013.

Note 6 – Proforma Financial Information

The following unaudited proforma financial information presents the consolidated results of operations of the Company, Lilien and Shoom for the nine months ended September 30, 2013 and 2012, as if the acquisitions had occurred on January 1, 2012 instead of on March 1, 2013 for Lilien and August 31, 2013 for Shoom. 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.

	9 Months Ended September 2013 (unaudited)	9 Months Ended September 2012
Revenues	$ 41,906,511	$ 36,051,072
Net Loss Attributable to Common Shareholder	$ (2,286,535)	$ (1,032,513)
Weighted Average Number of Common Shares Outstanding	27,615,274	26,724,518
Loss Per Common Share - Basic and Fully Diluted	$ (.08)	$ (.04)

Note 7 - Marketable Securities

As of September 30, 2013, marketable securities were comprised of the following:

	As of September 30, 2013 (unaudited)	
	Cost	Fair Value
Available for sale		
Mutual funds	$ 121,706	$ 122,127
Held to maturity		
Certificate of Deposit	194,000	194,000
	$ 315,706	$ 316,127

There were no purchases of marketable securities during the nine months ended September 30, 2013. The Company sold $10,040 of available for sale mutual funds and certificate of deposits of $254,724 matured and were liquidated during the nine months ended September 30, 2013. There were no unrealized gains or losses associated with the sold marketable securities as all gains and losses were realized and the securities were valued at fair value as of the Shoom acquisition date of August 31, 2013 and the securities were sold shortly thereafter.

Note 7 - Marketable Securities (continued)

The following summarizes the underlying contractual maturities of marketable securities at September 30, 2013:

	Available for Sale		Held to Maturity	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than one year	$121,706	$122,127	$194,000	$194,000
Total	$121,706	$122,127	$194,000	$194,000

Note 8 – Notes Receivable

Secured Promissory Note

On August 30, 2013, the Company entered into a Secured Promissory Note (the "Note") agreement wherein it loaned $1,000,000 to AirPatrol Corpoation, a company in the field of cyber security to support its operations. The Note is due on February 28, 2014, accrues interest at 8% per annum, and is collateralized by the general assets of the debtor.

Note 9 - Due from Related Parties

Non-interest bearing amounts due on demand from a related party was $665,554 as of September 30, 2013 and December 31, 2012 and consisted primarily of amounts due from Sysorex Consulting, Inc. As Sysorex Consulting, Inc. is a direct shareholder of and an investor in the Company, the amounts due from Sysorex Consulting, Inc. as of September 30, 2013 and December 31, 2012 have been classified in and as a reduction of stockholders' deficiency.

Note 10 - Intangible Assets

Lilien Acquisition

Balances of the Intangible assets that relate to the Lilien acquisition are as follows as of September 30, 2013:

	As of September 30, 2013 (unaudited)	
Amortized Intangible Assets	**Gross Carrying Amount**	**Accumulated Amortization**
Trade name/trademarks	$ 3,250,000	$ (270,831)
Customer relationships	2,130,000	(177,504)
Total	$ 5,380,000	$ (448,335)

The weighted average remaining amortization period for the Company's trade names/ trademarks and customer relationships is 3.88 and 2.54 years, respectively.

Shoom Acquisition

Balances of the Intangible assets that relate to the Shoom acquisition are as follows as of September 30, 2013:

	As of September 30, 2013 (unaudited)	
Amortized Intangible Assets	**Gross Carrying Amount**	**Accumulated Amortization**
Trade name/trademarks	$ 110,000	$ (1,310)
Customer relationships	$ 1,200,000	$ (14,286)
Developed Technology	$ 1,360,000	$ (28,333)
Total	$ 2,670,000	$ (43,929)

The weighted average remaining amortization period for the Company's trade names/ trademarks, customer relationships and developed technology is .29, 3.12 and 1.99 years, respectively.

Note 10 - Intangible Assets (continued)

Aggregate Amortization Expense:

For the nine months ended September 30, 2013 $492,264

The following table presents the Company's estimate for total amortization expense for the year ended September 30, 2014 through 2019 and thereafter.

Year Ending September 30,		Amount
2014		1,295,714
2015		1,295,714
2016		1,295,714
2017		1,267,379
2018		955,715
2019 and thereafter		1,447,500
Total	$	7,557,736

Note 11 – Deferred revenue

Deferred revenue as of September 30, 2013 and December 31, 2012 consisted of the following:

		September 30, 2013 (Unaudited)		December 31, 2012 (Audited)
Deferred Revenue, current				
Lilien third party maintenance agreements	$	7,577,576	$	0
Services to be provided by Shoom		11,354		0
Services to be provided by Sysorex		236,291		236,291
Total Deferred Revenue, current		7,825,221		236,291
Deferred Revenue, non-current				
Lilien third party maintenance agreements		4,989,375		0
Total Deferred Revenue	$	12,814,596	$	236,291

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

Note 12 - Due to Related Parties

Non-interest bearing amounts due on demand to related parties as of September 30, 2013 and December 31, 2012 are as follows:

		September 30, 2013 (Unaudited)		December 31, 2012 (Audited)
Qureishi Family Trust, an entity which owns 5.6% and 10.1% of the outstanding common shares of the Company as of September 30, 2013 and December 31, 2012, respectively.	$	--	$	136,977
Duroob Technology, Inc., an entity whose CEO owns a minority interest in Sysorex Arabia LLC, the Company's 50.2% owned subsidiary as of September 30, 2013 and December 31, 2012		264,465		1,680,447
Sysorex Consulting, Inc., an entity which owns 1.3% and 2.3% of the outstanding common shares of the Company as of June 30, 2013 and December 31, 2012, respectively.		--		11,717
Total	$	264,465	$	1,829,141

Note 13 - Notes Payable

Notes payable and accrued interest as of September 30, 2013 and December 31, 2012 consisted of the following:

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
(A) Note payable dated July 1, 2008	$ 235,233	$ 341,899
(B) Note payable dated June 15, 2010	--	22,020
(C) Note payable dated July 29, 2011	--	27,262
(D) Note payable dated August 31, 2013	2,500,000	--
Total	$ 2,735,233	$ 391,181

(A) On July 1, 2008, the Company entered into a note payable for gross proceeds of $515,233. The note has no stated interest rate or repayment terms and matured on July 31, 2012. Effective December 31, 2012, that arrangement has been amended and the maturity date was revised to September 30, 2013. The Company has been given a verbal extension of the maturity date to December 31, 2013.

(B) On June 15, 2010, the Company entered into a note payable for gross proceeds of $28,000. The note accrued interest at the rate of 6% per annum and matured on March 31, 2013. Principal and interest was paid in full on March 27, 2013.

(C) On July 29, 2011 and in connection with the acquisition of Softlead, the Company became responsible for a note payable in the amount of $27,262. The note had no stated interest rate, repayment terms or maturity date. This note was paid in full on April 3, 2013.

(D) On August 31, 2013 the Company entered into an Agreement and Plan of Merger to acquire Shoom for a purchase price of $2,500,000, including $500,000 deposited in escrow to satisfy any indemnification claims, and 2,762,000 shares of common stock (the “Shoom Consideration”) payable to the stockholders of Shoom on a pro rata basis based on the number of shares of common stock of Shoom owned by each Shoom stockholder. Pursuant to the terms of the Shoom agreement, the delivery of the Shoom Consideration to each stockholder was subject to the return of certain documentation. As of September 30, 2013 $2,500,000 was still payable to the Shoom Shareholders and was recorded by the Company as a note payable with no interest accruing. However, as of January 16, 2014, only $39,000 of the $2,500,000 was still payable to the Shoom shareholders. Post-acquisition the Shoom shareholders collectively own approximately 8% of the Company.

Note 14 - Note Payable to Related Party

On June 15, 2010, the Company entered into a note payable with a director of the Company for $15,000. The note accrues interest at an annual rate of 8% per annum and matures on September 30, 2013. Principal and interest due in connection with this note totaled $2,597 and $18,050 as of September 30, 2013 and December 31, 2012, respectively. This note was paid in full on October 16, 2013.

On May 29, 2012, the Company entered into a note payable with a related party of the Company for $37,595. This note has no stated interest rate and is payable upon demand. Principal due in connection with this note totaled $0 and $17,000 as of September 30, 2013 and December 31, 2012, respectively.

Note 15- Secured Convertible Note Payable

On August 7, 2012, the Company issued a secured convertible promissory note (the “Note”) in the face amount of $200,000 The Note accrues interest at the effective rate of 32%, is secured by Company receivables, matures on February 7, 2013, and may be prepaid without penalty at any time.

The Note is also convertible at any time at the option of the holder into shares of the Company's common stock at a conversion price equal to 45% of the lowest trading price for the common stock at any time during the ten trading days immediately preceding the date of issuance by the holder of a notice of conversion. Therefore, since this embedded conversion feature provides for the settlement of this convertible promissory note with shares of common stock at a rate which is variable in nature, this embedded conversion feature must be classified and accounted for as a derivative financial instrument.

Note 15 - Secured Convertible Note Payable (continued)

In connection with the issuance of the Note, the Company also issued warrants for the purchase of 300,000 shares of the Company's common stock at an exercise price of $0.87 per share through July 29, 2014. Therefore, since the embedded conversion feature of the convertible promissory note must be accounted for as a derivative instrument, these warrants must also be accounted for as derivative instruments. As a result of entering into the convertible promissory note described above, all other non-employee warrants issued by the Company must also be classified and accounted for as derivative financial instruments.

Generally accepted accounting principles require that:

a) Derivative financial instruments be recorded at their fair value on the date of issuance and then adjusted to fair value at each subsequent balance sheet date with any change in fair value reported in the statement of operations; and
b) The classification of derivative financial instruments be reassessed as of each balance sheet date and, if appropriate, be reclassified as a result of events during the reporting period then ended.

The fair value of the embedded conversion feature and the warrants, $244,500 and $17,700, respectively, aggregated $262,200. Consequently, upon issuance of the Note, a debt discount of $200,000 was recorded and the difference of $62,200, representing the fair value of the conversion feature and the warrants in excess of the debt discount, was immediately charged to interest expense. The debt discount will be amortized over the earlier of (i) the term of the debt, or (ii) conversion of the debt, using the straight-line method, which approximates the interest method. The amortization of debt discount is included as a component of interest expense in the condensed consolidated statements of operations.

The fair value of the embedded conversion feature and the warrants was estimated using the Black-Scholes option-pricing model. Key assumptions used to apply this pricing model during the quarter ended March 31, 2013 were as follows:

Risk-free interest rate	0.3%
Expected life of option grants	0.5 to 2.0 years
Expected volatility of underlying stock	39%

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 risk free interest rate was obtained from U.S. Treasury rates for the applicable periods.

The Company repaid $105,000 and $95,000 of the principal balance due and reclassified $128,468 and $116,097 of the derivative liability to additional paid-in capital during the period ended March 31, 2013 and the year ended December 31, 2012, respectively. This note payable was paid in full during the nine months ended September 30, 2013.

Note 16 – Revolving Line of Credit

On March 15, 2013 and in connection with and concurrent with our acquisition of Lilien, Sysorex Government Services, Inc., and Lilien Systems, 100%-owned subsidiaries of Sysorex Global Holdings, Inc., entered into a Business Finance Agreement (the "Agreement") as co-borrowers (the "Borrowers") with Bridge Bank, NA (the "Bank") under which the Borrowers obtained a revolving line of credit for up to $5,000,000 through March 15, 2015. On March 20, 2013, the Borrowers received $4,175,000 under the Agreement. Of that amount, $3,000,000 was paid as consideration in connection with the acquisition of Lilien effective March 1, 2013. The balance of $1,175,000 was utilized to pay the acquisition costs, for the repayment of various notes and short-term debts and to support operations. Terms of the Agreement include compliance with certain debt covenants to include an asset coverage ratio of 1.4 to 1.0, a debt service coverage ratio of 1.5 to 1.0 and performance to plan covenants. During the quarter ended September 30, 2013 there were a few periods where the Company was in an overadvance position on the bank credit line and due to a misunderstanding of the terms some of the compliance documents were not filed timely. The Company took corrective action and paid down the line. Subsequent to September 30, 2013 the bank waived the defaults and the Company is in compliance. The line of credit incurs interest at the greater of 5.25% or the bank's prime rate plus 2% and matures on March 15, 2015. The interest rate as of September 30, 2013 was 5.25%.

Note 16 – Revolving Line of Credit (continued)

Terms of this agreement require all cash receipts of Sysorex Government Services, Inc. and Lilien Systems to be remitted to a lockbox for application to the balance due in connection with the Agreement. The balance outstanding under this facility was $5,000,000 as of September 30, 2013.

On August 29, 2013 the Company and Bridge Bank entered into Amendment 1 to Bridge Bank's Business Financing Agreement ("BFA") dated March 15, 2013 to amend certain sections and for Bridge Bank to waive existing defaults by the Company. The Amendment 1 waived the Asset Coverage Ratio for April 2013 and the Performance to Plan ratio for June 30, 2013. The amendments included an increase to the credit limit to $6,000,000, the Asset Coverage Ratio was amended to be not at any time less than (i) 1.0 to 1.0, tested as at the end of each month, commencing with the month ended July 31, 2013, and (ii) 1.4 to 1.0, tested as at the end of each month, commencing with the month ending September 30, 2013, and the Performance to Plan covenant was amended to state that the combined revenues and net income are not to deviate by more than 20% or $100,000 from the projections of combined revenues and Net Income approved by the boards of directors of the Company and Lilien with respect to the rolling three month period ended on the date of determination, tested as at June 30, 2013, September 30, 2013, and the end of each month thereafter, commencing with the month ending October 31, 2013.

Additionally and concurrently with the Amendment 1 to the BFA, the Company entered into a term loan for $750,000 which accrues interest at the greater of 5.25% or the bank's prime rate plus 2% and matures on August 27, 2016. The banks prime rate was 3.25% as of September 30, 2013. The Company will make payments of $41,667 on the first day of each month commencing on February 1, 2014 until the loan amount is paid in full.

On August 29, 2013, the Company granted 112,500 warrants to Bridge Bank in connection with the Amendment 1 to the BFA. The warrants were fully vested on the date of grant, have an exercise period of seven years and have a fair value of $137,100 determined by the black scholes model. The warrants have an exercise price of $1.20 per share. The Company paid $6,552 in fees to Bridge Bank for Amendment 1. The Company capitalized the fair value of the warrants of $137,100 and the fees paid of $6,552 as deferred financing costs and a component of other assets and is amortizing the amount to interest expense over the remaining term of the credit line.

Note 17 - Common Stock

On March 20, 2013, and as more fully described in Note 4, the Company issued 6,000,000 shares of common stock in connection with the acquisition of substantially all of the assets of Lilien LLC and 100% of the stock of Lilien Systems. These shares were deemed to have a fair value of $6,000,000.

On March 20, 2013, the Company issued 180,000 shares of common stock under the terms of a consulting services agreement in connection with the Lilien acquisition. The Company recorded an expense of $180,000 during the nine months ended September 30, 2013 which has been included as a component of the acquisition transaction costs in the condensed consolidated statement of operations.

On March 20, 2013, the Company issued 15,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $15,000 during the nine months ended September 30, 2013 which has been including as a component of the acquisition transaction costs in the condensed consolidated statement of operations.

On March 31, 2013, the Company issued 887,433 shares of common stock in satisfaction of $1,774,865 owed by Sysorex Arabia LLC to Duroob Technology, Inc. ("Duroob"), a related party, as Duroob's Chief Executive Officer owns a minority interest in Sysorex Arabia, LLC. On December 31, 2012 Sysorex Arabia owed Duroob Technology $1,680,447. During the quarter ended March 31, 2013, Duroob Technology advanced another $94,419 to Sysorex Arabia for continuing operations which created a balance owed to Duroob Technology at March 31, 2013 of $1,774,865. The fair market value of the shares was $887,433 and as Duroob is a related party the resulting gain of $887,433 has been credited to additional paid-in capital. The issuance of these shares was recorded by Sysorex Global Holdings Corp. as an additional investment in its majority-owned subsidiary, Sysorex Arabia LLC. However, by agreement with the other shareholder of Sysorex Arabia LLC, the ownership percentages of Sysorex Arabia LLC remained unchanged.

Note 17 - Common Stock (continued)

On April 8, 2013, the Company issued 31,746 shares of common stock under the terms of a consulting services agreement. The Company recorded expense of $31,746 during the nine months ended September 30, 2013 which has been including as a component of professional and legal fees in the condensed consolidated statement of operations.

On May 2, 2013, the Company issued 60,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $60,000 during the nine months ended September 30, 2013 which has been including as a component of professional and legal fees in the condensed consolidated statement of operations.

On June 30, 2013, the Company issued 15,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $15,000 during the nine months ended September 30, 2013which has been including as a component of professional and legal fees in the condensed consolidated statement of operations.

On July 8, 2013, the Company issued 31,746 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $64,444 during the nine months ended September 30, 2013 which has been including as a component of professional and legal fees in the condensed consolidated statement of operations.

On August 31, 2013, and as more fully described in Note 5, the Company issued 2,762,000 shares of common stock in connection with the acquisition of Shoom. These shares were deemed to have a fair value of $5,607,000.

On September 13, 2013, the Company issued 120,865 shares for the cashless exercise of 300,000 common stock warrants.

On September 30, 2013, the Company issued 15,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $30,450 during the nine months ended September 30, 2013 which has been including as a component of professional and legal fees in the condensed consolidated statement of operations.

Note 18 - Options

On March 20, 2013 the Company granted options for the purchase of 209,500 shares of common stock to employees. These options vest over four years, have a life of ten years, and have an exercise price of $0.40 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $154,400. The Company incurred a stock-based compensation charge of $57,900 during the nine months ended September 30, 2013 for the vested portion, which has been included as a component of compensation and related benefits.

On April 1, 2013 the Company granted options for the purchase of 20,000 shares of common stock to non-employees. These options are fully vested, have a life of ten years, and have an exercise price of $1.00 per share. The Company valued the stock options using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $10,400 during the nine months ended September 30, 2013 which has been included as a component of compensation and related benefits.

On April 8, 2013 the Company granted options for the purchase of 15,000 shares of common stock to an employee. These options vest over four years, have a life of ten years, and have an exercise price of $1.00 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $7,700. The Company incurred a stock-based compensation charge of $962 during the nine months ended September 30, 2013 for the vested portion, which has been included as a component of compensation and related benefits.

On August 14, 2013 the Company granted options for the purchase of 81,000 shares of common stock to employees. These options have are 25% vested upon grant date with the remainder to vest over 3 years, have a life of ten years and an exercise price of $1.35 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $105,600. The Company incurred a stock-based compensation charge of $26,400 during the nine months ended September 30, 2013 for the vested portion, which has been included as a component of compensation and related benefits.

Note 18 – Options (continued)

On August 14, 2013 the Company granted options for the purchase of 1,250,000 shares of common stock to an employee. These options vest over four years and have an exercise period of ten years and an exercise price of $1.35 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $1,629,000. The Company incurred a stock-based compensation charge of $50,906 during the nine months ended September 30, 2013 for the vested portion, which has been included as a component of compensation and related benefits.

On August 31, 2013, the Company granted options for the purchase of 200,000 shares of common stock to employees. These options are 25% vested upon grant date with the remainder to vest over three years and have an exercise period of ten years and an exercise price of $1.30 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $264,300. The Company incurred a stock-based compensation charge of $66,075 during the nine months ended September 30, 2013 for the vested portion, which has been included as a component of compensation and related benefits.

As of September 30, 2013, the fair value of non-vested options totaled $1,958,757 which will be amortized to expense over the remaining vesting periods ranging from 3 to 4 years.

The fair value of each employee option grant was estimated on the date of the grant using the Black-Scholes option-pricing model. Key assumptions used in those calculations during the nine months ended September 30, 2013 were as follows:

Risk-free interest rate	1.8% to 2.8%
Expected life of option grants	10 years
Expected volatility of underlying stock	39.4% - 39.7%

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 risk free interest rate was obtained from U.S. Treasury rates for the applicable periods. The Company attributes the value of stock-based compensation to operations on the straight-line single option method.

Note 19 - Warrants

On March 20, 2013, the Company granted 166,667 warrants to Bridge Bank, NA in connection with the acquisition of Lilien. The warrants were fully vested on the date of the grant and have an exercise period of seven years. The warrants have an exercise price of $0.45 per share. The Company valued the warrants using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $109,300 during the nine months ended September 30, 2013 which has been including as a component of acquisition transaction costs.

On August 29, 2013, the Company granted 112,500 warrants to Bridge Bank in connection with the Amendment 1 to the BFA. The warrants were fully vested on the date of grant, have an exercise period of seven years and an exercise price of $1.20 per share. The Company valued the warrants using the Black-Scholes valuation model and the fair value of the warrants of $137,100 has been capitalized as deferred financing costs during the nine months ended September 30, 2013 and is being amortized to interest expense over the remaining term of the credit line.

Note 20 - Fair Value

The Company determines the estimated fair value of amounts presented in these condensed consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the condensed consolidated financial statements are not necessarily indicative of the amounts that could be realized in a current exchange between buyer and seller. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. These fair value estimates were based upon pertinent information available as of September 30, 2013 and December 31, 2012 and, as of those dates, the carrying value of all amounts approximates fair value.

Note 20 - Fair Value (continued)

The Company has categorized its assets and liabilities at fair value based upon the following fair value hierarchy:

- Level 1 - Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 - Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

The following table summarized the valuation of the Company's investment by the above fair value hierarchy levels as of September 30, 2013.

	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2013
Marketable securities	$ 316,127	$ --	$ --	$ 316,127
September 30, 3013	$ 316,127	$ --	$ --	$ 316,127

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair measurements requires judgment and considers factors specific to each asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in historical company data) inputs.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable. The Company's Level 3 liabilities consisted of derivative liabilities associated with the convertible debt that contains an indeterminable conversion share price and the tainted warrants as the Company cannot determine if it will have sufficient authorized common stock to settle such arrangements.

The following table provides a summary of the Company's level 3 changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs during the nine months ended September 30, 2013.

	Warrant Liability	Embedded Conversion Feature	Total
Balance - December 31, 2012	$ 48,800	$ 128,300	$ 177,100
Change in Fair Value of Derivative Liability	489,000	168	489,168
Reclassification of Derivative Liability to Equity	(537,800)	(128,468)	(666,268)
Balance – September 30, 2013	$ --	$ --	$ --

The carrying amounts of the Company's cash and cash equivalents, accounts receivables, prepaid expenses, accounts payable and accrued expenses and other current liabilities approximate fair value to the short-term nature of these investments.

Note 20 - Fair Value (continued)

The following table summarizes significant unobservable inputs in the fair value measurement of the Company's warrant liability and embedded conversion feature. (Note 15)

Stock Price	$1.00
Risk Free Interest Rate	0.3%
Expected Life of Warrant Grant	0.5 – 2.0 Years
Expected Volatility	39%
Dividends	0.00

The expected stock price volatility for the Company's warrants was determined by the historical volatilities of industry peers and used an average of those volatilities. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods. The dividend yield is 0% because the Company has not paid dividends and does not expect to pay dividends in the foreseeable future.

The fair value of the put options/contingent consideration as more fully described in Note 4 of the condensed consolidated financial statements was evaluated under ASC 450. Based on the following unobservable inputs the Company deemed the fair value of the put option contingency to have a de minimis value as of the date of the acquisition and for each reporting date. The former members of Lilien must sell their common shares on or before March 20, 2015 and receive net proceeds of less than $1.00 per share. The Company considered that scenario to be unlikely, based upon its business plan and through the combined growth of the Company. The quoted market price of the Company's common shares undervalued those shares due to the very limited trading activity in such securities. As trading activity is expected to increase over the next two years and the market price has the opportunity to reflect the acquisition of Lilien and the increasing value of the Company during that period would further reduce the possibility of a holder receiving less than $1.00 per share from the sale of such securities. In addition, the holders of those shares issued in connection with the Lilien acquisition are still employed with the Company which increases the probability that the Company's stock price will be greater than $1.00.

Note 21 - Credit Risk and Concentrations

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

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Cash is also maintained at a foreign financial institution for its majority-owned subsidiary. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

As of September 30, 2013, Customer H represented approximately 13%, Customer I represented approximately 9%, Customer J represented approximately 7% and Customer A represented approximately 7% of total accounts receivable. As of September 30, 2012, Customer E represented approximately 53%, Customer F represented approximately 19%, Customer G represented approximately 15% and Customer D represented approximately 13% of total accounts receivable.

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 applicable period:

	For the Period Ended September 30,			
	2013	**%**	**2012**	**%**
Customer A	$ 3,735,774	11.0		
Customer B	$ 3,550,089	10.4		
Customer C	$ 2,502,043	7.3		
Customer D			$ 1,604,170	50.4
Customer E			$ 555,162	17.4
Customer F			$ 534,863	16.8
Customer G			$ 454,016	14.3

Note 22 – Segment Reporting and Foreign Operations

The Company operates in the following business segments:

- Information technology solutions services to commercial organizations. These services include enterprise computing and storage, virtualization, business continuity, networking and information technology business consulting services.
- Information technology and telecommunications solutions and services primarily to government agencies in the United States, (Domestic) and Saudi Arabia (Foreign) The operations include systems integration and consulting, including, but not limited to: custom application/software design, architecture and development, data center design and operations services, command control, computer communication, intelligence (C4I) system consulting, program management and security solutions and services.
- Internet based hosting eServices to its customers located in Europe (Foreign), Canada (Foreign) and the United States (Domestic) by providing Cloud-based data analytics and enterprise solutions to the media, publishing, and entertainment industries.

Prior to the acquisitions of Lilien and Shoom the Company operated in only one segment.

	Information technology solutions services to commercial organizations	Information technology solutions services to U.S. and Foreign Gov'ts	Internet based hosting eServices	Unallocated/ Corporate/Other	Total
Nine months ended September 30, 2013					
Revenues from external customers	$ 30,359,838	$ 3,406,930	$ 324,840	$ 0	$ 34,091,608
Intersegment revenues	$ 0	$ 0	$ 0	$ 0	$ 0
Cost of revenues	$ (24,032,360)	$ (1,812,189)	$ (10,091)	$ 0	$ (25,854,640)
Gross margin	$ 6,327,478	$ 1,594,741	$ 314,749	$ 0	$ 8,236,968
Segment profit (loss)	$ 142,441	$ 303,997	$ 41,967	$ (3,394,457)	$ (2,906,052)
Nine months ended September 30, 2012					
Revenues from external customers	$ 0	$ 3,182,046	$ 0	$ 0	$ 3,182,046
Intersegment revenues	$ 0	$ 0	$ 0	$ 0	$ 0
Cost of revenues	$ 0	$ (1,730,487)	$ 0	$ 0	$ (1,730,487)
Gross margin	$ 0	$ 1,451,559	$ 0	$ 0	$ 1,451,559
Segment profit (loss)	$ 0	$ 299,263	$ 0	$ (675,144)	$ (375,881)
September 30, 2013					
Total property and equipment	$ 203,806	$ 22,196	$ 28,467	$ 2,283	$ 256,752
Property and equipment additions	$ 4,588	$ 0	$ 0	$ 0	$ 4,588
Intangible assets	$ 9,475,718	$ 0	$ 3,870,030	$ 0	$ 13,345,748
Intangible assets additions	$ 9,475,718	$ 0	$ 3,870,030	$ 0	$ 13,345,748
Total segment assets	$ 29,927,295	$ 3,908,266	$ 8,556,782	$ (1,378,298)	$ 41,014,045
September 30, 2012					
Total property and equipment	$ 0	$ 101,507	$ 0	$ 0	$ 101,507
Property and equipment additions	$ 0	$ 4,544	$ 0	$ 0	$ 4,544
Intangible assets	$ 0	$ 0	$ 0	$ 0	$ -
Intangible assets additions	$ 0	$ 0	$ 0	$ 0	$ -
Total segment assets	$ 0	$ 1,894,842	$ 0	$ 133	$ 1,894,975

Note 22 – Segment Reporting and Foreign Operations (continued)

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

	United States	Saudi Arabia	Eliminations	Total
Nine Months Ended September 30, 2013:				
Revenues by geographic area	$ 34,047,000	$ 45,000	$ --	$ 34,092,000
Operating loss by geographic area	$ (2,196,000)	$ (209,000)	$ --	$ (2,405,000)
Net loss by geographic area	$ (2,697,000)	$ (209,000)	$ --	$ (2,906,000)
Nine Months Ended September 30, 2012:				
Revenues by geographic area	$ 2,622,000	$ 560,000	$ --	$ 3,182,000
Operating loss by geographic area	$ (138,000)	$ (97,000)	$ --	$ (235,000)
Net income (loss) by geographic area	$ (282,000)	$ (94,000)	$ --	$ (376,000)
As of September 30, 2013:				
Identifiable assets by geographic area	$ 39,661,000	$ 1,353,000	$ --	$ 41,014,000
Long lived assets by geographic area	$ 13,586,000	$ 17,000	$ --	$ 13,603,000
As of December 31, 2012:				
Identifiable assets by geographic area	$ 429,000	$ 1,186,000	$ --	$ 1,615,000
Long lived assets by geographic area	$ 8,000	$ 41,000	$ --	$ 49,000

The company also generated revenues from customers located in Canada. During the nine months ended September 30, 2013, these revenues were deemed to be nominal of total revenues for the period then ended.

Note 23 - 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.

During the year ended December 31, 2011, a judgment in the amount of $936,330 was levied against Sysorex Arabia LLC in favor of Creative Edge, Inc. in connection with amounts advanced for operations. Of that amount, $214,187 has been repaid, $514,836 will be paid through a surety bond, and the remaining $207,320 has been accrued by Sysorex Arabia as of September 30, 2013.

During the year ended December 31, 2011, a judgment in the amount of $613,333 was levied against Sysorex Arabia LLC in favor of one of its vendors (Tuwaiq) in connection with a dispute related to a services contract. However, this vendor owed Sysorex Arabia LLC a like amount in connection with the same services contract. In 2012, the balances were offset, the accounts were settled, and the judgment was released.

Note 23 - Commitments and Contingencies (continued)

Contingent Consideration

Under the terms of the acquisition of Lilien as more fully described in Note 4, the Company is liable for the payment of additional cash consideration to the extent that the recipients of the 6,000,000 shares of the Company's common stock referred to above receive less than $6,000,000 from the sale of those shares, less customary commissions, on or before March 20, 2015. As of the date of the acquisition and September 30, 2013 the guaranteed amount was considered by management to be de minimis.

Note 24 - Unaudited Pro Forma Stockholders' Equity

The Company has filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission in connection with a proposed offering of its securities. The board of directors has been authorized by the Company's stockholders to effect a 1-for-2 reverse stock split of its common stock following the effectiveness of the registration statement and prior to the closing of the offering; provided that the Company anticipates raising sufficient equity to meet the listing requirements of the NASDAQ Capital Market. In addition, the assumed reverse split is subject to adjustment depending on the market price of the Company’s common stock immediately prior to the consummation of the offering. The unaudited proforma stockholders' equity as of September 30, 2013 gives effect to the assumed 1-for-2 reverse stock split (see Note 25).

Since the 1-for-2 reverse stock split is to be effected after the effectiveness of the registration statement, the historical share information included in the accompanying interim condensed consolidated financial statements and notes hereto do not assume the 1-for-2 reverse stock split, and accordingly have not been adjusted.

Note 25 – Reverse Stock Split

On December 6, 2013, the Company’s Board of Directors, and on November 18, 2013, stockholders holding a majority of the Company’s outstanding voting power, approved resolutions authorizing the Board of Directors to effect a reverse split of the Company’s common stock at an exchange ratio of 1-for-2, subject to the effectiveness of the Company’s registration statement on Form S-1 in connection with its initial public offering simultaneous with a listing of the Company’s common stock on the NASDAQ Capital Market. In addition, the reverse split ratio is subject to adjustment depending on the market price of the Company’s common stock immediately prior to the consummation of the offering to permit the Company to exceed the minimum share price requirement of the Nasdaq Capital Market.

Note 26 - Subsequent Events

Common Stock

On October 1, 2013, the Company issued 20,000 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

On October 8, 2013, the Company issued 31,746 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

On October 11, 2013, the Company issued 6,875 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

On November 6, 2013, the Company issued 14,286 shares of common stock for services to a director of the Company which were fully vested upon date of grant.

On November 14, 2013 the Company granted options for the purchase of 5,000 shares of common stock to an employee. These options have a four year vesting schedule, have a life of ten years and an exercise price of $1.50 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $6,300. The fair value of the common stock as of grant date was $2.03/share.

On November 18, 2013 the Company granted options for the purchase of 916,500 shares of common stock to employees. These options have are 25% vested upon grant date with the remainder to vest over 3 years, have a life of ten years and an exercise price of $1.28 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the award was $1,213,000. The fair value of the common stock as of grant date was $2.03/share.

On December 24, 2013, the Company issued 9,852 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

Note 26 - Subsequent Events (continued)

Acquisition of AirPatrol Corporation

On December 20, 2013, the Company entered into an Agreement of Plan and Merger (the "Merger Agreement") to acquire 100% of the capital stock of AirPatrol Corporation ("AirPatrol"), a company in the mobile cyber-security and location-based services (LBS) space with leading-edge solutions and proprietary intellectual property, for a purchase price equal to (a) $10,000,000 in cash, subject to certain adjustments, allocated to and among certain creditors, payees, holders of AirPatrol's issued and outstanding capital stock and (b) 4,000,000 shares of Company common stock, of which 1,600,000 shall be held in escrow for one year, as security to satisfy any indemnity claims that may be owed by the AirPatrol shareholders to the Company (the "Merger Consideration"). The Merger Consideration also includes an earnout, half of the value of which shall be in stock and the other half in cash (unless otherwise agreed or required pursuant to the Merger Agreement) payable to the shareholders of AirPatrol in 2015 in accordance with the following formula: if for the five quarter period ending March 31, 2015, AirPatrol Net Income meets or exceeds $3,500,000, the Company shall pay to the AirPatrol shareholders an earnout payment equal to (i) AirPatrol Net Income, divided by $5,000,000, times (ii) $10,000,000, provided that the total earnout payment shall not exceed $10,000,000. The closing of the Merger is conditioned upon the consummation of an initial public offering of the Company's common stock with gross proceeds of at least $10,000,000 on terms acceptable to the Company and certain other customary conditions. The Company can give no assurance that the terms and conditions will be met and the transaction will close.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Sysorex Global Holdings Corp.

We have audited the accompanying consolidated balance sheets of Sysorex Global Holdings Corp. and Subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related statements of operations, changes in stockholders' deficiency, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sysorex Global Holdings Corp. and Subsidiary as of December 31, 2012 and 2011, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP
New York, NY
August 12, 2013, except for Notes 21 and 22 as to which the date is January 21, 2014

SYSOREX GLOBAL HOLDINGS CORP.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

	2012	2011	Proforma Stockholders' Deficit as of December 31, 2012 (Unaudited) (Note 21)
Assets			
Current Assets			
Cash and cash equivalents	$ 8,301	$ 225,134	
Accounts receivable, net	386,720	414,519	
Prepaid expenses	31,762	43,318	
Total Current Assets	426,783	682,971	
Property and Equipment - Net	49,238	144,921	
Deposits	749,227	762,738	
Contracts Receivable, Long Term	369,804	21,788	
Other Assets	20,060	298	
Total Assets	$ 1,615,112	$ 1,612,716	
Liabilities and Stockholders' Deficiency			
Current Liabilities			
Accounts payable	$ 1,075,312	$ 896,262	
Accrued expenses	503,634	456,152	
Accrued compensation and related benefits	1,078,330	1,024,403	
Deferred revenue	236,291	378,557	
Due to factoring company	46,426	44,423	
Due to related parties	1,829,141	1,365,888	
Advance payable	722,156	936,343	
Notes payable	391,181	479,741	
Note payable to related party	35,050	16,850	
Convertible note payable, net of debt discount of $16,667	88,333	--	
Derivative liability	177,100	--	
Total Liabilities	6,182,953	5,598,619	
Commitments and Contingencies			
Stockholders' Deficiency			
Preferred stock - $0.001 par value: 5,000,000 shares authorized; -0- shares issued and outstanding	--	--	--
Common stock - $0.001 par value: 40,000,000 shares authorized; 17,987,518 and 17,962,518 issued and outstanding	17,988	17,963	8,994
Additional paid-in capital	6,130,440	5,901,968	6,139,434
Due from Sysorex Consulting, Inc.	(665,554)	(639,744)	(665,554)
Accumulated deficit (excluding $2,441,960 reclassification to additional paid- in capital in quasi-reorganization)	(8,842,558)	(8,148,712)	(8,842,558)
Stockholders' Deficiency Attributable to Sysorex Global Holdings Corp.	(3,359,684)	(2,868,525)	(3,359,684)
Non-controlling interest	(1,208,157)	(1,117,378)	(1,208,157)
Total Stockholders' Deficiency	(4,567,841)	(3,985,903)	(4,567,841)
Total Liabilities and Stockholders' Deficiency	$ 1,615,112	$ 1,612,716	

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

SYSOREX GLOBAL HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues, Net	$ 4,237,789	$ 7,003,549
Cost of Revenues	2,344,592	4,312,281
Gross Profit	1,893,197	2,691,268
Operating Expenses		
Compensation and related benefits	1,462,858	1,787,255
Professional and legal fees	471,393	140,459
Consulting and advisory fees	1,685	187,625
Occupancy	50,043	44,137
Other administrative	362,632	580,165
Total Operating Expenses	2,348,611	2,739,641
Loss from Operations	(455,414)	(48,373)
Other Income (Expense)		
Other income	2,987	66
Gain on settlement of obligations	--	110,049
Interest expense	(350,201)	(30,890)
Change in fair value of derivative liability	18,003	--
Total Other (Expense) Income	(329,211)	79,225
Net (Loss) Income before Provision for Income Taxes	(784,625)	30,852
Provision for Income Taxes	--	30,606
Net (Loss) Income	$ (784,625)	$ 246
Net (Loss) Income Attributable to Non-controlling Interest	$ (90,779)	$ 35,775
Net Loss Attributable to Stockholders of Sysorex Global Holdings Corp.	$ (693,846)	$ (35,529)
Dividends	--	118,200
Net Loss Attributable to Common Stockholders	$ (693,846)	$ (153,729)
Net Loss Per Share - Basic and Diluted	$ (0.04)	$ (0.01)
Weighted Average Shares Outstanding		
Basic and Diluted	17,962,586	13,879,817
Proforma net loss per share – basic and diluted (note 21)	$ (0.08)	$ (0.02)
Proforma weighted average number of shares outstanding (note 21)	8,981,293	6,939,909

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

SYSOREX GLOBAL HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Common Stock		Additional Paid-in	Due to Sysorex	Accumulated	Non-Controlling	Total Stockholders'
	Shares	Amount	Capital	Consulting, Inc.	Deficit	Interest	Deficiency
Balance – January 1, 2011	9,658,967	$ 9,659	$ 3,943,441	$ (651,625)	$ (7,994,983)	$ (2,349,883)	$ (7,043,391)
Issuance of common stock for the settlement of debt due to a related party	1,135,781	1,136	1,174,864	--	--	--	1,176,000
Dividends	--	--	--	--	(118,200)	--	(118,200)
Conversion of Sysorex Federal, Inc. preferred stock and accrued dividends to common stock prior to reverse merger with Softlead, Inc.	3,805,252	3,805	1,549,220	--	--	--	1,553,025
Reverse merger with Softlead, Inc. and Sysorex Arabia LLC	2,650,518	2,651	(1,311,645)	--	--	1,196,730	(112,264)
Stock options granted to employees for services	--	--	202,800	--	--	--	202,800
Shares issued for the exercise of stock options	30,000	30	2,970	--	--	--	3,000
Shares of common stock issued for consultant and legal services	42,000	42	20,958	--	--	--	21,000
Shares of common stock issued for cash and services	350,000	350	174,650	--	--	--	175,000
Shares of common stock issued for cash	290,000	290	144,710	--	--	--	145,000
Cash repayment of advances from related party	--	--	--	11,881	--	--	11,881
Net income (loss)	--	--	--	--	(35,529)	35,775	246
Balance – December 31, 2011	17,962,518	17,963	5,901,968	(639,744)	(8,148,712)	(1,117,378)	(3,985,903)
Advances from related party	--	--	--	(25,810)	--	--	(25,810)
Stock options granted to employees for services	--	--	108,500	--	--	--	108,500
Reclassification of derivative liability (Note 10)	--	--	116,097	--	--	--	116,097
Shares of common stock issued for services	25,000	25	3,875	--	--	--	3,900
Net loss	--	--	--	--	(693,846)	(90,779)	(784,625)
Balance - December 31, 2012	17,987,518	$ 17,988	$ 6,130,440	$ (665,554)	$ (8,842,558)	$ (1,208,157)	$ (4,567,841)

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

SYSOREX GLOBAL HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Net income (loss)	$ (784,625)	$ 246
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	99,204	83,198
Bad debt expense	--	99,341
Stock based compensation	223,600	395,300
Accretion of debt discount	183,333	--
Change in fair value of derivative liability	(18,003)	--
Gain on settlement of obligations	--	(110,049)
Changes in operating assets and liabilities:		
Accounts receivable	(320,217)	(60,739)
Prepaid expenses	11,557	38,487
Other assets	(6,251)	4,610
Accounts payable	179,048	(337,841)
Accrued expenses	47,481	274,585
Accrued compensation	53,928	(942,716)
Deferred revenue	(142,266)	107,273
Accrued interest	1,200	6,640
Net Cash Used in Operating Activities	(472,011)	(441,665)
Cash Used in Investing Activities		
Purchase of property and equipment	(3,521)	(5,875)
Cash Flows from Financing Activities		
Advances from factor	2,003	3,957
Net proceeds from issuance of common stock	--	148,500
Net proceeds from the exercise of stock options	--	3,000
Proceeds from note from related party	17,000	--
Repayment of advances to Qureishi Family Trust	(7,631)	(82,099)
Repayment of advances to Sysorex Consulting, Inc.	(122,613)	(338,890)
Repayment of cash advances	(214,187)	(106,667)
Proceeds from convertible notes	200,000	--
Repayment of convertible notes	(95,000)	--
Repayment of notes payable	(88,560)	(93,344)
Advance from Duroob Technology	567,687	1,112,760
Net Cash Provided by Financing Activities	$ 258,699	$ 647,217
Net (Decrease) Increase in Cash and Cash Equivalents	(216,833)	199,677
Cash and Cash Equivalents - Beginning of Year	225,134	25,457
Cash and Cash Equivalents - End of Year	$ 8,301	$ 225,134
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for:		
Interest	$ 55,668	$ 25,233
Income Taxes	$ 23,122	$ 1,320
Non-cash disclosure of Financing and Investing Activities:		
Reclassification of derivative liability to equity	$ 116,097	$ --
Issuance of common stock for the settlement of related party advances	$ --	$ 1,176,000
Issuance of common stock for the settlement of accrued dividends	$ --	$ 1,553,025
Acquisition of Softlead:		
Assumption of assets other than cash	$ --	$ 20,000
Assumption of liabilities	$ --	$ 32,264
Dividends accrued	$ --	$ 118,200

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

Note 1 - Organization and Nature of Business

Overview

Sysorex Global Holdings Corp. ("SGHC"), through its wholly-owned subsidiaries, Sysorex Federal, Inc. and Sysorex Government Services, Inc., and majority-owned subsidiary, Sysorex Arabia LLC (collectively the "Company"), provides information technology and telecommunications solutions and services primarily to government customers in the United States and Saudi Arabia. The Company is a systems integration and consulting company and has a wide range of offerings, including, but not limited to: custom application/software design, architecture and development, data center design and operations services, command control, computer communication, intelligence (C4I) system consulting, program management and security solutions and services. The Company is headquartered in the state of California, has an office in the state of Virginia, and the Company's majority-owned subsidiary operates in Saudi Arabia.

Effective March 1, 2013, and as more fully described in Note 23 the Company acquired the assets of Lilien LLC ("Lilien"), and 100% of the stock of Lilien Systems, an information technology company, which significantly expanded its operations in the fields described above.

Reverse Merger

Effective July 29, 2011, Softlead Inc. ("Softlead") entered into an Acquisition and Share Exchange Agreement with the Company. Upon the terms and subject to the conditions of the agreement, at the effective date of the merger, the Company was merged with and into Softlead, with Softlead continuing as the surviving corporation.

As of the effective date, Softlead acquired 100% of the issued and outstanding shares of Sysorex Federal, Inc. and its wholly-owned subsidiary, Sysorex Government Services, Inc., and 50.2% of the issued and outstanding shares of Sysorex Arabia LLC, from Sysorex Consulting, Inc. and the Qureishi Family Trust.

As of the effective date of the merger, each share of the Company's common stock was cancelled and converted automatically into the right to receive common shares of Softlead for an aggregate of 14,600,000 common shares of Softlead, which constituted 84.6% of the post-acquisition outstanding shares of Softlead's stock at the end of the merger. Softlead's existing shareholders retained a total of 2,650,518 shares of Softlead's stock, which constituted 15.4% of the post-acquisition outstanding shares of Softlead. Post-acquisition and after share exchange, there was a total of 17,250,518 issued and outstanding shares of Softlead stock, which was recorded as a recapitalization of Softlead.

For accounting purposes, the transaction described above was treated as a recapitalization of Sysorex Federal Inc., the accounting acquirer, because Sysorex Federal's shareholders own the majority of Softlead's outstanding common stock following the transaction and exercise significant influence over the operating and financial policies of the consolidated entity. Softlead was a non-operating company prior to the acquisition. Pursuant to Securities and Exchange Commission rules, the merger or acquisition of a private operating company into a non-operating public company with nominal net assets is considered a capital transaction in substance, rather than a business combination. As a result, the effect of the recapitalization was applied retroactively to the prior year's consolidated financial statements as if the current structure existed since inception of the periods presented. The number of shares issued and outstanding, additional paid-in capital and all references to share quantities of the Company in these notes have been retroactively adjusted to reflect the equivalent number of shares issued by the Company in the reverse merger, while the operating company's historical equity is being carried forward. All costs attributable to the reverse merger were expensed as transaction costs. On the date of the merger, Softlead changed its corporate name to Sysorex Global Holdings Corp.

Currently and as a result of the transactions described in the preceding paragraphs, SGHC conducts its business through:

- Sysorex Federal, Inc., a 100% owned subsidiary of SGHC, and Sysorex Government Services, Inc., a 100% owned subsidiary of Sysorex Federal, Inc.; and
- Sysorex Arabia LLC, a 50.2% owned subsidiary of SGHC.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements have been prepared using the accounting records of the Company and its wholly-owned subsidiaries, Sysorex Federal, Inc. and Sysorex Government Services, Inc., and its majority-owned subsidiary, Sysorex Arabia LLC. All material inter-company balances and transactions have been eliminated.

The Company owns 50.2% of Sysorex Arabia ("SA"). As of December 31, 2012, SA had minimal cash, approximately $370,000 in contracts receivable, $749,000 in deposits, $68,000 in other assets and intercompany balances and debts as disclosed in the following footnotes, with an accumulated deficit of approximately $1,286,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US 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 are the valuation of stock-based compensation, derivatives, allowance for doubtful accounts and the valuation allowance for the deferred tax asset.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking accounts, money market accounts and temporary investments, with maturities of three months or less when purchased. As of December 31, 2012 and 2011 the Company had no cash equivalents.

Accounts Receivable, Contracts receivable and Allowance for Doubtful Accounts

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for doubtful accounts to ensure accounts receivables are not overstated due to uncollectibility. Bad debt reserves are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in the customers' operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. The Company has recorded an allowance for doubtful accounts of $133,180 and $133,180 as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011 the Company has reclassified $369,804 and $21,788 respectively as long term contracts receivable because the amount is not expected to be collected within the next twelve months.

Property and Equipment

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

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets, including property and equipment and intangible assets, when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company compares the carrying value of the asset to its estimated discounted future cash flows. If an asset's carrying value exceeds such estimated cash flows (undiscounted and with interest charges), the Company records an impairment charge for the difference.

Based on its assessments, the Company did not incur any impairment charges for the years ended December 31, 2012 and 2011.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

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

Non-Controlling Interest

The Company has a 50.2% equity interest in Sysorex Arabia as of December 31, 2012 and 2011. The portion of the Company's deficiency attributable to this third-party non-controlling interest was approximately $1.2 million and $1.1 million as of December 31, 2012 and 2011, respectively.

Foreign Currency Translation

Assets and liabilities related to the Company's foreign operations are calculated using the Saudi Riyal and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Translation adjustments are recorded as a separate component of stockholders' equity.

Transaction gains and losses were immaterial for the years ended December 31, 2012 and 2011.

Comprehensive Income (Loss)

The Company reports comprehensive income (loss) and its components in its consolidated financial statements. Comprehensive loss consists of net loss and foreign currency translation adjustments affecting stockholders' equity that, under US GAAP, are excluded from net loss. The difference between net income as reported and comprehensive income have historically been immaterial.

Revenue Recognition

Revenues for the years ended December 31, 2012 and 2011 are comprised of the following:

	Year Ended December 31,	
	2012	**2011**
Resale of hardware	$ 132	$ 588,491
Resale of software	1,376	4,552
Maintenance Services	4,018	5,481
Professional services contracts – time and materials	828,132	708,826
Professional services contracts – firm fixed price	3,404,131	5,696,199
Total	**$ 4,237,789**	**$ 7,003,549**

Revenue is generally recognized when services have been rendered, provided that persuasive evidence of an arrangement exists, the fee is fixed or determinable, and collection is reasonably assured. To the extent that one or more of these conditions are not met, revenue is deferred until such time as all four criteria are met.

Revenues are derived principally from time and material or firm fixed price long-term and short-term contracts with various United States Government agencies, Saudi Arabian Government agencies, and commercial customers. Revenue on time and material contracts is recognized based on a fixed hourly rate for direct labor hours expended. The fixed rate includes direct labor, indirect expenses, and profits. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. Anticipated losses are recognized as soon as they become known. These amounts are based on known and estimated factors.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

In general, the Company requires an upfront deposit for significant arrangements. If the Company receives a payment from a customer prior to meeting all of the revenue recognition criteria, the payment is recorded as deferred revenue. The Company's current arrangements with its third-party integrators, value-added resellers and distributors generally do not provide for any rights of return, price-protection or other contingencies.

The Company had no multiple deliverable arrangements during the years ended December 31, 2012 and 2011.

Advertising Costs

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

Stock-Based Compensation

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

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

The Company incurred stock-based compensation charges, net of estimated forfeitures of $223,600 and $395,300 for the years ended December 31, 2012 and 2011, respectively. The following table summarizes the nature of such charges for the years then ended:

	2012	2011
Compensation and related benefits	$ 108,500	$ 202,800
Professional fees	3,900	3,000
Consulting and advisory		189,500
Interest expense	111,200	--
Totals	$ 223,600	$ 395,300

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, conversion of convertible notes payable, and shares issued to members of the Board of Directors of the Company for services rendered in the calculation of diluted net loss per common shares would have been anti-dilutive.

The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net loss per common share for the years ended December 31, 2012 and 2011:

	2012	2011
Options	1,463,000	528,500
Warrants	843,356	--
Convertible debt	1,166,667	--
Totals	3,473,023	528,500

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, deferred revenue, and derivative instruments. The Company determines the estimated fair value of such financial instruments presented in these financial statements using available market information and appropriate methodologies. These financial instruments are stated at their respective historical carrying amounts, which approximate fair value due to their short term nature, except derivative instruments which are marked to market at the end of each reporting period.

Derivative Liabilities

In connection with the issuance of a secured convertible promissory note, the terms of the convertible note included an embedded conversion feature; which provided for the settlement of the convertible promissory note into shares of common stock at a rate which was determined to be variable. The Company determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 “Derivatives and Hedging”.

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants at their fair values as of the inception date of the agreements and at fair value as of each subsequent balance sheet date. As a result of entering into the convertible promissory notes, the Company is required to classify all other non-employee warrants as derivative liabilities and record them at their fair values at each balance sheet date. Any change in fair value was recorded as a change in the fair value of derivative liabilities for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The fair value of an embedded conversion option that is convertible unto a fixed number of shares is recorded using the intrinsic value method and the embedded conversion option that is convertible into at variable amount of shares are deemed to be a “down-round protection” and therefore, do not meet the scope exception for treatment as a derivative under ASC 815. Since, “down-round protection” is not an input into the calculation of the fair value of the conversion option and cannot be considered “indexed to the Company’s own stock” which is a requirement for the scope exception as outlined under ASC 815. The Company determined the fair value of the Binomial Lattice Model and the Intrinsic Value Method to be materially the same. Warrants that have been reclassed to derivative liability that did not contain “down-round protection” were valued using the Black-Scholes model. The Company’s outstanding warrants did not contain any down round protection.

The Black-Scholes option valuation model is used to estimate the fair value of the warrants or options granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants or options granted.

Reclassification

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

Subsequent Events

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

Note 3 - Property and Equipment

Property and equipment at December 31, 2012 and 2011 consists of the following:

	2012	2011
Computer and office equipment	$ 135,631	132,110
Furniture and fixtures	62,973	62,973
Leasehold improvements	134,445	134,445
Software	24,245	24,245
Vehicles	207,280	207,280
Total	564,574	561,053
Less: accumulated depreciation and amortization	(515,336)	(416,132)
Total Property and Equipment - Net	$ 49,238	144,921

Depreciation and amortization expense was $99,204 and $83,198 for the years ended December 31, 2012 and 2011, respectively.

Note 4 - Deposits

The Company has entered into surety bonds with a financial institution in Saudi Arabia which guarantee future performance on certain contracts. Deposits for surety bonds amounted to $749,227 and $762,738 as of December 31, 2012 and 2011, respectively.

Note 5 - Due to Factoring Company

The Company has an agreement with a commercial financing company (the “Factoring Company”) under which the Company factors trade accounts receivable without recourse as to credit risk, but with recourse for certain claims by the customer for adjustments in the normal course of business. The Company granted a security interest in those receivables to the Factoring Company and continues to carry them as receivables on the balance sheet. The Company also records the amounts factored as liabilities to the Factoring Company and owed $46,426 and $44,423 under this arrangement as of December 31, 2012 and 2011, respectively. The Company incurred commission charges under this agreement of $19,887 and $22,900 for the years ended December 31, 2012 and 2011, respectively.

Note 6 - Due to Related Parties

Non-interest bearing amounts due on demand to related parties as of December 31, 2012 and 2011 are as follows:

	2012	2011
Qureishi Family Trust, an entity which owns 10.1% of the outstanding common shares of the Company as of December 31, 2012 and 2011	$ 136,977	$ 144,608
Duroob Technology, Inc., an entity whose CEO owns 49.8% of Sysorex Arabia LLC, the Company’s 50.2% owned subsidiary	1,680,447	1,112,760
Sysorex Consulting, Inc., an entity which owns 2% of the outstanding common shares of the Company as of December 31, 2012 and 2011	11,717	108,520
Totals	$ 1,829,141	$ 1,365,888

Note 7 - Advance Payable

During the year ended December 31, 2009, the Company received a non-interest cash advance of $1,012,982 from a business partner to fund the operations of the Company. Amounts owed to the business partner under this arrangement were $722,156 and $936,343 as of December 31, 2012 and 2011, respectively, and is payable on demand.

Note 8 - Notes Payable

Notes payable and accrued interest as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
a) Note payable dated July 1, 2008	$ 341,899	$ 421,899
b) Note payable dated June 15, 2010	22,020	30,580
c) Note payable dated July 29, 2011	27,262	27,262
Totals	$ 391,181	$ 479,741

a) Note payable dated July 1, 2008

On July 1, 2008, the Company entered into a note payable for gross proceeds of $515,233. The note has no stated interest rate or repayment terms and matured on July 31, 2012. The maturity of the note was amended and is now due on September 30, 2013, all other terms of the note remain unchanged.

b) Note payable dated June 15, 2010

On June 15, 2010, the Company entered into a note payable for gross proceeds of $28,000. The note accrued interest at the rate of 6% per annum, had no repayment terms and matured on March 31, 2013. Principal and interest was repaid in full upon maturity.

c) Note payable dated July 29, 2011

On July 29, 2011 and in connection with the acquisition of Softlead, the Company became responsible for a note payable in the amount of $27,262. The note had no stated interest rate, repayment terms or maturity date. The note was paid in full on April 3, 2013.

Note 9 - Note Payable to Related Party

On June 15, 2010, the Company entered into a note payable with a director of the Company for $15,000. The note accrues interest at an annual rate of 8% per annum and matures on September 30, 2013. Principal and interest due in connection with this note totaled $18,050 and $16,850 as of December 31, 2012 and 2011, respectively.

On May 29, 2012 the Company entered into a note payable with an officer of the Company for $17,000. This note has no stated interest rate and is payable upon demand. Principal due in connection with this note totaled $17,000 as of December 31, 2012.

Note 10 - Secured Convertible Note Payable

On August 7, 2012, the Company issued a secured convertible promissory note (the “Note”) in the face amount of $200,000 and received proceeds of $180,000. The Note accrues interest at the effective rate of 32%, is secured by Company receivables, matures on February 7, 2013, and may be prepaid without penalty at any time.

The Note is also convertible at any time at the option of the holder into shares of the Company’s common stock at a conversion price equal to 45% of the lowest trading price for the common stock at any time during the ten trading days immediately preceding the date of issuance by the holder of a notice of conversion. Therefore, since this embedded conversion feature provides for the settlement of this convertible promissory note with shares of common stock at a rate which is variable in nature, this embedded conversion feature must be classified and accounted for as a derivative financial instrument.

In connection with the issuance of the Note, the Company also issued warrants for the purchase of 300,000 shares of the Company’s common stock at an exercise price of $0.87 per share through July 29, 2014. Therefore, since the embedded conversion feature of the convertible promissory note must be accounted for as a derivative instrument, these warrants must also be accounted for as derivative instruments. As a result of entering into the convertible promissory note described above, all other non-employee warrants issued by the Company must also be classified and accounted for as derivative financial instruments.

Note 10 - Secured Convertible Note Payable (continued)

Generally accepted accounting principles require that:

a) Derivative financial instruments be recorded at their fair value on the date of issuance and then adjusted to fair value at each subsequent balance sheet date with any change in fair value reported in the statement of operations; and

b) The classification of derivative financial instruments be reassessed as of each balance sheet date and, if appropriate, be reclassified as a result of events during the reporting period then ended.

The fair value of the embedded conversion feature and the warrants, $244,500 and $17,700, respectively, aggregated $262,200. Consequently, upon issuance of the Note, a debt discount of $200,000 was recorded and the difference of $62,200, representing the fair value of the conversion feature and the warrants in excess of the debt discount, was immediately charged to interest expense. The debt discount will be amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the straight-line method which approximates the interest method. The amortization of debt discount is included as a component of interest expense in the consolidated statements of operations.

The fair value of the embedded conversion feature and the warrants was estimated using the Black-Scholes option-pricing model. Key assumptions used to apply this pricing model during the year ended December 31, 2012 were as follows:

Risk-free interest rate	0.3%
Expected life of option grants	0.5 to 2.0 years
Expected volatility of underlying stock	39%

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. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods.

During the year ended December 31, 2012, the Company repaid $95,000 of the principal balance due and reclassified $116,097 of the derivative liability to additional paid-in capital. This note payable was paid in full during the quarter ended March 31, 2013.

Note 11 - 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. There were no shares of preferred stock issued and outstanding as of December 31, 2012 and 2011.

Note 12 - Common Stock

The Company is authorized to issue up to 40,000,000 shares of common stock with a par value of $0.001 per share. Each share of common stock is entitled to one vote on matters submitted to a vote of the common shareholders as prescribed by the By-Laws of the Company.

On April 1, 2011, the Company issued 1,135,781 shares of common stock to an affiliated company with common ownership prior to the reverse merger for the settlement of $1,176,000 of advances payable.

On July 29, 2011 and immediately prior to the reverse merger, Sysorex Federal, Inc. issued 3,805,252 shares of common stock to an affiliated entity with common ownership prior to the reverse merger for the conversion of preferred stock and forgiveness of accrued dividends. The preferred stock was non-cumulative, fully participating, and voting.

On August 2, 2011, the Company issued 216,000 shares of common stock for cash proceeds of $108,000.

On August 4, 2011, the Company issued 30,000 shares of common stock for the exercise of stock options. The gross proceeds received from the exercise were $3,000.

In August 2011, the Company issued 42,000 shares of common stock for consulting and legal services. Accordingly, the Company recorded a charge of $21,000 for the fair value of these issuances.

Note 12 - Common Stock (continued)

On August 4, 2011, the Company issued 350,000 shares of common stock to a consultant for $.01 a share for services they provided. The Company received cash proceeds of $3,500 from the consultant and, accordingly, recorded a charge of $171,500 for the remaining fair value of the shares.

On December 31, 2011, the Company issued 74,000 shares of common stock for cash proceeds of $37,000.

On December 31, 2012, the Company issued 25,000 shares of common stock under the terms of a consulting services agreement. Such shares were valued at $0.156 per share based upon the closing price of the Company's shares over the preceding 10 days and, accordingly, the Company recorded an expense of $3,900 during the year ended December 31, 2012.

Note 13 - Due from a Related Party

Non-interest bearing amounts due on demand from a related party were $665,554 and $639,744 as of December 31, 2012 and 2011, respectively, and consisted primarily of amounts due from Sysorex Consulting, Inc.

As Sysorex Consulting, Inc. is a direct shareholder of and an investor in the Company, the amounts due from Sysorex Consulting, Inc. as of December 31, 2012 and 2011 have been classified in and as a reduction of Stockholders' Deficiency.

Note 14 - Options

During the year ended December 31, 2011, the Company granted 558,500 of stock options to employees and non-employees for services provided. The stock options were fully vested on the date of the grant and have a life ranging from two to five years. The options have exercise prices ranging from $0.10 to $0.70 per share. The Company valued the stock options using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $202,800.

During the year ended December 31, 2012, the Company granted 934,500 of stock options to employees and non-employees for services provided. The stock options were fully vested on the date of the grant and have a life of ten years. The options have an exercise price of $0.156 per share. The Company valued the stock options using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $108,500.

As of December 31, 2012, the fair value of non-vested options totaled $-0.

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during the years ended December 31, 2011 and 2012 were as follows:

	2012	2011
Risk-free interest rate	0.7% to 1.8%	0.2% to 0.8%
Expected life of option grants	10 years	2 to 5 years
Expected volatility of underlying stock	39.7% to 41.6%	100%

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 following table summarizes the changes in options outstanding during the years ended December 31, 2012 and 2011:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1, 2011	--	--	--
Granted	558,500	(0.55)	--
Exercised	(30,000)	(0.10)	--

Note 14 – Options (continued)

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2011	528,500	$ 0.60	$ --
Granted	934,500	$ 0.16	$ --
Outstanding at December 31, 2012	1,463,000	$ 0.16	$ 58,520
Exercisable at December 31, 2012	1,463,000	$ 0.16	$ 58,520
Exercisable at December 31, 2011	528,500	$ 0.60	$ --

Number of Options	Range of Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Average Exercise Price	Currently Exercisable
315,000	$0.50	3.4	$0.50	315,000
213,500	$0.70	3.9	$0.70	213,500
934,500	$0.16	10.0	$0.16	934,500
1,463,000				1,463,000

Note 15 - Warrants

During the year ended December 31, 2012, the Company issued warrants for the purchase of 543,356 of shares of common stock to employees and non-employees as compensation for interest free loans they have made to the Company over the past several years. As of December 31, 2012, the balance outstanding related to those loans total $0. The warrants were fully vested upon issuance, have a life of five years, and have an exercise price of $0.156 per share. The Company valued the warrants using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $49,000 which was classified as interest expense.

As previously discussed in Note 11 and in connection with the issuance of a convertible note, on July 31, 2012 the Company issued warrants for the purchase of 300,000 shares of common stock at $0.87 per share. The warrants were fully vested upon issuance and have a life of two years. The Company valued the warrants using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $17,700 which was classified as interest expense.

As of December 31, 2012, all outstanding warrants are exercisable and allow for the purchase of up to 843,356 shares of common stock at a weighted average exercise price of $0.41 per share, have a weighted average remaining contractual life of 3.8 years, and have an aggregate intrinsic value of $23,908.

Note 16 - Income Taxes

The domestic and foreign components of income (loss) before income taxes from continuing operations for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Domestic	$ (602,338)	$ (71,592)
Foreign	(182,287)	102,444
Income from Continuing Operations before Provision for Income Taxes	$ (784,625)	$ 30,852

Note 16 - Income Taxes (continued)

The income tax provision (benefit) for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011
Foreign		
Current	$ --	$ 30,606
Deferred	(36,457)	10,202
U.S. federal		
Current	--	--
Deferred	(100,106)	(198,150)
State and Local		
Current	--	--
Deferred	(81,409)	(16,851)
	(217,972)	(174,193)
Change in valuation allowance	217,972	204,799
Income Tax Provision	$ --	$ 30,606

The reconciliation between the U.S. statutory federal income tax rate and the Company's effective rate for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
U.S. federal statutory rate	(34.0)%	34.0%
State income taxes, net of federal benefit	(4.2)	4.4
Merger and acquisition costs	0.0	2.0
Derivative liability / Debt discount	13.9	0.0
Meals and entertainment	0.0	0.9
NOL from Softlead	0.0	(149.8)
Fines/penalties	0.0	(1.3)
State rate change	(7.0)	6.6
US-Saudi Arabia income tax rate difference	3.3	(28.3)
Other permanent items	0.2	76.1
Change in valuation allowance	27.8	154.6
Effective Rate	0.0%	99.2%

As of December 31, 2012 and 2011, the Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

	2012	2011
Deferred Tax Asset		
Net operating loss carryovers	$ 1,805,873	$ 1,610,423
Intangible amortization	202,774	227,684
Charitable contribution carryover	39	39
Non-deductible stock compensation	198,039	151,064
Accrued compensation	43,244	42,787
Derivative Liability	6,575	--
Total Deferred Tax Asset	2,256,544	2,031,997
Less: valuation allowance	(2,249,969)	(2,031,997)
Deferred Tax Asset, Net of Valuation Allowance	$ 6,575	$ --

Note 16 - Income Taxes (continued)

Deferred Tax Liabilities

	2012	2011
Derivative liabilities	$ (6,575)	$ --
Total deferred tax liabilities	(6,575)	--
Net Deferred Tax Asset (Liability)	$ --	$ --

As of December 31, 2012 and 2011, the Company had approximately $4.4 million and $4.1 million, respectively, of U.S. federal and state net operating loss ("NOL") carryovers available to offset future taxable income. These net operating losses, which, if not utilized, begin expiring in the year 2019. In accordance with Section 382 of the Internal Revenue Code, deductibility of the Company's net operating loss carryover may be subject to an annual limitation in the event of a change of control, as defined by the regulations. The Company performed a preliminary evaluation as to whether a change of control has taken place and concluded that Sysorex Global Holdings Corp. experienced a change of ownership upon the completion of the reverse merger transaction in July 2011. It is estimated that Softlead's NOLs are subject to an annual limitation of $330,520 for NOLs generated up through the date of the reverse merger in July 2011. As of December 31, 2012 and 2011, the Company had approximately $400,000 and $218,000 respectively of Saudi Arabian net operating loss carryovers available to offset future taxable income. However, only 25% of taxable income in any given year may be offset by the Company's NOL carryovers.

No provision was made for U.S. or foreign taxes on the undistributed earnings of Sysorex Arabia, as such earnings are considered to be permanently reinvested. Such earnings have been, and will continue to be, reinvested, but could become subject to additional tax, if they were remitted as dividends, loaned to the Company, or if the Company should sell its stock in Sysorex Arabia. It is not practicable to determine the amount of additional tax, if any, that might be payable on the undistributed foreign earnings.

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

ASC 740, "Income Taxes" requires that a valuation allowance be established when it is "more likely than not" that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. After consideration of all the information available, Management believes that uncertainty exists with respect to future realization of its deferred tax assets and has, therefore, established a full valuation allowance as of December 31, 2012 and 2011.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is required to file income tax returns in the United States (federal) and in various state jurisdictions. Based on the Company's evaluation, it has been concluded that there are no material uncertain tax positions requiring recognition in the Company's financial statements for the years ended December 31, 2012 and December 31, 2011.

The Company's policy for recording interest and penalties associated with unrecognized tax benefits is to record such interest and penalties as interest expense and as a component of selling, general and administrative expense, respectively. There were no amounts accrued for interest or penalties for the years ended December 31, 2012 and December 31, 2011. Management does not expect any material changes in its unrecognized tax benefits in the next year.

Note 17 - Fair Value

The Company determines the estimated fair value of amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current exchange between buyer and seller. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. These fair value estimates were based upon pertinent information available as of December 31, 2012 and 2011 and, as of those dates, the carrying value of all amounts approximates fair value.

The Company has categorized its assets and liabilities at fair value based upon the following fair value hierarchy:

- Level 1 - Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 - Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair measurements requires judgment and considers factors specific to each asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in historical company data) inputs.

The following are the major categories of assets were measured at fair value during the years ended December 31, 2012 and 2011, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Embedded conversion feature	$ --	$ --	$ 128,300	$ 128,300
Warrant and option liability	--	--	48,800	48,800
December 31, 2012	$ --	$ --	$ 177,100	$ 177,100

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The Company's Level 3 liabilities consist of derivative liabilities associated with the convertible debt that contains an indeterminable conversion share price and the tainted warrants as the Company cannot determine if it will have sufficient authorized common stock to settle such arrangements.

Assumptions utilized in the development of Level 3 liabilities as of and during the year ended December 31, 2012 are described in Note 10.

Note 17 - Fair Value (continued)

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended December 31, 2012.

	Warrant Liability	Embedded Conversion Feature	Total
Balance - January 1, 2012	$ --	$ --	$ --
Change in fair value of derivative liability	(17,900)	(103)	(18,003)
Included in debt discount	--	200,000	200,000
Included in interest expense	66,700	44,500	111,200
Reclassification of derivative liability to equity	--	(116,097)	(116,097)
Balance - December 31, 2012	$ 48,800	$ 128,300	$ 177,100

Note 18 - Credit Risk and Concentrations

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

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Cash is also maintained at a foreign financial institution for its majority-owned subsidiary. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

During the year ended December 31, 2012, the Company earned revenues from three different customers representing approximately 50%, 20%, and 14% of gross sales. During the year ended December 31, 2011, the Company earned revenues from two different customers representing approximately 44% and 30% of gross sales.

As of December 31, 2012, four customers represented approximately 50%, 20%, 12% and 10% of total accounts receivable. As of December 31, 2011, four customers represented approximately 22%, 22%, 21% and 18% of total gross accounts receivable.

Note 19 - Foreign Operations

The Company’s operations are located primarily in the United States and Saudi Arabia. Revenues by geographic area are attributed by country of domicile of our subsidiaries. The financial data by geographic area are as follows:

	United States	Saudi Arabia	Eliminations	Total
2012:				
Revenues by geographic area	$ 3,600,184	$ 637,605	$ --	$ 4,237,789
Operating loss by geographic area	$ (270,141)	$ (185,273)	$ --	$ (455,414)
Net loss by geographic area	$ (602,338)	$ (182,287)	$ --	$ (784,625)
Identifiable assets by geographic area	$ 428,527	$ 1,186,585	$ --	$ 1,615,112
Long lived assets by geographic area	$ 8,517	$ 40,721	$ --	$ 49,238
2011:				
Revenues by geographic area	$ 3,555,319	$ 3,448,230	$ --	$ 7,003,549
Operating income (loss) by geographic area	$ (254,265)	$ 102,444	$ 103,448	$ (48,373)
Net income (loss) by geographic area	$ 240,856	$ 71,838	$ (312,448)	$ 246
Identifiable assets by geographic area	$ 376,420	$ 1,270,779	$ (34,483)	$ 1,612,716
Long lived assets by geographic area	$ 2,627	$ 142,294	$ --	$ 144,921

Note 20 - Commitments and Contingencies

Operating Leases

The Company leases its office space under non-cancelable operating leases that expire through October 2013. The total amount of rent payable under the leases is recognized on a straight-line basis over the term of the leases. As of December 31, 2012 and 2011, deferred rent payable was immaterial. Rental expense under the operating leases for the years ended December 31, 2012 and 2011 was $50,043 and $44,137, respectively.

The minimal annual lease payments through October 2013 is approximately $23,000.

Litigation

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

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

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

During the year ended December 31, 2011, a judgment in the amount of $936,330 was levied against Sysorex Arabia LLC in favor of Creative Edge, Inc. in connection with amounts advanced for operations. Of that amount, $214,187 has been repaid, $514,836 will be paid through a surety bond, and the remaining $207,313 has been accrued by Sysorex Arabia as of December 31, 2012. There was no effect upon the statement of operations in connection with this transaction.

During the year ended December 31, 2011, a judgment in the amount of $613,333 was levied against Sysorex Arabia LLC in favor of one of its vendors (Tuwaiq) in connection with a dispute related to a services contract. However, this vendor owed Sysorex Arabia LLC a like amount in connection with the same services contract. In 2012 the balances were offset, the accounts were settled, and the judgment was released.

During the year ended December 31, 2011, a judgment in the amount of $95,983 in favor of one of the Company's vendors was settled. Sysorex had disagreed with the amount of the judgment and had accrued $53,983 on the books for the amounts owed. A settlement payment of $11,000 was made and the related gain of $42,983 was recorded in other income.

During the year ended December 31, 2011, a judgment in the amount of $39,128 in favor of one of the Company's vendors was settled with a payment of $10,585 and the related gain of $28,543 was recorded in other income.

Defined Contribution Pension Plan

The Company sponsors a 401(k) defined contribution retirement plan ("The Plan") covering all of its eligible employees after their completion of six months of service and upon attaining the age of 21. The Plan provides that employees can contribute a percentage of their compensation limited to amounts prescribed by the Internal Revenue Service, adjusted annually. Matching contributions are made at the discretion of management. No employer-matching contributions were made to the Plan for the years ended December 31, 2012 and 2011.

Note 20 - Commitments and Contingencies (continued)

Statutory Reserve

In accordance with local laws, Sysorex Arabia LLC is required to pay 10% of its net income every year to a statutory reserve account until the balance reaches 50% of its stock capital. This statutory reserve is not applicable for distribution. The Company is obligated to deposit an aggregate of $266,667 into that account based upon its stock capital and, as of December 31, 2012 and 2011 the Company has not made any deposits into that account as it is not profitable.

End of Service Indemnity Provision

In accordance with local labor laws, Sysorex Arabia LLC is required to accrue benefits payable to the employees of the Company at the end of their services with the Company. As of December 31, 2012 and 2011, the Company has accrued approximately $41,680 and $171,000, respectively.

Quasi-Reorganization

On June 30, 2009, Sysorex Government Services, Inc., in connection with the Company's expansion into the government services industry, performed a deficit reclassification quasi-reorganization whereby $2,441,960 of the Corporation's accumulated deficit was reduced by a transfer from the Corporation's additional paid in capital. Therefore, the Sysorex Government Services' portion of Retained Earnings on the balance sheet are those Retained Earnings accumulated since July 1, 2009.

Note 21 - Unaudited Pro Forma Stockholders' Deficiency

The Company has filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission in connection with a proposed offering of its securities. The board of directors has been authorized by the Company's stockholders to effect a 1-for-2 reverse stock split of its common stock after the effectiveness of the registration statement and prior to the closing of the offering; provided that the Company anticipates raising sufficient equity to meet the listing requirements of the NASDAQ Capital Market. In addition, the assumed reverse stock split is subject to adjustment depending on the market price of the Company's common stock immediately prior to the consummation of the offering. The unaudited proforma stockholders' equity as of December 31, 2012 gives effect to the assumed 1-for-2 reverse stock split (see Note 22).

Since the 1-for-2 reverse stock split is to be effected after the effectiveness of the registration statement, the historical share information included in the accompanying consolidated financial statements and notes hereto do not assume the 1-for-2 reverse stock split, and accordingly have not been adjusted.

Note 22 – Reverse Stock Split

On December 6, 2013, the Company's Board of Directors, and on November 18, 2013, stockholders holding a majority of the Company's outstanding voting power, approved resolutions authorizing the Board of Directors to effect a reverse split of the Company's common stock at an exchange ratio of 1-for-2, subject to the effectiveness of the Company's registration statement on Form S-1in connection with this initial public offering simultaneous with a listing of the Company's common stock on the NASDAQ Capital Market. In addition, the reverse split ratio is subject to adjustment depending on the market price of the Company's common stock immediately prior to the consummation of the offering to permit the Company to exceed the minimum share price requirement of the Nasdaq Capital Market.

Note 23 - Subsequent Events

Business Finance Agreement

On March 15, 2013, Sysorex Government Services, Inc., and Lilien Systems, 100% owned subsidiaries of Sysorex Global Holdings, Inc., entered into a Business Finance Agreement (the "Agreement") as co-borrowers (the "Borrowers") with Bridge Bank, NA (the "Bank") under which the Borrowers obtained a revolving line of credit for up to $5,000,000 through March 15, 2015. Terms of this agreement include compliance with certain debt covenants, interest at the greater of 5.25%, or the Bank's prime rate, plus 2%, and repayment of any outstanding principal balance as of March 15, 2015.

On March 20, 2013, the Borrowers received $4,175,000 under this Agreement to finance the acquisition of Lilien described below.

Note 23 - Subsequent Events (continued)

Acquisition of Lilien LLC

On March 20, 2013, the Company entered into an Asset Purchase and Merger Agreement (the "Agreement") to acquire certain assets and liabilities of Lilien LLC and 100% of the stock of Lilien Systems (collectively referred hereafter as "Lilien") effective as of March 1, 2013. Lilien is an information technology company whose operations complement and significantly expands the Company's current base of business.

The purchase price of this acquisition aggregated $9,000,000 and consisted of cash of $3,000,000, and 6,000,000 shares of the Company's common stock deemed to have a fair value of $6,000,000. The cash consideration of $3,000,000 was obtained by the Company through a borrowing under a credit facility entered into jointly by Sysorex Government Services, Inc. and Lilien Systems concurrently with and for the express purpose of consummating that acquisition. Total costs incurred for the Lilien acquisition were $907,865.

Additionally, under the terms of the Agreement, the Company is liable to the Former members of Lilien LLC for the payment of additional cash consideration on March 20, 2015 to the extent that they receive less than $1.00 per share from the sale of the 6,000,000 shares of the Company's common stock referred to above (the "Guaranteed Amount"), less customary commissions, on or before March 20, 2015 provided the Stockholders are in compliance with the terms and conditions of the lock-up agreement. On that date, the Former Lilien Members shall have an option to put all, but not less than all, of any unsold shares of Sysorex common stock to Sysorex, for the price of $1.00 per share. Notwithstanding the foregoing, in the event that the gross profits for calendar 2013 and 2014 attributable to the Lilien assets are more than 20% below what was forecasted to the Company, the Guaranteed Amount will be proportionately reduced. As of the date of the acquisition the guaranteed amount was de minimis.

The acquisition of Lilien was accounted for by the Company under the purchase method of accounting whereby assets acquired and liabilities assumed by the Company are recorded at their estimated fair values as of the date of acquisition and the results of operations of the acquired company are consolidated with those of the Company from the date of acquisition. The Company deemed the quoted market prices for those shares not to be a reliable measurement method due to the very limited trading activity in such securities.

The purchase price is allocated as follows:

Assets acquired:		
Cash	$	1,112,485
Receivables		4,870,471
Inventory		55,410
Other current assets (Note A)		852,759
Prepaid licenses/contracts (Note B)		9,146,954
Property and equipment		254,638
Trade name/trademarks (Note C)		3,250,000
Customer relationships (Note C)		2,130,000
Intangible assets		5,380,000
Goodwill		4,544,053
		26,216,770
Liabilities assumed:		
Accounts payable		5,094,390
Accrued expenses (Note D)		970,139
Deferred revenue		11,152,241
		17,216,770
Purchase price	$	9,000,000

(A) Other current assets consist primarily of $356,000 of rebates receivable, $107,000 of prepaid expenses, $195,000 of unbilled revenues and $153,000 for a working capital settlement adjustment. The asset purchase agreement included a provision for an adjustment to working capital as of the closing date of the transaction. This is the amount due to Sysorex for that adjustment, however, this amount is subject to continuing negotiation.

(B) Prepaid licenses/contracts are payments made by the Company directly to the manufacturer for the third party maintenance services and are being amortized over the life of the contract.

(C) The trade name/trademarks and customer relationships are identifiable intangible assets that are being amortized over their useful life of 7 years.

(D) Accrued expenses consist primarily of $654,000 of accrued compensation, $50,000 of credit cards payable and $35,000 of sales taxes payable.

Note 23 - Subsequent Events (continued)

Acquisition of Lilien LLC (continued)

The following unaudited pro forma financial information presents the consolidated results of operations of the Company and Lilien for the year ended December 31, 2012 as if the acquisition had occurred on January 1, 2011 instead of March 1, 2013. The pro forma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

	Year Ended December 2012	Year Ended December 2011
Revenues	$ 44,808,957	$ 42,029,674
Net Loss Attributable to Common Shareholder	$ (2,244,477)	$ (1,386,917)
Weighted Average Number of Common Shares Outstanding	23,962,586	19,879,817
Loss Per Common Share - Basic and Fully Diluted	$ (.09)	$ (.07)

Other

On March 20, 2013, the Company issued 180,000 shares of common stock under the terms of a consulting services agreement in connection with the Lilien acquisition. The Company recorded an expense of $180,000 during the quarter ended March 31, 2013.

On March 20, 2013, the Company issued 15,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $15,000 during the quarter ended March 31, 2013.

On March 31, 2013, the Company issued 887,433 shares of common stock in satisfaction of $1,774,865 owed by Sysorex Arabia LLC to Duroob Technology, Inc. (“Duroob”), a related party, as Duroob’s Chief Executive Officer owns a minority interest in Sysorex Arabia, LLC. The fair market value of the shares was $887,433 and as Duroob is a related party the resulting gain of $887,433 has been credited to additional paid in capital. The issuance of these shares was recorded by Sysorex Global Holdings Corp. as an additional investment in its majority-owned subsidiary, Sysorex Arabia LLC. However, by agreement with the other shareholder of Sysorex Arabia LLC, the ownership percentages of Sysorex Arabia LLC remained unchanged.

During the quarter ended March 31, 2013, the Company granted 209,500 of stock options to employees. The stock options vest over 4 years and have a life of ten years. The options have an exercise price of $0.40 per share. The Company valued the stock options using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $38,600.

On March 20, 2013, the Company granted 166,667 warrants to Bridge Bank, NA in connection with the acquisition of Lilien. The warrants were fully vested on the date of the grant and have a life of 7 years. The warrants have an exercise price of $0.45 per share. The Company valued the warrants using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $109,300.

Contingent Consideration

Under the terms of the acquisition of Lilien as more fully described in Note 23, the Company is liable for the payment of additional cash consideration to the extent that the recipients of the 6,000,000 shares of the Company’s common stock referred to above receive less than $6,000,000 from the sale of those shares, less customary commissions, on or before March 20, 2015. As of the date of the acquisition the guaranteed amount was de minimis.

Repayment of Secured Convertible Note Payable

As more fully described in Note 10, the secured convertible note payable was paid in full during the quarter ended March 31, 2013.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
Lilien LLC and Subsidiary

We have audited the accompanying consolidated balance sheets of Lilien LLC and Subsidiary (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lilien LLC and Subsidiary as of December 31, 2012 and 2011, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP
New York, NY
August 12, 2013

LILIEN LLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 3,523,352	$ 1,470,934
Accounts receivable, net	5,115,527	7,017,826
Other receivables	276,882	337,774
Inventory	55,863	107,409
Prepaid expenses	87,094	103,305
Employee advances	57,978	178,977
Prepaid licenses and maintenance contracts	5,533,049	4,677,873
Total Current Assets	14,649,745	13,894,098
Property and Equipment, Net	271,160	165,811
Prepaid Licenses and Maintenance Contracts, Non-Current	3,246,726	3,492,456
Total Assets	$ 18,167,631	$ 17,552,365
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	$ 6,436,258	$ 5,220,737
Accrued expenses	309,143	314,346
Accrued compensation	687,064	984,457
Accrued sales and use taxes	253,742	130,925
Deferred revenue	6,614,296	5,525,491
Total Current Liabilities	14,300,503	12,175,956
Long Term Liabilities		
Deferred revenue, non-current	3,805,591	3,954,668
Total Liabilities	18,106,094	16,130,624
Commitments and Contingencies		
Members' Equity	61,537	1,421,741
Total Liabilities and Members' Equity	$ 18,167,631	$ 17,552,365

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

LILIEN LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenues, Net	$ 40,571,168	$ 35,026,125
Cost of Revenues	30,411,985	25,933,008
Gross Profit	10,159,183	9,093,117
Operating Expenses		
Compensation and related benefits	8,623,117	7,416,258
Professional and legal fees	45,183	24,336
Consulting expenses	664,396	711,442
Occupancy	323,906	320,407
Other administrative	1,061,131	866,907
Total Operating Expenses	10,717,733	9,339,350
Loss from Operations	(558,550)	(246,233)
Other Income (Expense)		
Interest income	67	1,638
Other expense	(4,014)	--
Interest expense	(375)	(833)
Total Other (Expense) Income	(4,322)	805
Net Loss before Provision for Income Taxes	(562,872)	(245,428)
Provision for Income Taxes	--	--
Net Loss	$ (562,872)	$ (245,428)

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

LILIEN LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Working Series A		Working Series B		Common		Members'
	Units	Amount	Units	Amount	Units	Amount	Interests
Balance – December 31, 2010	9,911	$ 25,235	-	$ --	582,000	$ 2,412,494	$ 2,437,729
Redemption of units	-	--	-	--	(18,000)	(106,020)	(106,020)
Distribution to members'	-	(11,299)	-	--	-	(663,480)	(674,779)
Stock-based compensation	-	10,239	-	--	-	--	10,239
Net loss	-	(4,238)	-	--	-	(241,190)	(245,428)
Balance - December 31, 2011	9,911	19,937	-	-	564,000	1,401,804	1,421,741
Redemption of units	-	--	-	--	(30,000)	(218,100)	(218,100)
Distribution to members'	-	(16,893)	-	--	-	(646,800)	(663,693)
Issuance of Series B Units	-	--	42,000	--	-	--	--
Stock-based compensation	-	84,461	-	--	-	--	84,461
Net loss	-	(10,257)	-	--	-	(552,615)	(562,872)
Balance – March 31, 2012	9,911	$ 77,248	42,000	$ --	534,000	$ (15,711)	$ 61,537

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

LILIEN LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Net loss	$ (562,872)	$ (245,428)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	95,618	74,775
Stock-based compensation	84,461	10,239
Changes in net assets and liabilities:		
Accounts receivable	1,902,299	(1,346,417)
Other receivables	60,892	89,921
Inventories	51,546	(92,933)
Prepaid expenses	16,211	(14,426)
Prepaid licenses and maintenance contracts	(609,446)	(2,157,223)
Accounts payable	1,215,521	1,704,068
Accrued compensation	(297,393)	(18,135)
Accrued expenses	(5,203)	68,320
Accrued sales and use taxes	122,817	(50,957)
Deferred revenues	939,727	2,515,762
Total Adjustments	3,577,050	782,994
Net Cash Provided by Operating Activities	3,014,178	537,566
Cash Used in Investing Activities		
Capital equipment purchases	(200,967)	(90,664)
Cash Flows from Financing Activities		
Repayment of advances to employees	121,000	17,729
Cash advances to employees	--	(96,200)
Distribution to members	(663,693)	(674,779)
Redemption of units	(218,100)	(106,020)
Net Cash Used in Financing Activities	(760,793)	(859,270)
Net Increase (Decrease) in Cash and Cash Equivalents	2,052,418	(412,368)
Cash and Cash Equivalents - Beginning of year	1,470,934	1,883,302
Cash and Cash Equivalents - End of year	$ 3,523,352	$ 1,470,934
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for:		
Interest	--	--
Income Taxes	--	--

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

Note 1 - Organization and Nature of Business

Lilien LLC, a Delaware limited liability company, was formed on April 7, 2006 having a perpetual existence. Lilien LLC's wholly owned subsidiary Lilien Systems ("the Company" "Lilien") was formed on January 1, 1994 in the State of California. The Company provides information technology solutions services to organizations to reach their next level of business advantage. These services include enterprise computing and storage, virtualization, business continuity, networking and information technology business consulting services. The Company is headquartered in California and has offices in Washington State, Oregon and Hawaii.

Effective March 1, 2013 and as more fully described in Note 9, certain assets and liabilities of Lilien LLC, and 100% of the stock of Lilien Systems were acquired by Sysorex Global Holdings Corp.

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US 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 are the valuation of stock-based compensation and allowance for doubtful accounts.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking accounts, money market accounts and temporary investments, with maturities of three months or less when purchased.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for doubtful accounts to ensure accounts receivables are not overstated due to uncollectibility. Bad debt reserves are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in the customers' operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. The Company's allowance for doubtful accounts as of December 31, 2012 and 2011 or its provision for doubtful accounts for the years then ended was not material.

Advances to Employees

From time to time advances have been given to employees towards their compensation by the Company. These advances are repayable on demand by the Company. The Company considers establishing an allowance for uncollectible amounts to reflect the amount of loss that can be reasonably estimated by management which is included as part of the compensation in the consolidate statements of operations. Determination of the estimated amount of uncollectible loans includes consideration of the amount of credit extended, the employment status and the length of time each receivable has been outstanding, as it relates to each individual employee. As of December 31, 2012 and 2011 the Company's has not established an allowance for any potential non-collection.

Note 2 - Summary of Significant Accounting Policies (continued)

Inventory

Inventory consisting primarily of finished goods is stated at the lower of cost or market utilizing the first-in, first-out method. The Company continually analyzes its slow-moving, excess and obsolete inventories. Based on historical and projected sales volumes and anticipated selling prices, the Company establishes reserves. If the Company does not meet its sales expectations, these reserves are increased. Products that are determined to be obsolete are written down to net realizable value. As of December 31, 2012 and 2011, the Company deemed any such allowance nominal.

Property and Equipment

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

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets, including property and equipment and intangible assets, when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company compares the carrying value of the asset to its estimated undiscounted future cash flows. If an asset's carrying value exceeds such estimated cash flows (discounted and with interest charges), the Company records an impairment charge for the difference. Based on its assessments, the Company did not incur any impairment charges for the years ended December 31, 2012 and 2011.

Income Taxes

Lilien LLC is organized as a limited liability company and, accordingly, is a “pass through” entity for federal and state income tax purposes whereby the income of Lilien LLC is taxed at the member level. Lilien Systems Inc., a wholly owned subsidiary of Lilien LLC, is organized as a “C-corporation” for federal and state income tax purposes. Accordingly, the provisions for income taxes and all deferred tax balances in these financial statements are attributable exclusively to Lilien Systems.

Lilien Systems accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Income tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all, or a portion of deferred tax assets will not be realized.

Lilien Systems operates on a break-even basis and there are no current or historical net operating losses or differences between the book and tax basis of assets, or liabilities. Consequently, no provisions for income taxes were recorded for the years ended December 31, 2012 and 2011. Furthermore, there were no deferred tax balances as of December 31, 2012 and 2011.

The Company accounts for uncertain tax positions in accordance with ASC 740, which prescribes a recognition threshold and measurement process for financial statements recognition and measurement of a tax position taken, or expected to be taken, in a return. Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's financial statements as of December 31, 2012 and 2011. The Company does not expect any significant changes in the unrecognized tax benefits within twelve months of the reporting date.

Interest costs and penalties related to income taxes are classified within operating expenses in the Company's consolidated financial statements. For the years ended December 31, 2012 and 2011, the Company did not recognize interest or penalties related to income taxes.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Company files U.S. federal, California, Oregon, and Hawaii separate returns for Lilien LLC and its subsidiary, Lilien Systems. The U.S. returns are subject to examination by tax authorities beginning with the year ended December 31, 2009.

Revenue Recognition

Revenues for the year ended December 31, 2012 and 2011 are comprised of the following:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Resale of hardware	$ 24,267,013	$ 19,593,746
Resale of software	9,034,343	4,436,779
Maintenance Services	3,334,135	7,317,610
Professional services contracts – time and materials	551,763	488,109
Professional services contracts – firm fixed price	3,383,914	3,189,881
Total	**$ 40,571,168**	**$ 35,026,125**

Lilien, as a reseller of third-party manufactured products, maintenance, and services, recognizes the revenue on sales of products (software and hardware) and maintenance agreements once four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) delivery (software and hardware) or fulfillment (maintenance) has occurred, and (4) there is reasonable assurance of collection of the sales proceeds. Revenues from the sales of hardware products, software products, licenses, and maintenance agreements are recognized on a gross basis in accordance with applicable standards with the selling price to the customer recorded as sales and the acquisition cost of the product recorded as cost of sales.

Lilien records revenues from sales of third-party products in accordance with Accounting Standards Codification ("ASC") Topic 605-45 Principal Agent Consideration" (ASC 605-45"). Furthermore, in accordance with ASC 605-45, Lilien evaluates sales on a case-by-case basis to determine whether the transaction should be recorded gross or net, including but not limited to assessing whether or not Lilien: 1) acts as principal in the transaction, 2) takes title to the products, and 3) has risks and rewards of ownership, such as the risk of loss for collection, delivery, or returns. The Company did not record any revenues on a net basis for the years ended December 31, 2012 and 2011.

Lilien enters into sales transactions whereby customer orders contain multiple deliverable, and reports its multiple deliverable arrangements under ASC 605-25 "Revenue Arrangements with Multiple Deliverables" ("ASC-605-25"). These multiple deliverable arrangements primarily consist of the following deliverables: third-party computer hardware, third-party software, third-party hardware and software maintenance (a.k.a. support), and third-party services. From time to time the personnel of Lilien were contracted to perform installation and services for the customer. In situations where Lilien bundles all or a portion of the separate elements, Vendor Specific Objective Evidence ("VSOE") is determined based on prices when sold separately. For the years ended December 31, 2012 and 2011 revenues recognized as a result of customer contracts requiring the delivery of multiple elements was $25,835,031 and $21,743,176 respectively.

Product delivery to customers occur in a variety of ways, including (i) as physical product shipped from the Company's warehouse, (ii) via drop-shipment by the vendor, or (iii) via electronic delivery for software licenses. The Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse, thereby increasing efficiency and reducing costs. Furthermore, in such drop-ship arrangements, the Company negotiates price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. The Company serves as the principal with the customer and, therefore, recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Maintenance agreements allow customers to obtain technical support and to upgrade, at no additional cost, to the latest technology if new software updates are introduced during the period that the maintenance agreement is in effect. Revenue derived from maintenance contracts primarily consists of the sale of maintenance contracts by Lilien, whereby Lilien acts as the principal and the primary obligor in the transaction. Typically, Lilien sells maintenance contracts for a separate fee with initial contractual periods ranging from one to three years with renewal for additional periods thereafter. Lilien generally bills maintenance fees in advance. Lilien recognizes maintenance revenue ratably over the term of the maintenance agreement. In situations where Lilien bundles all or a portion of the maintenance fee with products, VSOE for maintenance is determined based on prices when sold separately.

Customers that have purchased maintenance/warranty services have a right to cancel and receive a refund of the amounts paid for unused services at any time during the service period upon 30 days advance written notice to Lilien. Such a refund is available only with respect to the portion of the maintenance and warranty services that have not yet been provided. Cancellation and refund privileges with respect to maintenance/warranty services lapse as to any period during the term of the agreement for which such services shave already been provided. Customers do not have the right to a refund of paid fees for maintenance/warranty services that Lilien has earned and recognized as revenue. Invoices issued for maintenance/warranty services not yet rendered are recorded as deferred revenue and then recognized as revenue ratably over the service period. As a result (1) the warranty and maintenance service fees payable by each customer are separately accounted for in each customer purchase order as a separate line item, and (2) upon Lilien’s receipt and acceptance of a request for refund of maintenance/warranty services not yet provided, Lilien’s obligation to perform any additional maintenance/warranty services will end.

Lilien recognizes revenue for sales of Lilien-performed services ratably over the time period over which the service will be provided. Billings for such services that are made in advance of the related revenue recognized are recorded as deferred revenue and recognized as revenue ratably over the billing coverage period. For service engagements that are on a time and materials basis, revenues are recognized based upon hours incurred as services are performed and amounts are earned. Sales are recorded net of discounts, rebates, and returns. Vendor rebates and price protection are recorded when earned as a reduction to cost of sales or merchandise inventory, as applicable. Vendor product price discounts are recorded when earned as a reduction to cost of sales. Vendor product sales volume and growth incentive rebates based on total Company quarterly sales are recorded when earned as other income.

Cooperative reimbursements from vendors, which are earned and available, are recorded in the period the related advertising expenditure is incurred. Cooperative reimbursements are recorded as a reduction of cost of sales in accordance with ASC Topic 605-50 “Accounting by a Customer (including reseller) for Certain Consideration Received from a Vendor.” Provisions for returns are estimated based on historical sales returns and credit memo analysis which are adjusted to actual on a periodic basis. The Company receives Marketing Development Funds (MDF) from vendors based on quarterly sales performance to promote the marketing of vendor products and services. The Company must file claims with vendors for these cooperative reimbursements by providing invoices and receipts for marketing expenses. Reimbursements are recorded as a reduction of marketing expenses and other applicable selling, general and administrative expenses in the period in which the expenses were incurred.

Equity-Based Compensation

The Company reports stock-based compensation under ASC 718 “Stock Compensation” (“ASC 718”). ASC 718 addresses all forms of share-based payment (“SBP”) awards including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under ASC 718, SBP awards result in a cost that is measured at fair value on the awards’ grant date, based on the estimated number of awards that are expected to vest.

The Company incurred a stock-based compensation charge net of estimated forfeitures for the years ended December 31, 2012 and 2011 of 84,461 and 10,239, respectively. These charges have been included as a component of compensation in the consolidated statements of operations.

Allocation of Income (Loss) and Distributions

Net income or losses of the Company are allocated to the members in proportion to the number of units and days each unit is held. Profits are allocated to all members in accordance with their percentage interests. Members are entitled to cash distributions, at the discretion of the Company in accordance with their percentage interests as defined in the operating agreement.

Note 2 - Summary of Significant Accounting Policies (continued)

Allocation of Income (Loss) and Distributions (continued)

Losses are allocated until all common members and working members' capital accounts have been reduced to zero at which point no further allocation shall be made to the member or members with zero capital account balances. Thereafter allocations of net losses shall continue in proportion to the percentage interests of those members with positive capital accounts until the next member's capital account balance is reduced to zero, and continuing in the same manner until the capital accounts of all working members and common members have been reduced to zero.

Shipping and Handling Costs

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

Advertising Costs

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

Subsequent Events

The Company has evaluated subsequent events to determine if events or transactions occurring through the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements.

Note 3 - Property and Equipment

Property and equipment at December 31, 2012 and 2011 consists of the following:

	2012	2011
Computer and office equipment	$ 659,328	$ 720,760
Furniture and fixtures	113,382	105,885
Leasehold improvements	15,985	15,985
Software	188,304	85,380
Total	976,999	928,010
Less: accumulated depreciation	(705,839)	(762,199)
Total Property and Equipment - Net	$ 271,160	$ 165,811

Depreciation and amortization expense was $95,618 and $74,775 for the years ended December 31, 2012 and 2011, respectively.

Note 4 - Prepaid Licenses and Maintenance Contracts

Prepaid licenses and maintenance contracts represent payments made by Lilien directly to the manufacturer. Lilien acts as the principal and the primary obligor in the transaction and amortizes the capitalized costs ratably over the term of the contract to cost of revenues, generally one to five years.

Note 5 – Deferred Revenue

Deferred revenue as of December 31, 2012 and 2011 consisted of the following:

	Dec 31, 2012	Dec 31, 2011
Deferred Revenue, current		
Lilien third party maintenance agreements	$ 6,614,296	$ 5,525,491
Deferred Revenue, non-current		
Lilien third party maintenance agreements	3,805,591	3,954,668
Total Deferred Revenue	**$ 10,419,887**	**$ 9,480,159**

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

Note 6 – Revolving Line of Credit

The Company has available a 975,000 revolving line of credit facility available through a commercial financing company. Amounts outstanding under this facility would accrue interest at a floating rate equal to the Prime Rate (3.25 % at December 31, 2012 and 2011) plus 1 %. The bank charges include a commitment renewal fee of 0.25% of the credit facility. In addition the Company is required to maintain certain covenants as defined in the agreement.

The Company has not utilized the financing line and has no outstanding obligations in connection with this facility as of December 31, 2012 and 2011.

Note 7 - Members' Equity

The equity structure of the Company consists of Common Units and Working Units and is governed by the terms of the operating agreement. During the years ended December 31, 2012 and 2011, the Company has reported distributions of 646,800 and 663,480, respectively, to its members for their interest percentage, as defined in the operating agreement.

Common Units

The Company is authorized to issue up to 600,000 Common Units in exchange for capital contributions in the form of cash or property. Each Common Unit has the right to one vote on all matters and to proportionately participate in all allocations of profits and losses as well as distributions of capital of the Company in accordance with the terms of the Operating Agreement dated July 1, 2006.

On October 20, 2011, the Company redeemed 18,000 Common Units at 5.89 per unit for a total of 106,020.

On June 12, 2012, the Company redeemed 30,000 Common Units at 7.27 per unit for a total of 218,100.

As of December 31, 2012 and 2011, the Company has issued and outstanding 534,000 and 564,000 common units, respectively.

Working Units

The Company is authorized to issue up to 175,000 Working Units to employees without the requirement of capital contributions as an equity-based incentive for their efforts on behalf of the Company, subject to approval by and any vesting schedule deemed appropriate by the Board of Directors.

Each Working Unit has the right to one vote on all matters and to proportionately participate in all allocations of profits and losses as well as distributions of capital of the Company in accordance with the terms of the Operating Agreement dated July 1, 2006. However, Working Units are only entitled to participate in the appreciation of the value of the Company from their date of issuance. Holders of unvested Working Units are entitled to all rights associated with vested Working Units with respect to voting, access to information, and participation in the affairs of the Company.

The working units vest as follows upon issuance, all working units are unvested units; on the 12 month anniversary after the issuance of the units, 25% of the issued units will vest and quarterly thereafter, an additional 6.25% of the issued units will vest. Upon the occurrence of a termination event to a working member, any unvested units are immediately and automatically forfeited, without payment of consideration or repurchase price. The working units are redeemable at the option of the Company and accordingly, have been classified as equity.

On January 1, 2012, the Company issued 42,000 Working Units Series B when the Company was valued at 5.89 per unit.

As of December 31, 2012, Working Units in the amounts of 9,911 and 42,000 are entitled to participate in the appreciation of the value of the Company from the thresholds of 5.62 and 5.89 per unit, respectively, corresponding with the per unit values of the Company upon their dates of issuance. Accordingly, for the years ended December 31, 2012 and 2011, the Company recorded a charge to stock based compensation of 84,461 and 10,239 for the fair value of the appreciation value, respectively. As of December 31, 2012 and 2011, the calculated fair value of the redemption amount would be approximately 96,540 and 12,079 respectively.

Note 8 - Credit Risk and Concentrations

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

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits.

During the year ended December 31, 2012, the Company earned revenues from two different customers representing approximately 10%, and 8% of gross sales. During the year ended December 31, 2011, the Company earned revenues from two different customers representing approximately 11% and 11% of gross sales.

As of December 31, 2012, two customers represented approximately 10% and 9% of total accounts receivable. As of December 31, 2011, three customers represented approximately 39%, 8% and 6% of total gross accounts receivable.

Note 9 - Commitments and Contingencies

Operating Leases

The Company leases facilities located in California, Washington State, Oregon and Hawaii for its office space under non-cancelable operating leases that expire at various times through August 2015. The total amount of rent expense under the leases is recognized on a straight-line basis over the term of the leases. As of December 31, 2012 and 2011, deferred rent payable was nominal. Rental expense under the operating leases for the years ended December 31, 2012 and 2011 was 323,906 and 320,407, respectively.

Future minimum lease payments under the above operating leases lease commitments at December 31, 2012 are as follows:

For the Years Ending December 31,		Amount
2013	$	322,700
2014		330,900
2015		339,300
Total	$	992,900

Litigation

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

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

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

Note 9 - Commitments and Contingencies (continued)

Defined Contribution Pension Plan

The Company sponsors a 401(k) defined contribution retirement plan ("The Plan") covering all of its eligible employees after their completion of three months of service and upon attaining the age of 21. The Plan provides that employees can contribute a percentage of their compensation limited to amounts prescribed by the Internal Revenue Service, adjusted annually. Matching contributions are made at the discretion of management. No employer-matching contributions were made to the Plan for the years ended December 31, 2012 and 2011.

Employment Agreement

In connection with the sale of the Company effective March 1, 2013 the Company has entered into employment agreements with certain key employees of the Company. The agreements provides for minimum annual salaries, bonus at the discretion of the Company, and indemnification. The employment agreements carry certain restrictive covenants not to compete which expire on March 1, 2014.

Note 10 - Subsequent Events

Business Finance Agreement

On March 15, 2013, Lilien Systems and Sysorex Government Services, Inc., a 100% owned subsidiary of Sysorex Global Holdings, Inc., entered into a Business Finance Agreement (the "Agreement") as co-borrowers (the "Borrowers") with Bridge Bank, NA (the "Bank") under which the Borrowers obtained a revolving line of credit for up to $5,000,000 through March 15, 2015. Terms of this agreement include compliance with certain debt covenants, interest at the greater of 5.25%, or the Bank's prime rate, plus 2%, and repayment of any outstanding principal balance as of March 15, 2015.

On March 20, 2013, the Borrowers received $4,175,000 under this Agreement to finance the acquisition of Lilien described below.

Acquisition of Lilien LLC

On March 20, 2013, the Company entered into an Asset Purchase and Merger Agreement (the "Agreement") whereby Sysorex Global Holdings Corp. acquired certain assets and liabilities of Lilien LLC and 100% of the stock of Lilien Systems effective as of March 1, 2013. In connection with this Agreement, the Company received consideration consisting of $3,000,000 in cash and $6,000,000 shares of common stock of Sysorex Global Holdings Corp with a fair value of $6,000,000. The cash consideration of $3,000,000 was obtained by the Company through a borrowing under a credit facility entered into jointly by Sysorex Government Services, Inc. and Lilien Systems concurrently with and for the express purpose of consummating that acquisition. Total costs incurred for the Lilien acquisition were $907,865.

Additionally, under the terms of the Agreement, the Company contingently guaranteed (the "Guaranty") to the Former members of Lilien LLC the net sales price of $1.00 per share for a two year period following the closing, provided the Stockholders are in compliance with the terms and conditions of the lock-up agreement. At the end of the two year Guaranty period the Former Lilien Members shall have an option to put all, but not less than all, of their unsold Sysorex shares to Sysorex, for the price of $1.00 per unsold share. Notwithstanding the foregoing, in the event the gross profit for calendar year 2013 and 2014 attributable to the Lilien assets is more than 20% below what was forecasted to the Company the Guaranty will be proportionately reduced. As of the date of the acquisition the guaranteed amount was de minimis.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders' of
Shoom, Inc.

We have audited the accompanying balance sheet of Shoom, Inc. (the "Company") as of December 31, 2012, and the related statement of operations, comprehensive income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shoom, Inc. as of December 31, 2012 and the results of its operations, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Marcum LLP
New York, NY
December 6, 2013

SHOOM, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2012

Assets		
Current Assets		
Cash and cash equivalents	$	2,225,215
Marketable securities		1,362,032
Accounts receivable, net		187,736
Prepaid expenses		83,256
Total Current Assets		3,858,239
Property and equipment - net		31,049
Software development costs, net		610,740
Deferred tax asset		39,261
Deposits		10,846
Total Assets	$	4,550,135
Liabilities and Shareholders Equity		
Current Liabilities		
Accounts payable	$	5,090
Accrued expenses		46,252
Accrued compensation and related benefits		382,585
Deferred revenue		2,719
Total Current Liabilities		436,646
Commitments and Contingencies		
Shareholders Equity		
Common Stock - $.001 par value; 25,000,000 shares authorized; 14,555,309 outstanding		14,555
Additional paid in capital		10,320,308
Accumulated other comprehensive gain		544
Accumulated deficit		(6,221,918)
Total Shareholders Equity		4,113,489
Total Liabilities and Shareholders Equity	$	4,550,135

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

SHOOM, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

Revenues, Net	$	4,022,658
Cost of Revenues		927,365
Gross Profit		3,095,293
Operating Expenses		
Compensation and related benefits		1,108,615
Professional and legal fees		31,440
Consulting expenses		131,704
Occupancy		174,071
Other administrative		519,401
Total Operating Expenses		1,965,231
Income from Operations	$	1,130,062
Other Income (Expense)		
Interest income		28,748
Other		(572)
Total Other Income		28,176
Income before Provision for Income Taxes		1,158,238
Provision for Income Taxes		(446,326)
Net Income		711,912
Basic Net Income per Common Share	$	0.05
Diluted Net Income per Common Share	$	0.05
Weighted Average Number of Common Shares Outstanding-Basic		14,557,289
Weighted Average Number of Common Shares Outstanding-Diluted		14,619,789

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

SHOOM, INC.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

Net Income	$	711,912
Unrealized losses in marketable securities including reclassification adjustment of realized gains included in net income		(4,625)
Comprehensive Income	$	707,287

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

SHOOM, INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
Balance - January 1, 2012	14,563,712	$ 14,563	$ 10,289,784	$ 5,169	$ (6,434,001)	$ 3,875,515
Common stock repurchases	(8,403)	(8)	(13,292)			(13,300)
Dividends					(499,829)	(499,829)
Share based compensation for employees			43,816			43,816
Unrealized loss on marketable securities				(4,625)		(4,625)
Net income					711,912	711,912
Balance - December 31, 2012	14,555,309	$ 14,555	$ 10,320,308	$ 544	$ (6,221,918)	$ 4,113,489

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

SHOOM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities		
Net Income	$	711,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		14,107
Amortization of intangibles		215,728
Deferred tax provision		367,891
Stock based compensation		43,816
Investment income		(685)
Changes in operating assets and liabilities:		
Accounts receivable		51,775
Prepaid expense		(26,230)
Accrued compensation and related benefits		20,198
Accounts payable		(104,506)
Accrued expenses		(141,366)
Deferred revenue		(1,500)
Net cash provided by operating activities		**1,151,140**
Cash used in Investing Activities		
Acquisition of equipment		(3,260)
Software development costs		(289,756)
Purchases of marketable securities		(1,079,668)
Proceeds from the sale of marketable securities		328,386
Net cash used in investing activities		(1,044,298)
Cash flows used in financing activities:		
Repurchase of common shares		(13,300)
Dividends		(499,829)
Net cash used in financing activities		**(513,129)**
Net decrease in cash and cash equivalents	$	**(406,287)**
Cash and equivalents, beginning of year		**2,631,502**
Cash and equivalents, end of year	$	**2,225,215**
Supplemental Disclosure of Cash Flow Information:		
Cash paid for:		
Interest	$	-
Income Taxes	$	78,435

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

Note 1 – Organization and Nature of Business

(the "Company"), a California Corporation, provides internet based hosted eServices to its customers located in Europe, Canada and the United States. The Company provides Cloud-based data analytics and enterprise solutions to the media, publishing, and entertainment industries.

As further described in Note 13, effective August 31, 2013 the Company was acquired by and became a wholly owned subsidiary of Sysorex Global Holdings, Corp.

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

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

- The valuation of stock-based compensation;
- The allowance for doubtful accounts;
- The valuation of marketable securities;
- The valuation allowance for the deferred tax asset; and
- Impairment of software development costs and property and equipment.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking accounts, money market accounts and certificates of deposit, with maturities of three months or less when purchased.

Marketable Securities

The Company accounts for marketable securities in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 320-10, Investments-Debt and Equity Securities. The Company classifies its investments in equity securities that have readily determinable fair values and all debt securities as held-to-maturity, available-for-sale or trading at acquisition and reevaluate such classification at each subsequent balance sheet date. The Company has investments classified as available-for-sale and held-to-maturity at December 31, 2012. Available-for-sale securities are reported at fair value and any difference between cost and fair value is recorded as unrealized gain or loss and is reported as accumulated other comprehensive income (loss) in the statement of changes in stockholders' equity. Held-to-maturity securities are those investments that the Company has the ability and intend to hold until maturity. Held-to-maturity securities are recorded at cost, adjusted for the amortization of premiums and discounts, which approximates market value at the purchase date. The Company generally purchases fixed-income securities that have a remaining maturity of one year or less as held to maturity securities. Realized gains and losses and declines in value expected to be other-than-temporary on available-for-sale securities are included in other expenses in the statement of operations. The cost of securities sold is based on the specific identification method. Interest and dividends on marketable securities are included in interest income.

Comprehensive Income (Loss)

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

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and deferred revenue. The Company determines the estimated fair value of such financial instruments presented in these financial statements using available market information and appropriate methodologies. These financial instruments are stated at their respective historical carrying amounts, which approximate fair value due to their short term nature.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for doubtful accounts to ensure accounts receivables are not overstated due to uncollectibility. Bad debt reserves are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in the customers' operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. The Company's allowance for doubtful accounts as of December 31, 2012 or its provision for doubtful accounts for the years then ended was not material.

Property and Equipment

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

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets, including property and equipment and software development costs, when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company compares the carrying value of the asset to its estimated discounted future cash flows. If an asset's carrying value exceeds such estimated cash flows (undiscounted and with interest charges), the Company records an impairment charge.

Based on its assessments, the Company did not incur any impairment charges for the year ended December 31, 2012.

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, 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 internal use software development costs are amortized over the estimated useful life which management has determined is four years following the year incurred.

Income Taxes

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

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company provides digital advertising and electronic services and recognizes revenue once four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) delivery or fulfillment has occurred, and (4) there is reasonable assurance of collection of the sales proceeds. Generally, these criteria are met and revenue is recognized as the services are rendered. Cash received as prepayments for services to be rendered are recognized as deferred revenue. Revenue from such prepayments are recognized when the services are provided.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs, which are included in other administrative costs, were not material during the year ended December 31, 2012.

Stock-Based Compensation

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

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

Earnings Per Share

Basic earnings per share was computed using the weighted average number of outstanding common shares. Diluted income per share is computed on the basis of the weighted average number of common shares outstanding plus the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted.

The following table sets forth the components used in the computation of basic and diluted income per common share:

		Year ended December 31, 2012
Numerator for basic earnings per share		
- net income, as reported	$	711,912
Effect of dilutive securities		
Numerator for basic earnings per share		
- net income, as adjusted	$	711,912
Denominator:		
Denominator for basic earnings per share--weighted average shares		14,557,289
Effect of dilutive securities:		
Stock options		62,500
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions		14,619,789
Net income (loss) available to common stockholders		
Basic:	$	0.05
Diluted:	$	0.05

Note 2 - Summary of Significant Accounting Policies (continued)

Earnings Per Share (continued)

For the year ended December 31, 2012 there were 1,304,375 common stock equivalents excluded from the calculation of diluted net income per share for the potential exercise of options because their inclusion would have been anti-dilutive.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB and the SEC did not have, or are not expected to have, a material impact on the Company's financial statements.

Subsequent Events

The Company evaluates events and/or transactions occurring after the balance sheet date and before the issue date of the financial statements to determine if any of those events and/or transactions requires adjustment to or disclosure in the financial statements. (See Note 13)

Note 3 - Marketable Securities

As of December 31, 2012, marketable securities were comprised of the following:

	As of December 31, 2012	
	Cost	**Fair Value**
Available for sale		
Mutual funds	$133,487	$133,072
Held to maturity		
Certificate of Deposit	846,877	847,517
US Municipal Bonds	381,124	381,443
	$1,361,488	$1,362,032

For the year ended December 31, 2012 purchases of US Municipal Bonds were $230,004, purchases of mutual funds were $100,000 and purchases of certificates of deposit were $749,664. The Company sold $151,950 of corporate bonds, a $50,000 certificate of deposit and $126,436 of municipal bonds during the year ended December 31, 2012.

The following summarizes the underlying contractual maturities of marketable securities at December 31, 2012:

	Available for Sale		Held to Maturity	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than one year	$133,487	$133,072	$1,228,001	$1,228,960
Total	$133,487	$133,072	$1,228,001	$1,228,960

Note 4 - Property and Equipment

Property and equipment at December 31, 2012 consists of the following:

	2012
Computer and office equipment	$ 142,690
Furniture and fixtures	9,352
Total	152,042
Less: accumulated depreciation	(120,993)
Total Property and Equipment - Net	$ 31,049

Depreciation expense was $14,107 for the year ended December 31, 2012.

Note 5 – Software Development Costs

Computer software as of December 31, 2012 consisted of the following:

Capitalized software development costs	$1,329,335
Purchased software	28,592
Total computer software	1,357,927
Accumulated amortization	(747,187)
Computer software, net of accumulated amortization	610,740

The weighted average remaining amortization period for the Company's software development costs is 3.15 years.

Amortization expense for computer software was $215,728 for the year ended December 31, 2012.

Future amortization expense on the computer software is anticipated to be as follows:

Year Ending December 31,	
2013	233,685
2014	176,130
2015	133,293
2016	67,632
	$ 610,740

Note 6 - Common Stock

In March 2012 the Company repurchased and retired 8,403 shares of its common stock for $13,300.

Note 7 - Options

During the year ended December 31, 2012, the Company granted 235,000 of stock options to employees and non-employees for services provided. The stock options were twenty five percent vested on the date of the grant and the remaining seventy-five percent vest ratably over three years. The options have an exercise price of $0.70 per share. The Company valued the stock options using the Black-Scholes option valuation model. The total stock based compensation charge for the year ended 2012 is $43,816 which was included in Compensation and related benefits.

As of December 31, 2012, the fair value of non-vested options totaled $91,655.

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during the year ended December 31, 2012 were as follows:

	2012
Risk-free interest rate	1.78%
Expected life of option grants	10 years
Expected volatility of underlying stock	29.5%

The expected stock price volatility for the Company's stock options was determined by the historical volatilities for industry peers. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods. The Company attributes the value of stock-based compensation to operations on the straight-line single option method.

SHOOM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 7 – Options (continued)

The following table summarizes the changes in options outstanding during the year ended December 31, 2012:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1, 2012	1,622,500	0.85	--
Granted	235,000	0.70	--
Exercised	--	--	--
Expired	(155,625)	1.60	--
Forfeited	(335,000)	0.84	--
Outstanding at December 31, 2012	1,366,875	0.82	--
Exercisable at December 31, 2012	1,111,875	0.83	--

Number of Options	Range of Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Average Exercise Price	Currently Exercisable
205,000	$0.70	10.00	$0.70	58,750
145,000	$0.77	8.55	$0.77	72,500
145,000	$1.00	7.60	$1.00	108,750
141,250	$1.00	6.56	$1.00	141,250
138,750	$0.80	2.77	$0.80	138,750
133,750	$1.00	2.08	$1.00	133,750
141,250	$0.80	1.83	$0.80	141,250
160,625	$0.80	1.26	$0.80	160,625
78,750	$0.60	0.73	$0.60	78,750
77,500	$0.60	0.22	$0.60	77,500
1,366,875				1,111,875

Note 8 – Income Taxes

The income tax provision for the year ended December 31, 2012 consists of the following:

Federal:	
Current	$ -
Deferred	367,891
State and Local:	
Current	77,470
Deferred	965
Income tax provision	$ 446,326

The provision for income taxes using the statutory federal tax rate as compared to the Company's effective tax rate for the year ended December 31, 2012 is summarized as follows:

U.S. federal statutory rate	34.0%
State tax rate, net of federal benefit	5.8%
Other permanent differences	(1.3%)
Effective rate	38.5%

Note 8 – Income Taxes (continued)

As of December 31, 2012, the Company's deferred tax assets and liability consisted of the effects of temporary differences attributable to the following:

Deferred tax asset:

Net operating loss carryovers	$	732,549
Stock-based compensation		28,069
Book depreciation expense in excess of tax expense		12,798
Other		11,747
Total deferred tax assets		785,163
Less valuation allowance		(502,827)
Deferred tax asset, net of evaluation allowance	$	282,336
Deferred tax liability - Tax software development cost expense in excess of book expense	$	243,075
Net deferred tax asset (liability)	$	39,261

As of December 31, 2012, the Company had approximately $2.1 million of U.S. federal net operating loss ("NOL") carryovers available to offset future taxable income. These net operating losses, which, if not utilized, begin expiring in the year 2019. In accordance with Section 382 of the Internal Revenue Code, deductibility of the Company's net operating loss carryover may be subject to an annual limitation in the event of a change of control, as defined by the regulations. Effective August 31, 2013 and as further described in Note 13, the Company was acquired by and became a wholly owned subsidiary of Sysorex Global Holdings Corp. Sysorex plans on undertaking a more detailed analysis of any historical and/or current Section 382 ownership changes that may limit the utlization of the net operations loss carryover. The Company has no NOLs available for state income tax purposes.

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

ASC 740, "Income Taxes" requires that a valuation allowance be established when it is "more likely than not" that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. After consideration of all the information available, Management believes that uncertainty exists with respect to future realization of its deferred tax assets and has, therefore, established a $502,827 valuation allowance as of December 31, 2012. There was no change in valuation for the year ended December 31, 2012.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is required to file income tax returns in the United States (federal) and in the state of California. Based on the Company's evaluation, it has been concluded that there are no material uncertain tax positions requiring recognition in the Company's financial statements for the year ended December 31, 2012.

The Company's policy for recording interest and penalties associated with unrecognized tax benefits is to record such interest and penalties as interest expense and as a component of selling, general and administrative expense, respectively. There were no amounts accrued for interest or penalties for the year ended December 31, 2012. Management does not expect any material changes in its unrecognized tax benefits in the next year. The Company's tax returns are subject to examination by the tax authorities beginning December 31, 2009.

Note 9 - Fair Value

The Company determines the estimated fair value of amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current exchange between buyer and seller. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. These fair value estimates were based upon pertinent information available as of December 31, 2012 and, as of that date, the carrying value of all amounts approximates fair value.

The Company has categorized its assets and liabilities at fair value based upon the following fair value hierarchy:

- Level 1 - Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 - Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

The following table summarized the valuation of the Company's investment by the above fair value hierarchy levels as of December 31, 2012.

	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Marketable securities	$ 1,362,032	$ --	$ --	$ 1,362,032
December 31, 2012	$ 1,362,032	$ --	$ --	$ 1,362,032

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair value due to the short term nature of these instruments.

Note 10 – Concentrations of Business and Credit Risk

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

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Cash is also maintained at a foreign financial institution for its majority-owned subsidiary. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

The Company grants credit to its customers. The Company's ability to collect the amounts due from its customers is affected by economic conditions in its industry and the geographical area in which it conducts business. Accounts receivable from the Company's customers are unsecured and generally due within 30 days and are subject to credit risk. In 2012, one customer accounted for approximately 31 percent of revenues, and one other customer accounted for approximately 24 percent of accounts receivable at December 31, 2012. No other customer accounted for more than 10 percent of revenues in 2012 and accounts receivable at December 31, 2012.

Note 11 - Foreign Operations

For the year ended December 31, 2012, the Company principally generates all of its revenues from within the United States. Revenues earned from customers located in Canada was approximately 15% ($618,600).

Note 12 - Commitments and Contingencies

Operating Leases

The Company rents office space for its headquarters and operations under the terms of an operating lease which expires on July 31, 2017. Rent expense for the year ended 2 amounted to $134,992. The Company also incurred off-site storage rental fees of $39,079 for the year ended December 31, 2012.

A summary of future minimum lease payments under the non-cancelable lease is as follows:

Year Ending December 31,	Amount
2013	$120,613
2014	$128,335
2015	$130,830
2016	$133,378
2017	$56,020
Total	$569,176

Litigation

The Company is subject to litigation in the ordinary course of business. Management believes that the Company has adequate insurance coverage and accrues loss contingencies for all known matters that are probable and can be reasonably estimated and that the resolution of any such items will not have a material effect upon the Company's financial position or results of operations. As of and during the year ended December 31, 2012, the Company has not been involved in any litigation.

Employee Benefit Plan

The Company has a defined contribution benefit plan that covers substantially all domestic employees who elect to participate. This plan provides for discretionary Company contributions based on employee participation. Employees must be 21 years or older to participate, have been employed by the Company for three months and worked a minimum of 501 hours. The Company’s matching contribution equals 100% on the first 3% of each participant’s compensation which is deferred as an elective deferral. Employees are 100% vested in the plan after meeting all eligibility requirements (as defined). Company contributions under the plan amounted to $43,897 for the year ended .

Profit Sharing Plan

The Company has adopted a profit sharing plan that must be approved and adjusted by the Compensation Committee of the Board of Directors and must be approved by the Company’s Board of Directors annually. All employees who have been with the Company for at least one year are eligible. Company contributions under the profit sharing plan amounted to $250,000 for the year ended which has been accrued for as of December 31, 2012.

Note 13 – Subsequent Events

Acquisition of Shoom, Inc.

The Company entered into an Agreement and Plan of Merger (the“Agreement”) whereby Sysorex Global Holdings Corp. acquired the stock of Shoom, Inc. effective as of August 31, 2013. In connection with this Agreement, the Company received consideration consisting of $2,500,000 in cash and 2,762,000 shares of common stock of Sysorex Global Holdings Corp with a fair value of $5,606,860.

AIRPATROL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	September30, 2013 (unaudited)	December31, 2012
Assets		
Current Assets		
Cash	$ 912,260	$ 256,300
Accounts receivable	145,853	10,323
Inventory	252,878	201,730
Prepaid expenses	146,291	25,372
Total Current Assets	1,457,282	493,725
Property and Equipment, net	67,469	79,287
Other Assets	14,496	12,483
Total Assets	$ **1,539,247**	$ **585,495**
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,285,286	$ 1,216,174
Accrued interest payable	730,751	304,320
Accrued compensation and benefits	296,330	288,849
Deferred revenue	134,249	143,631
Loans payable - related party	150,000	-
Notes payable	1,100,000	-
Derivative liabilities	658,611	-
Convertible notes payable - net of debt discount of $-0- and $-0-	3,330,000	2,480,000
Total Current Liabilities	7,685,227	4,432,974
Long-Term Liabilities:		
Deferred revenue - net of current portion	-	5,547
Convertible notes payable - net of current portion debt discount of $180,833 and $2,234	651,309	499,766
Total Liabilities	8,336,536	4,938,287
Commitments and Contingencies		
Shareholders' Deficit		
Series A Convertible Preferred stock, $0.001 par value; 15,000,000 shares authorized; 10,650,194 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively; Liquidation preference $2,982,054 and $2,982,054 as of September 30, 2013 and December 31, 2012.	10,650	10,650
Common stock, $0.001 par value; 85,000,000 shares authorized; 49,420,768 and 49,065,762 shares issued and outstanding as of September 30, 2013 and December 31, 2012	49,422	49,067
Additional paid in capital	14,815,386	14,748,185
Accumulated deficit	(21,672,747)	(19,160,694)
Total Shareholders' Deficit	(6,797,289)	(4,352,792)
Total Liabilities and Shareholders' Deficit	$ **1,539,247**	$ **585,495**

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

AIRPATROL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Nine Months Ended	
	September 30, 2013	September 30, 2012
Revenue	$ 1,128,154	$ 513,124
Cost of revenue	121,820	159,884
Gross profit	1,006,334	353,240
Operating expenses		
Selling	67,827	105,669
Engineering, research and development	41,770	612,382
General and administrative	2,492,940	2,113,584
Total operating expenses	2,602,537	2,831,635
Loss from operations	(1,596,203)	(2,478,395)
Other (income) expense:		
Interest income	(1)	(15)
Interest expense	464,478	195,923
Change in fair value of derivative liabilities	451,373	(2,872)
Total other expense	915,850	193,036
Net loss	**$ (2,512,053)**	**$ (2,671,431)**
Net loss per common share - basic and diluted	$ (0.05)	$ (0.06)
Weighted average number of common shares outstanding - basic and diluted	49,384,357	43,310,191

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

AIRPATROL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
NINE MONTHS ENDED SEPTEMBER 30, 2013

	Series A Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
Balance, December 31, 2012	10,650,194	$ 10,650	49,065,762	$ 49,067	$ 14,748,185	$ (19,160,694)	$ (4,352,792)
Issuance of common stock for services	-	-	355,006	355	63,156	-	63,511
Issuance of common stock options for services	-	-	-	-	4,045	-	4,045
Net loss	-	-	-	-	-	(2,512,053)	(2,512,053)
Balance, September 30, 2013	**10,650,194**	**$ 10,650**	**49,420,768**	**$ 49,422**	**$ 14,815,386**	**$ (21,672,747)**	**$ (6,797,289)**

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

AIRPATROL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	September 30, 2013	September 30, 2012
Cash Flows From Operating Activities:		
Net loss	$ (2,512,053)	$ (2,671,431)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	41,057	28,342
Stock based compensation	67,556	89,867
Accretion of debt discount	28,639	479
Change in fair value of derivative liabilities	451,373	(2,872)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(135,530)	(62,764)
Prepaid expenses	(120,919)	8,689
Inventory	(51,148)	(68,783)
Other assets	(2,013)	(6,006)
Increase (decrease) in:		
Accounts payable and accrued liabilities	69,112	106,219
Accrued interest payable	426,431	183,355
Accrued compensation and benefits	7,481	157,962
Deferred revenue	(14,929)	64,058
Net Cash Used in Operating Activities	(1,744,943)	(2,172,885)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(29,239)	(55,033)
Net Cash Used in Investing Activities	(29,239)	(55,033)
Cash Flows From Financing Activities:		
Proceeds from related party loans	150,000	-
Proceeds from notes payable	1,350,000	-
Repayment of notes payable	(250,000)	-
Proceeds from convertible notes	1,180,142	2,580,000
Net Cash Provided by Financing Activities	2,430,142	2,580,000
Net change in cash	655,960	352,082
Cash at beginning of period	256,300	432,374
Cash at end of period	**$ 912,260**	**$ 784,456**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 9,407	$ 12,089
Cash paid for taxes	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Debt discount recorded on convertible debt and warrants accounted for as derivative liabilities	$ 207,238	$ -

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

Note 1 - Organization and Nature of Business

Overview

AirPatrol Corporation and AirPatrol Research (collectively the "Company"), is a developer of mobile device identification and locationing systems. Its flagship product, ZoneDefense, is a security platform for wireless and cellular networks that can detect, monitor and manage the behavior of smartphones, tablets, laptops and other mobile devices based on their location. AirPatrol customers include numerous government and military agencies and large enterprises around the globe. The Company was incorporated on July 28, 2005 under the laws of the State of Nevada. The Company is headquartered in the state of Maryland, has an office in the state of California, and the Company's wholly-owned subsidiary operates in Canada.

Note 2 – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles 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 operations for the nine-month period ended September 30, 2013 are not necessarily indicative of the results to be expected for the year ending December 31, 2013. These interim condensed consolidated financial statements should be read in connection with the Company's audited financial statements and footnotes for the years ended December 31, 2012 and 2011 contained elsewhere in this document.

Note 3 - Going Concern Matters

As reflected in the accompanying financial statements, the Company has recurring net losses and incurred a net loss and used net cash in operations of $2,512,053 and $1,744,943, respectively, for the nine months ended September 30, 2013. In addition, the Company has an accumulated deficit of $21,672,747 as of September 30, 2013. These conditions raise substantial doubt about the Company's ability to continue as a going control.

The financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of operations. The ability of the Company to continue its operations is dependent on Management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur additional liabilities with certain related parties to sustain the Company's existence. If the Company were not to continue as a going concern, it would likely not be able to realize on its assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of the financial statements. There can be no assurances that the Company will be successful in generating additional cash from equity or other sources to be used for operations. The financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 4 - Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements have been prepared using the accounting records of the Company and its wholly-owned subsidiary, AirPatrol Research Corp. All material inter-company balances and transactions have been eliminated.

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 are the valuation of stock-based compensation, derivative liabilities, and the valuation allowance for the deferred tax asset.

Note 4 - Summary of Significant Accounting Policies (continued)

Inventory

Inventory consisting primarily of finished goods and raw materials is stated at the lower of cost or market utilizing the first-in, first-out method. The Company continually analyzes its slow-moving, excess and obsolete inventories based on historical and projected sales volumes and anticipated selling prices. If the Company does not meet its sales expectations, these reserves are increased. Products that are determined to be obsolete are written down to net realizable value. As of September 30, 2013 the Company has not recorded an allowance for inventory.

Foreign Currency Translation

The US dollar is the functional currency of the Company and its subsidiaries. Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transactions. Revenues and expenses are translated to US dollars at rates approximating exchange rates in effect at the time of the transactions. Translation exchange gains and losses resulting from the period-end translation of assets and liabilities denominated in foreign currencies are recorded in other comprehensive income or loss, on the statement of equity. Transaction gains or losses are recognized through earnings.

Transaction and translation gains and losses were immaterial for the periods ended September 30, 2013 and 2012.

Comprehensive Income (Loss)

The Company reports comprehensive income (loss) and its components in its condensed consolidated financial statements. Comprehensive income (loss) consists of net loss and foreign currency translation adjustments affecting stockholders' equity that, under GAAP, are excluded from net loss. The difference between net loss as reported and comprehensive income (loss) have historically been immaterial.

Revenue Recognition

Revenues for the nine months ended September 30, 2013 and 2012 are comprised of the following:

	Nine Months Ended September 30,	
	2013	**2012**
Product Revenue	$ 809,012	$ 367,711
Service and maintenance	215,953	119,084
Installation and training	103,189	26,329
Total	$ **1,128,154**	$ **513,124**

Revenues are derived principally from the sale of hardware products, software bundled with hardware that is essential to the functionality of the hardware and support and maintenance arrangements to customers in the United States and internationally. The Company recognizes the revenue on sales of hardware once four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) delivery (software and hardware) or fulfillment (maintenance) has occurred, and (4) there is reasonable assurance of collection of the sales proceeds.

The Company also enters into sales transactions whereby customer orders contain multiple deliverable arrangements, and reports its multiple deliverable arrangements under ASC 605-25 "Revenue Arrangements with Multiple Deliverables" ("ASC-605-25"). The Company evaluates each deliverable in these arrangements to determine whether they represent separate units of accounting at the inception of the arrangement and considers the delivered items a separate unit of accounting if the delivered item(s) has value to the customer when it is regularly sold on a standalone basis, and there is objective and reliable evidence of the fair value of the undelivered item(s) pursuant to Subtopic 605-25. These multiple deliverable arrangements primarily consist of the following deliverables: computer hardware, software, and hardware and software maintenance services. In situations where the Company bundles all or a portion of the separate elements, Vendor Specific Objective Evidence ("VSOE") is determined based on prices when sold separately. For the nine months ended September 30, 2013 and 2012 revenues recognized as a result of customer contracts requiring the delivery of multiple elements was $1,128,154 and $513,124 respectively.

Note 4 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Maintenance agreements allow customers to obtain technical support directly from the Company to upgrade, at no additional cost, to the latest technology if new software updates are introduced during the period that the maintenance agreement is in effect. Revenue derived from maintenance contracts primarily consists of maintenance contracts with initial contractual periods ranging from one to three years with renewal for additional periods thereafter. The Company generally bills maintenance fees in advance. The Company recognizes maintenance revenue ratably over the term of the maintenance agreement. In situations where the Company bundles all or a portion of the maintenance fee with products, VSOE for maintenance is determined based on prices when sold separately.

The Company will occasionally require an upfront deposit for significant arrangements. If the Company receives a payment from a customer prior to meeting all of the revenue recognition criteria, the payment is recorded as deferred revenue.

Stock-Based Compensation

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

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

The Company incurred stock-based compensation charges of $67,556 and $15,547 for the nine months ended September 30, 2013 and 2012, respectively. The following table summarizes the nature of such charges are included in general and administrative expenses for the nine months ended September 30, 2013 and 2012:

	For the Nine Months Ended September 30,	
	2013	2012
Compensation	$ 4,045	$ 9,867
Professional fees	63,511	80,000
Total	**$ 67,556**	**$ 89,867**

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, conversion of convertible notes payable, and shares issued to members of the Board of Directors of the Company for services rendered 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 nine months ended September 30, 2013 and 2012:

	2013	2012
Options	10,373,951	14,298,638
Warrants	27,495,171	23,200,113
Convertible notes payable	32,756,400	29,454,886
Series A Convertible preferred stock	10,650,194	10,650,194
Totals	**81,275,716**	**77,603,831**

Note 4 - Summary of Significant Accounting Policies (continued)

Derivative Liabilities

In connection with the issuance of a secured convertible promissory note, the terms of the convertible note included an embedded conversion feature; which provided for the settlement of the convertible promissory note into shares of common stock at a rate which was determined to be variable. The Company determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 "Derivatives and Hedging".

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants at their fair values as of the inception date of the agreements and at fair value as of each subsequent balance sheet date. As a result of entering into the convertible promissory notes, the Company is required to classify all other non-employee warrants as derivative liabilities and record them at their fair values at each balance sheet date. Any change in fair value was recorded as a change in the fair value of derivative liabilities for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The fair value of an embedded conversion option that is convertible unto a fixed number of shares is recorded using the intrinsic value method and the embedded conversion option that is convertible into at variable amount of shares are deemed to be a "down-round protection" and therefore, do not meet the scope exception for treatment as a derivative under ASC 815. Since, "down-round protection" is not an input into the calculation of the fair value of the conversion option and cannot be considered "indexed to the Company's own stock" which is a requirement for the scope exception as outlined under ASC 815. Warrants that have been reclassed to derivative liability that did not contain "down-round protection" were valued using the Black-Scholes model. The Company's outstanding warrants did not contain any down round protection.

The Black-Scholes option valuation model which approximated the Binomial Lattice Model is used to estimate the fair value of the warrants or options granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants or options granted.

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 require adjustment to or disclosure in the condensed consolidated financial statements.

Note 5 - Inventory

Inventory at September 30, 2013 and December 31, 2012 consisted of the following:

		September 30, 2013	December 31, 2012
Raw materials	$	35,947	--
Finished goods		216,931	201,730
Total	$	252,878	201,730

Note 6 – Loans Payable – Related Party

On February 12, 2013 and April 9, 2013, the Chairman of the Board and largest shareholder of the Company loaned the Company $100,000 and $50,000, respectively. The loans accrue interest at a rate of 30% per annum and mature on the earlier of the one year anniversary of the loan or a change of control of the Company as defined in the agreement. Subsequent to September 30, 2013, the Company made a payment of $100,000 on the February advance.

Note 7 - Notes Payable

During the nine months ended September 30, 2013, the Company entered into three notes payable agreements for gross proceeds of $1,350,000. The notes accrue interest at a rate of 8% per annum. The first note with a principal balance of $250,000 matured on July 10, 2013 and was repaid by the Company. This note also included warrants for the purchase of 500,000 shares of the Company's common stock. The Company received $1,000,000 from Sysorex Global Holdings Corp. which is collateralized by the assets of the Company and is due on February 28, 2014. The third note with an outstanding balance of $100,000 matures on December 31, 2017.

Note 8 - Convertible Notes Payable

During the nine months ended September 30, 2013, the Company issued secured convertible promissory notes ("2013 Notes") and received proceeds of approximately $1,180,000. The 2013 Notes accrue interest at the rates of 8% and 20%, are secured by the assets of the Company. The notes mature on various dates through June 30, 2016.

During the year ended December 31, 2012, the Company issued secured convertible promissory notes ("2012 Notes") and received proceeds of $1,330,000. The 2012 Notes accrued interest at the rate of 20%, were secured by the assets of the Company, and matured on December 31, 2012. As of December 31, 2012, the Company was not in compliance with the terms of these notes due to non-payment of principal and interest. However, the note holders have not issued the Company a formal notice of default.

On January 24, 2012 and March 12, 2012, the Company entered into two unsecured convertible notes payable agreements with the same party for gross proceeds of $1,000,000. The notes accrued interest at 8% per annum and were converted to shares of common stock on December 30, 2012.

The Notes are also convertible at any time at the option of the holder into shares of the Company's common stock at a conversion price of the lower of $0.28 per share or the per share price from a new offering. Therefore, since this embedded conversion feature provides for the settlement of this convertible promissory note with shares of common stock at a rate which is variable in nature, this embedded conversion feature must be classified and accounted for as a derivative financial instrument.

In connection with the issuance of the 2013 Notes, the $250,000 unsecured note and the 2012 Notes, the Company also issued warrants for the purchase of 3,579,049, 500,000 and 11,836,091 shares of the Company's common stock, respectively, at an exercise price of $0.28 per share through June 30, 2016. Therefore, since the embedded conversion feature of the convertible promissory note must be accounted for as a derivative instrument, these warrants must also be accounted for as derivative instruments. As a result of entering into the convertible promissory notes described above, all other non-employee warrants issued by the Company must also be classified and accounted for as derivative financial instruments.

Generally accepted accounting principles require that:

a) Derivative financial instruments be recorded at their fair value on the date of issuance and then adjusted to fair value at each subsequent balance sheet date with any change in fair value reported in the statement of operations; and
b) The classification of derivative financial instruments be reassessed as of each balance sheet date and, if appropriate, be reclassified as a result of events during the reporting period then ended.

The fair value of the Notes' embedded conversion feature and the warrants, $70,830 and $587,781, respectively, aggregated $658,611. Consequently, upon issuance of the 2013 and 2012 Notes, a debt discount of $207,238 and $3,504 was recorded and the difference of $28,639 and $638, representing the fair value of the conversion feature and the warrants in excess of the debt discount, was immediately charged to interest expense for the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively. The debt discount will be amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the straight-line method which approximates the interest method. The amortization of debt discount is included as a component of interest expense in the condensed consolidated statements of operations. There was unamortized debt discount of $180,833 and $2,234 as of September 30, 2013 and December 31, 2012, respectively.

The fair value of the embedded conversion feature and the warrants was estimated using the Black-Scholes option-pricing model, which was not materially different from the binomial lattice model. Key assumptions used to apply this pricing model during the nine months ended September 30, 2013 were as follows:

Risk-free interest rate	0.25% to 3.77%
Expected life of option grants	0 to 5.5 years
Expected volatility of underlying stock	41% to 47%
Dividends	$0

Note 8 - Convertible Note Payable (continued)

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. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods.

The Company's related party payable, notes payable and convertible notes payable are as follows:

For the years ending September 30,	
2014	$ 4,580,000
2015	330,142
2016	502,000
	$ 5,412,142

Note 9 - Common Stock

On January 28, 2013, the Company issued 355,006 shares of common stock for $0.18 per share for consulting services. Accordingly, the Company recorded an expense of $63,511 for the fair value of these issuances.

Note 10 - Options

During the nine months ended September 30, 2013, the Company granted 25,000 of stock options to an advisory board member for services provided. The stock options were fully vested on the date of the grant and have a life of ten years. The options have an exercise price of $0.28 per share. On the date of the award, the Company valued the stock options using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $4,044.

The fair value of this grant is estimated using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during the nine months ended September 30, 2103 were as follows:

	Nine months ended September 30, 2013
Risk-free interest rate	1.8%
Expected life of option grants	10 years
Expected volatility of underlying stock	40.0%
Dividends	$0

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.

Note 11 - Warrants

As previously discussed in Note 8 and in connection with the issuance of 2013 notes and the 2012 convertible notes, the Company issued warrants for the purchase of 4,079,049 and 11,836,091 shares of common stock at $0.28 per share, respectively. The warrants were fully vested upon issuance and have a life of two to five years. At September 30, 2013 and 2012, the Company valued the warrants using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $28,639 and $0, respectively, which was classified as interest expense.

Note 12 - Fair Value

The Company determines the estimated fair value of amounts presented in these condensed consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current exchange between buyer and seller. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. These fair value estimates were based upon pertinent information available as of September 30, 2013 and, as of those dates, the carrying value of all amounts approximates fair value.

Note 12 - Fair Value (continued)

The Company has categorized its assets and liabilities at fair value based upon the following fair value hierarchy:

- Level 1 - Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 - Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair measurements requires judgment and considers factors specific to each asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in historical company data) inputs.

The following are the major categories of assets and liabilities that were measured at fair value during the nine months ended September 30, 2013 using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2013
Embedded conversion feature	$ --	$ --	$ 70,830	$ 70,830
Warrant and option liability	--	--	587,781	587,781
September 30, 2013	$ --	$ --	$ 658,611	$ 658,611

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The Company's Level 3 liabilities consist of derivative liabilities associated with the convertible debt that contains an indeterminable conversion share price and the tainted warrants as the Company cannot determine if it will have sufficient authorized common stock to settle such arrangements.

Assumptions utilized in the development of Level 3 liabilities as of and during the nine months ended September 30, 2013 are described in Note 8.

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended September 30, 2013.

	Warrant Liability	Embedded Conversion Feature	Total
Balance - January 1, 2013	$ --	$ --	$ --
Included in debt discount	184,401	22,837	207,238
Change in fair value of derivative liability	403,380	47,993	451,373
Included in interest expense	--	--	--
Balance – September 30, 2013	$ 587,781	$ 70,830	$ 658,611

Note 13 - Credit Risk and Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. Cash is also maintained at a foreign financial institution for its majority-owned subsidiary which had a balance of approximately $38,000 as of December 31, 2012. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

During the nine months ended September 30, 2013, the Company earned revenues from two customers representing approximately 73% of gross sales. During the nine months ended September 30, 2012, the Company earned revenues from two customers that represented approximately 48% of gross sales.

As of September 30, 2013, four customers represented approximately 45%, 26%, 15% and 14% of total accounts receivable.

As of September 30, 2013, one vendor represented approximately 78% of total gross accounts payable.

Note 14 - Foreign Operations

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

	United States	Canada	Eliminations	Total
Nine Months Ended September 30, 2013 :				
Revenues by geographic area	$ 901,200	$ 226,900	$ -	$ 1,128,100
Operating loss by geographic area	$ (1,097,100)	$ (499,100)	$ -	$ (1,596,200)
Net loss by geographic area	$ (2,013,100)	$ (499,000)	$ -	$ (2,512,100)
Nine Months Ended September 30, 2012 :				
Revenues by geographic area	$ 480,500	$ 32,700	$ -	$ 513,200
Operating loss by geographic area	$ (2,027,300)	$ (451,100)	$ -	$ (2,478,400)
Net loss by geographic area	$ (2,208,800)	$ (462,600)	$ -	$ (2,671,400)
As of September 30, 2013 :				
Fixed assets by geographic area - net	$ 42,300	$ 25,200	$ -	$ 67,500
Identifiable assets by geographic area	$ 6,700,000	$ 211,000	$ (5,372,000)	$ 1,539,000
As of December 31, 2012 :				
Fixed assets by geographic area - net	$ 48,700	$ 30,600	$ -	$ 79,300
Identifiable assets by geographic area	$ 5,812,500	$ 145,000	$ (5,372,000)	$ 585,500

Note 15 - Commitments and Contingencies

Operating Leases

The Company leased its office space under non-cancelable operating leases that expired during September 2013. The total amount of rent payable under the leases was recognized on a straight-line basis over the term of the leases. As of September 30, 2013 and December 31, 2012, deferred rent payable was immaterial. Rental expense under the operating leases for the nine months ended September 30, 2013 and 2012 was $94,166 and $78,205, respectively.

During 2013, the Company entered into two new lease agreements for its Maryland (US) and Canadian locations. The Maryland lease commences January 1, 2014 and expires on December 31, 2018. The lease calls for monthly payments of $13,708 plus common area maintenance fees along with annual increases of 3% during the term of the lease. The lease of the Canadian location commenced on November 1, 2013 and expires on September 30, 2018. The lease requires fixed monthly payments of $7,018 plus common area maintenance fees for the first two years of the agreement. The last three years of the agreement call for fixed monthly payments of $7,558 plus common area maintenance fees totaling approximately $138,250 per year.

Note 15 - Commitments and Contingencies (continued)

Operating Leases (continued)

Future minimum payments of the Company's leases are as follows:

For the years ending September 30,	
2014	$ 238,683
2015	288,996
2016	311,507
2017	316,703
2018	183,801
2019	46,287
	$ 1,385,977

Litigation

The Company is subject to litigation in the ordinary course of business. Management believes that the Company has adequate insurance coverage and accrues loss contingencies for all known matters that are probable and can be reasonably estimated and that the resolution of any such items will not have a material effect upon the Company's financial position or results of operations. As of and during the nine months ended September 30, 2013 and 2012, the Company has not been involved in any litigation.

Note 16 - Subsequent Events

Acquisition of AirPatrol Corporation

On December 20, 2013, the Company entered into an Agreement of Plan and Merger (the "Merger Agreement") whereby Sysorex Global Holdings Corp. ("Sysorex") would acquire 100% of the capital stock of the Company for a purchase price equal to (a) $10,000,000 in cash, subject to certain adjustments, allocated to and among certain creditors, payees, holders of the Company's issued and outstanding capital stock and (b) 4,000,000 shares of Sysorex' common stock, of which 1,600,000 shall be held in escrow for one year, as security to satisfy any indemnity claims that may be owed by the Company's shareholders to Sysorex (the "Merger Consideration"). The Merger Consideration also includes an earnout, half of the value of which shall be in stock and the other half in cash (unless otherwise agreed or required pursuant to the Merger Agreement) payable to the shareholders of the Company in 2015 in accordance with the following formula: if for the five quarter period ending March 31, 2015, the Company's Net Income meets or exceeds $3,500,000, Sysorex shall pay to the Company's shareholders an earnout payment equal to (i) the Company's Net Income, divided by $5,000,000, times (ii) $10,000,000, provided that the total earnout payment shall not exceed $10,000,000. The closing of the Merger is conditioned upon the consummation of an initial public offering of Sysorex's common stock with gross proceeds of at least $10,000,000 on terms acceptable to Sysorex and certain other customary conditions. The Company can give no assurance that the terms and conditions will be met and the transaction will close.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
AirPatrol Corporation

We have audited the accompanying consolidated balance sheets of AirPatrol Corporation and its Subsidiary (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in shareholders' deficit and cash flows for the year **s** then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AirPatrol Corporation and its Subsidiary, as of December 31, 2012 and 2011 **,** and the results of its operations and its cash flows for the year **s** then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has had recurring losses, and has a working capital and shareholders' deficit as of December 31, 2012 and 2011. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Marcum LLP
New York, NY

January 21, 2014

AIRPATROL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

	December 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash	$ 256,300	$ 432,374
Accounts receivable	10,323	47,346
Inventory	201,730	110,868
Prepaid expenses	25,372	35,885
Total Current Assets	493,725	626,473
Property and Equipment, net	79,287	58,125
Other Assets	12,483	6,377
Total Assets	**$ 585,495**	**$ 690,975**
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,216,174	$ 1,069,909
Accrued interest payable	304,320	52,747
Accrued compensation and benefits	288,849	102,318
Deferred revenue	143,631	82,253
Derivative liabilities	-	2,872
Convertible notes payable - net of debt discount of $-0- and $-0-	2,480,000	1,640,000
Total Current Liabilities	4,432,974	2,950,099
Long-Term Liabilities:		
Deferred revenue - net of current portion	5,547	17,724
Convertible notes payable - net of current portion and debt discount of $2,234 and $2,872	499,766	249,128
Total Liabilities	4,938,287	3,216,951
Commitments and Contingencies		
Shareholders' Deficit		
Series A Convertible Preferred stock, $0.001 par value; 15,000,000 shares authorized; 10,650,194 shares issued and outstanding as of December 31, 2012 and 2011; Liquidation preference $2,982,054 and $2,982,054 as of 12/31/12 and 12/31/11	10,650	10,650
Common stock, $0.001 par value; 85,000,000 shares authorized; 49,065,762 and 43,038,624 shares issued and outstanding as of December 31, 2012 and 2011	49,067	43,040
Additional paid in capital	14,748,185	13,044,530
Accumulated deficit	(19,160,694)	(15,624,196)
Total Shareholders' Deficit	(4,352,792)	(2,525,976)
Total Liabilities and Shareholders' Deficit	**$ 585,495**	**$ 690,975**

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

AIRPATROL CORPORATION AND SUBSISDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Year Ended	
	December 31, 2012	December 31, 2011
Revenue	$ 719,970	$ 866,381
Cost of revenue	223,368	239,097
Gross profit	496,602	627,284
Operating expenses		
Selling	125,096	378,134
Engineering, research and development	665,217	1,320,479
General and administrative	2,853,203	3,082,231
Total operating expenses	3,643,516	4,780,844
Loss from operations	(3,146,914)	(4,153,560)
Other (income) expense:		
Interest income	(16)	(513)
Interest expense	392,472	59,818
Change in fair value of derivative liabilities	(2,872)	(37,186)
Total other expense	389,584	22,119
Net loss	**$ (3,536,498)**	**$ (4,175,679)**
Net loss per common share - basic and diluted	$ (0.08)	$ (0.10)
Weighted average number of common shares outstanding - basic and diluted	43,364,510	42,596,568

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

AIRPATROL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Series A Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
Balance, December 31, 2010	10,650,194	$ 10,650	40,198,572	$ 40,200	$ 12,217,482	$ (11,448,517)	$ 819,815
Conversion of debt to common stock	-	-	2,840,052	2,840	797,160	-	800,000
Issuance of common stock options for services	-	-	-	-	29,888	-	29,888
Net loss	-	-	-	-	-	(4,175,679)	(4,175,679)
Balance, December 31, 2011	10,650,194	$ 10,650	43,038,624	$ 43,040	$ 13,044,530	$ (15,624,196)	$ (2,525,976)
Conversion of debt to common stock	-	-	5,743,133	5,743	1,612,011	-	1,617,754
Issuance of common stock for services	-	-	284,005	284	79,716	-	80,000
Issuance of common stock options for services	-	-	-	-	11,928	-	11,928
Net loss	-	-	-	-	-	(3,536,498)	(3,536,498)
Balance, December 31, 2012	**10,650,194**	**$ 10,650**	**49,065,762**	**$ 49,067**	**$ 14,748,185**	**$ (19,160,694)**	**$ (4,352,792)**

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

AIRPATROL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	December 31, 2012	December 31, 2011
Cash Flows From Operating Activities:		
Net loss	$ (3,536,498)	$ (4,175,679)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	41,471	34,697
Stock based compensation	91,928	29,888
Accretion of debt discount	638	632
Change in fair value of derivative liabilities	(2,872)	(37,186)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	37,023	534,223
Prepaid expenses	10,513	16,791
Inventory	(90,862)	29,017
Other assets	(6,106)	(770)
Increase (decrease) in:		
Accounts payable and accrued liabilities	146,265	932,024
Accrued interest payable	379,327	52,747
Accrued compensation and benefits	186,531	31,168
Deferred revenue	49,201	(51,078)
Net Cash Used in Operating Activities	(2,693,441)	(2,603,526)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(62,633)	(22,546)
Net Cash Used in Investing Activities	(62,633)	(22,546)
Cash Flows From Financing Activities:		
Proceeds from convertible notes	2,580,000	2,692,000
Net Cash From Financing Activities	2,580,000	2,692,000
Net change in cash	(176,074)	65,928
Cash at beginning of year	432,374	366,446
Cash at end of year	**$ 256,300**	**$ 432,374**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ -	$ 97,169
Cash paid for taxes	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:		
Debt discount recorded on convertible debt and warrants accounted for as derivative liabilities	$ -	$ 3,504
Conversion of convertible notes to common stock	$ 1,617,754	$ 800,000

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

Note 1 - Organization and Nature of Business

Overview

AirPatrol Corporation and AirPatrol Research (collectively the "Company"), is a developer of mobile device identification and locationing systems. Its flagship product, ZoneDefense, is a security platform for wireless and cellular networks that can detect, monitor and manage the behavior of smartphones, tablets, laptops and other mobile devices based on their location. AirPatrol customers include numerous government and military agencies and large enterprises around the globe. The Company was incorporated on July 28, 2005 under the laws of the State of Nevada. The Company is headquartered in the state of Maryland, has an office in the state of California, and the Company's wholly-owned subsidiary operates in Canada.

Note 2 - Going Concern Matters

As reflected in the accompanying consolidated financial statements, the Company has recurring net losses and incurred a net loss and used net cash in operations of $3,536,498 and $2,693,441, respectively, for the year ended December 31, 2012. In addition, the Company had an accumulated deficit of $19,160,694 as of December 31, 2012. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of operations. The ability of the Company to continue its operations is dependent on Management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur additional liabilities with certain related parties to sustain the Company's existence. If the Company were not to continue as a going concern, it would likely not be able to realize on its assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of the financial statements. There can be no assurance that the Company will be successful in generating additional cash from equity or other sources to be used for operations. The financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements have been prepared using the accounting records of the Company and its wholly-owned Canadian subsidiary, AirPatrol Research Corp. All material inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each of the reporting periods. Actual results could differ from those estimates. The Company's significant estimates are the valuation of stock-based compensation, derivative liabilities, and the valuation allowance for the deferred tax asset.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking accounts, money market accounts and temporary investments, with maturities of three months or less when purchased. As of December 31, 2012 and 2011 the Company had no cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for doubtful accounts to ensure accounts receivables are not overstated due to uncollectibility. Bad debt reserves are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. The Company's allowance for doubtful accounts as of December 31, 2012 and 2011 was not material.

Note 3 - Summary of Significant Accounting Policies (continued)

Inventory

Inventory consisting primarily of finished goods is stated at the lower of cost or market utilizing the first-in, first-out method. The Company continually analyzes its slow-moving, excess and obsolete inventories. Based on historical and projected sales volumes and anticipated selling prices, the Company establishes reserves. If the Company does not meet its sales expectations, these reserves are increased. Products that are determined to be obsolete are written down to net realizable value. As of December 31, 2012 and 2011 the Company has not recorded an allowance for inventory.

Property and Equipment

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

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets, including property and equipment, when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company compares the carrying value of the asset to its estimated undiscounted future cash flows. If an asset's carrying value exceeds such estimated cash flows (undiscounted and with interest charges), the Company records an impairment charge for the difference.

Based on its assessments, the Company did not incur any impairment charges for the years ended December 31, 2012 and 2011.

Income Taxes

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

Foreign Currency Translation

The U.S. dollar is the functional currency of the Company and its subsidiaries. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transactions. Revenues and expenses are translated to U.S. dollars at rates approximating exchange rates in effect at the time of the transactions. Translation exchange gains and losses resulting from the period-end translation of assets and liabilities denominated in foreign currencies are recorded in other comprehensive income or loss, on the statement of equity. Transaction gains or losses are recognized through earnings.

Transaction and translation gains and losses were immaterial for the years ended December 31, 2012 and 2011, respectively.

Comprehensive Income (Loss)

The Company reports comprehensive income (loss) and its components in its consolidated financial statements. Comprehensive income (loss) consists of net loss and foreign currency translation adjustments affecting stockholders' equity that, under GAAP, are excluded from net loss. The difference between net loss as reported and comprehensive income (loss) have historically been immaterial.

Note 3 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenues for the years ended December 31, 2012 and 2011 are comprised of the following:

	Year ended December 31, 2012	Year ended December 31, 2011
Product Revenue	$ 513,651	$ 542,379
Service and maintenance	179,990	234,992
Installation and training	26,329	89,010
Total	**$ 719,970**	**$ 866,381**

Revenues are derived principally from the sale of hardware products, software bundled with hardware that is essential to the functionality of the hardware and support and maintenance arrangements to customers in the United States and internationally. The Company recognizes the revenue on sales of hardware once four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed and determinable, (3) delivery (software and hardware) or fulfillment (maintenance) has occurred, and (4) there is reasonable assurance of collection of the sales proceeds.

The Company also enters into sales transactions whereby customer orders contain multiple deliverable arrangements, and reports its multiple deliverable arrangements under ASC 605-25 “Revenue Arrangements with Multiple Deliverables” (“ASC-605-25”). The Company evaluates each deliverable in these arrangements to determine whether they represent separate units of accounting at the inception of the arrangement and considers the delivered items a separate unit of accounting if the delivered item(s) has value to the customer when it is regularly sold on a standalone basis, and there is objective and reliable evidence of the fair value of the undelivered item(s) pursuant to Subtopic 605-25. These multiple deliverable arrangements primarily consist of the following deliverables: computer hardware, software, and hardware and software maintenance services. In situations where the Company bundles all or a portion of the separate elements, Vendor Specific Objective Evidence (“VSOE”) is determined based on prices when sold separately. For the years ended December 31, 2012 and 2011 revenues recognized as a result of customer contracts requiring the delivery of multiple elements was $719,970 and $866,381 respectively.

Maintenance agreements allow customers to obtain technical support directly from the Company to upgrade, at no additional cost, to the latest technology if new software updates are introduced during the period that the maintenance agreement is in effect. Revenue derived from maintenance contracts primarily consists of maintenance contracts with initial contractual periods ranging from one to three years with renewal for additional periods thereafter. The Company generally bills maintenance fees in advance. The Company recognizes maintenance revenue ratably over the term of the maintenance agreement. In situations where the Company bundles all or a portion of the maintenance fee with products, VSOE for maintenance is determined based on prices when sold separately.

The Company will occasionally require an upfront deposit for significant arrangements. If the Company receives a payment from a customer prior to meeting all of the revenue recognition criteria, the payment is recorded as deferred revenue.

Engineering, research and development

Engineering, research and development costs consist primarily of professional fees. All engineering, research and development costs are expensed as incurred.

Advertising Costs

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

Stock-Based Compensation

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

Note 3 - Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

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

The Company incurred stock-based compensation charges of $91,928 and $29,888 for the years ended December 31, 2012 and 2011, respectively. The following table summarizes the nature of such charges included in general and administrative expenses for the years ended December 31, 2012 and 2011:

	For the Year Ended December 31,	
	2012	2011
Compensation	$ 11,928	$ 29,888
Professional fees	80,000	--
Total	**$ 91,928**	**$ 29,888**

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, conversion of convertible notes payable, and shares issued to members of the Board of Directors of the Company for services rendered in the calculation of diluted net loss per common shares would have been anti-dilutive.

The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net loss per common share for the years ended December 31, 2012 and 2011:

	2012	2011
Options	12,698,957	12,915,429
Warrants	23,200,113	13,756,940
Convertible notes payable	29,454,886	21,183,236
Series A Convertible preferred stock	10,650,194	10,650,194
Totals	**76,004,150**	**58,505,799**

Fair Value of Financial Instruments

Financial instruments consist of cash, accounts receivable, accounts payable, accrued expenses, deferred revenue, and derivative instruments. The Company determines the estimated fair value of such financial instruments presented in these financial statements using available market information and appropriate methodologies. These financial instruments are stated at their respective historical carrying amounts, which approximate fair value due to their short term nature, except derivative instruments which are marked to market at the end of each reporting period.

Derivative Liabilities

In connection with the issuance of a secured convertible promissory note, the terms of the convertible note included an embedded conversion feature; which provided for the settlement of the convertible promissory note into shares of common stock at a rate which was determined to be variable. The Company determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 “Derivatives and Hedging”.

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants at their fair values as of the inception date of the agreements and at fair value as of each subsequent balance sheet date. As a result of entering into the convertible promissory notes, the Company is required to classify all other non-employee warrants as derivative liabilities and record them at their fair values at each balance sheet date. Any change in fair value was recorded as a change in the fair value of derivative liabilities for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

Note 3 - Summary of Significant Accounting Policies (continued)

Derivative Liabilities (continued)

The fair value of an embedded conversion option that is convertible into a fixed number of shares is recorded using the intrinsic value method and the embedded conversion option that is convertible into a variable amount of shares is deemed to be a "down-round protection" and therefore, do not meet the scope exception for treatment as a derivative under ASC 815, since "down-round protection" is not an input into the calculation of the fair value of the conversion option and cannot be considered "indexed to the Company's own stock" which is a requirement for the scope exception as outlined under ASC 815. Warrants that have been reclassed to derivative liability that did not contain "down-round protection" were valued using the Black-Scholes model. The Company's outstanding warrants did not contain any down round protection.

The Black-Scholes option valuation model is used to estimate the fair value of the warrants or options granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants or options granted.

Subsequent Events

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

Note 4- Inventory

Inventory at December 31, 2012 and 2011 consisted of finished goods of $201,730 and $110,868, respectively.

Note 5 - Property and Equipment

Property and equipment at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Computer equipment	$ 143,216	$ 111,348
Furniture and equipment	5,721	5,528
Leasehold improvements	8,865	8,546
Software	57,155	30,045
Test equipment	54,215	46,898
Total	269,172	202,365
Less: accumulated depreciation and amortization	(189,885)	(144,240)
Total Property and Equipment – Net	$ 79,287	$ 58,125

Depreciation and amortization expense was $41,471 and $34,697 for the years ended December 31, 2012 and 2011, respectively.

Note 6 - Convertible Notes Payable

During the year ended December 31, 2011, the Company issued secured convertible promissory notes ("2011 Notes") and received proceeds of $800,000. The 2011 Notes accrue interest at the rate of 12%, are secured by the assets of the Company, mature on December 31, 2012, and may be prepaid without penalty at any time.

In connection with the issuance of the 2011 Notes, the Company also issued warrants for the purchase of 3,017,555 shares of the Company's common stock at an exercise price of $0.28 per share through March 28, 2014. Therefore, since the embedded conversion feature of the convertible promissory note must be accounted for as a derivative instrument, these warrants must also be accounted for as derivative instruments. As a result of entering into the convertible promissory notes described above, all other non-employee warrants issued by the Company must also be classified and accounted for as derivative financial instruments.

Note 6 - Convertible Notes Payable (continued)

During the year ended December 31, 2011, the Company issued unsecured convertible notes payable for gross proceeds of $1,892,000. The notes accrue interest at the rate of 8% per annum and mature on December 30, 2012 and June 30, 2016.

During the year ended December 31, 2012, the Company issued secured convertible promissory notes ("2012 Notes") and received proceeds of $1,330,000. The 2012 Notes accrue interest at the rate of 20%, are secured by the assets of the Company, mature on December 31, 2012, and may be prepaid without penalty at any time. As of December 31, 2012, the Company was not in compliance with the terms of these notes due to non-payment of principal and interest. However, the note holders have not issued to the Company a formal notice of default.

On January 24, 2012 and March 12, 2012, the Company entered into two unsecured convertible notes payable agreements with the same party for gross proceeds of $1,000,000. The notes accrued interest 8% per annum and were converted on December 31, 2012. The Company also entered into a third unsecured convertible notes payable agreement for $250,000. This note accrues interest at 8% per annum and mature on June 30, 2016.

The Notes are also convertible at any time at the option of the holder into shares of the Company's common stock at a conversion price of the lower of $0.28 per share or the per share price from a new offering. Therefore, since this embedded conversion feature provides for the settlement of this convertible promissory note with shares of common stock at a rate which is variable in nature, this embedded conversion feature must be classified and accounted for as a derivative financial instrument. All of the 2011 Notes were converted into common stock resulting in the issuance of 2,840,052 shares during 2011. During 2012, the Company issued a total of 5,743,133 shares of common stock to note holders upon the settlement of unsecured notes of principal of $1,490,000 and accrued interest of $127,754.

In connection with the issuance of the 2012 Notes, the Company also issued warrants for the purchase of 11,836,091 shares of the Company's common stock at an exercise price of $0.28 per share through June 28, 2017. Therefore, since the embedded conversion feature of the convertible promissory note must be accounted for as a derivative instrument, these warrants must also be accounted for as derivative instruments. As a result of entering into the convertible promissory note described above, all other non-employee warrants issued by the Company must also be classified and accounted for as derivative financial instruments.

Generally accepted accounting principles require that:

a) Derivative financial instruments be recorded at their fair value on the date of issuance and then adjusted to fair value at each subsequent balance sheet date with any change in fair value reported in the statement of operations; and
b) The classification of derivative financial instruments be reassessed as of each balance sheet date and, if appropriate, be reclassified as a result of events during the reporting period then ended.

The fair value of the Notes' embedded conversion feature and the warrants is $2,872 and $632, respectively, and aggregated is $3,504. Consequently, upon issuance of the Notes, a debt discount of $3,504 was recorded and the difference of $638 and $632, representing the fair value of the conversion feature and the warrants in excess of the debt discount, was immediately charged to interest expense for the years ended December 31, 2012 and 2011, respectively. The debt discount will be amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the straight-line method which approximates the interest method. The amortization of debt discount is included as a component of interest expense in the consolidated statements of operations. There was unamortized debt discount of $2,234 and $2,872 as of December 31, 2012 and 2011, respectively.

The fair value of the embedded conversion feature and the warrants was estimated using the Black-Scholes option-pricing model, which was not materially different from the binomial lattice model. Key assumptions used to apply this pricing model during the year ended December 31, 2012 were as follows:

Risk-free interest rate	1.22% to 1.60%
Expected life of option grants	0 to 4.5 years
Expected volatility of underlying stock	34%
Dividends	$0

Note 6 - Convertible Notes Payable (continued)

Key assumptions used to apply this pricing model during the year ended December 31, 2011 were as follows:

Risk-free interest rate	1.22% to 1.60%
Expected life of option grants	0 to 2.25 years
Expected volatility of underlying stock	42%
Dividends	$0

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. Risk free interest rates were obtained from U.S. Treasury rates for the applicable periods.

Future minimum principal payments of all of the Company's notes payable are as follows:

For the years ending December 31,		
2013	$	2,480,000
2014		-
2015		-
2016		499,766
	$	2,979,766

Note 7 - Preferred Stock

The Company is authorized to issue 15,000,000 shares of preferred stock with a par value of $0.001 of which 10,650,194 have been designated as Series A Preferred Stock. The preferred stock has a liquidation preference of $0.28 per share and is convertible at the option of the holder into one share of common. The Series A Convertible Preferred Stock carries an automatic conversion provision into common stock prior to the closing of a qualified financing as defined in the articles of incorporation. Under the terms of the articles of incorporation, the holders of the Series A Preferred Stock shall be entitled to receive dividends of 6% out of the funds legally available upon the declaration by the Board of Directors. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of each share of Series A convertible preferred stock then outstanding shall be paid, out of the assets of the Company available for distribution to its stockholders, an amount equal to the face value per share, plus an amount equal to all accrued and unpaid dividends before any amount shall be distributed among the holders of common stock. The Series A Convertible Preferred Stock have no redemption provisions.

Note 8 - Common Stock

The Company is authorized to issue up to 85,000,000 shares of common stock with a par value of $0.001 per share. Each share of common stock is entitled to one vote on matters submitted to a vote of the common shareholders as prescribed by the By-Laws of the Company.

On January 31, 2011, the Company issued 1,597,529 shares of common stock to three note holders for the settlement of $450,000 of convertible notes. Accrued interest of $1,578 in relation to these notes was repaid by the Company.

On March 31, 2011, the Company issued 1,242,523 shares of common stock to three note holders for the settlement of $350,000 of convertible notes. Accrued interest of $3,222 in relation to these notes was repaid by the Company.

On January 12, 2012, the Company issued 284,005 shares of common stock for $0.28 per share for consulting services. Accordingly, the Company recorded an expense of $80,000 for the fair value of these issuances.

On December 30, 2012, the Company issued 5,743,133 shares of common stock to note holders for the settlement of $1,490,000 of principal and $127,754 of accrued interest.

Note 9 - Options

During the year ended December 31, 2011, the Company granted 4,571,758 of stock options to employees and non-employees for services provided. The stock options were fully vested on the date of the grant and have a life ranging from one to five years. The options have an exercise price of $0.28 per share. The Company valued the stock options using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $29,888.

During the year ended December 31, 2012, the Company granted 6,432,598 of stock options to employees and non-employees for services provided. The stock options were fully vested on the date of the grant and have a life of ten years. The options have an exercise price of $0.28 per share. The Company valued the stock options using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $11,928.

As of December 31, 2012, the fair value of non-vested options totaled $10,136, which is expected to be expensed over a weighted average period of 4 years.

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Risk-free interest rate	0.7% to 1.8%	2.11% to 3.23%
Expected life of option grants	10 years	7 years
Expected volatility of underlying stock	39.7% to 41.6%	41%

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 following table summarizes the changes in options outstanding during the years ended December 31, 2012 and 2011:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at January 1, 2011	8,643,671	$ 0.51	$ --
Granted	4,571,758	0.28	--
Forfeited	(300,000)	(0.32)	--
Outstanding at December 31, 2011	12,915,429	$ 0.47	$ --
Granted	6,622,598	0.28	--
Forfeited	(6,839,076)	$ (0.37)	$ --
Outstanding at December 31, 2012	12,698,951	$ 0.38	$ --
Exercisable at December 31, 2012	3,937,147	$ 0.61	$ --
Exercisable at December 31, 2011	4,153,291	$ 0.67	$ --

Number of Options	Range of Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Average Exercise Price	Currently Exercisable
11,948,951	$0.28	8.3	$0.28	3,187,147
750,000	$2.00	6.2	$2.00	750,000
12,698,951				3,937,147

Note 10 - Warrants

As previously discussed in Note 6 and in connection with the issuance of 2011 convertible notes, the Company issued warrants for the purchase of 3,017,555 shares of common stock at $0.28 per share. The warrants were fully vested upon issuance and have a life of two years. The Company valued the warrants using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $632 which was classified as interest expense.

As previously discussed in Note 6 and in connection with the issuance of 2012 convertible notes, the Company issued warrants for the purchase of 11,836,091 shares of common stock at $0.28 per share. The warrants were fully vested upon issuance and have a life of two years. The Company valued the warrants using the Black-Scholes option valuation model and incurred a stock-based compensation charge of $638 which was classified as interest expense.

Note 11 - Income Taxes

As of December 31, 2012 and 2011, the Company had approximately $9.9 million and $7.4 million, respectively, of U.S. federal and state net operating loss ("NOL") carryovers available to offset future taxable income. These net operating loss carryovers, if not utilized, begin expiring in the year 2027. In accordance with Section 382 of the Internal Revenue Code, deductibility of the Company's net operating loss carryover may be subject to an annual limitation in the event of a change of control, as defined by the regulations.

As of December 31, 2012 and 2011, the Company had approximately $8.4 million and $7.7 million, respectively, of Canadian NOLs available to offset future taxable income. These NOLs, if not utilized, begin expiring in 2027.

The domestic and foreign components of income (loss) before income taxes from continuing operations for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Domestic	$ (2,833,103)	$ (3,373,580)
Foreign	(703,395)	(802,099)
Loss from continuing operations before Provision for Income Taxes	$ (3,536,498)	$ (4,175,679)

The income tax provision (benefit) for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011
Foreign		
Current	$ --	$ --
Deferred	(182,883)	(208,546)
U.S. federal		
Current	--	--
Deferred	(958,178)	(1,152,398)
State and Local		
Current	--	--
Deferred	(225,327)	(277,680)
Change in valuation allowance	1,366,388	1,638,624
Income Tax Provision	$ --	$ --

The reconciliation between the U.S. statutory federal income tax rate and the Company's effective rate for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
U.S. federal statutory rate	(34.0)%	(34.0)%
Foreign tax rate differential	1.6	1.5
State income taxes, net of federal benefit	(4.4)	(4.4)
Other permanent items	(1.8)	(2.3)
Change in valuation allowance	38.6	39.2
Effective Rate	0.0%	0.0%

Note 11 - Income Taxes (continued)

As of December 31, 2012 and 2011, the Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

	2012	2011
Deferred Tax Asset		
U.S. federal and state net operating loss carryovers	$ 4,191,794	$ 3,109,153
Canadian net operating loss carryovers	2,193,442	2,010,646
Non-deductible stock compensation	65,817	29,555
Accrued compensation	93,040	33,315
Derivative Liability	0	1,133
Total Deferred Tax Asset	6,544,093	5,183,802
Less: valuation allowance	(6,530,656)	(5,164,269)
Deferred Tax Asset, Net of Valuation Allowance	$ 13,437	$ 19,533
Deferred Tax Liabilities		
Convertible Debt	$ 0	$ (1,133)
Fixed Asset depreciation	(13,437)	(18,400)
Total deferred tax liabilities	(13,437)	(19,533)
Net Deferred Tax Asset (Liability)	$ --	$ --

No provision was made for U.S. or foreign taxes on the undistributed earnings of AirPatrol Research as such earnings are considered to be permanently reinvested. Such earnings have been and will continue to be, reinvested, but could become subject to additional tax, if they were remitted as dividends, loaned to the Company, or if the Company should sell its stock in AirPatrol Research. It is not practicable to determine the amount of additional tax, if any, that might be payable on the undistributed foreign earnings.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the year ended December 31, 2012 and 2011, the change in the valuation allowance was approximately $1,366,388 and $1,638,624.

The Company evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 prescribes a comprehensive model for how a company should recognize, present, and disclose uncertain positions that the company has taken or expects to take in its tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the net benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

If applicable, interest costs related to unrecognized tax benefits are required to be calculated and would be classified as "Other expenses – Interest" in the statements of operation. Penalties would be recognized as a component of "General and administrative."

No interest or penalties were recorded during the years ended December 31, 2012 and December 31, 2011, respectively. As of December 31, 2012 and December 31, 2011, no liability for unrecognized tax benefits was required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

The Company files tax returns in U.S. federal and state jurisdictions and is subject to examination by tax authorities beginning with the year ended December 31, 2009. The Company also files tax returns in Canada and is subject to examination by tax authorities beginning with the year ended December 31, 2009.

Note 12 - Fair Value

The Company determines the estimated fair value of amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current exchange between buyer and seller. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. These fair value estimates were based upon pertinent information available as of December 31, 2012 and 2011 and, as of those dates, the carrying value of all amounts approximates fair value.

The Company has categorized its assets and liabilities at fair value based upon the following fair value hierarchy:

- Level 1 - Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 - Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company’s assessment of the significance of particular inputs to these fair measurements requires judgment and considers factors specific to each asset or liability.

Both observable and unobservable inputs may be used to determine the fair value of positions that are classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in historical company data) inputs.

The following are the major categories of assets were measured at fair value during the years ended December 31, 2012 and 2011, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
Embedded conversion feature	$ --	$ --	$ --	$ --
Warrant and option liability	--	--	--	--
December 31, 2012	$ --	$ --	$ --	$ --

	Quoted Prices In Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
Embedded conversion feature	$ --	$ --	$ 2,872	$ 2,872
Warrant and option liability	--	--	--	--
December 31, 2011	$ --	$ --	$ 2,872	$ 2,872

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The Company’s Level 3 liabilities consist of derivative liabilities associated with the convertible debt that contains an indeterminable conversion share price and the tainted warrants as the Company cannot determine if it will have sufficient authorized common stock to settle such arrangements.

Note 12 - Fair Value (continued)

Assumptions utilized in the development of Level 3 liabilities as of and during the year ended December 31, 2012 are described in Note 6.

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended December 31, 2011.

	Warrant Liability	Embedded Conversion Feature	Total
Balance - January 1, 2011	$ (36,554)	$ --	$ (36,554)
Change in fair value of derivative liability	36,554	--	36,554
Included in debt discount	(632)	(2,872)	(3,504)
Included in interest expense	632	--	632
Balance - December 31, 2011	$ --	$ (2,872)	$ (2,872)

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended December 31, 2012.

	Warrant Liability	Embedded Conversion Feature	Total
Balance - January 1, 2012	$ --	$ 2,872	$ 2,872
Change in fair value of derivative liability	--	(2,872)	(2,872)
Included in debt discount	--	--	--
Included in interest expense	--	--	--
Balance - December 31, 2012	$ --	$ --	$ --

Note 13 - Credit Risk and Concentrations

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

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. Cash is also maintained at a foreign financial institution for its majority-owned subsidiary which had a balance of approximately $40,000 as of December 31, 2012. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

During the year ended December 31, 2012, the Company earned revenues from one customer representing approximately 45% of gross sales. During the year ended December 31, 2011, the Company earned revenues from two different customers representing approximately 26% and 15% of gross sales.

As of December 31, 2012, one customer represented approximately 97% of total gross accounts receivable. As of December 31, 2011, one customer represented approximately 64% of total gross accounts receivable.

As of December 31, 2012 and 2011, one vendor represented approximately 69% and 70%, respectively, of total gross accounts payable.

Note 14 - Foreign Operations

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

	United States	Canada	Eliminations	Total
2012 :				
Revenues by geographic area	$ 666,000	$ 54,000	$ -	$ 720,000
Operating loss by geographic area	$ (2,483,900)	$ (663,000)	$ -	$ (3,146,900)
Net loss by geographic area	$ (2,873,500)	$ (663,000)	$ -	$ (3,536,500)
Fixed assets by geographic area - net	$ 48,700	$ 30,600	$ -	$ 79,300
Identifiable assets by geographic area	$ (5,812,500	$ 145,000	$ (5,372,000)	$ (585,500)
2011 :				
Revenues by geographic area	$ 713,200	$ 153,200	$ -	$ 866,400
Operating loss by geographic area	$ (3,285,700)	$ (867,900)	$ -	$ (4,153,600)
Net loss by geographic area	$ (3,343,850)	$ (831,850)	$ -	$ (4,175,700)
Fixed assets by geographic area - net	$ 22,800	$ 35,300	$ -	$ 58,100
Identifiable assets by geographic area	$ 5,732,000	$ 331,000	$ (5,372,000)	$ 691,000

Note 15 - Commitments and Contingencies

Operating Leases

The Company leases its office space under non-cancelable operating leases that expire in September 2013. The total amount of rent payable under the leases is recognized on a straight-line basis over the term of the leases. As of December 31, 2012 and 2011, deferred rent payable was immaterial. Rental expense under the operating leases for the years ended December 31, 2012 and 2011 was $103,884 and $107,336, respectively.

The minimal annual lease payments through expiration in September 2013 is approximately $110,600.

Litigation

The Company is subject to litigation in the ordinary course of business. Management believes that the Company has adequate insurance coverage and accrues loss contingencies for all known matters that are probable and can be reasonably estimated and that the resolution of any such items will not have a material effect upon the Company's financial position or results of operations. As of and during the years ended December 31, 2012 and 2011, the Company has not been involved in any litigation.

Note 16 - Subsequent Events

During 2013 the Company issued secured convertible notes and received proceeds of $1,180,142. The notes accrue interest at the rates of 8% and 20%, are secured by the assets of the Company, and mature on various dates through June 30, 2016. In connection with the issuance of the these notes, the Company also issued warrants for the purchase of an aggregate of 5,354,081 shares of the Company's common stock at an exercise price of $0.28 per share through April 16, 2018.

In addition to the above promissory notes, the Company entered into three promissory notes and received proceeds of $250,000, $100,000 and $1,000,000. The $250,000 note agreement was repaid during the year and also included warrants for the purchase of 500,000 shares of the Company's common stock. The $100,000 note accrues interest at 3% per annum and matures on December 31, 2017. The $1,000,000 promissory note accrues interest at 8% per annum, matures on February 28, 2014 and is collateralized by the assets of the Company.

Note 16 - Subsequent Events (continued)

During 2013, the Company entered into two new lease agreements for its Maryland (US) and Canadian locations. The Maryland lease commences January 1, 2014 and expires on December 31, 2018. The lease calls for monthly payments plus common area maintenance fees along with annual increases of 3% during the term of the lease. The lease of the Canadian location commenced on November 1, 2013 and expires on September 30, 2018. The lease requires fixed monthly payments of $7,018 plus common area maintenance fees for the first two years of the agreement. The last three years of the agreement call for fixed monthly payments of $7,558 plus common area maintenance fees totaling approximately $138,250 per year.

Acquisition of AirPatrol Corporation

On December 20, 2013, the Company entered into an Agreement of Plan and Merger (the "Merger Agreement") whereby Sysorex Global Holdings Corp. ("Sysorex") would acquire 100% of the capital stock of the Company for a purchase price equal to (a) $10,000,000 in cash, subject to certain adjustments, allocated to and among certain creditors, payees, holders of the Company's issued and outstanding capital stock and (b) 4,000,000 shares of Sysorex' common stock, of which 1,600,000 shall be held in escrow for one year, as security to satisfy any indemnity claims that may be owed by the Company's shareholders to Sysorex (the "Merger Consideration"). The Merger Consideration also includes an earnout, half of the value of which shall be in stock and the other half in cash (unless otherwise agreed or required pursuant to the Merger Agreement) payable to the shareholders of the Company in 2015 in accordance with the following formula: if for the five quarter period ending March 31, 2015, the Company's Net Income meets or exceeds $3,500,000, Sysorex shall pay to the Company's shareholders an earnout payment equal to (i) the Company's Net Income, divided by $5,000,000, times (ii) $10,000,000, provided that the total earnout payment shall not exceed $10,000,000. The closing of the Merger is conditioned upon the consummation of an initial public offering of Sysorex's common stock with gross proceeds of at least $10,000,000 on terms acceptable to Sysorex and certain other customary conditions. The Company can give no assurance that the terms and conditions will be met and the transaction will close.

SYSOREX GLOBAL HOLDINGS CORP.
INTRODUCTION TO PRO FORMA CONDENSED
COMBINED FINANCIAL STATEMENTS
(Unaudited)

On March 1, 2013, the Company entered into an Asset Purchase and Merger Agreement (the “Agreement”) to acquire substantially all of the assets and liabilities of Lilien LLC and 100% of the stock of Lilien Systems (collectively referred hereafter as “Lilien”) effective as of March 1, 2013. Effective August 31, 2013, the Company entered into an Agreement and Plan of Merger (the “Agreement”) to acquire 100% of the issued and outstanding common stock of Shoom, Inc. (“Shoom”). On December 20, 2013 the Company entered into an Agreement and Plan of Merger to acquire 100% of the capital stock of AirPatrol Corporation (“AirPatrol”) and expects to close the acquisition in 2014. The following unaudited pro forma financial information presents the consolidated results of operations of the Company, Lilien, Shoom and AirPatrol for the year ended December 31, 2012 and the Statement of Operations for the Nine Months Ended September 30, 2013 as if the acquisitions had occurred on January 1, 2012. The pro forma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods. The unaudited pro forma information is presented for illustration purposes only in accordance with the assumptions set forth below and in the notes to the pro forma combined condensed financial statements.

Sysorex Global Holdings Corp., Lilien, Shoom and AirPatrol
Pro Forma Condensed Combined Balance Sheet
December 31, 2012
(Unaudited)

	Sysorex 2012 Bal Sheet	Lilien 2012 Bal Sheet	Shoom 2012 Bal Sheet	AirPatrol 2012 Bal Sheet	Adj #1	Adj #2	Adj #3	Adj #4	Adj #5	Adj #6	Consolidated Total
ASSETS											
Current Assets											
Cash	$ 8,301	3,523,352	2,225,215	256,300				724,869	(219,188)		$ 6,518,848
Marketable Securities			1,362,032								1,362,032
Accounts Receivable	386,720	5,115,527	187,736	10,323							5,700,305
Inventory		55,864		201,730							257,594
Prepaid Licenses & Main Contracts		5,533,049									5,533,049
Other Current Assets	31,762	421,954	83,256	25,372							562,344
Total Current Assets	**426,782**	**14,649,745**	**3,858,239**	**493,725**	**-**	**-**		**724,869**	**(219,188)**	**-**	**19,934,173**
Furniture, Fixtures, & Equipment	49,238	271,160	31,049	79,287							430,734
Other Assets	1,139,091		660,847	12,483							1,812,421
Prepaid Licenses & Main Contracts Non Current		3,246,726									3,246,726
Acquisition Intangibles					5,380,000	2,670,000	18,516,715			(3,940,964)	22,625,751
Goodwill					4,544,053	1,243,959	12,344,476				18,132,488
Total Assets	**$ 1,615,111**	**18,167,631**	**4,550,135**	**585,495**	**9,924,053**	**3,913,959**	**30,861,191**	**724,869**	**(219,188)**	**(3,940,964)**	**$ 66,182,292**
LIABILITIES											
Accounts Payable	1,075,312	6,436,258	5,090	1,216,174							8,732,832
Accrued Expenses	1,581,964	1,249,949	46,252	593,169							3,471,334
Other Liabilities	3,289,387		382,585	2,979,766		2,500,000		(215,131)			8,936,607
Deferred Revenue	236,291	6,614,296	2,719	149,178							7,002,484
Revolving Line of Credit					3,000,000			1,175,000			4,175,000
Total Liabilities	**6,182,954**	**14,300,503**	**436,646**	**4,938,287**	**3,000,000**	**2,500,000**		**959,869**	**-**	**-**	**32,318,257**
Deferred Revenue, non-current		3,805,590									3,805,590
STOCKHOLDERS' EQUITY											
Stockholders' Equity (Deficiency)	(4,567,842)	61,538	4,113,489	(4,352,792)	6,924,053	1,413,959	30,861,191	**(235,000)**	(219,188)	(3,940,964)	30,058,445
Total Liabilities and Stockholder's Equity	**$ 1,615,112**	**18,167,631**	**4,550,135**	**585,495**	**9,924,053**	**3,913,959**	**30,861,191**	**724,869**	**(219,188)**	**(3,940,964)**	**$ 66,182,292**

Notes:

1) Acquisition of Lilien
2) Acquisition of Shoom
3) AirPatrol – to be acquired
4) Additional borrowings concurrent with Lilien acquisition for acquisition related disbursements and working capital purposes and payment of accrued expenses
5) Interest expense on Bridge Bank credit facility for the period from 1/1/12 - 12/31/12
6) Amortization of Lilien, Shoom and AirPatrol intangible assets for the period 1/1/12 - 12/31/12

Sysorex Global Holdings Corp., Lilien, Shoom and AirPatrol
Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2012
(Unaudited)

	Sysorex	Lilien	Shoom	AirPatrol	Adj #1 Interest (Note 1)	Adj #2 Issue Shares (Note 2)	Adj #3 Amort (Note 3)	Pro Forma
Revenues	$ 4,237,789	$ 40,571,168	$ 4,022,658	719,970				$ 49,551,585
Cost of revenues	2,344,592	30,411,985	927,365	223,368				33,907,310
Gross profit	1,893,197	10,159,183	3,095,293	496,602				15,644,275
SG&A	2,348,611	10,717,733	1,965,231	3,643,516			3,940,964	22,616,055
Income (loss) from operations	(455,414)	(558,550)	1,130,062	(3,146,914)				(6,971,780)
Other income (expense)	(329,211)	(4,322)	28,176	(389,584)	(219,188)			(914,129)
Income (loss) before taxes	(784,625)	(562,872)	1,158,238	(3,536,498)				(7,885,909)
Provision for income taxes	0	0	446,326	0				446,326
Net income	(784,625)	(562,872)	711,912	(3,536,498)				(8,332,235)
Net income (loss) attributable to non-controlling interests	(90,779)	0	0	0				(90,779)
Net income (loss) attributable to shareholders of SGH	(693,846)	(562,872)	711,912	(3,536,498)				(8,241,456)
Dividends	0	0	0	0				0
Net income (loss) attributable to common shareholders	$ (693,846)	$ (562,872)	$ 711,912	(3,536,498)				$ (8,241,456)
Weighted average shares o/s - Basic and diluted	17,962,586					12,762,000		30,724,586
Net income (loss) per share - Basic and diluted	(0.04)							(0.27)

Notes:

1) $4,175,000 line of credit outstanding for the entire year and interest at 5.25%.
2) Issuance of 6,000,000 Sysorex common shares for Lilien acquisition, 2,762,000 shares for Shoom acquisition and 4,000,000 shares for AirPatrol acquisition
3) Amortization of Lilien intangibles of $5,380,000, Shoom intangibles of $2,670,000 and AirPatrol intangibles of $18,516,715 (per acquisition method accounting) over four and seven years

Sysorex Global Holdings Corp., Lilien, Shoom and AirPatrol
Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2013
(Unaudited)

	Sysorex Global Consolidated	Lilien Jan 1 - Feb 28, 2013	Shoom Jan 1 - Aug 31, 2013	AirPatrol Jan 1 - Sept 30, 2013	Adj #1 Interest (Note 1)	Adj #2 Issue Shares (Note 2)	Adj #3 Amort (Note 3)	Adj #4 Acquisition Expenses (Note 4)	Pro Forma
Revenues	$ 34,091,608	$ 5,161,001	$ 2,653,902	$ 1,128,154					$ 43,034,665
Cost of revenues	25,874,494	3,884,003	234,061	121,820					30,114,378
Gross profit	8,217,114	1,276,998	2,419,841	1,006,334					12,920,287
SG&A	10,598,605	1,925,497	1,735,695	2,602,537			2,463,462	(1,224,252)	18,101,544
Income (loss) from operations	(2,381,491)	(648,499)	684,146	(1,596,203)					(5,181,257)
Other income (expense)	(500,623)	5	(10,570)	(915,850)	(48,405)				(1,475,443)
Income (loss) before taxes	(2,882,114)	(648,494)	673,576	(2,512,053)					(6,656,699)
Provision for income taxes	0	0	229,873	0					229,873
Net income	(2,882,114)	(648,494)	443,703	(2,512,053)					(6,886,572)
Net income (loss) attributable to non-controlling interests	(104,050)	0	0	0					(104,050)
Net income (loss) attributable to shareholders of SGH	(2,778,064)	(648,494)	443,703	(2,512,053)					(6,782,522)
Dividends	0	0	0	0					0
Net income (loss) attributable to common shareholders	$ (2,778,064)	$ (648,494)	$ 443,703	$ (2,512,053)					$ (6,782,522)
Weighted average shares o/s - Basic and diluted	23,364,101					8,148,000			31,512,101
Net income (loss) per share - Basic and diluted	(0.12)								(0.22)

Notes:

1) $4,175,000 line of credit outstanding for the entire year and interest at 5.25%.
2) Issuance of additional shares due to Lilien, Shoom and AirPatrol Acquisitions on a weighted average basis
3) Amortization of Lilien intangibles of $5,380,000, Shoom intangibles of $2,670,000 and AirPatrol intangibles of $18,516,715 (per acquisition method accounting) over four and seven years
4) Expenses directly associated with Lilien and Shoom acquisitions in the nine months ended September 30, 2013; removed for proforma
5) Shoom and AirPatrol's financial data has been included in this proforma on a preliminary un-audited basis

SYSOREX GLOBAL HOLDINGS CORP.

3,454,546 Shares

Common Stock

PROSPECTUS

_______ ___, 2014

WELLINGTON SHIELDS & CO. **DOUGHERTY & COMPANY LLC**

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. *OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.*

The following table sets forth the costs and expenses payable by us in connection with the issuance and distribution of the securities being registered. None of the following expenses are payable by the selling stockholders. All of the amounts shown are estimates, except for the SEC registration fee.

SEC registration fee	$	3,073.49
FINRA Registration Fee	$	4,074.20
Legal fees and expenses	$	150,000.00
Accounting fees and expenses	$	25,000.00
Miscellaneous	$	17,850.19
TOTAL	$	200,000.00

ITEM 14. *INDEMNIFICATION OF DIRECTORS AND OFFICERS.*

The Nevada Revised Statutes provide that we may indemnify our officers and directors against losses or liabilities which arise in their corporate capacity. The effect of these provisions could be to dissuade lawsuits against our officers and directors.

The Nevada Revised Statutes Section 78.7502 provides that:

1.) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he: (a) Is not liable pursuant to NRS 78.138; or (b) Acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person is liable pursuant to NRS 78.138 or did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, or that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2.) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he: (a) Is not liable pursuant to NRS 78.138; or (b) Acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

3). To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

The Nevada Revised Statutes Section 78.751 provides that:

1). Any discretionary indemnification pursuant to NRS 78.7502, unless ordered by a court or advanced pursuant to Section 78.751 subsection 2; may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made: (a) By the stockholders; (b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) If a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

2). The articles of incorporation, the bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The provisions of this subsection do not affect any rights to advancement of expenses to which corporate personnel other than directors or officers may be entitled under any contract or otherwise by law.

3). The indemnification pursuant to NRS 78.7502 and advancement of expenses authorized in or ordered by a court pursuant to this section: (a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to NRS 78.7502 or for the advancement of expenses made pursuant to subsection 2, may not be made to or on behalf of any director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action, and, (b) Continues for a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of such a person.

Our Corporate By-Laws at Article X, provide that the Corporation has accepted a provision indemnifying to the full extent permitted by the law, thereby eliminating or limiting the personal liability of directors, officers, employees or corporate agents for damages for breach of fiduciary duty as a director or officer, but such provision must not eliminate or limit the liability of a director or officer for (a) Acts or omissions involving willful misconduct, gross negligence, fraud, or knowing violation of law; or (b) the payments of distributions in violation of Nevada Revised Statute 78.300.

INSOFAR AS INDEMNIFICATION FOR LIABILITIES ARISING UNDER THE SECURITIES ACT OF 1933 MAY BE PERMITTED TO OUR DIRECTORS, OFFICERS AND CONTROLLING PERSONS PURSUANT TO THE FORGOING PROVISIONS OR OTHERWISE, WE HAVE BEEN ADVISED THAT, IN THE OPINION OF THE SECURITIES AND EXCHANGE COMMISSION, SUCH INDEMNIFICATION IS AGAINST PUBLIC POLICY AS EXPRESSED IN THAT ACT AND IS, THEREFORE, UNENFORCEABLE.

ITEM 15. ***RECENT SALES OF UNREGISTERED SECURITIES.***

Sales by Sysorex Global Holdings Corp.

Between March 2011 and August 2011 the Corporation issued 2,350,000 shares of restricted common stock to two accredited investors for services rendered. The shares were issued pursuant to an exemption from registration under Section 4(a)(2) of the Securities Act of 1933 and Rule 506 of Regulation D promulgated thereunder. The shares were valued at $0.01 per share for an aggregate of $23,500. The shares were restricted and non-transferable.

On July 28, 2011 the Corporation issued 14,600,000 shares of restricted common stock in connection with the Company's merger with Sysorex Federal Inc. and Sysorex Government Services Inc. pursuant to Rule 506 under the Securities Act of 1933. The shares were valued at $0.01 per share for an aggregate of $146,000. The shares were restricted and non-transferable and the recipients of the shares made certain investment representations to the Company in the merger agreement.

In July, 2011, the Corporation entered into an agreement with its public relations firm, which gave the public relations firm the right to purchase 300,000 shares of the Corporation's common stock at $0.50 per share. The options expire on June 30, 2016.

In August 2011 the Corporation issued 216,000 shares of restricted common stock pursuant to a private placement to three investors pursuant to Rule 506 under the Securities Act of 1933. The shares were valued at $0.50 per share for an aggregate of $108,000. The shares were restricted and non-transferable.

In August, 2011, the Corporation issued 36,000 shares of restricted common stock to the former CEO and Chairman of the Corporation in exchange for $18,000 of services rendered to the Corporation.

In August, 2011, the Corporation issued 6,000 shares of restricted common stock to three consultants for services rendered to the Corporation during the prior year.

On August 4, 2011, the Corporation issued 30,000 shares of restricted common stock for the exercise of stock options. The gross proceeds received from the exercise were $3,000.

In December 2011, the Corporation issued 74,000 shares of restricted common stock pursuant to a private placement to two investors pursuant to Rule 506 under the Securities Act of 1933. The shares were valued at $0.50 per share for an aggregate of $37,000. The shares were restricted and non-transferable.

On July 31, 2012, the Corporation issued warrants to purchase 300,000 shares of common stock to Hanover Holdings I, LLC in connection with a bridge loan.

On December 31, 2012, the Corporation issued 25,000 shares to two individuals for services rendered during the previous year.

On March 20, 2013, the Corporation issued 6,000,000 shares of restricted common stock to the former members of Lilien, LLC pursuant to a Merger Agreement. The Corporation also issued warrants to purchase 166,667 shares of common stock to Bridge Bank, N.A. in consideration of the Corporation's financing of Lilien LLC.

On March 20, 2013, the Corporation issued 180,000 shares of common stock under the terms of a consulting services agreement in connection with the Lilien acquisition. The Company recorded an expense of $180,000 during the quarter ended March 31, 2013.

On March 20, 2013, the Corporation issued 15,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $15,000 during the quarter ended March 31, 2013.

On March 31, 2013, the Corporation issued 887,433 shares of common stock in satisfaction of $1,774,865 owed by Sysorex Arabia LLC to Duroob Technology, Inc. ("Duroob"), a related party as Duroob's Chief Executive Officer owns a minority interest in Sysorex Arabia, LLC. The issuance of these shares was recorded by Sysorex Global Holdings Corp. as an additional investment in its majority-owned subsidiary, Sysorex Arabia LLC. However, by agreement with the other shareholder of Sysorex Arabia LLC, the ownership percentages of Sysorex Arabia LLC remained unchanged.

On April 8, 2013, the Corporation issued 31,746 shares for services rendered during the current year.

On May 2, 2013, the Corporation issued 60,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $60,000 during the quarter ended June 30, 2013.

On June 30, 2013, the Corporation issued 15,000 shares of common stock under the terms of a consulting services agreement. The Company recorded an expense of $15,000 during the quarter ended June 30, 2013.

On July 8, 2013, the Corporation issued 31,746 shares for services rendered during the current year.

As of September 6, 2013, the Corporation issued 2,761,997 shares of common stock to the former shareholders of Shoom, Inc. pursuant to a merger agreement.

On September 13, 2013, the Company issued 120,865 shares for the cashless exercise of 300,000 common stock warrants.

On September 30, 2013, the Company issued 15,000 shares of common stock under the terms of a consulting services agreement.

On October 1, 2013, the Company issued 20,000 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

On October 8, 2013, the Company issued 31,746 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

On October 11, 2013, the Company issued 6,875 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

On November 6, 2013, the Company issued 14,286 shares of common stock for services to a director of the Company which were fully vested upon date of grant.

On December 24, 2013, the Company issued 9,852 shares of common stock under the terms of a consulting services agreement which were fully vested upon date of grant.

The shares were issued in transactions that were exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2) of the Securities Act, which exempts transactions by an issuer not involving any public offering and where noted pursuant to Regulation D under the Securities Act of 1933. The Company relied on the representations made in the various subscription agreements, stock purchase agreements or other agreements signed by the stockholders. No commissions were paid and no underwriter or placement agent was involved in this transactions.

ITEM 16. Exhibits and Financial Statement Schedules.

(a) Exhibit No.	*Description*
1.1	Form of Underwriting Agreement. (5)
2.1	Asset Purchase and Merger Agreement, effective March 1, 2013, by and among Sysorex Global Holdings Corp., Lilien, LLC and Lilien Systems. (1)
2.2	Schedules and Exhibits to Exhibit 2.1 (2) (4)
2.3	Agreement of Merger dated March 20, 2013 by and between Lilien Systems and Sysorex Acquisition Corporation (1).
2.4	Agreement and Plan of Merger between Sysorex Global Holdings Corp. and Shoom, Inc. (4)
2.5	Acquisition and Share Exchange Agreement dated as of June 27, 2011 by and between Sysorex Consulting, Inc. and Softlead, Inc. (4)
*2.6	Agreement and Plan of Merger dated as of December 20, 2013, by and among Sysorex Global Holdings Corp., AirPatrol Corporation, AirPatrol Acquisition Corp. I, AirPatrol Acquisition Corp. II, and Shareholders Representative Services LLC.(3)
3.1	Articles of Incorporation (1).
3.2	Bylaws (1).
4.1	Specimen Stock Certificate of the Corporation (1).
4.2	Business Financing Agreement dated March 15, 2013 by and among the Sysorex Government Services, Inc., Lilien Systems and Bridge Bank, N.A. (1).
4.3	Warrant to purchase common stock dated March 20, 2013 held by Bridge Bank N.A. (1).
4.4	Warrant to purchase common stock dated July 31, 2012 held by Hanover Holdings I, LLC (1).
4.5	Warrant to purchase common stock dated August 29, 2013. (4)
4.6	Amendment to Business Financing Agreement, Waiver of Default and Consent dated as of August 29, 2013 between the Sysorex Global Holdings Corp. and Bridge Bank, N.A. (4)
4.7	Form of Underwriter's Warrant (6)
5.1	Opinion of Davidoff Hutcher & Citron LLP (5)
10.1	Guaranty of Corporation to Bridge Bank, N.A. dated March 15, 2013 (1).
10.2	Guarantor Security Agreement dated March 15, 2013 to Bridge Bank, N.A. (1).
10.3	Registration Rights Agreement dated March 20, 2013 by and between the Corporation and Bridge Bank, N.A. (1).
10.4	Form of Guaranty Agreement dated March 20, 2013 between the Corporation and each of the former members of Lilien, LLC (1).
10.5	Form of Employment Agreement effective March 20, 2013 between the Corporation and each of Geoffrey Lilien, Dhruv Gulati and Bret Osborn (1)
10.6	Registration Rights Agreement dated August 29, 2013 by and between the Corporation and Bridge Bank, N.A. (4)
10.7	Employment Agreement dated July 1, 2010, by and between the Corporation and Nadir Ali, as amended. (4)
10.8	Equity Exchange Agreement dated as of March 31, 2013 by and between the Corporation and Duroob Technology. (4)
10.9	Loan Agreement dated as of August 30, 2013 by and between AirPatrol Corporation and Sysorex Global Holdings Corp. (6)
10.10	Secured Promissory Note dated August 30, 2013 from AirPatrol Corporation to Sysorex Global Holdings Corp. (6)
10.11	Security Agreement dated as of August 30, 2013 by and between AirPatrol Corporation and Sysorex Global Holdings Corp. (6)
10.12	Subordination Agreement dated as of August 30, 2013 by and between Sysorex Global Holdings Corp. and Note Holders. (6)
*10.13	Employment Agreement dated as of December 20, 2013 by and between AirPatrol Corporation and Cleve Adams.
21	List of Subsidiaries of the Corporation (4)
*23.1	Consent of Marcum LLP regarding Sysorex Global Holdings Corp.
*23.2	Consent of Marcum LLP regarding Lilien LLC and Subsidiaries
*23.3	Consent of Marcum LLP regarding Shoom, Inc.
*23.4	Consent of Marcum LLP regarding AirPatrol Corporation.
23.5	Consent of Davidoff Hutcher & Citron LLP (included in Exhibit 5.1)
24.1	Powers of Attorney (included in the signature page to this Registration Statement) (4)

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* Filed on this Date.

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (No. 333-190574) filed on August 12, 2013.

(2) The schedules to Exhibit 2.1 have not been filed with this registrations statement as they contain due diligence information which the Registrant does not believe is material to an investment decision and which is otherwise described in the Registration Statement including the audited financial statements of Lilien LLC and Lilien Systems.

(3) The schedules to Exhibit 2.6 have not been filed with this registrations statement as they contain due diligence information which the Registrant does not believe is material to an investment decision and which is otherwise described in the Registration Statement including the audited financial statements of AirPatrol Corporation.

(5) Filed on November 12, 2013 with Amendment No. 1 to this Registration Statement.

(6) Filed on December 9, 2013 with Amendment No. 2 to this Registration Statement.

ITEM 17. ***UNDERTAKINGS.***

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining any liability under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§ 230.424 of this chapter);

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(6) (i) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(7) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Santa Clara, State of California on the 21st day of January, 2014.

SYSOREX GLOBAL HOLDINGS CORP.

By: /s/ Nadir Ali
Name: Nadir Ali
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Nadir Ali Nadir Ali	CEO (Principal Executive Officer) and Director	January 21, 2014
/s/ Wendy F. Loundermon Wendy F. Loundermon	Chief Financial Officer (Principal Financial and Accounting Officer)	January 21, 2014
/s/ Salam Qureishi Salam Qureishi	Chairman of the Board and Director	January 21, 2014
/s/ Len Oppenheim Len Oppenheim	Director	January 21, 2014
/s/ Geoffrey Lilien Geoffrey Lilien	Director	January 21, 2014
/s/ Bret Osborn Bret Osborn	Director	January 21, 2014
/s/ Dhruv Gulati Dhruv Gulati	Director	January 21, 2014
/s/ Nadir Ali Nadir Ali	As Attorney-In-Fact	January 21, 2014

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Description
2.6	Agreement and Plan of Merger dated as of December 20, 2013, by and among Sysorex Global Holdings Corp., AirPatrol Corporation, AirPatrol Acquisition Corp. I, AirPatrol Acquisition II, and Shareholders Representative Services LLC.
10.13	Employment Agreement dated as of December 20, 2013 by and between AirPatrol Corporation and Cleve Adams.
23.1	Consent of Marcum LLP regarding Sysorex Global Holdings Corp.
23.2	Consent of Marcum LLP regarding Lilien LLC and Subsidiaries
23.3	Consent of Marcum LLP regarding Shoom, Inc.
23.4	Consent of Marcum LLP regarding AirPatrol Corporation

Exhibit 2.6

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is entered into as of December 20, 2013 by and among SYSOREX GLOBAL HOLDINGS CORP., a Nevada corporation ("Acquiror"), AIRPATROL CORPORATION, a Nevada corporation ("AirPatrol"), AIRPATROL ACQUISITION CORP. I, a Nevada corporation and a wholly owned subsidiary of Acquiror ('Merger Sub I"), AIRPATROL ACQUISITION CORP. II, a Nevada corporation and a wholly owned subsidiary of Acquiror ('Merger Sub II," and together with Merger Sub I, the "Merger Subs"), and SHAREHOLDER REPRESENTATIVE SERVICES LLC, a Colorado limited liability company, solely in its capacity as the representative of the shareholders of AirPatrol ("Representative").

RECITALS

A. Under the terms and subject to the conditions of this Agreement, Acquiror, Merger Subs, AirPatrol and the Representative intend to enter into a business combination transaction such that the Merger Sub I, a wholly owned subsidiary of Acquiror, merges with and into AirPatrol.

B. The Board of Directors of each of Acquiror, Merger Subs and AirPatrol has: (i) determined that the merger of Merger Sub I with and into AirPatrol with AirPatrol as the surviving corporation ("Merger I"),would be advisable and fair to, and in the best interests of, their respective shareholders, (ii) determined that immediately following the effectiveness of Merger I, the merger of AirPatrol with and into Merger Sub II with Merger Sub II as the surviving corporation ("Merger II" and together with Merger I, the "Transaction"), would be advisable and fair to, and in the best interests of, their respective shareholders and (iii) approved the Transaction upon the terms and subject to the conditions set forth in this Agreement in accordance with applicable Laws;

C. The Boards of Directors of AirPatrol and Acquiror (i) have determined that the Transaction is consistent with, and in furtherance of, their respective long term business strategies and fair to, and in the best interest of, their respective shareholders, and (ii) have approved this Agreement, the Transaction and the other transactions contemplated by this Agreement.

D. The Boards of Directors of Merger Subs have approved this Agreement, the Transaction and the other transactions contemplated by this Agreement.

E. The parties to this Agreement (the "Parties") intend, by executing this Agreement, to adopt a plan of reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code").

F. The Parties desire to set forth certain representations, warranties and covenants made by each to the other as an inducement to the consummation of the transactions contemplated hereby.

G. As a condition to the Closing of the Transaction, and as inducement to the Acquiror's willingness to enter into this Agreement, certain employees will enter into Employment Agreements, certain AirPatrol Shareholders who are AirPatrol employees will enter into Non-Competition Agreements (which shall be effective for the shorter of three years following the Closing Date and one year following termination of employment or, for such persons who are not residents of California, for one year following termination of employment, as applicable), and the Parties will enter into an Escrow Agreement for the holding of a portion of the Merger Consideration in escrow.

H. For purposes of this Agreement capitalized terms shall have the meanings specified in attached Appendix 1.

AGREEMENT

NOW THEREFORE, in consideration of the mutual agreements, covenants and other premises set forth herein, the Parties hereby agrees as follows:

ARTICLE 1

MERGER

1.1

The Transaction. As of the Effective Time of Merger I and subject to and upon the terms and conditions of this Agreement and the applicable provisions of Chapter 92A of the Nevada Revised Statutes ("Nevada Law"), Merger Sub I shall be merged with and into AirPatrol, (a) the separate corporate existence of Merger Sub I shall cease, (b) AirPatrol shall continue as the surviving corporation ("Surviving Corporation I") and shall continue its corporate existence under Nevada Law as a direct wholly owned Subsidiary of Acquiror and (c) all of the assets, properties, rights, privileges, powers and franchises of Merger Sub I will vest in Surviving Corporation I, and all of the debts, liabilities, obligations and duties of Merger Sub I will become the debts, liabilities, obligations and duties of Surviving Corporation I. Immediately following the Effective Time of Merger I, and upon the terms and subject to the conditions of this Agreement, and in accordance with Nevada Law, Surviving Corporation I will be merged with and

into Merger Sub II, pursuant to which (x) the separate existence of Surviving Corporation I shall cease, (y) Merger Sub II shall be the surviving corporation in Merger II ("Surviving Corporation II") and shall continue its corporate existence under Nevada Law initially as a direct wholly owned Subsidiary of the Parent and (z) all of the assets, properties, rights, privileges, powers and franchises of Surviving Corporation I will vest in Surviving Corporation II, and all of the debts, liabilities, obligations and duties of Surviving Corporation I will become the debts, liabilities, obligations and duties of Surviving Corporation II.

1.2 Effective Time. Unless this Agreement is earlier terminated pursuant to Section 10.1, the closing of the Transaction (the 'Closing") will take place as promptly as practicable after the execution and delivery hereof by the parties hereto, but no later than the third (3rd) Business Day following satisfaction or waiver of the conditions set forth in Article 6 hereof, by electronic communication, unless another date is mutually agreed upon in writing by Acquiror and AirPatrol (the "Closing Date"). The Parties shall cause Merger I to be completed by filing articles of merger of AirPatrol and Merger Sub with the Secretary of State of Nevada, in accordance with Section 92A.200 of the Nevada Law, in the form attached as Exhibit A-1 ("Articles of Merger I"). Merger I shall become effective upon the filing of the Certificate of Merger I with the Secretary of State of the State of Nevada or at such later time as shall be agreed upon in writing by the Parties and specified in the Certificate of Merger I, which specified time shall be a time on the Closing Date. The date and time when Merger I shall become effective is herein referred to as the "Effective Time of Merger I". Immediately after the Effective Time of Merger I, the Parties hereto shall cause Merger II to be consummated by filing articles of merger substantially in the form attached hereto as Exhibit A-2 (the "Articles of Merger II") with the Secretary of State of the State of Nevada as soon as practicable on the Closing Date. Merger II shall become effective upon the filing of the Articles of Merger II with the Secretary of State of the State of Nevada or at such later time as shall be agreed upon in writing by the Parties and specified in the Articles of Merger II, which specified time shall be a time on the Closing Date. The date and time when Merger II shall become effective is herein referred to as the "Effective Time of Merger II". As between the Parties, risk of loss and the benefits of ownership of the consideration shall be transferred, and Merger I shall become effective, at such time as provided in Section 92A.240 of the Nevada Law.

1.3 Pre-Closing Deliverables. No later than five (5) Business Days prior to the Closing Date (or such shorter time as may be permitted by the Acquiror), AirPatrol shall deliver to the Aquiror the following:

1.3.1 a draft of the Projected Closing Balance Sheet;

1.3.2 a draft Closing Spreadsheet, including any wire transfer instructions for each Person to whom Acquiror is making payment on behalf of AirPatrol and the AirPatrol Shareholders in respect of AirPatrol Indebtedness, Employee Transaction Related Expenses and Merger Expenses at the Closing;

1.3.3 a draft Consideration Certificate, including an estimate and calculation of AirPatrol's Working Capital, AirPatrol Indebtedness, Unpaid Tax Obligations and Employee Obligations, in each case as of the Closing; and

1.3.4 copies of all assignment documents necessary to facilitate a transfer of the patent applications and trademark applications owned by AirPatrol.

The items set forth above in this Section 1.3 shall be prepared by AirPatrol in good faith and shall represent AirPatrol's best estimate of the amounts set forth therein as of the Closing. Promptly after the Acquiror's request, AirPatrol shall provide the Acquiror copies of the documents or instruments evidencing the amounts set forth thereon. AirPatrol and the Acquiror shall work together in good faith to resolve prior to the Closing any disputes regarding the amounts set forth in the foregoing pre-closing deliverables.

1.4 Effect of the Transaction. At the Effective Time of Merger I, the effect of Merger I shall be as provided in this Agreement, the Certificate of Merger I and the applicable provisions of Nevada Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time of Merger I all the property, rights, privileges, powers and franchises of AirPatrol and Merger Sub I shall vest in Surviving Corporation I, and all debts, liabilities, obligations, restrictions, disabilities and duties of AirPatrol and Merger Sub I shall become the debts, liabilities, obligations, restrictions, disabilities and duties of Surviving Corporation I. At the Effective Time of Merger II, the effect of Merger II shall be as provided in this Agreement, the Certificate of Merger II and the applicable provisions of Nevada Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time of Merger II all the property, rights, privileges, powers and franchises of Surviving Corporation I and Merger Sub II shall vest in Surviving Corporation II, and all debts, liabilities, obligations, restrictions, disabilities and duties of Surviving Corporation I and Merger Sub II shall become the debts, liabilities, obligations, restrictions, disabilities and duties of Surviving Corporation II.

1.5 Articles of Incorporation; Bylaws.

1.5.1 As of the Effective Time of Merger I, the articles of incorporation of AirPatrol, as in effect immediately prior to the Effective Time of Merger I, shall be the Articles of Incorporation of the Surviving Corporation I. At the Effective Time of Merger I, the bylaws of the AirPatrol, as in effect immediately prior to the Effective Time of Merger I, shall be the bylaws of the Surviving Corporation I. The articles of incorporation of Surviving Corporation II immediately after the Effective Time of Merger II shall be amended and restated in its entirety to be identical to the articles of incorporation of Surviving Corporation I, as in

effect immediately prior to the Effective Time of Merger II, until thereafter amended in accordance with Nevada Law and as provided therein, and the bylaws of Surviving Corporation II immediately after the Effective Time of Merger II shall be amended and restated in its entirety to be identical to the bylaws of Surviving Corporation I, as in effect immediately prior to the Effective Time of Merger II, until thereafter amended in accordance with Nevada Law and as provided therein.

1.6 Officers and Directors. The officers of AirPatrol immediately prior to the Effective Time of Merger I shall be the officers of the Surviving Corporation I at and after the Effective Time of Merger I, in each case until the earliest of their resignation or removal from office or their otherwise ceasing to be officers or until their respective successors are duly elected and qualified. The individual(s) listed on Schedule 1.6 shall constitute the entire Board of Directors of the Surviving Corporation I at and after the Effective Time of Merger I, each to hold office in accordance with the articles of incorporation and bylaws of the Surviving Corporation I. The directors and officers of Surviving Corporation II immediately after the Effective Time of Merger II shall be the respective individuals who are directors and officers of Surviving Corporation I immediately prior to the Effective Time of Merger II.

1.7 Merger Consideration. The aggregate merger consideration ("Merger Consideration") payable by Acquiror to the holders of AirPatrol Common Stock and AirPatrol Preferred Stock ("AirPatrol Shareholders") at the Closing shall be as follows: (a) the Cash Merger Consideration, (b) 4,000,000 shares of Acquiror Common Stock (appropriately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend, recapitalization or like change with respect to Acquiror Common Stock occurring after the date of this Agreement and prior to the Effective Time of Merger I) (the "Stock Merger Consideration"), and (c) the Earnout Payment. The number of shares of Stock Merger Consideration shall be rounded to the nearest whole share and no fractional shares shall be issued. Acquiror and AirPatrol shall execute a certificate on the Closing Date to evidence their agreement with respect to the final calculation of the number of shares constituting the Stock Merger Consideration.

1.7.1 Cash Merger Consideration. The Cash Merger Consideration shall be paid to each AirPatrol Shareholder in accordance with the percentage of the Merger Consideration to which each AirPatrol Shareholder is entitled as set forth in the Closing Spreadsheet. "Cash Merger Consideration" means:

(a) Ten million dollars ($10,000,000); *minus*

(b) the amount by which Working Capital as determined and set forth in the Projected Closing Balance Sheet is less than $450,000; *minus*

(c) any net increase in AirPatrol Indebtedness outstanding as of the date of the Closing (as set forth in the Consideration Certificate), in relation to total Indebtedness of AirPatrol reflected in the Balance Sheet as of September 30, 2013; *minus*

(d) the aggregate of AirPatrol Merger Expenses as set forth in the Consideration Certificate; *minus*

(e) the aggregate amount of all Employee Transaction Related Expenses as set forth in the Consideration Certificate; *minus*

(f) the aggregate amount of all Employee Obligations, as set forth in the Consideration Certificate; *minus*

(g) the outstanding unpaid principal and accrued interest under the secured and unsecured bridge promissory notes of AirPatrol identified on Schedule 1.7.1, which includes the Secured Note, after giving effect to all conversions thereof as of the date of Closing, and as set forth in the Consideration Certificate; *minus*

(h) the total amount payable by AirPatrol to Persistent Systems, Inc. as of the date of Closing.

1.7.2 Series A Preferred Liquidation Preference. On the Closing Date, holders of outstanding shares of AirPatrol Preferred Stock (if any) shall have the right to receive, out of the Cash Merger Consideration, prior and in preference to the holders of AirPatrol Common Stock, an amount equal to (i) $0.281685 per share of AirPatrol Preferred Stock, plus (ii) accrued unpaid dividends with respect to such share (the "Series A Liquidation Preference Amount"). In the event that the Cash Merger Consideration is not sufficient to pay the full Series A Liquidation Preference Amount, then the holders of outstanding shares of AirPatrol Preferred Stock shall have the right to receive, out of the Stock Merger Consideration, prior and in preference to the holders of AirPatrol Common Stock, a number of shares of Acquiror Common Stock valued at a price per share determined to be the lesser of $2.50 and the offering price for the public offering referenced in Sections 6.1.16 and 6.2.6 (appropriately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend, reorganization or like change with respect to Acquiror Common Stock occurring after the date of this Agreement and prior to the of Merger I) equivalent to the Series A Liquidation Preference Amount *minus* the Cash Merger Consideration (the "Series A Stock Merger Consideration").

1.7.3 Cash Merger Consideration to Holders of Common Stock of AirPatrol. On the Closing Date, holders of outstanding shares of AirPatrol Common Stock shall have the right to receive, for each share of AirPatrol Common Stock then held, an amount in cash equal to (i) the Cash Merger Consideration, minus the Series A Liquidation Preference Amount (the "Common Cash Merger Consideration") divided by (ii) the total number of shares of AirPatrol Common Stock outstanding on the Closing Date.

1.7.4 Stock Merger Consideration. The 4,000,000 shares of Acquiror Common Stock (appropriately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend, reorganization or like change with respect to Acquiror Common Stock occurring after the date of this Agreement and prior to the of Merger I) representing the Stock Merger Consideration will be paid as follows: (a) the Series A Stock Merger Consideration (if any) shall be paid to the holders of outstanding shares of AirPatrol Preferred Stock in accordance with Section 1.7.2, (b) a total of 2,400,000 shares of Acquiror Common Stock (appropriately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend, reorganization or like change with respect to Acquiror Common Stock occurring after the date of this Agreement and prior to the Effective Time of Merger I) *minus* the Series A Stock Merger Consideration (the "Closing Shares") shall be paid and issued to the AirPatrol Shareholders on the Closing Date in accordance with the percentage of the Merger Consideration to which each AirPatrol Shareholder is entitled as set forth in the Closing Spreadsheet, and (c) an additional 1,600,000 shares of Acquiror Common Stock (appropriately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend, reorganization or like change with respect to Acquiror Common Stock occurring after the date of this Agreement and prior to the Effective Time of Merger I) ("Holdback Shares") shall be deposited by Acquiror into a holdback escrow account ("Escrow Account") in accordance with the Escrow Agreement attached hereto as Exhibit F ("Escrow Agreement").

1.7.5 Payout of Stock Merger Consideration at Closing. At the Closing, the holders of outstanding shares of AirPatrol Common Stock shall have the right to receive a number of shares of Acquiror Common Stock equal to (x) the total number of Closing Shares, divided by (y) the total number of shares of AirPatrol Common Stock outstanding on the Closing Date; *provided* however, that no AirPatrol shareholder shall be entitled to any fractional shares, and all such fractional shares shall be rounded up to the next whole share. Acquiror agrees to issue additional shares of its Common Stock as necessary to account for the rounding up of fractional shares.

1.7.6 Paying Agent.

(a) The escrow agent appointed pursuant to the Escrow Agreement ("Escrow Agent") shall act as the exchange agent (the "Paying Agent") in the Transaction.

(b) Prior to the Effective Time of Merger I, Acquiror shall enter into an agreement (the "Paying Agent Agreement") with the Paying Agent (subject to AirPatrol's reasonable review and approval), which shall provide that at the Closing Acquiror shall deposit with the Paying Agent an amount equal to the aggregate consideration payable by Acquiror pursuant to Section 1.7 less the Holdback Shares (the cash and securities to be deposited by Acquiror with the Paying Agent, the "Exchange Fund").

(c) Promptly following the Effective Time of Merger I, Acquiror shall cause the Paying Agent to mail to each holder of record (as of the Effective Time of Merger I) of a certificate or certificates which immediately prior to the Effective Time of Merger I represented shares of AirPatrol Preferred Stock or AirPatrol Common Stock (the "Certificates"), a Transmittal Letter in the form attached hereto as Exhibit C. Subject to the other terms and conditions contained herein including satisfaction by the AirPatrol Shareholders of the requirements of this Section 1.7.6(c), following the Effective Time of Merger I, Acquiror shall cause the Paying Agent to pay to each AirPatrol Shareholder, within the time period specified in the Paying Agent Agreement (but not less than three (3) Business Days after satisfaction thereof), an amount equal to the consideration that such AirPatrol Shareholder is entitled to receive pursuant to Sections 1.7.1, 1.7.2, 1.7.3 and 1.7.4 at the Closing, less such amounts as are required to be deducted or withheld therefrom pursuant to Section 1.8.6. Any such payments shall be conditioned on receipt by the Paying Agent of: (A) a Certificate or Certificates which immediately prior to the Effective Time of Merger I represented shares of AirPatrol Preferred Stock or AirPatrol Common Stock, and (B) a duly executed Transmittal Letter.

(d) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed, Acquiror shall, as promptly as practicable following the receipt by Acquiror of the foregoing documents, subject to the terms of this Section 1.7, issue in exchange for such lost, stolen or destroyed Certificate that portion of the Merger Consideration represented by the lost, stolen or destroyed Certificate in exchange therefor which the AirPatrol Shareholder has the right to receive. The board of directors of Acquiror may in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed Certificate to provide to Acquiror an indemnity agreement against any claim that may be made against Acquiror with respect to the Certificate alleged to have been lost, stolen or destroyed.

(e) Any portion of the Exchange Fund that remains undistributed to any AirPatrol Shareholders on the date that is twelve (12) months after the Closing Date shall, at the request of Acquiror, be delivered to Acquiror to be held in trust for the benefit of the applicable AirPatrol Shareholders. If any AirPatrol Shareholder has not received the consideration owed to it hereunder prior to such time as such amounts would otherwise escheat to or become property of any Governmental Body, any such portion of the Exchange Fund remaining unclaimed by such AirPatrol Shareholder immediately prior to such time shall, to the extent permitted by Law, become the property of the Acquiror free and clear of any claims or interest of any Person previously entitled thereto.

(f) No action shall be necessary with respect to AirPatrol Options, AirPatrol Warrants, or Convertible Notes, all of which shall be cancelled for no consideration, or converted to AirPatrol Common Stock, without any action on the part of the holder thereof.

(g) From and after the Effective Time of Merger I, no shares of AirPatrol Preferred Stock or AirPatrol Common Stock will be deemed to be outstanding, and holders of certificates formerly representing such AirPatrol Common Stock and AirPatrol Preferred Stock and each holder of any AirPatrol Options or AirPatrol Warrants shall cease to have any rights with respect thereto except as expressly provided herein or by Law.

(h) At the Effective Time of Merger I, the stock transfer books of AirPatrol shall be closed and no transfer of AirPatrol Common Stock, AirPatrol Preferred Stock, AirPatrol Options, AirPatrol Warrants or Convertible Notes shall thereafter be made. If, after the Effective Time of Merger I, Certificates formerly representing shares of AirPatrol Common Stock and AirPatrol Preferred Stock are presented to Acquiror or the Surviving Corporation I, they shall be cancelled and exchanged for the consideration payable with respect to such AirPatrol Common Stock or AirPatrol Preferred Stock (as applicable) in accordance with this Section 1.7.

1.7.7 Payments at Closing. At the Closing, Acquiror shall make, or shall cause to be made, the following payments:

(a) to each Person to whom any AirPatrol Merger Expenses are owed, all sums necessary and sufficient to fully pay, discharge and satisfy all AirPatrol Merger Expenses in accordance with the Consideration Certificate;

(b) to each Person to whom any Employee Transaction Related Expenses are owed, all sums necessary and sufficient to fully pay, discharge and satisfy all Employee Transaction Related Expenses in accordance with the Consideration Certificate;

(c) to the Paying Agent, an amount equal to the Exchange Fund; and

(d) to the Escrow Agent, the Holdback Shares, to hold and distribute in accordance with the terms of this Section 1.7 and the Escrow Agreement.

1.7.8 Earnout Payment. If for the five quarter period ending March 31, 2015, the AirPatrol Net Income (defined below) meets or exceeds \$3,500,000, Acquiror shall pay to the AirPatrol Shareholders a payment ("Earnout Payment") equal to:

$$\frac{\text{AirPatrol Net Income}}{\$5{,}000{,}000} \times \$10{,}000{,}000$$

provided, that the maximum Earnout Payment under this Section 1.7.8 shall be \$10,000,000. Subject to the allocation provisions in Section 1.7.9 below, the amount of the Earnout Payment to which the AirPatrol Shareholders are entitled shall be paid to the AirPatrol Shareholders within thirty (30) days after the completion of both (a) the audited consolidated financial statements for the year ending December 31, 2014, and (b) the unaudited interim consolidated financial statements for the quarter ending March 3,1, 2015, of the Acquiror and of AirPatrol as a consolidated entity, which shall be completed by May 15, 2015. Acquiror will pay 50% of the Earnout Payment in the form of newly issued Acquiror Common Stock valued at the Fair Market Value of said stock on the date of the Earnout Payment ("Earnout Stock"), and the remainder in cash. Notwithstanding the foregoing, the Acquiror shall increase the percentage of the Earnout Payment to be paid in Earnout Stock if and to the extent necessary to preserve the tax-free status of the Transaction. For purposes of this Agreement, "Fair Market Value" of the Acquiror's Common Stock shall mean the 20-trading-day trailing average closing price of Acquiror Common Stock if traded on a national exchange, or the 20-trading-day trailing volume weighted average price per share of Acquiror's Common Stock if quoted on the OTC Markets; *provided however* that the Parties agree that for purposes of calculating Earnout Stock under this Section 1.7.8, Fair Market Value shall not be deemed to be below \$2.50 per share or greater than \$5.00 per share (subject to appropriate adjustment for any stock splits, stock combinations, recapitalizations or similar proportionately applied change to the Acquiror's outstanding Common Stock occurring after the date of this Agreement and prior to disbursement of the Earnout Stock). For purposes of this Agreement, "AirPatrol Net Income" for the year ending December 31, 2014 and the first

quarter of 2015 shall mean AirPatrol's aggregate earnings net of losses from operations, calculated as if it were being operated as a separate and independent corporation, after deduction of all appropriate expenses, charges, and reserves, federal, state, and local income, franchise or other taxes, interest, depreciation or amortization. AirPatrol Net Income shall be determined in accordance with United Stated generally accepted accounting principles ("GAAP") applied in a manner consistent with prior periods and audited by the independent certified public accountants engaged by Acquiror for purposes of its own audit (the "Accountants"); *provided, however*, that in determining such AirPatrol Net Income:

(a) AirPatrol Net Income shall be computed without regard to "extraordinary items" of gain or loss as that term shall be defined in GAAP as set forth in the Consideration Certificate;

(b) AirPatrol Net Income shall not include any gains, losses or profits realized from the sale of any assets other than in the Ordinary Course of Business;

(c) No deduction shall be made for any management fees, general overhead expenses or other intercompany charges, of whatever kind or nature, charged by Acquiror to AirPatrol, except that Acquiror may charge interest on any loans or advances made by Acquiror to AirPatrol in connection with its business operations at a rate of 8.0%;

(d) No deduction shall be made for legal or accounting fees and expenses arising out of this Agreement, including Merger Expenses;

(e) The purchase and sales prices of goods and services sold by AirPatrol to Acquiror or its affiliates or purchased by AirPatrol from Acquiror or its affiliates shall be adjusted to reflect the amounts that AirPatrol would have realized or paid if dealing with an independent party in an arms-length commercial transaction; and

(f) Depreciation and amortization of assets of AirPatrol shall be computed under the straight-line method, using the carrying value of depreciable assets less applicable reserves, as shown on the Books and Records of AirPatrol, and the useful lives for such assets, or categories thereof as though the acquisition by Acquiror of AirPatrol had not been effected.

AirPatrol Net Income shall be determined promptly after the close of the 2014 fiscal year in an audit conducted by the Acquiror's Accountants and, upon such completion, the Acquiror shall submit to the Representative the audit report of Acquiror's Accountants setting forth the computation of AirPatrol Net Income. Unless either the Representative or the Acquiror notifies the other in writing within thirty (30) Business Days after receipt of such audit report that it objects to the computation of AirPatrol Net Income set forth therein, such audit report shall be binding and conclusive for the purposes of this Agreement. The Representative shall have access to the Books and Records of AirPatrol and to the Acquiror's Accountants' workpapers during regular business hours to verify the computation of AirPatrol Net Income made by the Acqiror's Accountants. If either the Representative or the Acquiror notifies the other in writing within ten (10) Business Days after receipt of the Acquiror's Accountants' audit report that it objects to the computation of AirPatrol Net Income set forth therein, the amount of AirPatrol Net Income for the 2014 fiscal year shall be determined by negotiation between the Representative and the Acquiror. If the Representative and the Acquiror are unable to reach agreement within thirty (30) Business Days after such notification, the determination of the amount of AirPatrol Net Income for the period in question shall be submitted to a mutually agreeable third party firm of independent certified public accountants ("Special Accountants") for determination, whose determination shall be binding and conclusive on the Parties. If the Special Accountants determine that the AirPatrol Net Income has been understated by 5.0% or more, then the Acquiror shall pay the Special Accountants' fees, costs and expenses. The Special Accountants' fees, costs and expenses shall be paid by the Acquiror, and, if the AirPatrol Net Income was not understated or was understated by less than 5.0%, then the Acquiror shall be reimbursed for such expenses through the delivery of that number of Holdback Shares from the Escrow Account having a Fair Market Value equal to such fees, costs and expenses.

1.7.9 Allocation of Earnout Payment. Out of the Earnout Payment, if any, an amount equal to $1,000,000 out of the Eanout Payment, if any, in the form of Earnout Stock and cash in the same proportion as provided in Section 1.7.7, shall be allocated to certain key employees of AirPatrol, to be awarded as described in the Retention Plan attached hereto as Exhibit H. In addition, out of the Earnout Payment, if any, (i) an amount equal to $600,000 *plus* (ii) an amount equal to (x) $300,000 multiplied by (y) the Earnout Payment divided by $10,000,000, in the form of Earnout Stock and cash in the same proportion as provided in Section 1.7.7, shall be allocated to certain executives of AirPatrol, to be awarded pursuant to the Retention Plan attached hereto as Exhibit H.

1.8 Effect on Capital Stock. At the Effective Time of Merger I, by virtue of Merger I and without any action on the part of Merger Sub I, AirPatrol or the holders of any of the securities described below, Merger I shall have the following additional effects:

1.8.1 AirPatrol Preferred Stock. To the extent not converted prior to the Effective Time of Merger I, each share of AirPatrol Preferred Stock issued and outstanding immediately prior to the Effective Time of Merger I shall be exchanged and converted into the right to receive the Series A Liquidation Preference Amount described in Section 1.7.2.

1.8.2 AirPatrol Common Stock. Each share of AirPatrol Common Stock issued and outstanding immediately prior to the Effective Time of Merger I shall be exchanged and converted into the right to receive the Common Cash Merger Consideration described in Section 1.7.3, the Closing Shares as described in Section 1.7.4, and the Holdback Shares as described in Section 1.7.4 subject to the terms and conditions of the Escrow Agreement.

1.8.3 AirPatrol Options. AirPatrol will take all action necessary such that, at the Effective Time of Merger I, all AirPatrol Options and (i) the AirPatrol 2008 Equity Incentive Plan, and (ii) the AirPatrol 2010 Stock Incentive Plan, respectively, will be canceled (collectively, the "Option Plans").

1.8.4 Treasury Shares and Unissued Shares. Each share of AirPatrol Common Stock held in AirPatrol's treasury and each authorized but unissued share of AirPatrol Common Stock shall cease to exist without payment of any consideration therefor.

1.8.5 No Fractional Shares. Notwithstanding any provision of this Agreement to the contrary, neither certificates nor scrip for fractional shares of Acquiror Common Stock shall be issued in connection with Merger I, and any such fractional share shall be rounded up to the next whole share.

1.8.6 Tax Withholding. Each of Acquiror, Merger Sub I, Surviving Corporation I, Surviving Corporation II, and the Paying Agent, as the case may be, shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any holder or former holder of capital stock of AirPatrol pursuant to this Agreement such amounts as they may be required to deduct or withhold therefrom under the Code or under any provision of state, local or foreign tax law. To the extent such amounts are so deducted or withheld and paid over to the appropriate Governmental Body, such amounts shall be treated for all purposes under this Agreement as having been paid to the person to whom such amounts would otherwise have been paid. Notwithstanding anything in this Agreement to the contrary, in the case of payments to employees or former employees of AirPatrol for which employment tax withholding is required, such amounts shall be delivered to Acquiror, Surviving Corporation II and paid through Acquiror's or Surviving Corporation II's payroll processing service or system.

1.8.7

Surrender of Certificates; Delivery of Merger Consideration Following the Closing (a) the holders of AirPatrol Preferred Stock and AirPatrol Common Stock shall deliver to Acquiror the preferred and common stock Certificates representing such securities of AirPatrol, together with their completed Transmittal Letters, and (b) Acquiror shall deliver to the former holders of AirPatrol Preferred Stock and AirPatrol Common Stock the Merger Consideration due to such holders at Closing in accordance with Section 1.7. The Certificates so surrendered shall forthwith be canceled. Until so surrendered, each outstanding Certificate that, prior to the Effective Time of Merger I, evidenced shares of AirPatrol Common Stock or AirPatrol Preferred Stock, as applicable, will be deemed from and after the Effective Time of Merger I, for all corporate purposes, other than the payment of dividends or other distributions, to evidence the ownership of the number of whole shares of Acquiror Common Stock into which such shares of AirPatrol Common Stock or AirPatrol Preferred Stock shall have been so converted and the right to receive an amount in cash in accordance with Section 1.7.

1.9 Dissenters' Rights. If, in connection with Merger I, any AirPatrol Shareholder shall have demanded and perfected its dissenters' rights in accordance with Sections 92A.300 through 92A.500 of Nevada Law ("Dissenters' Rights Statutes"), none of such Dissenting Shares shall be converted into a right to receive the Merger Consideration otherwise payable to holders of AirPatrol Common Stock or AirPatrol Preferred Stock as provided in Section 1.7, but shall instead be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to the Dissenters' Rights Statutes. Each holder of Dissenting Shares who, pursuant to the provisions of the Dissenters' Rights Statutes, becomes entitled to payment of the fair value of such shares shall receive payment therefor in accordance with the Dissenters' Rights Statutes (but only after the value therefor shall have been agreed upon or finally determined pursuant to the Dissenters' Rights Statutes). In the event that any AirPatrol Shareholder fails to make an effective demand for payment or fails to perfect its dissenters' rights as to its shares of AirPatrol Common Stock or AirPatrol Preferred Stock or any Dissenting Shares shall otherwise lose their status as Dissenting Shares, then any such shares shall immediately be converted into the right to receive the Merger Consideration issuable pursuant to Section 1.7 in respect of such shares as if such shares had never been Dissenting Shares, and Acquiror shall deliver to the holder thereof, at (or as promptly as reasonably practicable after) the Effective Time of Merger I, following the satisfaction of the terms and conditions under this Agreement, the Merger Consideration to which such AirPatrol Shareholder would have been entitled under Section 1.7 with respect to such shares. AirPatrol shall give Acquiror prompt notice (and in no event more than one calendar day) of any demand received by AirPatrol for appraisal of AirPatrol Common Stock or AirPatrol Preferred Stock or notice of exercise of a AirPatrol Shareholder's dissenters' rights in accordance with the Dissenters' Rights Statutes. AirPatrol agrees that, except with Acquiror's prior written consent, it shall not voluntarily make any payment or offer to make any payment with respect to, or settle or offer to settle, any such demand for appraisal or exercise of dissenters' rights.

1.10 Tax Consequences. It is intended by each of the Parties that the Transaction shall constitute a reorganization within the meaning of Section 368 of the Code, and each of the Parties will use its commercially reasonable efforts to cause the Transaction to be treated as such a reorganization. The Parties adopt this Agreement as a "plan of reorganization" within the meaning of Sections 1.368-2(g) and 1.368-3(a) of the tax regulations promulgated under the Code. Each party shall seek the advice of such party's counsel or financial advisor regarding the ability of the Transaction to qualify as such a reorganization.

1.11 Taking of Necessary Action; Further Action. If, at any time after the Effective Time of Merger I, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest Surviving Corporation I with full right, title and possession to all assets, property, rights, privileges, powers and franchises of AirPatrol and Merger Sub, the Representative and officers and directors of AirPatrol and Merger Sub will, at AirPatrol's expense, take all such lawful and necessary action. Acquiror shall cause Merger Sub to perform all of its obligations relating to this Agreement and the transactions contemplated thereby.

1.12 Effect of Merger II. By virtue of Merger II and without any further action on the part of Acquiror, Merger Sub II or Surviving Corporation I, (i) each share of common stock of Merger Sub II outstanding immediately prior to Merger II shall be unchanged and shall remain issued and outstanding and (ii) each share of common stock of Surviving Corporation I outstanding prior to Merger II shall be cancelled without consideration and shall cease to be an outstanding share of Surviving Corporation I stock.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF AIRPATROL

To induce Acquiror to enter into this Agreement and consummate the transactions contemplated by this Agreement, AirPatrol hereby makes the following representations and warranties to Acquiror and Merger Sub as of the date of this Agreement and as of the Closing, subject to the statements, exceptions and other information set forth on the disclosure schedules dated and delivered as of the date of this Agreement by AirPatrol to Acquiror (the "Disclosure Schedules") (it being understood that the Disclosure Schedules shall be arranged in numbered and lettered parts and subparts corresponding to the numbered sections of this Article 2; *provided*, however, that the disclosure of any fact or item in any particular part of the Disclosure Schedules shall be deemed made on any other part of the Disclosure Schedules if it is reasonably apparent that such disclosure applies to such other part of the Disclosure Schedules).

2.1 Organization and Good Standing.

2.1.1 Organization. AirPatrol is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation, with full corporate power and authority to conduct its business as it is now being conducted, to own or use its properties and assets, and to perform its obligations under this Agreement. AirPatrol is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualifications, except where the failure to be so qualified would not have a Material Adverse Effect.

2.1.2 Charter Documents. AirPatrol has delivered or made available to Acquiror true, complete and correct copies of the Organizational Documents of AirPatrol, as currently in effect. AirPatrol has delivered or made available a complete copy of its minute books of the proceedings of its board of directors and shareholders, and said minute books are true, correct and complete in all material respects.

2.1.3 Subsidiaries. Except for AirPatrol Research Corp., a Canadian corporation and wholly-owned subsidiary of AirPatrol ("Subsidiary"), AirPatrol has no subsidiaries, and holds no more than a 10% equity interest in any other corporate or business entity. Subsidiary is a corporation duly organized, validly existing, and in good standing under the laws of British Columbia, with full corporate power and authority to conduct its business as it is now being conducted, to own or use its properties and assets, and to perform all its obligations under each of its material agreements. AirPatrol owns 100% of the outstanding capital stock of its Subsidiary. AirPatrol is not obligated to make nor is it bound by any agreement or obligation to make any investment in or capital contribution in or on behalf of any other Person. There are no trusts or similar entities or instruments of guardianship or custodianship, whether enforceable or not, in existence for the benefit of AirPatrol.

2.2
Authority; No Conflict.

2.2.1 Authority. This Agreement constitutes the legal, valid, and binding obligation of AirPatrol, enforceable against AirPatrol in accordance with its terms. Upon the execution and delivery by AirPatrol of the Closing Documents, the Closing Documents will constitute the legal, valid, and binding obligations of AirPatrol, enforceable against AirPatrol in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies, regardless of whether such enforceability is considered in a proceeding at law or in equity. AirPatrol has the right, power, authority, and capacity to execute and deliver this Agreement and the Closing Documents and to perform its obligations under this Agreement and the Closing Documents.

2.2.2 No Conflict. Except as set forth in Schedule 2.2.2, neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of AirPatrol or its Subsidiary, or (B) any resolution adopted by the board of directors or the shareholders of AirPatrol;

(b) contravene, conflict with, or result in a violation of, any judgment, Order or decree applicable to AirPatrol, its Subsidiary, or the assets of AirPatrol or its Subsidiary;

(c) materially contravene or conflict with, or result in a material violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by AirPatrol or its Subsidiary, or that otherwise relates to the business of, or any of the assets owned or used by, AirPatrol and its Subsidiary;

(d) materially contravene or conflict with, or result in a material violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract;

(e) result in any material loss or impairment of, or require, any consent, waiver, approval or other authorization in connection with, any material Asset of AirPatrol or its Subsidiary;

(f) materially violate any Law to which AirPatrol, its Subsidiary, or any of the Assets or business of AirPatrol and its Subsidiary, are subject or bound;

(g) result in a material breach or violation of, material default under, or the triggering of any material payment or other obligations pursuant to, any employee benefit plan or benefit arrangement or any grant or award under any of the same;

(h) result in any Employee Transaction Related Expenses that will not be paid in full on or before the Closing; or

(i) result in the imposition or creation of any Lien or Encumbrance upon or with respect to any of the assets owned or used by AirPatrol or its Subsidiary.

2.2.3 Third Party Notices and Consents. Except as set forth in Schedule 2.2.3, AirPatrol will not be required to give any notice to or obtain any consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

2.2.4 Board Approval. The Board of Directors of AirPatrol has, at a meeting duly called and held, by a unanimous vote of directors, or by a unanimous written consent in lieu thereof: (i) approved this Agreement; (ii) determined that Merger I and Contemplated Transactions are advisable, fair to, and in the best interests of AirPatrol and the AirPatrol Shareholders; (iii) resolved to recommend to the AirPatrol Shareholders the approval of the principal terms of this Agreement and the consummation of Merger I and the Contemplated Transactions; and (iv) directed that this Agreement be submitted to the AirPatrol Shareholders for their approval.

2.2.5 Shareholder Approval. On or prior to the execution and delivery of this Agreement by AirPatrol, AirPatrol shall have obtained the requisite approval of AirPatrol's shareholders for the Transaction.

2.3 Capitalization.

2.3.1 As of the date of this Agreement, the equity securities of AirPatrol consist of 85,000,000 authorized shares of common stock, par value $0.001 per share, of which 49,420,768 shares are issued and outstanding ("AirPatrol Common Stock"); and 15,000,000 shares of authorized Preferred Stock, par value $0.001 per share, of which 10,650,194 shares have been designated as "Series A Preferred Stock," and all of which are issued and outstanding, with the rights, preferences and privileges set forth in the articles of incorporation of AirPatrol, as amended ("AirPatrol Preferred Stock").

2.3.2 All of the outstanding capital stock of AirPatrol has been duly authorized and validly issued and is fully paid and non-assessable.

2.3.3 Schedule 2.3.3 contains a complete list, as of the date of this Agreement, of (a) Options outstanding for the purchase of capital stock of AirPatrol, (b) Warrants outstanding for the purchase of capital stock of AirPatrol, and (c) promissory notes issued by AirPatrol and outstanding, which are convertible into equity securities of AirPatrol ("Convertible Notes"), including the names of each holder, the number of shares of AirPatrol Common Stock into which such notes are convertible, and the interest rate, principal and accrued interest under each such Convertible Note. At the Effective Time of Merger I, there shall be no Options, Warrants or Convertible Notes of AirPatrol outstanding.

2.3.4 None of the outstanding equity securities or other securities of AirPatrol were issued in violation of the Securities Act or, to the Knowledge of AirPatrol, any other Law. None of AirPatrol's outstanding securities are subject to any right of rescission, right of first refusal or preemptive right. There is no Liability for dividends accrued and unpaid by AirPatrol. AirPatrol has never registered any securities pursuant to the Securities Act, and has never been subject to the reporting requirements of, or required to register under, the Exchange Act.

2.3.5 When delivered at the Closing, the Closing Spreadsheet attached to the Consideration Certificate will accurately set forth as of immediately prior to the Effective Time of Merger I, (i) the number and kind of issued and outstanding shares of AirPatrol Common Stock and AirPatrol Preferred Stock held by each AirPatrol Shareholder, and (ii) the number and kind of shares of AirPatrol Common Stock issuable upon conversion of the Convertible Notes. As of immediately prior to the Effective Time of Merger I, except for AirPatrol Options, AirPatrol Warrants and Convertible Notes that will terminate or convert as of the Effective Time of Merger I and the conversion rights of the AirPatrol Preferred Stock, there are no stock appreciation rights, options, warrants, calls, rights, commitments, conversion privileges or preemptive or other rights or Contracts outstanding to purchase or otherwise acquire any shares of AirPatrol Common Stock and AirPatrol Preferred Stock or any securities or debt convertible into or exchangeable for AirPatrol Common Stock and AirPatrol Preferred Stock or obligating AirPatrol to grant, extend or enter into any such option, warrant, call, right, commitment, conversion privilege or preemptive or other right or Contract.

2.4 AirPatrol Financial Statements.

2.4.1 As of the date of this Agreement AirPatrol has delivered or made available to Acquiror: (a) unaudited consolidated balance sheets of AirPatrol (including the notes thereto) for the years ended December 31, 2012 and 2011 and the related consolidated statements of income, changes in shareholders' equity, and cash flow for each of the fiscal years then ended ("AirPatrol Year-End Unaudited Financial Statements") and (b) unaudited consolidated balance sheets of AirPatrol for each of the quarters ended March 31, June 30 and September 30, 2013, and the related consolidated statements of income, changes in shareholders' equity, and cash flow for each of the above quarters (the unaudited balance sheet for the quarter ended September 30, 2013 (the "Balance Sheet Date") is referred to herein as the "Balance Sheet", and the unaudited financial statements referenced in this subparagraph (b) are referred to as the "AirPatrol Interim Financial Statements").

2.4.2 Prior to the Closing, AirPatrol has delivered to Acquiror (a) the audited consolidated balance sheets of AirPatrol (including the notes thereto) for the years ending December 31, 2012 and 2011 and the related consolidated statements of income, changes in shareholders' equity, and cash flow for each of the fiscal years then ended, which audit shall have been completed by the Acquiror's Accountants ("AirPatrol Audited Financial Statements"), and (b) the AirPatrol Interim Financial Statements with any applicable adjustments after review by the Acquiror's Accountants.

2.4.3 The AirPatrol Financial Statements fairly present the financial condition and the results of operations, changes in shareholders' equity, and cash flow of AirPatrol and its Subsidiary as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP, subject to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the absence of notes (that, if presented, would not differ materially from those included in the foregoing balance sheets); the AirPatrol Financial Statements reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. No financial statements of any Person other than AirPatrol and its Subsidiary are required by GAAP to be included in the consolidated AirPatrol Financial Statements.

2.4.4 Schedule 2.4.4 contains a complete list of all AirPatrol Indebtedness and identifies for each item of AirPatrol Indebtedness the outstanding principal and accrued but unpaid interest as of the date of this Agreement. None of the holders of AirPatrol Indebtedness have any voting rights on matters for which holders of AirPatrol's capital stock are entitled to vote, contractual or otherwise.

2.4.5 AirPatrol has delivered or made available to Acquiror true, complete and correct copies of all management letters, if any, relating to any audit or review of the financial statements or books of AirPatrol, and all letters, if any, relating to the internal controls or other accounting practices of AirPatrol. AirPatrol has devised and maintains a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements and (2) to maintain accountability for Assets; and (iii) the amount recorded for assets on AirPatrol's Books and Records is compared with the existing Assets at reasonable intervals and appropriate action is taken with respect to any differences. To AirPatrol's Knowledge, there are no significant deficiencies or material weaknesses in the design or operation of the internal controls of AirPatrol which have adversely affected or would adversely affect the ability of AirPatrol to record, process, summarize or report financial data.

2.5 Books and Records. AirPatrol has made and kept and given Acquiror access to its books, records and accounts (the "Books and Records") which, in reasonable detail, accurately and fairly reflect the activities of AirPatrol in all material respects. The Books and Records and (i) are in all material respects true, complete and correct, (ii) have been maintained in accordance with good business practices on a basis consistent with prior years, and (iii) accurately and fairly reflect the basis for the AirPatrol Financial Statements.

2.6 Title to Properties; Encumbrances. Schedule 2.6 contains a complete and accurate list of all Real Property, leaseholds, or other interests therein owned by AirPatrol or its Subsidiary. AirPatrol or its Subsidiary own (with good and marketable title in the case of Real Property, subject only to the matters permitted by the following sentence) all the tangible properties and assets (whether real, personal, or mixed) that they purport to own located in the facilities owned or operated by AirPatrol or its Subsidiary, or reflected as owned in the Books and Records of AirPatrol or its Subsidiary, including all of the properties and assets reflected in the Balance Sheet (except for assets held under capitalized leases disclosed or not required to be disclosed in Schedule 2.6 and personal property sold since the date of the Balance Sheet, as the case may be, in the Ordinary Course of Business), and all of the properties and assets purchased or otherwise acquired by AirPatrol or its Subsidiary since the date of the Balance Sheet (except for personal property acquired and sold since the date of the Balance Sheet in the Ordinary Course of Business).

2.7 Accounts Receivable. All of the accounts and notes receivable of AirPatrol (collectively, the "Accounts Receivable") are reflected properly according to GAAP on the AirPatrol Financial Statements and on the Books and Records and represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business, consistent with past practice. No portion of the Accounts Receivable is required or expected to be paid to any Person other than AirPatrol. The Accounts Receivable are current and collectible net of any reserves specifically applicable thereto shown on the Balance Sheet. There is no contest, claim or right of setoff, other than rebates and returns in the Ordinary Course of Business, consistent with past practice, under any Contract with any maker of an Account Receivable relating to the amount or validity of such Account Receivable.

2.8 No Undisclosed Liabilities. Except as set forth in Schedule 2.8, AirPatrol and its Subsidiary have no material Liabilities or material obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise) except for Liabilities or obligations reflected or reserved against in the Balance Sheet and current liabilities incurred in the Ordinary Course of Business since the date of the Balance Sheet, and those Liabilities that are required to be and have been disclosed pursuant to a representation or warranty under this Article 2. Except for the Employee Transaction Related Expenses described in Schedule 2.8, the execution, delivery and performance of this Agreement and the Contemplated Transactions hereunder do not create any Liability under any "change of control" provision of any agreement of AirPatrol or its Subsidiary.

2.9 Taxes.

2.9.1 Filings. AirPatrol and its Subsidiary have each filed or caused to be filed on a timely basis all Tax Returns that are or were required to be filed by it, pursuant to applicable Laws, except where the failure to so file could or would not have a Material Adverse Effect. AirPatrol has provided or made available to Acquiror all such Tax Returns filed with respect to the three most recently completed fiscal years. AirPatrol and its Subsidiary have paid, or made provision for the payment of, all Taxes that are due pursuant to those Tax Returns or otherwise, or pursuant to any assessment received by AirPatrol or its Subsidiary, except such Taxes, if any, as are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the Balance Sheet. All Tax Returns filed by AirPatrol and its Subsidiary are true, correct, and complete in all material respects.

2.9.2 Jurisdictions. No Governmental Body in any state, territory or jurisdiction where AirPatrol or its Subsidiary does not file Tax Returns has made a claim in writing that AirPatrol or its Subsidiary is required to file Tax Returns in such state, territory or jurisdiction.

2.9.3 Audit. The United States federal and state income Tax Returns of AirPatrol have been audited by the IRS or relevant state tax authorities or are closed by the applicable statute of limitations for all taxable years through 2009. The Canadian Tax Returns of the Subsidiary have been audited by the relevant Canadian tax authorities or are closed by the applicable statute of limitations for all taxable years through 2009. No Tax Return of AirPatrol has ever been the subject of an audit. All deficiencies proposed as a result of such audits have been paid, reserved against, settled, or, as described in Schedule 2.9.3, are being contested in good faith by appropriate proceedings. Except as described in Schedule 2.9.3, AirPatrol and its Subsidiary have not given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of AirPatrol or its Subsidiary or for which AirPatrol or its Subsidiary may be liable.

2.9.4 Assessments, Charges, Accruals, and Reserves. The charges, accruals, and reserves with respect to Taxes on the respective books of AirPatrol and its Subsidiary are adequate (determined in accordance with GAAP) and are at least equal to that of AirPatrol's (and its Subsidiary's) liability for Taxes. There exists no proposed tax assessment against AirPatrol or its Subsidiary except as disclosed in the Balance Sheet or in Schedule 2.9.4.

2.9.5 Not an "S" Corporation. AirPatrol is not, nor within the five-year period preceding the Closing Date has been, an "S" corporation.

2.9.6 Withholding. AirPatrol and its Subsidiary have complied (and until the Closing Date will comply) with all Law relating to the payment and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 1445 and 1446 of the Code or similar provisions under any foreign Law), and has, within the time and in the manner prescribed by Law, withheld from employee wages and paid over to the proper taxing agencies and authorities all amounts required to be so withheld and paid over under all Law (including the Federal Insurance Contribution Act, Medicare, Federal Unemployment Tax Act and relevant state income and employment tax withholding Laws), including foreign, U.S. federal and state income Taxes, and has timely filed all withholding Tax Returns.

2.9.7 Special Tax Status and Indemnification Obligations.

(a) Neither AirPatrol nor its Subsidiary is a party to or bound by any tax sharing, tax indemnity, or tax allocation agreement and neither AirPatrol nor its Subsidiary has any Liability or potential Liability to another party under any such agreement.

(b) AirPatrol is not now, and has never been, a member of a consolidated group for federal tax purposes, and is not now, and has never been, a member of a combined, unitary or aggregate group of which AirPatrol was not the ultimate parent corporation for state, local or foreign tax purposes. AirPatrol has no Liability for the Taxes of any Person (other than AirPatrol) under Section 1.1502-6 of the United States Treasury Regulations ("Treasury Regulations") (or any similar provision of state, local or foreign Law) as a transferee or successor, by Contract or otherwise (other than any Contract or arrangement entered into in the ordinary course of business the primary purpose of which was not the sharing of Taxes).

(c) AirPatrol has never been a "United States real property holding corporation" within the meaning of Section 897 of the Code, and AirPatrol has filed with the Internal Revenue Service all statements, if any, which are required under Section 1.897-2(h) of the Treasury Regulations.

(d) AirPatrol has never constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code.

2.9.8 No Tax Shelters. AirPatrol has not filed any disclosures under Section 6662 of the Code or comparable provisions of state, local or foreign Law to prevent the imposition of penalties with respect to any Tax reporting position taken on any Tax Return. AirPatrol has not consummated, has not participated in, and is not currently participating in any transaction which was or is a "tax shelter" transaction as defined in Sections 6662, 6011, 6012 or 6111 of the Code or the Treasury Regulations promulgated thereunder.

2.9.9 Notwithstanding any other provision of this Agreement, AirPatrol makes no representation or warranty as to the amount, utilization or availability of any tax attributes of AirPatrol or its Subsidiary, including, without limitation, any net operating loss, tax credit or tax basis.

2.10 No Material Adverse Change. Since September 30, 2013, there has not been any material adverse change in the business, operations, properties, prospects, Assets, or condition of AirPatrol and its Subsidiary (taken together as a whole), and no event has occurred, or fact or circumstance exists, that could reasonably be expected to result in a Material Adverse Effect.

2.11 ERISA.

2.11.1 To AirPatrol's Knowledge, AirPatrol is in compliance in all material respects with all applicable provisions of Title IV of the Employee Retirement Income Security Act of 1974, Pub. L. No. 93-406, September 2, 1974, 88 Stat. 829, 29 U.S.C.A. SS 1001 et seq. (1975), as amended from time to time ("ERISA").

2.11.2 Schedule 2.11.2 contains a complete and accurate list of all material benefit plans, arrangements, custom or practice of providing benefits other than salary as compensation for services rendered, including employment or consulting agreements, severance agreements or pay policies, stay or retention bonuses or compensation, executive or incentive compensation programs or arrangements, incentive programs or arrangements, sick leave, vacation pay, plant closing benefits, patent award programs, salary continuation for disability consulting or other compensation arrangements, workers' compensation, retirement, deferred compensation, bonus, stock option or purchase plans or programs, hospitalization, medical insurance, life insurance, tuition reimbursement or scholarship programs, employee discount programs, meals, travel, or vehicle allowances, any plans subject to Section 125 of the Code and any plans providing benefits or payments in the event of a change of control, change in ownership or effective control, or sale of a substantial portion (including all or substantially all) of the assets of any business or portion thereof (referred herein to as "benefit plans" or "benefit arrangements"), of AirPatrol or its Subsidiary.

2.11.3 Neither a reportable event nor a prohibited transaction (as defined in ERISA) has occurred and is continuing with respect to any "pension plan" (as such term is defined in ERISA, a "Plan"); no notice of intent to terminate a Plan has been filed nor has any Plan been terminated; no circumstances exist which constitute grounds entitling the Pension Benefit Guaranty Corporation (together with any entity succeeding to or all of its functions, the "PBGC") to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; neither AirPatrol nor any commonly controlled entity (as defined in ERISA) has completely or partially withdrawn from a multi-employer plan (as defined in ERISA). AirPatrol and each commonly controlled entity has met its minimum funding requirements under ERISA with respect to all of its Plans and the present fair market value of all Plan property equals or exceeds the present value of all vested benefits under each Plan, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA and the regulations thereunder for calculating the potential liability of AirPatrol or any commonly controlled entity to the PBGC or the Plan under Title IV or ERISA; and neither AirPatrol nor any commonly controlled entity has incurred any liability to the PBGC under ERISA.

2.11.4 Each benefit plan or arrangement of AirPatrol is amendable and terminable by AirPatrol under the existing terms and conditions of such benefits plans or arrangements, and no benefit plan or arrangement, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits AirPatrol from amending or terminating any such plans or arrangements (subject in each case to any consent required under the express provisions of the applicable benefit plan or arrangement). The investment vehicles used to fund such benefit plans or arrangements may be changed at any time without incurring a material sales charge, surrender fee or other similar expense.

2.11.5 No AirPatrol benefit plan or arrangement contains any provision or is subject to any Law that, as a result of the transactions contemplated by this Agreement or upon employment termination following such transaction, would (A) increase, accelerate or vest any benefit, (B) require severance, termination or retention payments, (C) provide any term of employment or compensation guaranty, (D) trigger any Liability (including any obligation to provide a tax gross-up), or (E) forgive any indebtedness. No shareholder, equity owner, employee, officer or director of AirPatrol has been promised or paid any bonus or incentive compensation related to the transactions contemplated pursuant to this Agreement. There is no AirPatrol Contract, benefit plan or arrangement covering any individual that, by itself or collectively, would give rise to any parachute payment subject to Section 280G of the Code, nor has AirPatrol made any such payment, and the consummation of the Closing will not obligate AirPatrol or any other entity to make any parachute payment subject to Section 280G of the Code. AirPatrol has delivered or made available to Acquiror the information necessary to accurately calculate any excise tax due under Section 4999 of the Code as a result of the transactions contemplated by this Agreement for which AirPatrol or Acquiror may directly or indirectly become liable and the amount of deductions that may be disallowed under Section 280G of the Code as a result of the transactions contemplated by this Agreement.

2.11.6 Nonqualified Deferred Compensation. Except as set forth inSchedule 2.11.6, AirPatrol is not a party to any Contract that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code. Each such nonqualified deferred compensation plan, if any, has been operated in good faith compliance with Section 409A of the Code from the period beginning January 1, 2005 through December 31, 2008, and in compliance with the Treasury Regulations promulgated under Section 409A from January 1, 2009 through the date of this Agreement. No payment pursuant to any arrangement between AirPatrol and any "service provider" (as such term is defined in Section 409A of the Code and the Treasury Regulations thereunder), including, without limitation, the grant, vesting or exercise of any stock option, would subject any Person to a Tax pursuant to Section 409A of the Code, whether pursuant to the consummation of the transactions contemplated by this Agreement or otherwise.

2.12 Compliance with Laws.

Except as set forth in Schedule 2.12, AirPatrol and its Subsidiary are each in compliance in all material respects with each Law that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets. To the Knowledge of AirPatrol, no event has occurred or circumstance exists that will constitute or result in a violation by AirPatrol or its Subsidiary of, or a failure on the part of AirPatrol or its Subsidiary to comply with, any Law, except where such violation or failure would not have a Material Adverse Effect. AirPatrol has not received any written notice or communication from any Governmental Body or private party alleging noncompliance with any applicable Law. There is no civil, criminal or administrative action, suit, demand, claim, complaint, hearing, investigation, demand letter, warning letter, proceeding, investigation or request for information pending or, to the Knowledge of AirPatrol, threatened against AirPatrol. To the Knowledge of AirPatrol, AirPatrol has no Liability for failure to comply with any Law. To the Knowledge of AirPatrol, there is no act, omission, event or circumstance that would reasonably be expected to give rise to any action, suit, demand, claim, complaint, hearing, investigation, notice, demand letter, warning letter, proceeding or request for information or any such Liability. To the Knowledge of AirPatrol, there have not been any false statements or omissions or other violations of any Law by AirPatrol in its prior product development efforts, or submissions or reports to any Governmental Body that would reasonably be expected to require investigation, corrective action or enforcement action by any Governmental Body. To the Knowledge of AirPatrol, there are no administrative, civil or criminal proceedings relating to AirPatrol or any employee of or consultant or contractor to AirPatrol in connection with their employment or consulting relationship with AirPatrol. AirPatrol has not conducted any internal investigation with respect to any actual or alleged material violation of any Law by any director, officer or employee of AirPatrol.

2.12.1 Governmental Authorizations for Operations. Schedule 2.12.1 contains a complete and accurate list of each material Governmental Authorization that is held by AirPatrol and its Subsidiary or that otherwise relates to the business of, or to any of the assets owned or used by, AirPatrol or its Subsidiary.

(a) Each Governmental Authorization listed in Schedule 2.12.1 is valid and in full force and effect and, except as set forth in Schedule 2.12.1, AirPatrol and its Subsidiary, respectively, have been in material compliance with all of the terms and requirements of each Governmental Authorization identified or required to be identified in Schedule 2.12.1.

(b) AirPatrol and its Subsidiary have not received any written notice or other communication from any Governmental Body or any other Person regarding (A) any actual, alleged, possible, or potential violation of or failure to comply with any term or requirement of any Governmental Authorization, or (B) any actual, proposed, possible, or potential revocation, withdrawal, suspension, cancellation, termination of, or modification to any Governmental Authorization.

(c) all applications required to have been filed for the renewal of the Governmental Authorizations listed or required to be listed in Schedule 2.12.1 have been duly filed with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made with the appropriate Governmental Bodies, except in each such case where the failure to make such filings would not have a Material Adverse Effect.

(d) The Governmental Authorizations listed in Schedule 2.12.1 collectively constitute all of the Governmental Authorizations necessary to permit AirPatrol and its Subsidiary to lawfully conduct and operate its business in the manner it currently conducts and operates such business, and to permit AirPatrol and its Subsidiary to own and use its respective assets in the manner in which AirPatrol and its Subsidiary currently own and use such assets.

2.12.2 Governmental Consents for Merger I. Except as set forth on Schedule 2.12.2, no consent, waiver, approval, order or authorization of or from, or registration, notification, declaration or filing with, any Governmental Body is necessary in connection with the execution, delivery or performance of this Agreement by AirPatrol or the consummation by AirPatrol or any AirPatrol Shareholder of the transactions contemplated herein except where the failure to obtain any such consent, waiver, approval, order or authorization or to make any such registration, notification, declaration or filing, individually or in the aggregate, would not reasonably have a Material Adverse Effect.

2.13 Legal Proceedings; Orders.

2.13.1 There is no pending, nor to the Knowledge of AirPatrol Threatened, Proceeding:

(a) that has been commenced by or against AirPatrol or its Subsidiary, or that otherwise relates to or may affect the business of, or any of the assets owned or used by AirPatrol or its Subsidiary, that would have a Material Adverse Effect; or

(b) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions.

2.13.2 Except as set forth in Schedule 2.13.2:

(a) there is no Order to which AirPatrol or its Subsidiary, or any of the assets owned or used by AirPatrol or its Subsidiary, is subject; and

(b) no officer, director, agent, or employee of AirPatrol or its Subsidiary is subject to any Order that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the business of AirPatrol and its Subsidiary.

2.13.3 Except as set forth in Schedule 2.13.3:

(a) AirPatrol and its Subsidiary are in full compliance in all material respects with all of the terms and requirements of each Order to which it, or any of the assets owned or used by it, is or has been subject; and

(b) AirPatrol has not received any written notice or other communication from any Governmental Body or any other Person regarding any actual, alleged, possible, or potential violation of, or failure to comply with, any term or requirement of any Order to which AirPatrol, or any of the assets owned or used by AirPatrol, or its Subsidiary, is or has been subject.

2.13.4

There is no pending, nor to the Knowledge of AirPatrol, Threatened, claim by (i) any current or former AirPatrol Shareholder, or any Affiliate, trustee or beneficiary of any AirPatrol Shareholder, based upon any alleged breach of fiduciary duty, usurping corporate opportunity or similar breach of care, loyalty or comparable claims by any officer, director or current or former AirPatrol Shareholder occurring prior to the Closing, whether or not in connection with this Agreement or the transactions contemplated by this Agreement or (ii) any officer, director or current or former AirPatrol Shareholder to indemnification or contribution by AirPatrol with respect to acts occurring on or prior to the Closing.

2.14 Absence of Certain Changes and Events. Except as set forth in Schedule 2.14, since September 30, 2013, AirPatrol and its Subsidiary have conducted their business only in the Ordinary Course of Business and there has not been any:

2.14.1 change in AirPatrol's authorized or issued capital stock or that of its Subsidiary; grant of any stock option or right to purchase shares of capital stock of AirPatrol or its Subsidiary; issuance of any security convertible into such capital stock; grant of any registration rights; purchase, redemption, retirement, or other acquisition by AirPatrol or its Subsidiary of any shares of any such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of shares of capital stock of AirPatrol or its Subsidiary;

2.14.2 entry into, creation, assumption or incurrence of (i) Liability except in the Ordinary Course of Business, (ii) Indebtedness, or Contract for Indebtedness, except for trade payables incurred in the Ordinary Course of Business, (iii) any obligations under capital leases except in the Ordinary Course of Business, or (iv) any obligations which would have a Material Adverse Effect on AirPatrol or Acquiror's ability to conduct the business of AirPatrol in substantially the same manner and condition as currently conducted by AirPatrol prior to the date hereof;

2.14.3 amendment to the Organizational Documents of AirPatrol or its Subsidiary;

2.14.4 except in the Ordinary Course of Business, payment or increase by AirPatrol or its Subsidiary of any bonuses, salaries, or other compensation to any shareholder, director, officer, or employee or entry into any employment, severance, or similar Contract with any director, officer, or employee;

2.14.5 except in the Ordinary Course of Business, adoption of, or increase in the payments to or benefits under, any profit sharing, bonus, deferred compensation, savings, insurance, pension, retirement, or other employee benefit plan for or with any employees of AirPatrol or its Subsidiary;

2.14.6 damage to or destruction or loss of any asset or property of AirPatrol or its Subsidiary, whether or not covered by insurance, that would result in a Material Adverse Effect;

2.14.7 entry into, termination of, or receipt of notice of termination of (a) any license, distributorship, dealer, sales representative, joint venture, credit, or similar agreement other than in the Ordinary Course of Business, or (b) any Contracts or transactions involving a total remaining commitment by or to AirPatrol of $50,000 or more, in the aggregate, any of which would have a Material Adverse Effect;

2.14.8 sale (other than sales of inventory in the Ordinary Course of Business), lease, or other disposition of any asset or property of AirPatrol or its Subsidiary, or mortgage, pledge, or imposition of any Lien or other encumbrance on any material asset or property of AirPatrol or its Subsidiary, including the sale, lease, or other disposition of any of its Intellectual Property;

2.14.9 cancellation or waiver of any claims or rights with an aggregate value to AirPatrol or its Subsidiary in excess of $50,000;

2.14.10 material change in the accounting methods used by AirPatrol or its Subsidiary;

2.14.11 change or any announcement of any change in the products or services of AirPatrol, except in the Ordinary Course of Business;

2.14.12 entry into any Contracts with another Person, except on commercially reasonable terms in the Ordinary Course of Business;

2.14.13 material violation, termination or amendment of any AirPatrol Material Contract or Governmental Authorization;

2.14.14 commencement of a lawsuit or Proceeding involving AirPatrol or its Subsidiary other than for the routine collection of third party receivables, without AirPatrol's prior written consent;

2.14.15 settlement of any claim or litigation other than for routine collection of accounts in the Ordinary Course of Business consistent with past practice;

2.14.16 capital expenditure in excess of $50,000, individually or in the aggregate;

2.14.17 establishment of a new business location or office, or closure of an existing location or office;

2.14.18 write-off, write-down, or establishment any extraordinary reserve with respect to, any receivable or other indebtedness in excess of $50,000, individually or in the aggregate;

2.14.19 extension of any credit, loan, advance, guaranty, endorsement, indemnity, warranty or mortgage to any Person, including any of the customers, shareholders, officers, employees or directors of AirPatrol or its Subsidiary, other than those made in the Ordinary Course of Business;

2.14.20 borrowing from any Person by way of a loan, advance, guaranty, endorsement, indemnity, or warranty;

2.14.21 discharge of any Encumbrance, indebtedness or other Liability in excess of $10,000, individually or in the aggregate, except for Liabilities reflected or reserved against in the AirPatrol Financial Statements and accounts payable in the Ordinary Course of Business;

2.14.22 material change in AirPatrol's credit practices, accounting methods or practices or standards used to maintain its books, accounts or business records, or any such changes with respect to the Subsidiary;

2.14.23 material change to the terms of its accounts or other payables or receivables or action directly or indirectly to cause or encourage any acceleration or delay in the payment, collection or generation of its accounts or receivables;

2.14.24 any deferral of the payment of any accounts payable other than in the Ordinary Course of Business, consistent with past practices, or any discount, accommodation or other concession made other than in the Ordinary Course of Business, consistent with past practices, in order to accelerate or induce the collection of any receivable;

2.14.25 material change affecting the business of AirPatrol and its Subsidiary including (i) changes in wholesaler alignments, inventory levels, management organization or personnel arrangements with sales brokers, advertising agencies, market research projects, advertising and promotion budgets or the content of advertisements or working capital levels (payables, receivables and inventory); (ii) changes in discretionary costs, such as advertising, maintenance and repairs, research and development, and training; (iii) any capital expenditures or deferrals of capital expenditures; (iv) deviations from operating budgets or plans on sales and profitability; or (v) other than in the Ordinary Course of Business, changes in any of its business policies, including, advertising, investments, marketing, pricing, purchasing, production, personnel, sales, returns, budget or product acquisition policies;

2.14.26 stock split, combination, reclassification, or issuance or authorization of the issuance of any other securities in lieu of, or in substitution for, shares of AirPatrol's capital stock;

2.14.27 acceleration, amendment or change in the period of exercisability or vesting of AirPatrol Options or other rights granted under the Option Plans, except as specifically contemplated in this Agreement;

2.14.28 issuance, sale, disposition or Encumbrance, or authorization of the issuance, sale, disposition or encumbrance of, any shares of its capital stock or grant, entry into or acceptance any Options, Warrants, convertible securities or other rights to acquire any shares of such capital stock or any other ownership interest in AirPatrol, other than (i) the issuance of shares of AirPatrol Common Stock pursuant to the exercise of AirPatrol Options and Warrants outstanding as of the date of this Agreement; (ii) the issuance of shares of AirPatrol Common Stock upon the conversion of the Convertible Notes;

2.14.29 hiring of any new employee other than in the Ordinary Course of Business, termination of any officer or key employee of AirPatrol or its Subsidiary, increase in the annual level of compensation of any existing employee, establishment or adoption of any employee benefit plan other than in the Ordinary Course of Business, or (except payments made pursuant to written agreements outstanding as of the date of this Agreement) grant of any bonuses, benefits or other forms of direct or indirect compensation to any employee, officer, director or consultant of AirPatrol or its Subsidiary other than in the Ordinary Course of Business;

2.14.30 severance payments to any employee, officer or director of AirPatrol or its Subsidiary, except payments made pursuant to written agreements outstanding as of the date of this Agreement;

2.14.31 change of any election in respect of Taxes, adoption or change in any accounting method in respect of Taxes, filing of any amendment to a Tax Return, entry into any closing agreement, settlement of any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes; or

2.14.32 agreement by AirPatrol or its Subsidiary to do any of the foregoing.

2.15
Contracts; No Defaults.

2.15.1 Schedule 2.15.1 contains a complete and accurate list, and AirPatrol has delivered or made available to Acquiror true and complete copies, of the following Contracts to which AirPatrol or its Subsidiary is a party or beneficiary ("Material Contracts"):

(a) each Contract that involves performance of services or delivery of goods or materials by AirPatrol or its Subsidiary of an aggregate amount or value in excess of $50,000;

(b) each Contract that was not entered into in the Ordinary Course of Business and that involves expenditures or receipts of AirPatrol or its Subsidiary in excess of $50,000;

(c) each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Contract affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal tangible property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than $10,000 and with terms of less than one year);

(d) each licensing agreement or other Contract pursuant to which (i) AirPatrol or its Subsidiary is granted a license or other right to use the Intellectual Property of a third Person (other than licenses for Shrink Wrap Code) for use in the business and (B) other than non-disclosure agreements and non-exclusive licenses with respect to AirPatrol Products granted to users in the Ordinary Course of Business, the Company has granted, licensed or provided any Company Intellectual Property to third Persons;

(e) each collective bargaining agreement and other Contract with any labor union or other employee representative of a group of employees;

(f) each joint venture, partnership, and other Contract (however named) involving a sharing of profits, losses, costs, or liabilities by AirPatrol or its Subsidiary with any other Person;

(g) each Contract containing covenants that in any way purport to restrict the business activity of AirPatrol or its Subsidiary, or materially limit the freedom of AirPatrol or its Subsidiary to engage in any line of business or to compete with any Person;

(h) each power of attorney that is currently effective and outstanding;

(i) each Contract for capital expenditures in excess of $50,000;

(j) each written warranty, guaranty, and/or other similar undertaking with respect to contractual performance extended by AirPatrol or its Subsidiary, other than in the Ordinary Course of Business; and

(k) each amendment, supplement, and modification in writing with respect of any of the foregoing.

2.15.2 Except as set forth in Schedule 2.15.2, to the Knowledge of AirPatrol, no officer, director, agent, employee, consultant, or contractor of AirPatrol is bound by any contract that purports to limit the ability of such officer, director, agent, employee, consultant, or contractor to (A) engage in or continue any conduct, activity, or practice relating to the business of AirPatrol or its Subsidiary, or (B) assign to AirPatrol, its Subsidiary, or to any other Person any rights to any invention, improvement, or discovery.

2.15.3 Except as set forth in Schedule 2.15.3, each Material Contract identified in Schedule 2.15.1 is in full force and effect and is valid and enforceable in accordance with its terms.

2.15.4 Except as set forth in Schedule 2.15.4:

(a) AirPatrol and its Subsidiary are in compliance in all material respects with all applicable terms and requirements of each Material Contract under which AirPatrol or its Subsidiary has or had any obligation or liability or by which AirPatrol, its Subsidiary, or any of the assets owned or used by AirPatrol or its Subsidiary is or was bound;

(b) To the Knowledge of AirPatrol, each other Person that has or had any obligation or liability under any Material Contract under which AirPatrol or its Subsidiary has or had any rights is in compliance in all material respects with all applicable terms and requirements of such Material Contract;

(c) To the Knowledge of AirPatrol, no event has occurred or circumstance exists that (with or without notice or lapse of time) may materially contravene or conflict with, or result in a material violation or breach of, or give AirPatrol, its Subsidiary, or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract; and

(d) AirPatrol and its Subsidiary have not given to or received from any other Person at any time any written notice regarding any actual, alleged, possible, or potential violation or breach of, or default under, any Contract.

2.15.5 There are no renegotiations of, attempts to renegotiate, or outstanding rights to renegotiate any material amounts paid or payable to AirPatrol or its Subsidiary under current or completed Material Contracts with any Person and no such Person has made written demand for such renegotiation.

2.15.6 The contracts of AirPatrol and its Subsidiary relating to the sale, design, manufacture, or provision of products or services by AirPatrol or its Subsidiary have been entered into in the Ordinary Course of Business and have been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or would be in material violation of any Law.

2.16 Inventory. The Inventory of AirPatrol (net of all reserves for obsolete, excess, slow-moving, damaged and defective Inventory shown on the Projected Closing Balance Sheet) is merchantable, fit for the purposes for which it was procured or manufactured, usable or salable in the Ordinary Course of Business, salable at prevailing market prices that are not less than the book value amounts thereof or the price customarily charged by AirPatrol therefor, conforms to the specifications established therefor, has been manufactured in accordance with all applicable Laws. The values at which the Inventory of AirPatrol is carried and set forth on the balance sheets included in AirPatrol Financial Statements reflect the valuation policy of stating Inventory at cost or market, whichever is lower, on a first-in, first-out basis, and reflect adequate write-offs, write-downs and reserves for damaged, defective, excess, slow-moving or obsolete items, computed in accordance with GAAP and consistent with past practice. “Inventory” means all inventories, including inventories of products, work-in-process, finished goods, raw materials, supplies, equipment, parts, labels and packaging (including rights and interests in goods in transit, consigned inventory, inventory sold on approval and rental inventory) and all returned products, samples, obsolete, excess, slow-moving, damaged, defective and nonsalable inventory.

2.17 Insurance. Schedule 2.17 identifies each insurance policy to which AirPatrol or its Subsidiary is a party or under which AirPatrol, its Subsidiary, or any director of either, is covered as of the date of this Agreement, and each claim (if any) made under said policies within the three years prior to the date of this Agreement. Except as set forth in Schedule 2.17, each policy to which AirPatrol or its Subsidiary is a party or that provides coverage to AirPatrol, its Subsidiary, or any director or officer of AirPatrol or its Subsidiary is legal, valid, binding, and enforceable in accordance with its terms and is in full force and effect. No cancellation or termination of any insurance Contract listed in Schedule 2.17 will result from consummation of the Contemplated Transactions, or the naming of Acquiror as an additional insured under such Contract of insurance. AirPatrol and its Subsidiary have paid all premiums due, and has otherwise performed all of its obligations, under each insurance Contract listed in Schedule 2.17.

2.18 Employees.

2.18.1 Schedule 2.18.1 contains a complete and accurate list of the following information for each employee or director of AirPatrol and its Subsidiary, including each employee on leave of absence or layoff status; employer; name; job title; current compensation paid or payable and any change in compensation since January 1, 2011; vacation accrued; and service credited for purposes of vesting and eligibility to participate under AirPatrol's pension, retirement, profit-sharing, thrift savings, deferred compensation, stock bonus, stock option, cash bonus, employee stock ownership (including investment credit or payroll stock ownership), severance pay, insurance, medical, welfare, or vacation plan, other employee pension benefit plan or employee welfare benefit plan, or any other employee benefit plan or any director plan.

2.18.2 All current and former employees of AirPatrol and its Subsidiary have entered into confidentiality and assignment of inventions agreements in favor of AirPatrol that remain in effect, the forms of which have been provided to the Acquiror. No employee of AirPatrol or its Subsidiary, to the Knowledge of AirPatrol, is in violation of any term of any confidentiality, non-competition, assignment of inventions, or proprietary rights agreement ("Proprietary Rights Agreement") or any restrictive covenant to a former employer relating to the right of any such employee to be employed by AirPatrol or its Subsidiary because of the nature of the business conducted or presently proposed to be conducted by AirPatrol or to the use of trade secrets or proprietary information of others. To the Knowledge of AirPatrol, no current employee or director of AirPatrol or its Subsidiary is a party to, or is otherwise bound by, any agreement or arrangement, including any Proprietary Rights Agreement, other than to AirPatrol and its Subsidiary, that in any way materially and adversely affects (a) the performance of his duties as an employee or director of AirPatrol or its Subsidiary, or (b) the ability of AirPatrol and its Subsidiary to conduct its business.

2.18.3 To the Knowledge of AirPatrol, no director, officer, or other key employee of AirPatrol or its Subsidiary intends to terminate his employment with AirPatrol or its Subsidiary as applicable.

2.18.4 Schedule 2.18.4 contains a complete and accurate list of the following information for each retired employee or director of AirPatrol or its Subsidiary, or their dependents, receiving benefits or scheduled to receive benefits in the future (other than under AirPatrol's 401(k) plan): name, pension benefit, pension option election, retiree medical insurance coverage, retiree life insurance coverage, and other benefits.

2.18.5 There is no term of employment for any employee working outside the United States that provides that a change in control of AirPatrol shall entitle such individual (i) to treat the change of control as a breach of any Contract, (ii) to any payment, benefit or change of terms of employment (whether or not conditioned upon the occurrence of any other event), or (iii) to treat himself or herself as redundant or released from any obligation to his or her employer. AirPatrol has no Liability to any present or former employee or independent contractor or any representative therefor for the payment of employment tribunal compensation, damages, a redundancy payment, a protective award, severance or any similar payment or award, nor is AirPatrol under any obligation to provide or continue any benefit (including the provisions of a reference) to any such individual either pursuant to or as a consequence of failing to comply with any Law or agreement. To the Knowledge of AirPatrol, no contractor used by or under Contract with AirPatrol is in violation of any Law relating to labor or employment matters with respect to services that such contractor provides to AirPatrol.

2.19 Labor Relations; Compliance. AirPatrol and its Subsidiary have not been and is not now a party to any collective bargaining or other labor Contract. There is not presently pending, existing, or, to the Knowledge of AirPatrol, Threatened (a) any strike, slowdown, picketing, work stop order, or employee grievance process, (b) any Proceeding against or affecting AirPatrol or its Subsidiary relating to the alleged violation of any Law pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission, or any comparable Governmental Body, organizational activity, or other labor or employment dispute against or affecting any of AirPatrol, its Subsidiary, or its premises, or (c) any application for certification of a collective bargaining agent. There is no lockout of any employees by AirPatrol or its Subsidiary, and no such action is contemplated by AirPatrol or its Subsidiary. AirPatrol and its Subsidiary have complied in all material respects with all Laws relating to employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar Taxes, and occupational safety and health.

2.20 Intellectual Property.

2.20.1 Intellectual Property. The AirPatrol Registered Intellectual Property includes the following owned by or filed in the name of AirPatrol or its Subsidiary as listed in Schedule 2.20.1:

(a) the name "AirPatrol", all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications;

(b) all of its patent applications, patents (including all provisional applications), and inventions and discoveries that may be patentable;

(c) all of its registered copyrights in both published works and unpublished work;

(d) all of its domain names.

2.20.2 No Infringement; Intellectual Property Rights.

(a) To the Knowledge of AirPatrol, no Person is violating, infringing or misappropriating any Trade Secrets of AirPatrol, its Subsidiary or AirPatrol's rights to the same.

(b) To the Knowledge of AirPatrol, none of the Owned AirPatrol Intellectual Property is subject to any Proceeding or has any outstanding decree, order, judgment, office action or settlement agreement or stipulation made against it that restricts in any manner the use, transfer or licensing thereof by AirPatrol or that may affect the validity, use or enforceability of such Intellectual Property.

(c) Each item of Owned AirPatrol Intellectual Property, to the Knowledge of AirPatrol, (i) is valid and subsisting, (ii) has not been abandoned or passed into the public domain and (iii) is held free and clear of any Encumbrances, except for non-exclusive licenses granted to end-user customers in the Ordinary Course of Business.

(d) To the Knowledge of AirPatrol, the rights of AirPatrol in and to the AirPatrol Intellectual Property constitutes all of the Intellectual Property rights used in and/or necessary for the conduct of AirPatrol's business as it is currently conducted.

(e) To the Knowledge of AirPatrol, each item of AirPatrol Intellectual Property either (i) is exclusively owned by AirPatrol or its Subsidiary, or (ii) is duly and validly licensed to AirPatrol or otherwise authorized for use in the manner currently used by AirPatrol in the conduct of its business.

(f) In each case in which AirPatrol or its Subsidiary has acquired any Intellectual Property rights from any Person, AirPatrol or its Subsidiary has obtained, and has in its possession, a valid and enforceable assignment sufficient to transfer all rights in such Intellectual Property to AirPatrol or its Subsidiary. AirPatrol has not transferred ownership of, or granted any exclusive license of or right to use, or authorized the retention of any exclusive rights to use or joint ownership of, any Intellectual Property that is or was AirPatrol Intellectual Property to any Person.

(g) AirPatrol and its Subsidiary have no Knowledge of any facts, circumstances or information that (i) would render any Owned AirPatrol Intellectual Property invalid or unenforceable, (ii) would adversely affect any pending application for any AirPatrol Registered Intellectual Property, or (iii) would adversely affect or impede the ability of AirPatrol and/or its Subsidiary to use any Air Patrol Intellectual Property in the conduct of its business as it is currently conducted or, to the Knowledge of AirPatrol, immediately following the Closing in the same manner as prior to the Closing. AirPatrol has not misrepresented, or failed to disclose, and has no Knowledge of any misrepresentation or failure to disclose, any fact or circumstances in any application for any AirPatrol Registered Intellectual Property that would constitute fraud or a misrepresentation with respect to such application or that would otherwise affect the validity or enforceability of any such AirPatrol Registered Intellectual Property.

(h) All necessary registration, maintenance and renewal fees in connection with each item of material AirPatrol Registered Intellectual Property have been paid and all necessary documents and certificates in connection with such AirPatrol Registered Intellectual Property have been filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of prosecuting or maintaining rights to such AirPatrol Registered Intellectual Property. To the extent provided for by, and in accordance with, applicable laws and regulations, AirPatrol and its Subsidiary have recorded in a timely manner each assignment of rights pursuant to which registered Intellectual Property has been assigned to AirPatrol or its Subsidiary (as applicable) with the relevant Governmental Body, including the United States Patent and Trademark Office, the U.S. Copyright Office or their respective counterparts in any relevant foreign jurisdiction, as the case may be.

(i) AirPatrol and its Subsidiary have used commercially reasonable efforts to maintain and protect (i) the Owned AirPatrol Intellectual Property, and (ii) the secrecy, confidentiality, value and AirPatrol's rights in the Confidential Information and Trade Secrets owned by AirPatrol and its Subsidiary and those provided by any Person to AirPatrol and its Subsidiary for which they have an obligation to protect, including by having and enforcing a policy requiring all current and former employees, consultants and contractors of AirPatrol and its Subsidiary to execute appropriate Proprietary Rights Agreements. AirPatrol has no Knowledge of any violation or unauthorized disclosure of any such Trade Secret or Confidential Information.

2.20.3 In-bound and Out-bound Agreements. Schedule 2.20.3(i) lists all material Contracts and licenses to which AirPatrol is a party pursuant to which a third party has licensed or transferred any material Intellectual Property to AirPatrol (other than licenses for Shrink Wrap Code). Schedule 2.20.3(ii) identifies each license, covenant or other Contract pursuant to which AirPatrol has assigned, transferred, licensed, distributed or otherwise granted any right or access to any Person, or covenanted not to assert any right, with respect to any AirPatrol Intellectual Property (other than non-disclosure agreements and non-exclusive licenses with respect to AirPatrol Products granted to users in the Ordinary Course of Business). AirPatrol has not agreed to indemnify any Person against any infringement, violation or misappropriation of any Intellectual Property rights with respect to any Customer other than in the Ordinary Course of Business. AirPatrol is not a member of or party to any patent pool, industry standards body, trade association or other organization pursuant to the rules of which it is obligated to license any existing or future Owned AirPatrol Intellectual Property to any Person.

2.20.4 Open Source Software. Except as set forth inSchedule 2.20.4, neither AirPatrol nor its Subsidiary has ever (i) used or incorporated Open Source Materials into, or combined Open Source Materials with, AirPatrol Products, or (ii) distributed Open Source Materials in conjunction with any AirPatrol Products in such a way that, with respect to the foregoing (i) and (ii), AirPatrol is obligated under the applicable license for such Open Source Materials with respect to any Owned AirPatrol Intellectual Property to grant, or purport to grant, to any third party, any rights or immunities under such Owned AirPatrol Intellectual Property (including, but not limited to, using any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials that other software included in Owned AirPatrol Intellectual Property incorporated into, derived from or distributed with such Open Source Materials be (A) disclosed or distributed in source code form, (B) be licensed for the purpose of making derivative works, or (C) be redistributable at no charge). "Open Source Materials" means all software or other material that is distributed as "free software," "open source software" or under similar licensing or distribution terms (including but not limited to the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Netscape Public License, the Sun Community Source License (SCSL), the Sun Industry Standards License (SISL) and the Apache License).

2.20.5 Assignments. To the Knowledge of AirPatrol, and except as set forth in Schedule 2.20.5, all former and current employees of AirPatrol and its Subsidiary, or any company or individual through whom any material Intellectual Property has been acquired, who have been involved in the creation or development of any material Intellectual Property for AirPatrol and its Subsidiary, including all pending patent applications, have executed written contracts with AirPatrol and its Subsidiary that assign to either of them all rights to any such Intellectual Property. To the Knowledge of AirPatrol, no employee of AirPatrol or its Subsidiary, or any inventor listed on any pending patent application, has entered into any Contract that restricts or limits in any way the scope or type of work in which the employee may be engaged by AirPatrol or its Subsidiary or requires the employee or inventor to transfer, assign, or disclose information concerning his work to anyone other than to AirPatrol or its Subsidiary.

2.21 Disclosure. There is no fact or condition known to AirPatrol that has specific application to AirPatrol and its Subsidiary (other than general economic or industry conditions) and that threatens, or would or could reasonably be expected to cause or result in a Material Adverse Effect on the assets, business, prospects, financial condition, or results of operations of AirPatrol (on a consolidated basis) that has not been set forth in this Agreement or the Disclosure Schedules. No statement herein or in the Disclosure Schedules contains any untrue statement or omits to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

2.22 Relationships with Related Persons. No Related Person of AirPatrol has, or since the first day of the next to last completed fiscal year of AirPatrol has had, any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to AirPatrol's businesses. No Related Person of AirPatrol is, or since the first day of the next to last completed fiscal year of AirPatrol has owned (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, a Person that has (a) had business dealings or a material financial interest in any transaction with AirPatrol other than business dealings or transactions conducted in the Ordinary Course of Business with AirPatrol at substantially prevailing market prices and on substantially prevailing market terms, or (b) engaged in competition with AirPatrol with respect to any line of the products or services of AirPatrol in any market presently served by AirPatrol. Except as set forth in Schedule 2.22, no Related Person of AirPatrol is a party to any contract (other than with respect to equity agreements and benefit plans or benefit arrangements) with, or has any claim or right against, AirPatrol.

2.23 Significant Customers and Suppliers. Schedule 2.23 sets forth (i) a true, complete and correct customer list showing for AirPatrol, the ten largest customers by gross purchases from AirPatrol during the twelve (12) month period prior to the date of this Agreement (collectively, the "Significant Customers"), and (ii) a true, complete and correct supplier list showing the ten largest suppliers by gross sales to AirPatrol during the twelve (12) month period ending on the date of the Balance Sheet Date (the "Significant Suppliers"). Since the Balance Sheet Date through the date of this Agreement, no Significant Customer or Significant Supplier has (whether as a result of the transactions contemplated by this Agreement or otherwise) (i) stopped, or indicated in writing an intention to stop, trading with or supplying AirPatrol, (ii) materially reduced, or indicated in writing an intention to materially reduce, its trading with or provision of goods or services to AirPatrol, or (iii) changed, or indicated in writing an intention to change, materially, the

terms and conditions on which it is prepared to trade with or supply AirPatrol. Since the date that is 12 months preceding the date of this Agreement, no Significant Customer has notified AirPatrol of its intention to return products sold by AirPatrol with a value in excess of $50,000. To the Knowledge of AirPatrol, no Significant Customer or Significant Supplier will, as a result of the transactions contemplated by this Agreement, (i) not trade with or supply AirPatrol, (ii) reduce substantially its trading with or provision of goods or services to AirPatrol, or (iii) change the terms and conditions on which it is prepared to trade with or supply AirPatrol. To the Knowledge of AirPatrol, no facts, conditions or events (except customary contractual restrictions prohibiting assignment) exist which give rise to a material claim by AirPatrol against any of its customers or suppliers or any claim by a customer or supplier against AirPatrol. Since the date of this Agreement, AirPatrol has not entered into any agreement or commitment with customers or suppliers, except in the Ordinary Course of Business, consistent with past practice.

2.24 Brokers or Finders. Except as set forth in Schedule 2.24, neither AirPatrol nor its Subsidiary has incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with this Agreement or the Contemplated Transactions.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF ACQUIROR AND MERGER SUBS

Acquiror and each of the Merger Subs jointly and severally represent and warrant to AirPatrol and the Representative as follows:

3.1 Organization and Good Standing. Each of Acquiror and Merger Sub are corporations duly organized, validly existing, and in good standing under the laws of the State of Nevada, with full corporate power and authority to conduct its business as now being conducted, to own or use its properties and assets, and to perform all its obligations under this Agreement. Each of Acquiror and Merger Subs are duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualifications, except where the failure to be so qualified would not have a Material Adverse Effect.

3.2 Authority; No Conflict.

3.2.1 This Agreement constitutes the legal, valid, and binding obligation of Acquiror and each of Merger Subs, enforceable against Acquiror and each Merger Sub in accordance with its terms. Upon the execution and delivery by Acquiror and either of Merger Subs of the Acquiror Closing Documents to which Acquiror or Merger Subs is a party, the Acquiror Closing Documents will constitute the legal, valid, and binding obligations of Acquiror and the Merger Subs, as applicable, enforceable against Acquiror and the Merger Subs, as applicable, in accordance with their respective terms. Acquiror and each of the Merger Subs has the right, power and authority to execute and deliver this Agreement and the Acquiror Closing Documents and to perform their obligations under this Agreement and the Acquiror Closing Documents.

3.2.2 Except as set forth in Schedule 3.2.2, neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will give any Person the right to prevent, delay, or otherwise interfere with any of the Contemplated Transactions pursuant to:

(a) any provision of Acquiror's Organizational Documents;

(b) any resolution adopted by the board of directors or the shareholders of Acquiror;

(c) any Law or Order to which Acquiror may be subject; or

(d) any contract to which Acquiror is a party or by which Acquiror may be bound.

Except as set forth in Schedule 3.2.2, Acquiror is not and will not be required to obtain any consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

3.3 Capitalization. The capitalization of Acquiror is as described in Acquiror's most recent registration statement filed with the SEC. Except as set forth in Schedule 3.3, Acquiror has not issued any capital stock since such filing, other than pursuant to the exercise of employee stock options under Acquiror's stock option plan(s), the issuance of shares of common stock to employees pursuant to Acquiror's employee stock purchase plan(s) and pursuant to the conversion or exercise of common stock equivalents. No person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the Contemplated Transactions. The issue and sale of the Stock Merger Consideration will not obligate Acquiror to issue shares of Common Stock or other securities without consideration (other than nominal consideration) to any Person (other than the Representative) and will not result in a right of any holder of Acquiror's securities to adjust the exercise, conversion, exchange or reset price under such securities.

3.4 Financial Statements. The financial statements of Acquiror that have been provided to AirPatrol (i) have been prepared from the Books and Records of Acquiror in accordance with GAAP (except for the omission of footnotes and cash flow statement from the Acquiror's interim financial statements) and (ii) fairly present the financial position of Acquiror as of the date of the balance sheet included in said financial statements and the results of its operations for the period indicated.

3.5 Material Changes. Since June 30, 2013, (i) there has been no event, occurrence or development that has had or that could have a Material Adverse Effect on Acquiror, (ii) Acquiror has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in Acquiror's financial statements pursuant to GAAP or required to be disclosed in filings made with the SEC, (iii) Acquiror has not altered its method of accounting, and (iv) Acquiror has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock.

3.6 Litigation. Except as disclosed in Schedule 3.6, there is no Proceeding or investigation pending or, to the Knowledge of Acquiror, Threatened against or affecting Acquiror, any subsidiary of Acquiror or any of their respective properties before or by any Governmental Body which (i) adversely affects or challenges the legality, validity or enforceability of any of the Closing Documents of the Acquiror or the Stock Merger Consideration or (ii) could, if there were an unfavorable decision, have a Material Adverse Effect on Acquiror. Neither Acquiror nor any subsidiary of Acquiror, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been any formal investigation, and to the Knowledge of Acquiror, there is not pending or contemplated, any investigation by the SEC involving Acquiror or any current or former director or officer of Acquiror. The SEC has not issued any stop order or other order suspending the effectiveness of any registration statement filed by Acquiror or any subsidiary of Acquiror under the Exchange Act or the Securities Act.

3.7 Listing and Maintenance Requirements. Acquiror has not, in the 12 months preceding the date hereof, received notice from any stock exchange or market for quotation on which Acquiror's Common Stock is listed or quoted to the effect that Acquiror is not in compliance with the listing or maintenance requirements of such exchange or market. Acquiror is, and has no reason to believe that it will not, in the foreseeable future, continue to be, in compliance with all such listing and maintenance requirements.

3.8 No Disagreements with Accountants or Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by Acquiror to arise, between the accountants and lawyers presently employed by Acquiror, and Acquiror is current with respect to any fees owed to its accountants and lawyers.

3.9 Certain Proceedings. There is no pending Proceeding that has been commenced against Acquiror and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To Acquiror's Knowledge, no such Proceeding has been Threatened.

3.10 Brokers or Finders. Except as set forth in Schedule 3.10, Acquiror and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with this Agreement.

ARTICLE 4

CONDUCT PRIOR TO CLOSING DATE

4.1 Access and Investigation. Between the date of this Agreement and the Closing Date, AirPatrol will, or through its Representatives will, afford Acquiror and its Representatives full and free access, at reasonable times and upon reasonable notice, to AirPatrol's personnel, properties, contracts, books and records, related documents and data, and such additional financial, operating, and other data and information , as Acquiror may reasonably request.

4.2 Operation of the Businesses of AirPatrol. Between the date of this Agreement and the Closing Date, AirPatrol will, or through its Representatives will:

4.2.1 conduct the business of AirPatrol only in the Ordinary Course of Business;

4.2.2 use its commercially reasonable efforts to preserve intact the current business organization of AirPatrol, keep available the services of the current officers, employees, and agents of AirPatrol, and maintain the relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with AirPatrol;

4.2.3 confer with Acquiror concerning operational matters of a material nature; and

4.2.4 otherwise report periodically to Acquiror concerning the status of the business, operations, and finances of AirPatrol.

4.3 Negative Covenant. Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, AirPatrol will not, without the prior consent of Acquiror, take any affirmative action, or fail to take any reasonable action within its control, that would reasonably be expected to cause any of the changes or events listed in Section 2.14 to occur.

4.4 Shareholder Approval and Information Statement.

4.4.1 As soon as reasonably practicable following the date of execution and delivery of this Agreement, AirPatrol will deliver to the AirPatrol Shareholders an information statement (the "Information Statement"), which such Information Statement shall include a written notice to all AirPatrol Shareholders informing them of the material terms of the transactions contemplated by this Agreement (including as they relate to the treatment of holders of AirPatrol Common Stock and AirPatrol Preferred Stock) and that Dissenter's Rights may be available to them under applicable Dissenters' Rights Statutes. AirPatrol will give Acquiror and its Representatives reasonable opportunity to review and comment on the Information Statement and AirPatrol will consider in good faith any comments that Acquiror or its Representatives have with respect to the Information Statement. The Information Statement shall comply with applicable Law and the statements contained or incorporated by reference therein shall not (i) contain any statement that is false or misleading with respect to any material fact or (ii) omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they are made, not false or misleading. AirPatrol shall promptly inform Acquiror of the date on which the Information Statement was sent to AirPatrol Shareholders.

4.4.2 Whenever any event occurs which should be set forth in an amendment or supplement to the Information Statement, AirPatrol or Acquiror, as the case may be, will promptly inform the other of such occurrence and cooperate in making any appropriate amendment or supplement, and/or mailing to the AirPatrol Shareholders, such amendment or supplement. Following the dissemination of the Information Statement to the AirPatrol Shareholders in accordance with Section 4.4.1, AirPatrol shall take such action, in the reasonable judgment of AirPatrol or its counsel, as may be required or appropriate to amend or supplement the Information Statement in order to comply with applicable Law or to ensure that the statements contained or incorporated by reference therein do not (i) contain any statement that is false or misleading with respect to any material fact or (ii) omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they are made, not false or misleading. Anything to the contrary contained herein notwithstanding, AirPatrol shall not include in the Information Statement, or in any amendment or supplement thereto, any information with respect to Acquiror or its Affiliates, the form and content of which information shall not have been approved by Acquiror prior to such inclusion.

4.4.3 AirPatrol shall obtain and deliver to Acquiror, prior to the mailing or delivery to AirPatrol's shareholders of the Information Statement, a Parachute Payment Waiver substantially in the form attached hereto as Exhibit G ("Parachute Payment Waiver") from each Person who AirPatrol and Acquiror reasonably agree is, with respect to AirPatrol and/or any ERISA Affiliate, a "disqualified individual" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder), as determined immediately prior to obtaining the Shareholder Approval, and who AirPatrol and Acquiror reasonably agree might otherwise receive, have received, or have the right or entitlement to receive a parachute payment under Section 280G of the Code (such Persons being set forth in Schedule 4.4.3).

4.4.4 AirPatrol shall include in the Information Statement and the shareholder solicitation a separate proposal to be voted on by AirPatrol Shareholders as is required by the terms of Section 280G(b)(5)(B) of the Code (the "280G Proposal") which, if approved by the requisite vote, will render the parachute payment provisions of Section 280G of the Code inapplicable to any and all payments and/or benefits provided pursuant to Contracts or arrangements that, in the absence of the executed Parachute Payment Waivers by the affected Persons under Section 4.4.3, might otherwise result, separately or in the aggregate, in the payment of any amount and/or the provision of any benefit that would not be deductible by reason of Section 280G of the Code, with such shareholder approval to be obtained in a manner which satisfies all applicable requirements of such Section 280G(b)(5)(B) of the Code and the proposed Treasury Regulations thereunder, including Q-7 of Section 1.280G-1 of such proposed Treasury Regulations.

4.5 Required Third Party Approvals. Between the date of this Agreement and the Closing Date, AirPatrol will, or through its Representatives will, (a) reasonably cooperate with Acquiror with respect to all filings that Acquiror elects to make or is required by Laws to make in connection with the Contemplated Transactions, and (b) reasonably cooperate with Acquiror in seeking to obtain all consents identified in Schedule 4.5.

4.6 Notification. Between the date of this Agreement and the Closing Date, each of AirPatrol and Acquiror will promptly notify the other party in writing if such party becomes aware of any fact or condition that causes or constitutes a breach of any of such party's representations and warranties as of the date of this Agreement, or if such party becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause of constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Disclosure Schedules if the Disclosure Schedules were dated the date of the occurrence of discovery of any such fact or condition, AirPatrol will promptly deliver to Acquiror a supplement to the Disclosure Schedules specifying such change. During the same period, AirPatrol will promptly notify Acquiror of the occurrence of any breach of any covenant of AirPatrol in this Section 4. Each of AirPatrol and Acquiror will promptly notify the other party of the occurrence of any event that would reasonably be expected to make the satisfaction of the conditions in Section 6 impossible or unlikely. In addition, AirPatrol shall deliver notice to the Acquiror at least five (5) Business Days prior to taking any of the following actions:

4.6.1 any payment or increase by AirPatrol or its Subsidiary of any bonuses, salaries, or other compensation to any director, officer, or employee or entry into any employment, severance, or similar Contract with any director, officer, or employee, not in the Ordinary Course of Business;

4.6.2 any adoption of, or increase in the payments to or benefits under, any profit sharing, bonus, deferred compensation, savings, insurance, pension, retirement, or other employee benefit plan for or with any employees of AirPatrol or its Subsidiary, not in the Ordinary Course of Business;

4.6.3 any material change in AirPatrol's credit practices, accounting methods or practices or standards used to maintain its books, accounts or business records, or any such changes with respect to the Subsidiary; or

4.6.4 any material change to the terms of its accounts or other payables or receivables or action directly or indirectly to cause or encourage any acceleration or delay in the payment, collection or generation of its accounts or receivables.

4.7 No Negotiation. Until such time, if any, that this Agreement is terminated pursuant to Section 10.1 or the Contemplated Transactions are completed, AirPatrol will, and will cause its Representatives to: (i) deal exclusively with Acquiror in connection with the issuance or sale of any equity or debt securities or assets of AirPatrol (other than the exercise or conversion of outstanding securities of AirPatrol or issuances under AirPatrol's equity incentive plans in the Ordinary Course of Business) or any merger or business combination or consolidation involving AirPatrol, (ii) shall not initiate, solicit, or engage others to solicit, encourage or accept offers for the purchase or acquisition of any equity or debt securities or assets of AirPatrol, or for any merger or business combination or consolidation involving AirPatrol, (iii) shall not participate in any discussions, conversations, negotiations or other communications regarding, or enter into any agreements or understandings with respect to any such transaction, (iv) shall inform Acquiror of any such solicitation or offer received by AirPatrol in writing, and (v) shall not (other than in the Ordinary Course of Business) provide any Confidential Information regarding its Assets or business, or any information with respect to any such transaction as described above, to any person other than Acquiror and its Representatives, and (vi) shall not otherwise cooperate in any way or participate in, facilitate or encourage the submission of, any proposal that constitutes, or could reasonably be expected to lead to, a proposal for any such transaction as described above.

4.8 Reasonable Efforts. Between the date of this Agreement and the Closing Date, AirPatrol and Acquiror will use their reasonable efforts to cause the conditions in Article 6 to be satisfied.

ARTICLE 5

ADDITIONAL AGREEMENTS

5.1 Approvals of Governmental Bodies. As promptly as practicable after the date of this Agreement, Acquiror will, and will cause each of its Related Persons to, make all filings required by Laws to be made by them to consummate the Contemplated Transactions. Between the date of this Agreement and the Closing Date, Acquiror will, and will cause each Related Person to, (a) cooperate with AirPatrol with respect to all filings that AirPatrol is required by Laws to make in connection with the Contemplated Transactions, and (b) cooperate with AirPatrol in seeking to obtain all consents identified in Schedule 4.5; provided that this Agreement will not require Acquiror to dispose of or make any change in any portion of its business or to incur any other burden to obtain a Governmental Authorization.

5.2 Employees. Except as provided herein, all persons who are employees of AirPatrol immediately prior to the Closing Date shall be deemed "at-will" employees of (x) Surviving Corporation I from and after the Effective Time of Merger I and (y) Surviving Corporation II from and after the Effective Time of Merger II. In addition, on or before the Closing Date each of Cleve Adams, Guy Levy-Yurista, Sage Osterfeld and Bobby Hernandez will execute employment agreements with Surviving Corporation I, in a form mutually agreeable to Acquiror and such employee. Each employee of AirPatrol who continues as an employee of Surviving Corporation II after the Closing Date shall be referred to hereafter as a "Continuing Employee." Continuing Employees shall be

eligible to receive benefits in connection with their employment on substantially the same terms as benefits are provided to similarly situated employees of the Acquirer and consistent with Acquiror's applicable human resources policies. Continuing Employees shall be eligible to participate in a profit sharing plan of the Surviving Corporation II on similar terms available to such employees under the profit sharing plan of AirPatrol in effect immediately prior to the Closing Date. Acquiror shall ensure that, as of the Closing Date, each Continuing Employee receives full credit (for all purposes, including eligibility to participate, vesting, vacation entitlement and severance benefits, but excluding benefit accrual) for service with AirPatrol (or predecessor employers to the extent AirPatrol provides such past service credit under its employee benefit plans) under each of the comparable employee benefit plans, programs and policies of Acquiror and the Surviving Corporation (and, if applicable, any of their Affiliates) in which such Continuing Employee becomes a participant; provided, however, that no such service recognition shall result in any duplication of benefits. As of the Closing Date, Acquiror shall, or shall cause the Surviving Corporation II or relevant Affiliate to, credit to Continuing Employees the amount of vacation time that such employees had accrued under any applicable AirPatrol benefit plan or program as of the Closing Date. With respect to each health or welfare benefit plan maintained by Acquiror, Surviving Corporation II or the relevant Affiliate for the benefit of any Continuing Employees, subject only to any required approval of the applicable insurance provider, if any, Acquiror shall (i) cause to be waived any eligibility waiting periods, any evidence of insurability requirements and the application of any pre-existing condition limitations under such plan, and (ii) cause each Continuing Employee to be given credit under such plan for all amounts paid by such Continuing Employee under any similar AirPatrol benefit plan or program for the plan year that includes the Closing Date for purposes of applying deductibles, co-payments and out-of-pocket maximums as though such amounts had been paid in accordance with the terms and conditions of the applicable plan maintained by Acquiror, Surviving Corporation II or the relevant Affiliate, as applicable, for the plan year in which the Closing Date occurs.

5.3 Existing Promissory Note. Acquiror and each of the Merger Subs acknowledge that AirPatrol issued a certain secured promissory note dated August 30, 2013 to Acquiror with a principal amount of $1,000,000 bearing 8% interest per annum and due on March 2, 2014 ("Secured Note"), as a separate loan transaction. Acquiror and each of the Merger Subs further acknowledge that the Secured Note shall become due and payable immediately in the event of a termination of this Agreement or a failure to consummate the Contemplated Transactions, or upon the maturity date thereof (whichever may occur sooner), and shall continue to accrue interest until actual repayment of principal. If Merger I closes, the unpaid outstanding principal and accrued interest under the Secured Note shall be deducted from the Cash Merger Consideration pursuant to Section 1.7.1, and the Secured Note shall be paid in full upon the Closing.

5.4 Conversion of Convertible Notes. No later than three business days prior to the Closing, AirPatrol shall furnish the Acquiror with copies of any and all conversion notices received prior to the Closing from the holders of AirPatrol secured and unsecured bridge promissory notes.

5.5 Options and Warrants. AirPatrol shall cause the cancellation of all outstanding Options and Warrants, or the conversion of such Options and Warrants into the right to receive cash, on or prior to the Closing.

5.6 AirPatrol Audit. AirPatrol shall cause its Accountants to audit AirPatrol Financial Statements for the years ending December 31, 2011 and 2012, in a timely manner with a target completion date for the audit of 60 days following the Closing.

5.7 Best Efforts. Between the date of this Agreement and the Closing Date, each of Acquiror and AirPatrol will use its best efforts to cause the conditions in Article 6 to be satisfied.

5.8 Financing. Acquiror will use its best efforts to consummate the financing referred to in Section 6.1.16.

5.9 Section 368 Reorganization. The Parties and their affiliates agree to refrain from any actions which would be inconsistent with the treatment of the Transaction as a tax-free "reorganization" within the meaning of Section 368 of the Code.

5.10 Market Standoff Agreement. The Parties hereby agree that no recipient of Stock Merger Consideration shall be permitted to, without the prior written consent of the managing underwriter of the Acquiror, during the period commencing on the Closing Date and ending 180 days following the Closing Date or the date specified by the Acquiror and its managing underwriter, (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Acquiror common stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Acquiror common stock (whether such shares or any such securities are then owned by the Holder or are thereafter acquired), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Acquiror common stock or other securities, in cash, or otherwise. The underwriters in connection with the registration of Acquiror common stock are intended third party beneficiaries of this Section 5.10 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. The Transmittal Letter to be executed by each person who is receiving Stock Merger Consideration shall contain provisions, reasonably acceptable to the underwriters, that are consistent with this Section 5.10 or that are necessary to give further effect thereto. Acquiror shall have the authority to issue stop orders to its transfer agent in order to prevent transfers of securities in contravention of this Section 5.10.

5.11 Legend. Each stock certificate representing shares of Acquiror common stock issued pursuant to Article 1 hereof, unless registered pursuant to an effective registration statement, shall bear the following restrictive legend:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED EXCEPT PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT, OR PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO RESTRICTIONS ON THE USE OF SUCH SECURITIES IN HEDGING TRANSACTIONS PURSUANT TO THE TERMS OF AN AGREEMENT AND PLAN OF MERGER PURSUANT TO WHICH SUCH SECURITIES WERE ISSUED. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR THE AVAILABILITY OF AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

ARTICLE 6

CONDITIONS TO CLOSING

6.1 Conditions to Obligations of Acquiror. Acquiror's obligation to effect Merger I and to take the other actions required to be taken by Acquiror at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Acquiror, in whole or in part):

6.1.1 Accuracy of Representations. The representations and warranties of AirPatrol contained in Article 2 of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as if made at the Closing Date (except that representations and warranties given as of a specific date shall be true and correct only as of such date).

6.1.2 Accuracy of Financial Statements. The AirPatrol Preliminary Financial Statements delivered in connection with the execution and delivery of this Agreement shall be correct and accurate in all material respects, and shall not differ materially from the AirPatrol Closing Financial Statements.

6.1.3 AirPatrol's Performance. The covenants and obligations that AirPatrol is required to perform or to comply with pursuant to this Agreement at or prior to the Closing, shall have been duly performed and complied with in all material respects.

6.1.4 Governmental Approvals. Other than the filing of the Articles of Merger I in accordance with the terms of Section 1.2, all Governmental Authorizations from, or expirations of waiting periods imposed by, any Governmental Body required for the consummation of the Transaction shall have been filed, occurred or been obtained other than Governmental Authorizations or expirations, the failure to obtain or effect, would not reasonably be expected to materially adversely affect AirPatrol, its Subsidiary, or AirPatrol's or its Subsidiary's ownership or use of any of their Assets.

6.1.5 Shareholder Approval. AirPatrol shall have obtained the requisite approval of the AirPatrol Shareholders as necessary to adopt this Agreement, approve the principal terms of Merger I and consummate the Contemplated Transactions (the "Shareholder Approval").

6.1.6 No Material Adverse Change. Since the date of this Agreement, there shall not have been any fact, circumstance, change, event, occurrence or development with respect to AirPatrol or its Subsidiary that, individually or in the aggregate with all other facts, circumstances, changes, events, occurrences or developments that have occurred since the date of this Agreement, has had a Material Adverse Effect on AirPatrol.

6.1.7 Additional Documents. Each of the following documents must have been delivered to Acquiror:

(a) a final Projected Closing Balance Sheet, together with an estimate of AirPatrol's Indebtedness (including an estimate and calculation of its Unpaid Tax Obligations and Employee Obligations), in each case as of the Closing;

(b) a final Closing Spreadsheet;

(c) a final Consideration Certificate, including any wire transfer instructions for each Person to whom Acquiror is making payment on behalf of AirPatrol and the AirPatrol Shareholders in respect of AirPatrol Indebtedness, Employee Transaction Related Expenses or AirPatrol Merger Expenses at the Closing; provided however, that receipt of the same shall not be deemed to be an agreement that any amount set forth in the Consideration Certificate is accurate and shall not diminish Acquiror's remedies under this Agreement in the event that any such amount is inaccurate;

(d) a certificate of good standing with respect to AirPatrol issued by the Secretary of State of Nevada;

(e) a certificate of good standing (or equivalent document) with respect to the Subsidiary, issued by the appropriate Governmental Body in the jurisdiction of incorporation of the Subsidiary;

(f) the employment agreements in the forms attached as Exhibits E-1, E-2, E-3 and E-4 respectively ("Employment Agreements") duly executed by the Chief Executive Officer, Chief Technology Officer, VP of Marketing and VP of Sales of AirPatrol; and

(g) the non-competition Agreements in the form attached as Exhibit D-1, D-2 and D-3 ("Non-Competition Agreements") duly executed by Cleve Adams, Sage Osterfeld, and Bobby Hernandez respectively, for a term of three (3) years following the Closing.

6.1.8 Cancellation and Extinguishment of Options. All Options of AirPatrol shall have been cancelled.

6.1.9 Cancellation of Warrants. All outstanding warrants of AirPatrol shall have been cancelled or exercised in accordance with their respective terms.

6.1.10 Compliance Certificate. An officer of AirPatrol shall have executed and delivered a compliance certificate in the form attached as Exhibit B to Acquiror dated as of the Closing Date, attaching a true and correct copy of the articles of organization, corporate bylaws, and resolutions of its board of directors approving this Agreement, Merger I and the Contemplated Transactions, and certifying AirPatrol's compliance with and satisfaction of the conditions set forth in Section 6.1.1 through 6.1.5 and 6.1.16 of this Article 6.

6.1.11 Securities Exemption. An exemption from registration under the Securities Act shall be available with respect to the issuance of the Stock Merger Consideration, Holdback Shares and Earnout Stock, to the AirPatrol Shareholders.

6.1.12 Dissenting Shareholders. Holders of not more than 10% of the issued and outstanding AirPatrol Common Stock and AirPatrol Preferred Stock shall have elected to, or continue to have contingent rights to, exercise appraisal rights or dissenter's rights under the Dissenters' Rights Statutes as to such shares.

6.1.13 Resignation and Appointment of Directors. All directors on the Board of AirPatrol prior to the Closing, who are not listed on Schedule 1.6, shall have delivered resignation letters to the Board of AirPatrol effective upon Closing. The Board of Directors of the Surviving Corporation I shall be comprised of the individuals listed on Schedule 1.6, effective upon Closing.

6.1.14 Third Party Consents. AirPatrol shall have received duly executed copies of all third party consent, approvals, assignments, notices, waivers, authorizations or other certificates set forth in Section 4.5, and delivered copies of the same to Acquiror.

6.1.15 No Proceedings. At Closing there shall not have been commenced or Threatened against Acquiror, or against any Person affiliated with Acquiror, any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, any of the Contemplated Transactions, or (b) that would be reasonably likely to have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the Contemplated Transactions.

6.1.16 Financing. The Acquiror shall have completed an initial public offering of its common stock pursuant to an effective registration statement on Form S-1, which public offering will have gross proceeds to Acquiror of at least $10,000,000 at a price per share and on terms acceptable to the board of directors of Acquiror in its sole discretion.

6.1.17 Secured Note. All outstanding principal and accrued unpaid interest under the Secured Note shall have been paid by AirPatrol through Acquiror's deduction of such amounts from the Cash Merger Consideration at Closing.

6.2 Conditions Precedent to AirPatrol's Obligation to Close. The obligation of AirPatrol to consummate Merger I and to take the other actions required to be taken by AirPatrol at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by AirPatrol, in whole or in part):

6.2.1 Accuracy of Representations. All of Acquiror's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

6.2.2 Acquiror's Performance.

(a) The covenants and obligations that Acquiror is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), shall have been performed and complied with in all material respects.

(b) Acquiror shall have delivered the Merger Consideration that is due at Closing pursuant to Section 1.7.

6.2.3 Consents. Each of the consents identified in Schedule 4.5 shall have been obtained and shall be in full force and effect.

6.2.4 Additional Documents. Acquiror shall have caused the following documents to be delivered to AirPatrol:

(a) certificates of good standing of Acquiror and each Merger Sub, respectively, issued by the Secretary of State of the State of Nevada; and

(b) such other documents Acquiror is required to deliver to AirPatrol pursuant to this Agreement.

6.2.5 No Injunction. There shall not be in effect any Law or any injunction or other Order that (a) prohibits the consummation of Merger I and the other transactions contemplated hereby, and (b) has been adopted or issued, or has otherwise become effective, since the date of this Agreement.

6.2.6 Financing. The Acquiror shall have completed an initial public offering of its common stock pursuant to an effective registration statement on Form S-1, which public offering will have gross proceeds to Acquiror of at least $10,000,000 at a price per share and on terms acceptable to the board of directors of Acquiror in its sole discretion.

6.2.7 Listing of Additional Shares. Prior to the Closing, Acquiror shall file with the Nasdaq Stock Market a Notification Form for Listing of Additional Shares with respect to all of the Stock Merger Consideration, a copy of which shall have been provided to AirPatrol.

6.3 Items to be Delivered by the Parties at the Closing At the Closing, in addition to the Merger Consideration, the Parties shall deliver each of the following:

6.3.1 Articles of Merger. Each Party to this Agreement shall deliver duly executed counterparts to the Articles of Merger I.

6.3.2 Escrow Agreement. Each Party to the Escrow Agreement shall deliver duly executed counterparts to the Escrow Agreement.

6.3.3 Acquiror Authorizations. Acquiror shall deliver to AirPatrol a certificate or certificates of an executive officer of Acquiror attaching copies of the resolutions authorizing (a) the execution, delivery and performance of Acquiror's obligations under this Agreement and certifying that such resolutions have been duly and validly approved and authorized by the Board of Directors of Acquiror and (b) the execution, delivery and performance of Merger Subs' obligations under this Agreement and certifying that such resolutions have been duly and validly approved and authorized by the sole shareholder of Merger Sub.

6.3.4 Merger Sub Authorizations. Acquiror shall deliver to AirPatrol a certificate of an executive officer of Merger Sub attaching copies of the resolutions authorizing the execution, delivery and performance of Merger Sub's obligations under this Agreement and certifying that such resolutions have been duly and validly approved and authorized by the Board of Directors of Merger Sub.

ARTICLE 7

INDEMNIFICATION

7.1 Survival. All representations, warranties, covenants, and obligations in this Agreement, the Disclosure Schedules, the supplements to the Disclosure Schedules, the certificate delivered pursuant to Section 6.1.11, and any other certificate or document delivered pursuant to this Agreement will survive the Closing for a period of 12 months (the "Expiration Date"); *except that* the representations and warranties of AirPatrol regarding Organization and Good Standing (Section 2.1), Authority/No Conflict (Section 2.2), Capitalization (Section 2.3), Taxes (Section 2.9), and Brokers or Finders (Section 2.23) (together, the "AirPatrol Specified Representations"), the representations and warranties of Buyer regarding Organization and Good Standing (Section 3.1), Authority/No Conflict (Section 3.2), Capitalization (Section 2.3) and Brokers or Finders (Section 3.10) (the "Acquiror Specified Representations, and together with the AirPatrol Specified Representations, the "Specified Representations"), the Post-Closing Covenants in Article 9, and the covenants to pay Merger Consideration in Section 1.7, shall survive the Closing for a period of three (3) years; and *provided that* there shall be no limitation on the survival of representations, warranties or claims arising out of actual fraud. The right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. It is the express intent of the parties that, if an applicable survival period as contemplated by this Section 7.1 is shorter than the statute of limitations that would otherwise have been applicable, then, by contract, the applicable statute of limitations shall be reduced to the shortened survival period contemplated hereby. The parties further acknowledge that the time periods set forth in this Section 7.1 are the result of arms'-length negotiation and that they intend for the time periods to be enforced as agreed by the parties.

7.2 Indemnification and Payment of Damages by AirPatrol Parties The AirPatrol Shareholders, severally and not jointly in accordance with their pro rata share of the Merger Consideration (including but not limited to the Holdback Shares and Earnout Payment), hereby agree to indemnify and hold harmless Acquiror and its respective Representatives, shareholders, controlling persons, and Affiliates (collectively, the "Acquiror Indemnified Party(ies)") for, and will pay to the Acquiror Indemnified Parties the amount of, any Damages, whether or not involving a claim brought by a third party ("Third Party Claim"), arising, directly from (without duplication):

7.2.1 any breach or inaccuracy of any representation or warranty made by AirPatrol in (i) this Agreement, (ii) AirPatrol's Closing Documents delivered pursuant to Section 6.1.8, or (iii) any other certificate, document, writing or instrument delivered by AirPatrol pursuant to this Agreement, and any Third Party Claim alleging facts that, if true, would constitute such a breach or inaccuracy;

7.2.2 any nonfulfillment or breach by AirPatrol prior to the Closing of any covenant or obligation of AirPatrol in this Agreement, or in any other certificate, document, writing or instrument delivered by AirPatrol pursuant to this Agreement;

7.2.3 any (i) Indebtedness of AirPatrol as of the Closing exceeding such AirPatrol Indebtedness identified in the Consideration Certificate, (ii) the Indemnifiable Merger Expenses, (iii) Employee Transaction Related Expenses exceeding such Employee Transaction Related Expenses identified in the Consideration Certificate and other than Indebtedness arising under the Secured Note, (iv) Employee Obligations as of the Closing exceeding such Employee Obligations identified in the Consideration Certificate, or (v) Unpaid Tax Obligations as of the Closing exceeding such Unpaid Tax Obligations identified in the Consideration Certificate;

7.2.4 any inaccuracies in the Closing Spreadsheet or Consideration Certificate;

7.2.5 any payments paid or owed by Surviving Corporation II with respect to or in connection with any Dissenting Shares to the extent that the aggregate amount of such payments exceeds the consideration that otherwise would have been payable pursuant to Article 1 upon the exchange of the Dissenting Shares if such former shareholders had not exercised their dissenter's rights;

7.2.6 (i) any Taxes of AirPatrol or its Subsidiary, and (ii) any Liability of AirPatrol or its Subsidiary for Taxes of another Person under Section 1.1502-6 of the Treasury Regulations or under any comparable or similar provision of state, local or foreign Law, as a transferee or successor, or pursuant to any contractual obligation (other than a contractual obligation entered into in the ordinary course of business the primary purpose of which was not the sharing of Taxes), in each case, attributable to any Pre-Closing Tax Period except to the extent there is an accrual or reserve for such Taxes on the Projected Closing Balance Sheet; or

7.2.7 any unpaid amounts owed by AirPatrol to the Acquiror under the Secured Note;

7.2.8 any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with AirPatrol (or any Person acting on their behalf) in connection with any of the Contemplated Transactions.

7.3 Indemnification and Payment of Damages by Acquiror. Acquiror will indemnify and hold harmless the AirPatrol Shareholders, and will pay to the AirPatrol Shareholders the amount of any Damages arising, directly from or in connection with (a) any breach of any representation or warranty made by Acquiror in this Agreement or in any certificate delivered by Acquiror pursuant to this Agreement, or (b) any breach by Acquiror of any covenant or obligation of Acquiror in this Agreement.

7.4 Insurance. The Acquiror Indemnified Parties and AirPatrol Shareholders (each an "Indemnified Party") shall use commercially reasonable efforts to seek such recovery under any insurance policy or similar instrument that would reasonably be expected to be available for reimbursement of any Damages prior to seeking indemnification pursuant to this Article 7, and the amount of Damages shall be reduced by the amount actually recovered.

7.5 Duty to Mitigate. Each Indemnified Party shall use its commercially reasonable efforts to mitigate any Damages subject to indemnification obligations under this Agreement (including, in the case of Damages resulting from intellectual property infringement, through the license of intellectual property or through the design and implementation of intellectual property that does not so infringe).

7.6 Time Limitations. If the Closing occurs, AirPatrol and the AirPatrol Shareholders will have no liability (for indemnification or otherwise) with respect to any representation or warranty, or covenant or obligation to be performed and complied with prior to the Closing Date, unless during the survival period in Section 7.1 for the applicable representation, warranty, covenant or obligation the Acquiror notifies AirPatrol of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by Acquiror. If the Closing occurs, Acquiror will have no liability (for indemnification or otherwise) with respect to any representation or warranty, or covenant or obligation to be performed and complied with prior to the Closing Date, unless during the survival period in Section 7.1 for the applicable representation, warranty, covenant or obligation AirPatrol notifies Acquiror of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by AirPatrol.

7.7 Limitations On Amount-AirPatrol Shareholders.

7.7.1 Basket. The AirPatrol Shareholders will have no liability (for indemnification or otherwise) with respect to any of the matters described in this Article 7 until the total of all Damages with respect to such matters exceeds $150,000, and then for all such Damages. However, this Section 7.7.1 will not apply to any claim of fraud or any intentional breach by AirPatrol, or the AirPatrol Shareholders, of any covenant or obligation.

7.7.2 Damages With Respect to Certain Breaches. Notwithstanding anything to the contrary contained in this Agreement, the AirPatrol Shareholders shall not have any liability or indemnification obligation under this Article 7 for any Taxes of AirPatrol or its Subsidiary (A) resulting from any election made by Acquiror or any of its Affiliates under Section 338 of the Code, (B) resulting from any action taken after the Closing on the Closing Date by the Acquiror or any of its Affiliates, including AirPatrol, (C) attributable to a breach by Acquiror or any of its Affiliates of its obligations under this Agreement, or (D) attributable to any taxable period commencing after the Closing Date.

7.7.3 Cap. Notwithstanding anything to the contrary in this Agreement or otherwise, the maximum aggregate liability of all AirPatrol Shareholders for indemnification arising out of matters referred to in Section 7.2, other than in the case of fraud by the Parties to this Agreement other than Acquiror, which shall be subject to no limit, shall be as follows:

(a) with respect to any breach of representations and warranties set forth in Section 2.20 (Intellectual Property), maximum aggregate liability shall not exceed 50% of the aggregate Merger Consideration such AirPatrol Shareholder actually received pursuant to Article 1, minus such AirPatrol Shareholder's pro rata share of any and all other Damages that such AirPatrol Shareholder is obligated to indemnify under this Article 7 out of the Holdback Shares and the Earnout Payment pursuant to Section 7.7.3(b) below; and

(b) with respect to all other matters, maximum aggregate liability shall not exceed the total amount of the Holdback Shares and up to $2,000,000 of the Earnout Payment.

7.8 Limitations On Amount-Acquiror.

7.8.1 Basket. Acquiror will have no liability (for indemnification or otherwise) with respect to any of the matters described in this Article 7 until the total of all Damages with respect to such matters exceeds $150,000, and then for all such Damages. However, this Section 7.8.1 will not apply to any claim of fraud or any intentional breach by Acquiror of any covenant or obligation.

7.8.2 Cap. The maximum aggregate liability of Acquiror for indemnification arising out of matters referred to in Section 7.3, other than in the case of fraud by the Acquiror, shall not exceed an amount equal to 20% of the aggregate Merger Consideration.

7.9 Procedure For Indemnification; Third Party Claims.

7.9.1 Promptly after receipt by an Indemnified Party of notice of the commencement of any Proceeding subject to indemnification under Sections 7.2 or 7.3, such Indemnified Party will give notice to the indemnifying Party (the "Indemnifying Party") of the commencement of such claim, but the failure to notify the Indemnifying Party will not relieve the Indemnifying Party of any liability that it may have to any Indemnified Party, except to the extent that the defense of such action is prejudiced by the Indemnified Party's failure to give such notice. In each case where the Indemnified Party or the Indemnifying Party is, collectively, the AirPatrol Shareholders, then all references to such Indemnified Party or Indemnifying Party, as the case may be, in this Article VII shall be deemed (except for provisions relating to an obligation to make or a right to receive any payments) to refer to the Representative acting on behalf of such Indemnified Party or Indemnifying Party, as applicable.

7.9.2 If any Proceeding referred to in this Article 7 is brought against an Indemnified Party and it gives notice to the Indemnifying Party of the commencement of such Proceeding, the Indemnifying Party will be entitled to participate in such Proceeding and, to the extent that it wishes (unless (a) the Indemnifying Party is also a party to such Proceeding and the Indemnified Party determines in good faith that joint representation would be inappropriate, or (b) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Party of its financial capacity to defend such Proceeding), to assume the defense of such Proceeding with counsel satisfactory to the Indemnified Party and, after notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such Proceeding, the Indemnifying Party will not, as long as it diligently conducts such defense, be liable to the Indemnified Party under this Article 7 for any fees of other counsel or any other expenses with respect to the defense of such Proceeding, in each case subsequently incurred by the Indemnified Party in connection with the defense of such Proceeding. If the Indemnifying Party assumes the defense of a Proceeding, no compromise or settlement of such claims may be effected by the Indemnifying Party without the Indemnified Party's consent unless (i) there is no finding or admission of any violation of Laws or any violation of the rights of any Person and no effect on any other claims that may be made against the Indemnified Party, and (ii) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party; and (c) the Indemnified Party will have no liability with respect to any compromise or settlement of such claims effected without its consent. If notice is given to an Indemnifying Party of the commencement of any Proceeding and the Indemnifying Party does not, within thirty (30) days after the Indemnified Party's notice is given, give notice to the Indemnified Party of its election to assume the defense of such Proceeding, the Indemnifying Party will be bound by any determination made in such Proceeding; however, no compromise or settlement shall be effected by the Indemnified Party without the Indemnifying Party's consent.

7.9.3 Notwithstanding the foregoing, if an Indemnified Party determines in good faith that there is a reasonable probability that a Proceeding may materially and adversely affect it or its Affiliates other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Party may, by notice to the Indemnifying Party, assume the exclusive right to defend, compromise, or settle such Proceeding, but the Indemnifying Party will not be bound by any determination of a Proceeding so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

7.10 Procedure For Indemnification; Other Claims. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice to the Representative or the Acquiror, as applicable (each, an "Indemnifying Party Representative"), and shall be brought and resolved exclusively as follows:

7.10.1 In the event of a claim by an Indemnified Party, on or before the applicable Release Date, such Indemnified Party shall deliver (in accordance with Section 11.12 hereof) a claim notice (a "Claim Notice") to the Indemnifying Party Representative (and the Escrow Agent, in the case of a claim by an Acquiror Indemnified Party) stating that Damages are alleged to exist with respect to the indemnification obligations of the Indemnifying Party pursuant to Section 7.2 or Section 7.3, as applicable, and specifying in reasonable detail the individual items of such Damages included in the amount so stated (the "Claimed Amount"), the date each such item was paid, or properly accrued or arose, and the nature of the misrepresentation, breach of warranty, covenant, claim or cost to which such item is related. The delivery of any Claim Notice with respect to any indemnification obligation under Section 7.2 or 7.3 shall not limit the right of an Indemnified Party to submit one or more additional Claim Notices with respect to the same or any other indemnification obligation.

7.10.2 Claims Against Holdback Shares. The Holdback Shares shall be held by the Escrow Agent for the benefit of AirPatrol Shareholders (but subject to any claims of Acquiror Indemnified Parties asserted pursuant to Section 7.2).

7.11 Objections to Claims.

7.11.1 During the 30-day period commencing upon receipt by an Indemnifying Party Representative of a Claim Notice from an Indemnified Party (the "Dispute Period"), the Indemnifying Party may deliver to the Indemnified Party a written response (the "Response Notice") in which the Indemnifying Party Representative: (i) agrees that the full Claimed Amount is owed to the Indemnified Party; (ii) agrees that part, but not all, of the Claimed Amount is owed to the Indemnified Party; or (iii) indicates that no part of the Claimed Amount is owed to the Indemnified Party. If the Response Notice is delivered in accordance with clause "(ii)" or clause "(iii)" of the preceding sentence, the Response Notice shall also contain a brief description of the facts and circumstances supporting the Indemnifying Party Representative's claim that only a portion or no part of the Claimed Amount is owed to the Indemnified Party, as the case may be. Any part of the Claimed Amount that is not agreed to be owed to the Indemnified Party pursuant to the Response Notice (or the entire Claimed Amount, if the Indemnifying Party Representative asserts in the Response Notice that no part of the Claimed Amount is owed to the Indemnified Party) is referred to herein as the "Contested Amount" (it being understood that the Contested Amount shall be modified from time to time to reflect any good faith modifications by the Indemnified Party to the Claimed Amount). If a Response Notice is not received by the Indemnified Party from the Indemnifying Party Representative prior to the expiration of the Dispute Period, then the Indemnifying Party Representative shall be conclusively deemed to have agreed that an amount equal to the full Claimed Amount is owed to the Indemnified Party.

7.11.2 If the Indemnifying Party Representative in its Response Notice agrees that the full Claimed Amount is owed to the Indemnified Party, or if no Response Notice is received by the Indemnified Party from the Indemnifying Party Representative prior to the expiration of the Dispute Period, then (i) in the case of indemnification under Section 7.2, (x) within three Business Days following the earlier of the delivery of such Response Notice or the expiration of the Dispute Period, Acquiror and the Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to cause the release of a number of Holdback Shares to Acquiror for cancellation out of the Escrow Account, having a an aggregate value at the Fair Market Value equal to the Claimed Amount (to the extent of the Holdback Shares); and (y) if the number of Holdback Shares is insufficient to cover the full Claimed Amount, then, subject to the limitations contained in Section 7.7, 7.9 and 7.10, each AirPatrol Shareholder shall owe the Acquiror such AirPatrol Shareholder's pro rata share of the amount of such deficiency to the Acquiror, which the Acquiror shall be entitled to deduct from the Earnout Payment or recover directly from each such AirPatrol Shareholder, or (ii) in the case of indemnification under Section 7.3, subject to the limitations contained in Section 7.7, and 7.10, Acquiror shall pay within ten (10) Business Days following the earlier of the delivery of such Response Notice or the expiration of the Dispute Period to the Paying Agent for distribution to the AirPatrol Shareholders the amount of such Claimed Amount.

7.11.3 If the Indemnifying Party Representative delivers a Response Notice to the Indemnified Party during the Dispute Period agreeing that part, but not all, of the Claimed Amount is owed to Indemnified Party (the "Agreed Amount"), then (i) in the case of indemnification under Section 7.2, (x) within three Business Days following the delivery of such Response Notice, Acquiror and the Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release a number of Holdback Shares to Acquiror for cancellation out of the Escrow Account, having an aggregate value at the Fair Market Value equal to the Agreed Amount (to the extent of the Holdback Shares); and (y) if the number of Holdback Shares is insufficient to cover the full Agreed Amount, then, subject to the limitations contained in Section 7.7, 7.9 and 7.10, each AirPatrol Shareholder shall owe the Acquiror such AirPatrol Shareholder's pro rata share of the amount of such deficiency to the Acquiror, which the Acquiror shall be entitled to deduct from the Earnout Payment or recover directly from each such AirPatrol Shareholder, or (ii) in the case of indemnification under Section 7.3, subject to the limitations contained in Section 7.7, and 7.10, Acquiror shall pay within ten (10) Business Days following the earlier of the delivery of such Response Notice or the expiration of the Dispute Period to the Paying Agent for distribution to the AirPatrol Shareholders the amount of such Agreed Amount.

7.11.4 If the Indemnifying Party Representative delivers a Response Notice to the Indemnified Party during the Dispute Period indicating that there is a Contested Amount, the Indemnifying Party Representative and the Indemnified Party shall attempt in good faith to resolve the dispute related to the Contested Amount. If the Indemnifying Party Representative and the Indemnified Party resolve such dispute, such resolution shall be binding on the Indemnifying Party Representative, the Indemnifying Party and such Indemnified Party and a settlement agreement stipulating the amount owed to such Indemnified Party (the "Stipulated Amount") shall be signed by such Indemnified Party and the Indemnifying Party Representative. In the case of indemnification under Section 7.2, within three Business Days following the execution of such settlement agreement, or such shorter period of time as may be set forth in the settlement agreement, Acquiror and the Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release a number of Holdback Shares to Acquiror for cancellation out of the Escrow Account, having an aggregate value at the Fair Market Value equal to the Stipulated Amount (to the extent of the Holdback Shares). If the number of Holdback Shares is insufficient to cover the full Stipulated Amount, then,

subject to the limitations contained in Section 7.7, 7.9 and 7.10, each AirPatrol Shareholder shall owe the Acquiror such AirPatrol Shareholder's pro rata share of the amount of such deficiency to the Acquiror, which the Acquiror shall be entitled to deduct from the Earnout Payment or recover directly from each such AirPatrol Shareholder. In the case of indemnification under Section 7.3, subject to the limitations contained in Section 7.7, and 7.10, Acquiror shall pay within ten (10) Business Days following the earlier of the delivery of such Response Notice or the expiration of the Dispute Period to the Paying Agent for distribution to the AirPatrol Shareholders the amount of such Stipulated Amount.

7.11.5 In the event that there is a dispute relating to any Claim Notice or Contested Amount (whether it is a matter between the Indemnified Party, on the one hand, and the Indemnifying Party Representative, on the other hand, or it is a matter that is subject to a claim or Legal Proceeding asserted or commenced by a third party brought against the Indemnified Party or Surviving Corporation II), such dispute (an "Arbitrable Dispute") shall be settled by binding arbitration as set forth in Section 11.13. Notwithstanding the preceding sentence, nothing in this Section 7.11.5 shall prevent the Indemnified Party from seeking preliminary injunctive relief from a court of competent jurisdiction pending settlement of any Arbitrable Dispute pursuant to Section 11.13.

7.11.6 Upon resolution of an Arbitrable Dispute, (i) in the case of indemnification under Section 7.2, (x) within three Business Days following the entry of the arbitrator's decision by a court of competent jurisdiction, or such shorter period of time as may be set forth in the arbitrator's decision, Acquiror and the Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release a number of Holdback Shares to Acquiror for cancellation out of the Escrow Account, having an aggregate value at the Fair Market Value equal to the amount of the award to the Indemnified Party (the "Award Amount"), if any (to the extent of the Holdback Shares); and (ii) if the number of Holdback Shares is insufficient in the aggregate to cover the full Award Amount, then, subject to the limitations contained in Section 7.7, 7.9 or 7.10, each AirPatrol Shareholder shall owe the Acquiror such AirPatrol Shareholder's pro rata share of the amount of such deficiency to the Acquiror, which the Acquiror shall be entitled to deduct from the Earnout Payment within ten (10) Business Days following the entry of the arbitrator's decision by a court of competent jurisdiction, or such shorter period of time as may be set forth in the arbitrator's decision, such AirPatrol Shareholder's pro rata share of the amount of such deficiency to the Indemnified Party, or recover such amounts directly from each such AirPatrol Shareholder, or (ii) in the case of indemnification under Section 7.3, subject to the limitations contained in Section 7.7, and 7.10, Acquiror shall pay within ten (10) Business Days following the earlier of the delivery of such Response Notice or the expiration of the Dispute Period to the Paying Agent for distribution to the AirPatrol Shareholders the amount of such Claimed Amount.

7.11.7 Subject to the limitations contained in this Article 7, so long as the number of Holdback Shares (at Fair Market Value) exceeds the aggregate amount of all claims for indemnification, compensation or reimbursement that have been asserted but not resolved, the Acquiror Indemnified Parties shall seek to recover amounts in respect of such claims from the Holdback Shares prior to seeking to recover amounts in respect of such claims directly from any Indemnifying Party or by deduction from the Earnout Payment; *provided, however*, that the Acquiror Indemnified Parties may not recover any amount outside of the Holdback Shares from the AirPatrol Shareholders unless the Holdback Shares in the Escrow Account have first been entirely exhausted.

7.11.8

Promptly after the Expiration Date, Acquiror will notify the Representative in writing of the amount that Acquiror determines in good faith to be adequate to ensure satisfaction all claims for indemnification, compensation or reimbursement that have been asserted, but not resolved on or prior to 11:59 p.m. (California time) on the Expiration Date (each such claim a "Continuing Claim" and such amount, the "Retained Holdback Escrow Amount"). Within 10 Business Days following the Expiration Date, Acquiror and the Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release from the Escrow Account to the AirPatrol Shareholders, the number of Holdback Shares equal to (i) the Holdback Shares held in the Escrow Account as of the Expiration Date (as reduced from time to time pursuant to the terms of this Agreement) *minus* (ii) that number of Holdback Shares then having a Fair Market Value equal to the Retained Holdback Escrow Amount (if any), with each AirPatrol Shareholder to receive a portion thereof equal to the product obtained by multiplying (A) the Holdback Shares to be so released by (B) such AirPatrol Shareholder's pro rata share of the portion of the Merger Consideration that was contributed to the Holdback Escrow on behalf of the AirPatrol Shareholder.

7.11.9 Following the Expiration Date, after resolution and payment of a Continuing Claim, Acquiror and the Representative shall execute and deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release from the Escrow Account to the AirPatrol Shareholders, the number of Holdback Shares equal to (i) the Holdback Shares held in the Escrow Account as of the date of such resolution and payment *minus* (ii) the number of Holdback Shares that Acquiror determines in good faith to be adequate to ensure satisfaction of other Continuing Claims (as determined in accordance with Section 7.13.8 above and which Holdback Shares will continue to be held in the Escrow Account), with each AirPatrol Shareholder to receive a portion thereof equal to the product obtained by multiplying (1) the Holdback Shares to be so released by (2) such AirPatrol Shareholder's pro rata share of the portion of the Merger Consideration that was contributed to the Holdback Escrow on behalf of such AirPatrol Shareholder.

7.12 Except with respect to the Representative's rights under Section 9.2, recovery by an Indemnified Party under this Article 7 shall be the sole and exclusive remedy under, arising from or related to this Agreement and for the matters listed in Section 7.2 or 7.3 of this Agreement, other than actions against a Person arising out of such Person's direct involvement in any fraud.

ARTICLE 8

REGISTRATION RIGHTS

8.1 Shelf Registration Statement.

8.1.1 Filing; Effectiveness; Expenses. Acquiror shall:

(a) file on or before the date thirty (30) days from the Closing Date, an "evergreen" shelf registration statement on Form S-1 pursuant to Rule 415 under the Securities Act (or any successor provisions), providing for an offering to be made on a continuous basis of the Stock Merger Consideration (the "Shares") issued pursuant to this Agreement (the "Shelf Registration");

(b) use reasonable best efforts to cause the Shelf Registration to become effective no later than the date that is 180 days after the Closing Date, and in any event as soon as practicable after such filing;

(c) use commercially reasonable efforts to maintain in effect, supplement and amend, if necessary, the Shelf Registration, as required by the instructions applicable to such registration form or by the Securities Act, for a period of two (2) years after it becomes effective;

(d) furnish, upon request, to the holders of the Shares to which the Shelf Registration relates copies of any supplement or amendment to such Shelf Registration prior to such supplement or amendment being used and/or filed with the SEC; and

(e) pay all registration expenses in connection with the Shelf Registration, whether or not it becomes effective, and whether all, some or none of the Shares to which it relates are sold pursuant to it.

8.1.2
Effective Shelf Registration Statement.

(a) If at any time, the Shelf Registration ceases to be effective, Acquiror shall use its best efforts to file and use its commercially reasonable efforts to cause to become effective a new "evergreen" shelf registration statement providing for an offering to be made on a continuous basis of the Shares. Such shelf registration statement shall be filed on Form S-1 (or, if available at such time, on Form S-3).

(b) If, after the Shelf Registration has become effective, it is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or authority, Acquiror shall use its commercially reasonable efforts to prevent the issuance of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any preliminary prospectus and, if any such order is issued, to obtain the withdrawal of any such order at the earliest possible moment.

ARTICLE 9

POST-CLOSING COVENANTS

9.1
Conduct of Business.

9.1.1 The day to day business of Surviving Corporation II will continue to be directed by its Board of Directors and conducted in generally the same manner as AirPatrol has historically been operated. AirPatrol shall, and shall cause Surviving Corporation II to, operate the business of AirPatrol in a manner which would not be reasonably likely to frustrate or diminish Surviving Corporation II's ability to cause the Earnout Payment to be earned in full.

9.1.2 After the Closing of the Transaction until the earlier of the payment in full of the maximum Earnout Payment and the date of final determination of the Earnout Payment pursuant to Section 1.7.6:

(a) the day-to-day management of Surviving Corporation II shall be conducted by those individuals who were AirPatrol's officers prior to the Closing at the direction of the Board of Directors of Acquiror (subject to Section 9.1.1 above and this Section 9.1.2);

(b) Acquiror shall not take any action the primary purpose of which is to reduce or eliminate the payment of the Earnout Payment; and

(c) in the event that Acquiror enters into an agreement with a third party or parties that contemplates a Change in Control of Acquiror, the Acquiror shall require as a condition to such transaction that the persons acquiring control of the Acquiror shall assume the obligation to make the Earnout Payment stipulated under this Agreement.

9.1.3 Prior to the date of final determination of the Earnout Payment pursuant to Section 1.7.6, upon the breach by Acquiror of any of its obligations under this Section 9.1, where such breach is not cured within ten (10) Business Days of notice thereof, the Earnout Payment shall become immediately due and payable.

9.2 Representative.

9.2.1 Appointment. Representative Services LLC is hereby appointed as Representative, to represent the AirPatrol Shareholders in connection with any and all claims for indemnification that Acquiror or any other Indemnified Person may have against any AirPatrol Shareholder under Article 7 of this Agreement, any potential adjustment to the Merger Consideration and any matter related to amount or payment of the Earnout Payment. The Representative shall have full power and authority to (i) give and receive notices and communications to or from Acquiror (on behalf of itself or any other Indemnified Party) and/or the Escrow Agent relating to this Agreement, the Escrow Agreement or any of the Contemplated Transactions and other matters contemplated hereby or thereby; (ii) authorize release (including by means of not objecting to claims) to Acquiror of Holdback Shares from the Escrow Account; (iii) object to any claims pursuant to Section 7.13; (iv) consent or agree to, negotiate, enter into settlements and compromises of, and agree to arbitration and comply with orders of courts and awards of arbitrators with respect to, such claims; (v) assert, negotiate, enter into settlements and compromises of, and agree to arbitration and comply with orders of courts and awards of arbitrators with respect to, any other claim by any Indemnified Party, against any such AirPatrol Shareholders or by any such AirPatrol Shareholders against any Indemnified Party or any dispute between any Indemnified Party and any such AirPatrol Shareholders, in each case relating to this Agreement, the Escrow Agreement or the transactions contemplated hereby or thereby; (vi) make all decisions and actions relating to any adjustment to the Merger Consideration or the amount or payment of the Earnout Payment, (vii) amend this Agreement, the Escrow Agreement or any other related agreement or any other agreement referred to herein or contemplated hereby; (vii) take any and all actions and do any and all things which this Agreement specifies that the Representative can or shall do; and (viii) take all actions necessary or appropriate in the judgment of the Representative for the accomplishment of the foregoing, in each case without having to seek or obtain the consent of any Person under any circumstance. The Person serving as the Representative may resign at any time, and may be replaced from time to time by the the AirPatrol Shareholders holding a majority of the voting capital stock of AirPatrol immediately prior to the Effective Time of Merger I upon not less than ten days' prior written notice to Acquiror and with Acquiror's written consent, which shall not be unreasonably withheld, conditioned or delayed. No bond shall be required of the Representative. Notices or communications to or from the Representative after the Closing shall constitute notice to or from each of the AirPatrol Shareholders. The Representative accepts its appointment hereunder.

9.2.2 Decisions Final. Acquiror shall have no right to object to, protest or otherwise contest any matter related to the procedures for action being taken by the Representative as between the Representative and the AirPatrol Shareholders. Acquiror hereby waives any claims it may have or assert, including those that may arise in the future, against any Representative or any of its affiliates that relate to such Representative's role as such, including any claims for any action or inaction taken or not taken by the Representative in connection herewith.

9.2.3 Binding Relationship. Each AirPatrol Shareholder that accepts payment of consideration in respect of this Agreement shall be deemed, by such acceptance of payment, to have agreed that (i) the provisions of this Article 9 are independent and severable, are irrevocable and coupled with an interest and shall be enforceable notwithstanding any rights or remedies such AirPatrol Shareholder may have in connection with the transactions contemplated by this Agreement, (ii) the remedy at law for any breach of the provisions of this Article 9 would be inadequate, (iii) Representative shall be entitled to temporary and permanent injunctive relief without the necessity of proving damages if Representative brings an action to enforce the provisions of this Article 9 and (iv) the provisions of Article 9 shall be binding upon such AirPatrol Shareholder and the successors and assigns of such AirPatrol Shareholder. In addition, each AirPatrol Shareholder that accepts payment of consideration in respect of this Agreement shall be deemed, by such acceptance of payment, to:

(a) have waived any claims he, she or it may have or assert, including those that may arise in the future, against any Representative and any of its affiliates, for any action or inaction taken or not taken by the Representative in connection therewith, absent gross negligence or bad faith of the Representative; and

(b) have agreed to his or her portion, if any, of the Holdback Shares be paid by Acquiror to the Escrow Agent and disbursed by the Escrow Agent in accordance with the Escrow Agreement.

9.2.4 Notices. Any notice or communication delivered by Acquiror to the Representative after the Closing shall, as between Acquiror, on the one hand, and the AirPatrol Shareholders, on the other hand, be deemed to have been delivered to all AirPatrol Shareholders. Acquiror shall be entitled to rely exclusively upon any communication or writings given or executed by the Representative in connection with any claims for indemnity and shall not be liable in any manner whatsoever for any action taken or not taken in reliance upon the actions taken or not taken or communications or writings given or executed by the Representative. Acquiror shall be entitled to disregard any notices or communications given or made by the AirPatrol Shareholders (other than the Representative, if applicable) in connection with any claims for indemnity unless given or made through the Representative.

9.2.5 Representative Expenses. In the event that the Representative determines to hire or retain any attorneys, accountants or other subject matter experts or to incur any third party costs or expenses in connection with any dispute resolution process on the AirPatrol Shareholders' behalf, all such fees, costs and expenses shall be the sole responsibility of AirPatrol. Further, all fees, costs, expenses or other liabilities payable by AirPatrol or the Representative to the Escrow Agent in accordance with the Escrow Agreement (including, without limitation, pursuant to any indemnity for the benefit of the Escrow Agent thereunder) shall be deemed a Merger Expense that is the sole responsibility of AirPatrol. In the event that any travel by the Representative or its agents is reasonably required in connection with the performance of its obligations under this Agreement or the Representative is required to directly pay any costs or expenses for which he is entitled to reimbursement, the Representative shall be reimbursed by AirPatrol for all such reasonable expenses in the same manner as if such expenses were third party expenses under the terms set forth herein, and such reimbursement shall be treated as a Merger Expense of AirPatrol. On the initial date for release of the Holdback Shares pursuant to the Escrow Agreement ("Release Date"), or such later date when all indemnification claims made by Acquiror pursuant to Article 7 hereof shall have been finally resolved in accordance therewith, the Representative shall have the right to recover reasonable expenses incurred by the Representative in connection herewith by receiving shares out of the portion of the Escrow to be released upon the initial Release Date valued at the Fair Market Value of the Acquiror Common Stock as of the date that is three trading days before such date, following any distribution thereof to Acquiror, but prior to any distribution thereof to AirPatrol Shareholders, and prior to any such distribution, shall deliver to the Escrow Agent a certificate setting forth the Representative expenses actually incurred.

9.2.6 Limitation of Liability. In addition to all the protections and rights granted to the Representative in this Article 9, to the maximum extent permissible by applicable law, the Representative (and any successor to the Representative) will incur no liability to Acquiror, Merger Sub, AirPatrol or the AirPatrol Shareholders with respect to any action or inaction taken or failed to be taken in connection with its services as the Representative, except in the event of liability directly resulting from its own gross negligence or bad faith. The Representative may rely in good faith conclusively upon information, reports, statements and opinions prepared by professionals hired or retained by the Representative any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith. The AirPatrol Shareholders shall severally (based on such AirPatrol Shareholder's pro rata share of the Holdback Shares compared to the aggregate pro rata share of all AirPatrol Shareholders) and not jointly indemnify the Representative and hold it harmless against any loss, liability, expense, damage, claim, penalty, fine, forfeiture, action, fee and cost (including the fees and expenses of counsel and experts and their staffs and all expense of document location, duplication and shipment), (collectively, "Representative Losses") arising out of or in connection with the acceptance or administration of its duties hereunder in each case as such loss, liability or expense is incurred or suffered; provided that in the event it is finally adjudicated that such Representative Loss or any portion thereof was primarily caused by the gross negligence or bad faith of the Representative, the Representative will reimburse the AirPatrol Shareholders the amount of such indemnified Representative Loss attributable to such gross negligence or bad faith. If not paid directly to the Representative by the AirPatrol Shareholders, any such Representative Losses may be recovered by the Representative from (i) the amounts in the Escrow Account at such time as remaining amounts would otherwise be distributable to the AirPatrol Shareholders, and (ii) from the Earnout Payment at such time as the Earnout Payment would otherwise be distributable to the AirPatrol Shareholders; provided, that while this section allows the Representative to be paid from the Escrow Fund and the Earnout Payment, this does not relieve the AirPatrol Shareholders from their obligation to promptly pay such Representative Losses as they are suffered or incurred, nor does it prevent the Representative from seeking any remedies available to it at law or otherwise. In no event will the Representative be required to advance its own funds on behalf of the AirPatrol Shareholders or otherwise. The AirPatrol Shareholders acknowledge and agree that the foregoing indemnities will survive the resignation or removal of the Representative or the termination of this Agreement.

9.3 Indemnification of AirPatrol Directors and Officers. Acquiror will, and will cause Surviving Corporation I and Surviving Corporation II to, fulfill and honor in all respects the obligations of AirPatrol to its directors and officers as of immediately prior to the Effective Time of Merger I (the "AirPatrol Indemnified Parties") pursuant to any indemnification provisions under AirPatrol's Organizational Documents as in effect on the date of this Agreement and pursuant to any indemnification agreements between AirPatrol and such AirPatrol Indemnified Parties existing as of the date of this Agreement (the "AirPatrol Indemnification Provisions"), with respect to claims arising out of matters occurring at or prior to the Effective Time of Merger I. Any claims for indemnification made under this Section 9.3 on or prior to the sixth anniversary of the Effective Time of Merger I shall survive such anniversary until the final resolution thereof. Surviving Corporation I and Surviving Corporation II shall retain or include in each of their respective articles of incorporation and bylaws any indemnification provisions, including provisions respecting the advancement

of expenses, in effect immediately prior to the Effective Time of Merger I, for the benefit of the AirPatrol Indemnified Parties, and shall not thereafter amend the same (except to the extent that such amendment preserves, increases or broadens the indemnification or other rights theretofore available to the AirPatrol Indemnified Parties or as required by law).

9.4 AirPatrol Records. Following the Closing, AirPatrol shall make all AirPatrol records available to Acquiror including but not limited to business records, financial books and records, accounts, sales order files, purchase order files, engineering order files, warranty and repair files, supplier lists, customer lists, dealer, representative and distributor lists, studies, surveys, analyses, strategies, plans, forms, designs, diagrams, drawings, specifications, technical data, production and quality control records and formulations.

ARTICLE 10

TERMINATION

10.1 Termination. This Agreement may be terminated and the Transaction abandoned at any time prior to the Effective Time of Merger I:

10.1.1 by mutual agreement of AirPatrol and Acquiror;

10.1.2 by Acquiror or AirPatrol if the Closing Date shall not have occurred by February 28, 2014;*provided*, *however*, that the right to terminate this Agreement under this Section 10.1.2 shall not be available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the Transaction to occur on or before such date and such action or failure to act constitutes breach of this Agreement;

10.1.3 by Acquiror or AirPatrol if: (i) there shall be a final non-appealable order of a federal or state court in effect preventing consummation of the Transaction, or (ii) there shall be any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Closing by any Governmental Body that would make consummation of the Closing illegal; or

10.1.4 by Acquiror if there shall be any action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Transaction by any Governmental Body, which would: (i) prohibit Acquiror's ownership or operation of any portion of the business of AirPatrol or (ii) compel Acquiror or AirPatrol to dispose of or hold separate all or any portion of the business or assets of AirPatrol or Acquiror as a result of the Transaction.

10.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 10.1 hereof, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Acquiror, AirPatrol or the Representative, or their respective officers, directors or shareholders, if applicable; *provided*, *however*, that each party hereto shall remain liable for any breach of any covenant contained in this Agreement prior to its termination; and *provided further*, *however*, that this Section 10.2 shall remain in full force and effect and survive any termination of this Agreement pursuant to the terms of this Article 9.

ARTICLE 11

MISCELLANEOUS

11.1 Governing Laws. It is the intention of the Parties that the internal laws of the State of California (irrespective of its choice of law principles) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the Parties. Any dispute, claim or controversy seeking (a) to enforce an arbitration ruling rendered pursuant to Section 11.13, or (b) specific performance or other equitable relief pursuant to Section 11.11 shall be subject to the non-exclusive jurisdiction of the courts of the State of California (the "Applicable Courts"). The Parties hereby consent to the jurisdiction of the above designated courts and to the service of process by registered mail, return receipt requested, or by any other manner provided by the laws of California. By executing and delivering this Agreement and subject in all cases to the Escrow Agreement and Article 7, the Parties irrevocably (a) accept generally and unconditionally the jurisdiction and venue of the Applicable Courts in connection with any such action or proceeding; and (b) waive any objections which such party may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings brought in the Applicable Courts. The Parties hereby further irrevocably waive and agree not to plead or claim in any such court that such party is not subject personally to the jurisdiction of such court, that such action or proceeding brought in any such court has been brought in an inconvenient forum, that the venue of such action or proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING CONTEMPLATED BY THIS AGREEMENT. Notwithstanding anything to the contrary in this Section 11.1, for the avoidance of doubt the Parties agree that this Section 11.1 shall not interfere with the provisions of Article 7 of this Agreement.

11.2 Binding upon Successors and Assigns. Subject to, and unless otherwise provided in, this Agreement, each and all of the covenants, terms, provisions, and agreements contained herein shall be binding upon, and inure to the benefit of, the permitted successors, executors, heirs, Representatives, administrators and assigns of the Parties. Neither AirPatrol nor any Representative shall assign this Agreement to any person or Entity (including by operation of law) without the prior written consent of the other Parties, which consent shall not be unreasonably withheld.

11.3 Severability. If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to effect reasonably the intent of the Parties. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision which will achieve, to the extent possible, the economic, business and other purposes of the void or unenforceable provision.

11.4 Entire Agreement. This Agreement, the exhibits hereto, the documents referenced herein, and the exhibits thereto, constitute the entire understanding and agreement of the Parties with respect to the subject matter hereof and thereof and supersede all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the Parties with respect hereto and thereto.

11.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original as against any party whose signature appears thereon and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the Parties reflected hereon as signatories.

11.6 Expenses. Except as provided to the contrary herein, each party shall pay all of its own costs and expenses incurred with respect to the negotiation, execution and delivery of this Agreement and the exhibits hereto. No other legal, accounting, investment banking, broker's and finder's fees incurred by AirPatrol or the Representative in connection with the transactions contemplated by this Agreement shall be borne or assumed by Acquiror.

11.7 Amendment and Waivers. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by Acquiror, AirPatrol and the Representative. The waiver by a party of a default in the performance hereof shall not be deemed to constitute a waiver of any other default or any succeeding breach or default.

11.8 Survival of Agreements. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement for the applicable time period set forth in this Agreement and the consummation of the transactions contemplated hereby notwithstanding any investigation of the Parties.

11.9 No Waiver. The failure of any party to enforce any of the provisions hereof shall not be construed to be a waiver of the right of such party thereafter to enforce such provisions.

11.10 Attorneys' Fees. Should suit be brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of the costs of suit and not as damages, reasonable attorneys' fees to be fixed by the court (including, without limitation, costs, expenses and fees on any appeal). The prevailing party shall be the party entitled to recover its costs of suit, regardless of whether such suit proceeds to final judgment. A party not entitled to recover its costs shall not be entitled to recover attorneys' fees. No sum for attorneys' fees shall be counted in calculating the amount of a judgment for purposes of determining if a party is entitled to recover costs or attorneys' fees.

11.11 Specific Performance; Remedies. Each Party hereto acknowledges that the other Parties will be irreparably harmed and that there will be no adequate remedy at Law for any violation by any party of any of the covenants or agreements contained in this Agreement. It is accordingly agreed that, in addition to any remedies that may be available upon the breach of any such covenants or agreements, each Party hereto shall have the right to seek injunctive relief to restrain a breach or threatened breach of, or otherwise to obtain specific performance of, the other Parties' covenants and agreements contained in this Agreement, in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

11.12 Notices. Any notice provided for or permitted under this Agreement will be treated as having been given when (a) delivered personally, (b) sent by confirmed facsimile, (c) sent by commercial overnight courier with written verification of receipt, or (d) mailed postage prepaid by certified or registered mail, return receipt requested, to the party to be notified, at the address set forth below, or at such other place of which the other party has been notified in accordance with the provisions of this Section 11.12.

If to AirPatrol:	AirPatrol Corporation 9861 Broken Land Parkway, Suite 204 Columbia, MD 21046 Attn: Cleve Adams, Chief Executive Officer Facsimile: (410) 290-3447 Tel: (410) 290-3346 cadams@airpatrolcorp.com *with a copy (which shall not constitute notice) to:* O'Melveny & Myers LLP 2765 Sand Hill Road Menlo Park, CA 94025 Attn: Paul Sieben Facsimile: (650) 473-2601 Tel: (650) 473-2600 psieben@omm.com
If to Acquiror:	Sysorex Global Holdings Corp. 405 Clyde Avenue Mountain View, CA 94043 Attn.: Nadir Ali, Chief Executive Officer Fax: (703) 880-7219 Tel: (650) 967-2200 ali@sysorex.com *with a copy (which shall not constitute notice) to:* Richardson & Patel, LLP 1100 Glendon Avenue, Suite 850 Los Angeles, California 90024 Attn: Nimish Patel, Esq. Facsimile: 310-208-1154 Tel: (310) 208-1182 npatel@richardsonpatel.com
If to Representative:	Representative Services LLC 1614 15th Street, Suite 200 Denver, CO 80202 Attn: Managing Director Facsimile: (303) 623-0294 Tel: (303) 648-4085 deals@shareholderrep.com *with a copy (which shall not constitute notice) to:* O'Melveny & Myers LLP 2765 Sand Hill Road Menlo Park, CA 94025 Attn: Paul Sieben Facsimile: (650) 473-2601 Tel: (650) 473-2600 psieben@omm.com

All such notices, requests and other communications shall be deemed properly delivered, given and received (i) upon receipt when delivered personally, (ii) one Business Day after being sent by courier or by confirmed facsimile, or (iii) three Business Days after being sent by certified or registered mail, return receipt requested, provided, however, that in each case the notice or other communication is sent to the address or facsimile number set forth beneath the name of such party above (or to such other address or facsimile number as such party shall have specified in a written notice given to the other parties hereto).

11.13 Arbitration.

11.13.1 Except (i) to the extent otherwise provided in Section 11.11 with respect to specific performance or other equitable relief, in the event of any dispute, controversy or claim arising out of relating to or in connection with this Agreement (including any schedule or exhibit hereto) or the breach, termination or validity thereof or the negotiation, execution or performance thereof (a "Dispute"), the parties shall first attempt to settle such Dispute in the first instance by mutual discussions between appropriate representatives of each party. Within 20 business days of the receipt by a party or parties of a notice from another party or parties of the existence of a Dispute (the "Arbitration Notice"), the receiving party or parties shall submit a written response to the other party or parties (the "Response"). Both the Arbitration Notice and the Response shall include a statement of each disputing party's position with regard to the Dispute and a summary of arguments supporting that position. After the Closing, the Representative shall at all times represent any AirPatrol Shareholders in attempting to resolve the Dispute pursuant to this Section 11.13.1. Within 20 business days of receipt of the Response, the appropriate representatives of the respective parties shall meet and attempt to resolve the Dispute. All negotiations pursuant to this clause shall be confidential and shall be treated as compromise and settlement negotiations, and no oral or documentary representations made by the parties during such negotiations shall be admissible for any purpose in any subsequent proceedings. If any Dispute is not resolved within 90 days of receipt of the Arbitration Notice (or within such longer period as to which the parties have agreed in writing), then either Acquiror or the Representative may submit the Dispute to arbitration in accordance with Section 11.13.2.

11.13.2 Any Dispute not timely resolved in accordance with Section 11.13.1 herein, shall be finally and exclusively resolved by arbitration in accordance with the then-prevailing JAMS Streamlined Arbitration Rules and Procedures, except as modified herein (the "Rules"). There shall be a single arbitrator. The parties shall have 15 days from commencement of the arbitration in accordance with the Rules to agree on a single arbitrator. Failing timely agreement, the arbitrator shall be selected by JAMS. All arbitration pursuant to Section 11.13.3 shall be confidential and shall be treated as compromise and settlement negotiations, and no oral or documentary representations made by the parties during such arbitration shall be admissible for any purpose in any subsequent proceedings. The place of arbitration shall be Los Angeles, California. There shall be no discovery in the arbitration and the parties shall only be required to produce in advance of the hearing on the merits any documents which they plan to introduce in evidence at the hearing. The arbitral tribunal is not empowered to award damages in excess of compensatory Damages, and each party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any Dispute. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. §1 et seq. The award shall be final and binding upon the parties and shall be the sole and exclusive remedy between the parties regarding any claims, counterclaims, issues or accounting presented to the arbitral tribunal. Judgment upon any award may be entered in any court having jurisdiction.

11.13.3 By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect. The parties hereby submit to the exclusive jurisdiction of the Applicable Courts for the purpose of an order to compel arbitration, for preliminary relief in aid of arbitration or for a preliminary injunction to maintain the status quo or prevent irreparable harm prior to the appointment of the arbitrator(s), and to the non-exclusive jurisdiction of the Applicable Courts for the enforcement of any award issued hereunder.

11.13.4 By executing and delivering this Agreement and subject in all cases to Sections 11.13.1, 11.13.2, and 11.13.3, the parties, irrevocably (i) accept generally and unconditionally the jurisdiction and venue of the Applicable Courts for such purpose; (ii) waive any objections which such party may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings brought in the Applicable Courts and hereby further irrevocably waive and agree not to plead or claim in any such court that such action or proceeding brought in any such court has been brought in an inconvenient forum; (iii) agree that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to such party at their respective addresses provided in accordance with Section 11.12; and (iv) agree that service as provided in clause (iii) above is sufficient to confer personal jurisdiction over such party in any such proceeding in any such court, and otherwise constitutes effective and binding service in every respect. To the extent permitted by applicable law, each party hereby irrevocably and unconditionally waives all rights to trial by jury in any action, proceeding contemplated by this Agreement. Notwithstanding anything to the contrary in this Section 11.13.4, for the avoidance of doubt the parties agree that this Section 11.13 shall not impact or interfere with the indemnification procedures in Article 7 hereof (it being understood that any Dispute with respect to an Indemnified Party's entitlement to indemnification under Article 7 shall be subject to the provisions of this Section 11.13).

11.14 Privileged Information. Acquiror, for itself, Merger Sub I, Merger Sub II, AirPatrol and its and their respective successors and assigns, hereby irrevocably acknowledges and agrees that all attorney-client privileged communications between the AirPatrol Shareholders, AirPatrol and their respective counsel, including, without limitation, O'Melveny & Myers LLP, made in connection with the negotiation, preparation, execution, delivery and closing under, or any dispute or proceeding arising under or in connection with this Agreement which, immediately prior to the Closing, would be deemed to be privileged communications of the AirPatrol Shareholders, AirPatrol and/or their counsel and would not be subject to disclosure to Acquiror or the Surviving Corporation II in connection with any process relating to a dispute arising under or in connection with this Agreement or otherwise, shall continue after the Closing to be privileged communications with such counsel and neither Acquiror, the Surviving Corporation II nor any Person purporting to act on behalf of or through Acquiror or the Surviving Corporation II, shall seek to obtain the same by any process on the grounds that the privilege attaching to such communications belongs to AirPatrol, and not the shareholders. Other than as explicitly set forth in this Section 11.14, the Parties acknowledge that any attorney-client privilege attaching as a result of legal counsel representing AirPatrol prior to the Closing shall survive the Closing and continue to be a privilege of AirPatrol (as the case may be), and not the shareholders, after the Closing.

11.15 Construction of Agreement. This Agreement has been negotiated by the respective Parties and their attorneys and the language hereof shall not be construed for or against any Party. The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement which shall be considered as a whole.

11.16 No Joint Venture. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between any of the Parties. No Party is by virtue of this Agreement authorized as an agent, employee or legal representative of any other Party. No Party shall have the power to control the activities and operations of any other and their status is and will continue to be, that of independent contractors with respect to each other. No Party shall have any power or authority to bind or commit any other. No Party shall hold itself out as having any authority or relationship in contravention of this Section 11.16.

11.17 Conflict Waiver. Notwithstanding that AirPatrol has been represented by O'Melveny & Myers LLP (the "Firm") in the preparation, negotiation and execution of the Transaction agreements, AirPatrol agrees that after the Closing the Firm may represent the Representative, the AirPatrol Shareholders and/or their affiliates in matters related to the Transaction agreements, including without limitation in respect of any indemnification claims pursuant to the Transaction agreements. AirPatrol hereby acknowledges, on behalf of itself and its affiliates, that it has had an opportunity to ask for and has obtained information relevant to such representation, including disclosure of the reasonably foreseeable adverse consequences of such representation, and it hereby waives any conflict arising out of such future representation.

11.18 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person, persons, Entity or Entities may require.

11.19 Further Assurances. Each Party agrees to cooperate fully with the other Parties and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by any other party to evidence and reflect better the transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this Agreement.

11.20 Absence of Third Party Beneficiary Rights. Except as set forth in Section 8.3, no provisions of this Agreement are intended, nor shall be interpreted, to provide or create any third party beneficiary rights or any other rights of any kind in any client, customer, Affiliate, shareholder, partner of any party hereto or any other person or entity, and, except as specifically provided otherwise herein, all provisions hereof shall be personal solely between the Parties.

11.21 Public Announcements. Neither AirPatrol, the Representative, nor its Subsidiary or Affiliates of the foregoing shall make any public announcement or news release regarding the Contemplated Transactions under this Agreement or the Closing, without the prior written consent of Acquiror, which consent shall relate to the specific content of any such public announcement or news release. Notwithstanding anything in this Agreement to the contrary, following Closing, the Representative shall be permitted to, after the public announcement of the Transaction, publicly announce that it has been engaged to serve as the Representative in connection with the Transaction as long as such announcement does not disclose any of the other terms of the Transaction or the other transactions contemplated herein.

[*Remainder of Page Left Blank Intentionally*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

ACQUIROR:

Sysorex Global Holdings Corp.
a Nevada corporation

By: /s/ Nadir Ali

Name: Nadir Ali

Its: CEO

AIRPATROL:

AirPatrol Corporation
a Nevada corporation

By: /s/ Cleve Adams

Name: Cleve Adams

Its: CEO

MERGER SUB I:

AirPatrol Acquisition Corp. I
a Nevada corporation

/s/ Nadir Ali
Nadir Ali
Chief Executive Officer

MERGER SUB II:

AirPatrol Acquisition Corp. II
a Nevada corporation

/s/ Nadir Ali
Nadir Ali
Chief Executive Officer

SHAREHOLDER REPRESENTATIVE:

Representative Services LLC
a Colorado limited liability company, solely in its capacity as the Representative

By: /s/ Cleve Adams

Name: Cleve Adams

Its: CEO

AGREEMENT AND PLAN OF MERGER

by and among

SYSOREX GLOBAL HOLDINGS CORP.
a Nevada corporation ("Acquiror")

AIRPATROL ACQUISITION CORP. I,
a Nevada corporation ("Merger Sub I")

AIRPATROL ACQUISITION CORP. II,
a Nevada corporation ("Merger Sub II")

AIRPATROL CORPORATION
a Nevada corporation ("AirPatrol"), and

SHAREHOLDER REPRESENTATIVE SERVICES LLC
("Representative")

Dated as of December 20, 2013

INDEX OF SCHEDULES AND EXHIBITS

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Exhibit A-2	Articles of Merger II
Exhibit B	Compliance Certificate of AirPatrol
Exhibit C-1	Transmittal Letter (Preferred Stock)
Exhibit C-2	Transmittal Letter (Common Stock)
Exhibit D-1	Non-Competition Agreement – Cleve Adams
Exhibit D-2	Non-Competition Agreement – Sage Osterfeld
Exhibit D-3	Non-Competition Agreement – Bobby Hernandez
Exhibit E-1	Employment Agreement – Cleve Adams
Exhibit E-2	Employment Agreement – Guy Levy-Yurista
Exhibit E-3	Employment Agreement – Sage Osterfeld
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Exhibit F	Escrow Agreement
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Schedule 1.7.1	Bridge Loans
Schedule 4.4	Section 280G Persons
Schedule 4.5	Required Third Party Approvals

APPENDIX 1

Definitions

"280G Proposal" shall have the meaning set forth in Section 4.4.4.

"Accountants" shall have the meaning set forth in Section 1.7.8.

"Accounts Receivable" shall have the meaning set forth in Section 2.7.

"Acquiror Common Stock" shall mean the common stock of Acquiror.

"Acquiror Indemnified Party(ies)" shall have the meaning set forth in Section 7.2.

"Affiliate" shall have the meaning set forth in the rules and regulations promulgated by the Securities and Exchange Commission pursuant to the Securities Act.

"Agreed Amount" shall have the meaning set forth in Section 7.11.3.

"Agreement" shall mean this Agreement and Plan of Merger.

"AirPatrol Audited Financial Statements" shall have the meaning set forth in Section 2.4.2.

"AirPatrol Common Stock" shall have the meaning set forth in Section 2.3.1.

"AirPatrol Closing Financial Statements" shall mean, collectively, the AirPatrol Interim Financial Statements reviewed by the Acquiror's Accountants, together with the AirPatrol Audited Financial Statements audited by the Acquiror's Accountants, delivered to the Acquiror prior to the Closing.

"AirPatrol Financial Statements" shall mean, collectively, the AirPatrol Preliminary Financial Statements and the AirPatrol Closing Financial Statements.

"AirPatrol Indebtedness" or "Indebtedness of AirPatrol" means, without duplication, the aggregate amount of (i) any obligations of AirPatrol for borrowed money, and any prepayment premiums, penalties and any other fees and expenses required to satisfy such indebtedness, (ii) any obligations of AirPatrol evidenced by bonds, debentures, notes or similar instruments, (iii) any obligations of AirPatrol upon which interest charges are customarily paid, (iv) any obligations of AirPatrol under conditional sale or other title retention agreements, (v) any obligations of AirPatrol for the payment of money issued or assumed as the deferred purchase price for any property, service, covenant, settlement, release, waiver or other right (excluding obligations of AirPatrol to creditors for goods and services incurred in the Ordinary Course Business of such Person), (vi) any capitalized lease obligations of AirPatrol, (vii) any obligations of others secured by any Lien on Assets owned by AirPatrol, whether or not the obligations secured thereby have been assumed, (viii) any obligations of AirPatrol under interest rate or currency swap transactions (valued at the termination value thereof), (ix) any drawn letters of credit issued for the account of AirPatrol, (x) any obligations of AirPatrol to purchase securities or other property which arise out of or in connection with the sale of the same or substantially similar securities or other Assets, (xi) any guaranties or arrangements having the economic effect of a guaranty by AirPatrol of any indebtedness of any other Person, (xii) any Unpaid Tax Obligations, and (xiii) any accrued interest or penalties on any of the foregoing; provided, however, that AirPatrol Indebtedness shall not include any Employee Transaction Related Expenses or AirPatrol Merger Expenses.

"AirPatrol Indemnification Provisions" shall have the meaning set forth in Section 9.3.

"AirPatrol Indemnified Parties" shall have the meaning set forth in Section 9.3.

"AirPatrol Intellectual Property" shall mean all Intellectual Property that is owned, used or held for use in the conduct of the business of AirPatrol or its Subsidiary, including the AirPatrol Registered Intellectual Property and Trade Secrets of AirPatrol and its Subsidiary.

"AirPatrol Interim Financial Statements" shall have the meaning set forth in Section 2.4.1.

"AirPatrol Merger Expenses" means Merger Expenses of AirPatrol, its Subsidiary, and Representative. Any Merger Expenses that have not been set forth on the Consideration Certificate are collectively referred to as "Indemnifiable Merger Expenses."

"AirPatrol Net Income" shall have the meaning set forth in Section 1.7.8.

"AirPatrol Option(s)" shall mean Options issued by AirPatrol.

"AirPatrol Preliminary Financial Statements" shall mean, collectively, the AirPatrol Interim Financial Statements not reviewed by the Acquiror's Accountants, together with the AirPatrol Year-End Unaudited Financial Statements not audited by the Acquiror's Accountants, furnished to the Acquiror in connection with the execution and delivery of this Agreement.

"AirPatrol Products" shall mean all versions and implementations of any product which has been or is being marketed by AirPatrol or is under substantial development as of the Effective Time of Merger I and the Closing pursuant to AirPatrol's product roadmap.

"AirPatrol Registered Intellectual Property" shall mean all Intellectual Property owned by AirPatrol or its Subsidiary that is filed or registered with, or the subject of a pending application before any Governmental Body or Internet domain name registrar.

"AirPatrol Shareholders" shall have the meaning set forth in Section 1.7.

"AirPatrol Preferred Stock" shall have the meaning set forth in Section 2.3.1.

"AirPatrol Warrants" means Warrants issued by AirPatrol.

"AirPatrol Year-End Unaudited Financial Statements" shall have the meaning set forth in Section 2.4.1.

"Applicable Courts" shall have the meaning set forth in Section 11.1.

"Arbitration Notice" shall have the meaning set forth in Section 11.13.1.

"Articles of Merger I" shall have the meaning set forth in Section 1.2.

"Articles of Merger II" shall have the meaning set forth in Section 1.2.

"Asset" means a tangible, intangible or other asset, right or property used or held for use by a Party, including Real Property.

"Award Amount" shall have the meaning set forth in Section 7.11.6.

"Balance Sheet" shall have the meaning set forth in Section 2.4.1.

"Balance Sheet Date" shall have the meaning set forth in Section 2.4.1.

"benefit plans" or "benefit arrangements" shall have the meaning set forth in Section 2.11.2.

"Business Day" means any day that is not a Saturday, Sunday or other day on which banks are required or authorized by Law to be closed in California.

"Books and Records" shall have the meaning set forth in Section 2.5.

"Cash Merger Consideration" shall have the meaning set forth in Section 1.7.1.

"Certificates" shall have the meaning set forth in Section 1.7.6(c).

"Claim Notice" shall have the meaning set forth in Section 7.10.1.

"Claimed Amount" shall have the meaning set forth in Section 7.10.1.

"Closing" and "Closing Date" shall have the meanings set forth in Section 1.2.

"Closing Documents" shall mean the documents to be delivered by the respective Parties at the Closing as described in Section 6.3.

"Closing Shares" shall have the meaning set forth in 1.7.4.

"Closing Spreadsheet" means a spreadsheet in form reasonably acceptable to Acquiror in form and content, which spreadsheet shall be dated as of the Closing Date and shall set forth, as of the Closing and immediately prior to the Effective Time of Merger I, the following factual information: (i) the names of all the AirPatrol Shareholders (and name of the record holder if different) and their last known addresses, e-mail addresses and telephone numbers (to the extent available), and the total number of outstanding shares of common and Series A Preferred stock of AirPatrol on the date of Closing; (ii) the number and kind of shares of AirPatrol capital stock held by, or that are issuable upon the exercise of Options or Warrants of AirPatrol, in each case that are outstanding as of immediately prior to the Effective Time of Merger I held by, such Persons and, in the case of outstanding shares of AirPatrol capital stock, the respective certificate numbers (if any); (iii) the names, addresses, e-mail addresses, and telephone numbers of holders of Warrants who have

exercised Warrants prior to the date of Closing (if any), together with the exercise price paid and total number of shares of AirPatrol Common Stock acquired by each exercising Warrant holder, (iv) the names and addresses of the holders of secured and unsecured bridge promissory notes set forth in Schedule 1.7.1 who have, as of the date of Closing, converted such holder's promissory note(s) into AirPatrol Common Stock, the number of shares of AirPatrol Common Stock acquired by each holder, and the total principal and interest thereof converted by each, the names and addresses of the holders of secured and unsecured bridge promissory notes set forth in Schedule 1.7.1 who have not converted such holder's promissory note(s), and the sum total of each promissory note that remains outstanding as of the date of Closing, (v) the quantity of the Series A Liquidation Preference Amount payable, and quantity of the Series A Stock Merger Consideration (if any issuable), to the holder of AirPatrol Preferred Stock pursuant to Section 1.7.2, (vi) the amount of Common Cash Merger Consideration (if any) payable to each holder of AirPatrol Common Stock pursuant to Section 1.7.3, (vii) the percentage and number of Holdback Shares to be contributed to the Escrow Account on behalf of each holder of AirPatrol Common Stock, and the total number of Holdback Shares, pursuant to Section 1.7.4 and Escrow Agreement, and (viii) the percentage and number of Closing Shares to which each AirPatrol Shareholder is entitled pursuant to Section 1.7.5.

"Code" means the Federal Internal Revenue Code of 1986, as amended (set forth in Recital E).

"Common Cash Merger Consideration" shall have the meaning set forth in Section 1.7.3.

"Confidential Information" shall mean all trade secrets and other confidential and/or proprietary information of a Person, including information derived from reports, investigations, research, work in progress, codes, marketing and sales programs, financial projections, cost summaries, pricing formulae, contract analyses, financial information, projections, confidential filings with any state or federal agency, and all other confidential concepts, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of such Person by its employees, officers, directors, agents, representatives, or consultants. Information shall not be deemed "Confidential Information" if (i) such information becomes available to or known by the public generally through no fault of the Parties; (ii) disclosure is required by law or the order of any governmental authority under color of law; or (iii) the disclosure of such information is required in connection with the defense of a lawsuit for which such Party is answerable (in which case, such information shall be Confidential Information for all purposes other than to the extent so required to be disclosed).

"Consideration Certificate" means a certificate executed by the Chief Executive Officer of AirPatrol, dated as of the Closing Date, attaching the final Closing Spreadsheet and final Projected Closing Balance Sheet and certifying as of such date: (i) Working Capital as of the Closing as reflected on the Projected Closing Balance Sheet, (ii) the aggregate amount of AirPatrol Indebtedness (other than Unpaid Tax Obligations) that is unpaid and outstanding as of the Closing as reflected on the Projected Closing Balance Sheet, (iii) the aggregate amount of the AirPatrol Merger Expenses (including an itemized list of each merger expense and the Person to whom such amount is owed as of the Effective Time of Merger I); (iv) the aggregate amount of the Employee Transaction Related Expenses, (v) the aggregate amount of the Employee Obligations, itemized by employee; (vi) the outstanding unpaid principal and accrued interest under the secured and unsecured bridge promissory notes of AirPatrol identified on Schedule 1.7.1, which includes the Secured Note, as of the date of Closing (after giving effect to the conversion pursuant to any conversion notices by the holders of such promissory notes), and (vii) the total amount payable to Persistent Systems, Inc. as of the date of Closing. In addition, the Consideration Certificate shall include a statement of the aggregate amount of the Unpaid Tax Obligations of AirPatrol as of the date of Closing.

"Contemplated Transactions" shall mean the Transaction and the transactions contemplated under this Agreement and the documents or agreements required to be delivered hereunder.

"Contested Amount" shall have the meaning set forth in Section 7.11.1.

"Continuing Claim" shall have the meaning set forth in Section 7.11.8.

"Contract," with respect to a Party, shall mean any written agreement, contract, obligation, promise, or undertaking that is legally binding on such Party and currently in effect.

"Convertible Notes" shall have the meaning set forth in Section 2.3.3.

"Damages" shall mean any loss, damage, injury, liability, claim, demand, settlement, judgment, award, fine, penalty, fee (including reasonable attorneys' fees), charge, interest, costs (including reasonable costs of investigation) or reasonable related third party expenses but excluding any punitive, special, incidental, speculative, indirect, consequential, or exemplary damages, or any diminution of value, damages based on a multiplier or similar concept, loss of future revenue, income or profits, loss of business reputation or opportunity, or like losses, damages or claims.

"Disclosure Schedules" shall have the meaning set forth in the preamble to Article 2.

"Dispute" shall have the meaning set forth in Section 11.13.1.

"Dispute Period" shall have the meaning set forth in Section 7.11.1.

“Dissenters’ Rights Statutes” shall have the meaning set forth in Section 1.9.

“Dissenting Shares” shall have the meaning set forth in Section 1.9.

“Earnout Payment” shall have the meaning set forth in Section 1.7.8.

“Earnout Stock” shall have the meaning set forth in Section 1.7.8.

“Effective Time of Merger I” shall have the meaning set forth in Section 1.2.

“Effective Time of Merger II” shall have the meaning set forth in Section 1.2.

“Employee Obligation” means, collectively, any compensation earned by any current or former employee of AirPatrol or its Subsidiary for periods as of or prior to the Closing that is accrued and unpaid as of the Closing, together with any Taxes to be incurred by AirPatrol or its Subsidiary with respect to the payment thereof; provided, however, that Employee Obligation shall not include any Employee Transaction Related Expense or AirPatrol Merger Expense.

“Employee Transaction Related Expenses” means AirPatrol’s outstanding contractual obligations to make severance, retention, change of control and similar cash payments to its employees and directors solely as a result of the Transaction, including but not limited to payments due to certain AirPatrol key employees on the date of Closing under the Retention Plan.

“Employment Agreements” shall have the meaning set forth in Section 6.1.7.

“Encumbrance” shall mean any charge, claim, community property interest, condition, equitable interest, Lien, option, pledge, security interest, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

“Entity” shall mean any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company, firm or other enterprise, association, organization or entity.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended, as referenced in Section 2.11.

“Escrow Account” shall have the meaning set forth in Section 1.7.4.

“Escrow Agent” shall have the meaning set forth in Section 1.7.6.

“Escrow Agreement” shall have the meaning set forth in Section 1.7.4.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Fund” shall have the meaning set forth in Section 1.7.7(b).

“Fair Market Value”, with reference to Acquiror’s common stock as measured at times after the Closing Date, shall mean the 20-trading-day trailing average closing price of Acquiror Common Stock if traded on a national exchange, or the 20-trading-day trailing volume weighted average price per share of Acquiror’s Common Stock if quoted on the OTC Markets, in either case, for the 20 trading days ending on the date that is three trading days before the applicable date of delivery of such stock to Acquiror pursuant to Section 1.7.6 or Article 7 of this Agreement, as applicable..

“GAAP” means U.S. generally accepted accounting principles, as referenced in Section 1.7.6.

“Governmental Authorization” shall mean any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Law.

“Governmental Body” shall mean any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; or (c) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body or Entity and any court or other tribunal).

“Holdback Shares” shall have the meaning set forth in Section 1.7.4.

“Indemnified Party(ies)” shall have the meaning set forth in Section 7.4.

"Indemnifying Party(ies)" shall have the meaning set forth in Section 7.9.1.

"Information Statement" shall have the meaning set forth in Section 4.4.1.

"Intellectual Property" means any or all of the following and all rights in, arising out of, or associated therewith: (i) patents; (ii) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know how, technology, technical data and customer lists, and all documentation relating to any of the foregoing; (iii) copyrights (whether registered or unregistered); (iv) all industrial designs and any registrations and applications therefor throughout the world, (v) trademarks, trade names, service marks, logos and other source identifiers; (vi) all databases and data collections and all rights therein throughout the world; (vii) all moral and economic rights of authors and inventors, however denominated, throughout the world, and (viii) any similar or equivalent rights to any of the foregoing anywhere in the world.

"Knowledge", of a Person, shall mean actual awareness of a fact or other matter, or knowledge a prudent individual could be expected to discover or otherwise become aware of with respect to such fact or other matter in the course of conducting a reasonable inquiry of those persons who would reasonably be expected to have knowledge of the existence of such fact or other matter. "Knowledge," with respect to AirPatrol, shall refer to the Knowledge of the following persons: Cleve Adams, Bradley Rotter and Guy Levy-Yurista.

"Law" means, with respect to any Person, collectively, all foreign, international, multinational, federal, state, local or municipal laws, statutes, ordinances, regulations, rules, treaties, principles of common law, and all orders, writs, injunctions, awards, judgments and decrees applicable to the assets, properties and business of such Person or the transactions contemplated by this Agreement, including the common law and arbitral awards.

"Legal Proceeding" shall mean any action, suit, litigation, arbitration proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving any court or other Governmental Body or any arbitrator or arbitration panel.

"Liability" or "Liabilities" shall mean any direct or indirect liability, indebtedness, guaranty, endorsement, claim, loss, damage, deficiency, cost, expense, obligation or responsibility, whether accrued, absolute, contingent, mature, unmature or otherwise and whether known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured.

"Lien" shall mean any adverse claim, mortgage, security interest, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge, preference,

priority or other security agreement, attachment, right of first refusal or other claim or right, restriction on transfer or preferential arrangement of any kind or nature whatsoever (including any restriction on the transfer of assets), any conditional sale or other title retention agreement and any financing lease involving substantially the same economic effect as any of the foregoing.

"Material Adverse Effect" shall mean, with respect to either Party, any result, occurrence, fact, change, event or effect that has a materially adverse effect on (i) the business, assets (whether tangible or intangible), liabilities, capitalization, financial condition or results of operations of such Party, (ii) such Party's ability to consummate the Contemplated Transactions, or (iii) such Party's ability to operate its business immediately after the Closing in the manner operated by such Party prior to the Closing; *provided that* a Material Adverse Effect will not exist as a result of (a) any effect to the extent attributable to the announcement, pendency or confirmation of the Contemplated Transactions (including any disruption in, or termination or modification of, customer, supplier, distributor, partner, reseller or similar relationships or any loss of employees); (b) any effect primarily attributable to conditions affecting the industry or industries in which the Party and/or its Subsidiaries participates or the economy of the United States or any other country as a whole; (c) any effect primarily attributable to conditions (or changes after the date hereof in such conditions) in the securities markets, credit markets, currency markets or other financial markets in the United States or any other country; (d) any effect, resulting from or relating to compliance with the terms of, or the taking of any action required by, this Agreement; (e) general economic, market or political conditions, or acts of war, terrorism or sabotage, natural disasters, acts of God or comparable events; (f) changes in Law or GAAP; (g) any failure of AirPatrol to meet financial or other projections for any period ending after the date of this Agreement or (h) any actions taken (or omitted to be taken) at the request of the Acquiror or Merger Sub.

"Material Contracts" shall have the meaning set forth in Section 2.15.1.

"Merger Consideration" shall have the meaning as set forth in Section 1.7.

"Merger Expenses" means all out-of-pocket costs, fees and expenses of a party, any employee or shareholder of the party (including any fees and expenses of any of their respective agents, representatives (including the Representative acting in the Representative's capacity as the Representative), brokers, finders, legal counsel, financial advisors, investment bankers and accountants) incurred by, paid by, or to be paid by the party in connection with the Transaction and this Agreement (and the related letter of intent) and the transactions contemplated by this Agreement.

“Merger I” shall have the meaning set forth in Recital B.

“Merger II” shall have the meaning set forth in Recital B.

“Merger Sub I” shall have the meaning set forth in the preamble.

“Merger Sub II” shall have the meaning set forth in the preamble.

“Merger Subs” shall have the meaning set forth in the preamble.

“Nevada Law” means Chapter 92A of the Nevada Revised Statutes.

“Non-Competition Agreement” shall have the meaning set forth in Section 6.1.7.

“Open Source Materials” shall have the meaning set forth in Section 2.19.4.

“Option” or “Options” shall mean any agreement between the issuer and one or more securityholders under which the securityholder has the right to purchase of capital stock of the issuer, whether or not issued under a plan of the issuer.

“Option Plans” shall have the meaning set forth in Section 1.8.3.

“Order” shall mean any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

“Ordinary Course of Business” shall describe any action taken by a Party if (a) such action is consistent with such Party’s past practices and is taken in the ordinary course of such Party’s normal day to day operations; (b) such action is taken in accordance with sound and prudent business practices; (c) such action is not required to be authorized by such Party’s shareholders and does not require any other separate or special authorization of any nature; and (d) such action is similar in nature and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal day to day operations of other Entities that are engaged in businesses similar to such Party’s business.

“Organizational Documents” of any Party shall mean the articles or certificate of incorporation and the bylaws of such Party, together with any amendments thereto.

“Owned AirPatrol Intellectual Property” shall mean all AirPatrol Intellectual Property that is owned by AirPatrol or its Subsidiary.

“Parachute Payment Waiver” shall have the meaning set forth in Section 4.4.3.

“Party” or “Parties” shall have the meaning set forth in Recital E.

“Paying Agent” means the Escrow Agent as set forth in Section 1.7.7(a).

“Paying Agent Agreement” shall have the meaning set forth in Section 1.7.7(b).

“PBGC” shall have the meaning set forth in Section 2.11.3.

“Person” shall mean any natural person, Entity or Governmental Body.

“Plan”, as defined in ERISA, shall have the meaning set forth and referenced in Section 2.11.3.

“Pre-Closing Tax Period” means all taxable periods or portions thereof ending on or before the Closing Date; in the case of a Straddle Period, the portion of the Straddle Period that ends on and includes the Closing Date shall constitute a Pre-Closing Tax Period. The amount of Taxes attributable to the Pre-Closing Tax Period shall be determined based on (i) in the case of sales and income Taxes, an interim closing of the books as of the close of business on the Closing Date, and (ii) in the case of property

and other Taxes, the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the Straddle Period through the Closing Date and the denominator of which is the total number of days in the Straddle Period.

“Proceeding” shall mean any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"Projected Closing Balance Sheet" means a good faith estimated balance sheet of AirPatrol as determined in accordance with GAAP applied in a manner consistent with the AirPatrol Closing Financial Statements, as of 11:59 pm on the Closing Date (which shall assume that the Closing has not yet occurred as of such time).

"Proprietary Rights Agreement" shall have the meaning set forth in Section 2.17.2.

"Real Property" means all interests in real property including fee estates, leaseholds and subleaseholds, purchase options, easements, licenses, rights to access, and rights of way, and all buildings and other improvements thereon, owned, leased, licensed or used, together with any additions thereto or replacements thereof.

"Related Person" means (i) with respect to any Person other than AirPatrol, (a) any current or former officer, director, shareholder, employee or Affiliate of such Person, (b) any Person having a relationship with such Person or Affiliate by blood, marriage or adoption, (c) any Person (other than a tenant) sharing the household of such Person or any Person described in clause (a) or (b), and (d) any trust or other entity (other than AirPatrol) in which one of the Persons described in any of the foregoing clauses (a), (b) or (c) above holds a material voting, proprietary or beneficial interest; and (ii) with respect to AirPatrol, the Persons described in clause (i) above and each AirPatrol Shareholder.

"Release Date" shall have the meaning set forth in Section 9.2.5.

"Representative" or "Representatives" shall mean an officer, director, employee, agent, attorney, accountant, other professional advisor, or all or more than one of the above.

"Response" shall have the meaning set forth in Section 11.13.1.

"Response Notice" shall have the meaning set forth in Section 7.14.1.

"Retained Holdback Shares Amount" shall have the meaning set forth in Section 7.14.8.

"Rules" shall have the meaning set forth in Section 11.13.2.

"Secured Note" shall have the meaning set forth in Section 5.3.

"Series A Liquidation Preference Amount" shall have the meaning set forth in Section 1.7.2.

"Series A Stock Merger Consideration" shall have the meaning set forth in Section 1.7.2.

"Shareholder Approval" shall have the meaning set forth in Section 6.1.4.

"Representative" means Representative Services LLC.

"Shares" shall have the meaning set forth in Section 8.1.1.

"Shelf Registration" shall have the meaning set forth in Section 8.1.1.

"Shrink Wrap Code" means any generally commercially available software licensed on standard non-negotiated terms that is available for a cost of not more than $5,000 per license for a single user or work station, or $75,000 in the aggregate for all users and work stations.

"Significant Customers" shall have the meaning set forth in Section 2.22.

"Significant Suppliers" shall have the meaning set forth in Section 2.22.

"Special Accountants" shall have the meaning set forth in Section 1.7.8.

"Specified Representations" shall have the meaning set forth in Section 7.1.

"Stipulated Amount" shall have the meaning set forth in Section 7.11.4.

"Stock Merger Consideration" shall have the meaning set forth in Section 1.7.

"Straddle Period" shall mean any taxable period that includes but does not end on the Closing Date.

"Subsidiary" shall have the meaning set forth in Section 2.1.3.

"Surviving Corporation I" shall have the meaning set forth in Section 1.1.

"Surviving Corporation II" shall have the meaning set forth in Section 1.1.

"Tax" (and, with correlative meaning, "Taxes" and "Taxable") means all foreign, federal, state, provincial, territorial, local and other income, gross receipts, sales, use, ad valorem, value-added, goods and services, harmonized sales, capital, intangible, unitary, transfer, franchise, license, payroll employment, estimated, withholding, excise, environmental, stamp, occupation, premium, property, prohibited transactions, windfall or excess profits, customs duties or other taxes, levies, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, and any related charges imposed by any taxing authority, including any Taxes with respect to which any individual, trust, corporation, partnership or any other entity is liable and as to which AirPatrol is liable either as a transferee thereof or pursuant to any applicable Laws.

"Tax Returns" means all foreign, federal, state, local and municipal Tax and information returns that a Party is required to file.

"Third Party Claim" shall have the meaning set forth in Section 7.2.

"Threatened" shall mean a claim, proceeding, dispute or action will be deemed to have been "Threatened" if any demand or statement has been made in writing or any written notice has been given.

"Trade Secrets" shall mean all trade secrets, Confidential Information, and non-public know-how, including but not limited to customer lists, software, proprietary equipment, equipment designs, technical information, data, process technology, plans, drawings, and blue prints.

"Transaction" shall have the meaning set forth in Recital B.

"Transmittal Letter(s)" means, collectively, the letters of transmittal executed and delivered by the AirPatrol Shareholders pursuant to Section 1.7.7(c) hereof, in substantially the form of Exhibit C to this Agreement.

"Treasury Regulations" shall have the meaning set forth in Section 2.9.7(b).

"Unpaid Tax Obligations" means any accrued Taxes of AirPatrol (excluding Taxes to be incurred by AirPatrol with respect to the payment of any Employee Obligations) relating to Pre-Closing Tax Periods that remain unpaid as of the Closing.

"Warrant" or "Warrants" shall mean an agreement or Contract or grant of rights (other than Options) between an issuer and a third party, under which the third party holds a contractual right or rights to purchase an issuer's equity securities.

"Working Capital" shall be defined as current assets less current liabilities as set forth in the Projected Closing Balance Sheet, as determined in accordance with GAAP applied in a manner consistent with the AirPatrol Closing Financial Statements, provided however, that the calculation of Working Capital shall exclude: (a) any effect on current assets or current liabilities that would otherwise result from any contract or arrangement between AirPatrol and Cooper Communications, (b) any effect relating to any deferred revenue arrangements, (c) any effect relating to amounts owed, discharge of indebtedness or payments made to Persistent Systems Limited, (d) any effect relating to accrued unpaid salary owed to current or former employees, and (e) any effect relating to principal and accrued interest under the secured and unsecured bridge promissory notes of AirPatrol identified on Schedule 1.7.1, including the Secured Note.

Exhibit 10.13

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made as of December [__], 2013 (the "Agreement Date") by and between AIRPATROL CORPORATION (the "Company"), and the undersigned individual ("Executive"), with reference to the following facts:

A. The Company is a developer of platforms and tools for location-based mobile software applications.

B. Executive has extensive experience in the software field, and is presently employed by the Company.

C. The Company expects to complete a merger ("Merger") with Sysorex Global Holdings Corp. ('Parent") whereby the Company will become a wholly-owned subsidiary (the date of closing of the Merger shall be referred to as the "Effective Date").

D. The Company desires to memorialize its employment relationship with Executive by entering into this Agreement, which shall become effective as of the Effective Date.

NOW, THEREFORE, the parties agree as follows:

1. Employment. The Company and Executive hereby agree that the employment relationship between the parties shall be on the terms and conditions set forth in this Agreement.

2. Duties. Subject to the terms and provisions of this Agreement, Executive is employed by the Company as Chief Executive Officer ("CEO") of the Company. Executive shall have full responsibility and authority for such duties as customarily are associated with service as CEO of the Company at the direction of the Board of Directors of the Company, which shall at all times consist of executive officers of Parent (the "Board"). Executive shall faithfully and diligently perform, on a full time basis, such duties assigned to Executive and shall report directly to the Board.

3. Scope of Services. Executive shall devote substantially all of his business time, attention, energies, skills, learning and efforts to the Company's business.

4. Term. Subject to prior termination of this Agreement as hereinafter provided, the term of this Agreement shall continue until and unless terminated as provided in this Agreement.

5. Compensation.

5.1 Salary. Executive's annual compensation ("Base Compensation") under this Agreement shall be USD $300,000 per year, prorated for any partial year. The Base Compensation shall be payable semi-monthly in arrears in accordance with the ordinary payroll procedures of the Company. Any increases in Base Compensation shall be in the sole and absolute discretion of the Board.

5.2 Annual Bonus. Executive will be eligible to participate in the Company's bonus programs, applicable to Executive's position, which are based on Company and individual performance. Bonuses will generally be paid annually after the end of the fiscal period to which they relate (and will in any event be paid within two and a half months after the end of the calendar year in which such bonus was earned). Executive's annual bonus target will be equal to 50% of his then current Base Compensation, and Executive will earn that bonus (less all applicable deductions and withholdings) based on the achievement of Company and individual performance goals and objectives that are mutually agreed upon by Executive and the Board on or before March 31 of each calendar year.

5.3 Participation in Plans. Executive shall be eligible to participate in equity incentive plans established by Company or Parent for all of its executive employees.

5.4 Expenses. The Company shall reimburse Executive for:

(a) all reasonable business, entertainment and travel expenses actually incurred or paid by Executive in the performance of his services on behalf of the Company, in accordance with the Company's expense reimbursement policy as from time to time in effect;

(b) reasonable moving expenses if the Company requires the Executive to relocate, and as a result Executive must change his place of residence to a place more than 50 miles away from his current place of residence (which expenses shall be appropriately documented by Executive); and

(c) if the Company requires the Executive to relocate (in excess of 50 miles), and after relocation the Executive is terminated without Cause pursuant to Section 7.1(b) and chooses to return to his original place of residence that he occupied immediately prior to the originally required relocation, reasonable moving expenses incurred by Executive (which expenses shall be appropriately documented by Executive).

All reimbursements of costs and expenses provided for herein shall be made promptly following presentment by Executive of reasonable documentation therefor, and in any event no later than March 15th of the calendar year next following the calendar year in which the costs and expenses to be reimbursed are incurred.

5.5 Options. Executive acknowledges that the options to purchase shares of the Company's common stock issued to Executive as described on Schedule A shall be cancelled on the Effective Date. On the Effective Date, the Executive shall be eligible to participate in the Parent's 2011 Equity Incentive Plan, and receive option grant(s) thereunder for the purchase common stock of Parent ("Options" or "Option") at the discretion of the Parent's Board of Directors. Notwithstanding the foregoing, within ten (10) business days following the Effective Date (if it occurs), Parent shall grant to Executive an initial Option to purchase the number of shares of Company common stock as set forth on Schedule A at an exercise price per share equal to the fair market value per share at the time of grant. Options granted to the Executive shall be controlled by the terms and conditions set forth in a Notice of Grant and Stock Option Agreement approved by the Parent's Board of Directors ("Option Agreement"), which are attached hereto as Exhibit A.

6. Other Rights and Benefits. Executive shall receive paid vacation time or paid time off per year per AirPatrol's current vacation plan, as well as such other rights and benefits, life insurance, sick pay and retirement plan participation, as are consistent with similarly situated employees of the Company.

7. Termination. Executive's employment may be terminated as follows:

7.1 Termination by the Company or Executive. Either party may voluntarily terminate this Agreement with thirty (30) days prior written notice.

7.2 Termination for Death. Executive's employment shall terminate immediately upon Executive's death.

7.3 Termination Upon Disability. Executive's employment shall terminate if Executive should become totally and permanently disabled. For purposes of this Agreement, Executive shall be considered "totally and permanently disabled" if Executive is treated as permanently "disabled" under any permanent disability insurance policy maintained by the Company and is entitled to full benefits payable under such policy upon a total and permanent disability. In the event any such policy is either not in force or the benefits are not available under such policy, then "total and permanent disability" shall mean the inability of Executive, as a result of substance abuse, any mental, nervous or psychiatric disorder, or physical condition, injury or illness to perform substantially all of his current duties on a full-time basis for a period of six (6) consecutive months, as determined by a licensed physician selected by the Board.

7.4 Termination by Company for "Cause." The Company may terminate this Agreement for "Cause" upon three days' written notice so long as the Company has given Executive written notice describing the Cause and Executive has not cured such Cause within a reasonable time, but no less than 30 days. For purposes of this Agreement, "Cause" shall mean the existence or occurrence of any of the following:

(a) Executive's conviction for or pleading of *nolo contendre* to any felony involving the Company or involving moral turpitude.

(b) Executive's misappropriation of material Company assets.

(c) Executive's willful violation of a Company lawful policy or a lawful directive of the Board previously delivered to him in writing.

(d) Executive's material breach of his obligations set forth in Sections 11, 12, or 13 below.

(e) Any willful neglect or material breach of duty by Executive under this Agreement, or any material failure by Executive to perform duties as an officer of the Company or under this Agreement, including the duties set forth in Section 2.

7.5 Termination by Executive with "Good Reason." Executive may terminate this Agreement with "Good Reason" within 90 days following the occurrence of any of the following events without Executive's prior written consent:

(a) a material reduction in Executive's responsibilities, duties and/or authority, including, without limitation, his ceasing to be the Chief Executive Officer of the Company or his ceasing to report to the Board (provided, however, that any such reduction or cessation will not constitute "Good Reason" in the context of a Change in Control if the Company's business within the acquiring entity is run as an independent or separate operating unit or subsidiary, Executive's responsibilities, duties and/or authority with respect to the Company's business within such operating unit or subsidiary do not materially change from those held by Executive prior to the Change in Control and Executive reports to a senior level executive of the acquiring entity);

(b) a reduction in Executive's level of cash compensation (including Base Compensation and target bonus) by more than fifteen percent (15%);

(c) a relocation of the Company's principal office in which Executive works by more than fifty (50) miles from the Executive's insert initial place of work that increases Executive's commute time from his principal residence; or

(d) a material breach by the Company of this Agreement;

provided that, in any such case, both (x) Executive provides written notice to the Board of the condition claimed to constitute grounds for Good Reason within sixty (60) days of the initial existence of such condition and (y) the Company fails to remedy such condition within thirty (30) days of receiving such notice

7.6 Payment of Accrued Obligations. If the Executive's employment terminates for any reason, Executive shall receive from the Company (a) any earned but unpaid Base Compensation through the date of termination and any earned but unpaid annual bonus for any year prior to the year in which the date of termination occurs, (b) reimbursement for any unreimbursed expenses properly incurred in accordance with Section 5.4 through the date of termination, (c) payment for any accrued but unused vacation time through the date of termination and (d) such vested accrued benefits, and other benefits and/or payments, if any, as to which the Executive (and his eligible dependents) may be entitled under, and in accordance with the terms and conditions of, the employee benefit arrangements, plans and programs of the Company or Parent as of the date of termination (collectively, the "Accrued Obligations").

8. Severance. If either (a) Executive's employment with the Company is terminated by the Company, Parent or any of their affiliates without "Cause", (b) Executive's employment with the Company is terminated by Executive with Good Reason, or (c) Executive's employment is not assumed upon a Change in Control, Company then, in addition to the Company's payment of the Accrued Obligations to Executive, the Company shall pay Executive, six (6) months of Executive's Base Compensation less all appropriate federal and state income and employment taxes on the effective date of such termination or of such Change in Control. If the Executive's employment is terminated by Executive (other than for Good Reason), is terminated by the Company for Cause, death or disability of Executive, Executive shall not be entitled to any severance pay or other benefits, except for the Accrued Obligations and as otherwise mandated by law.

For purposes of this Agreement, a "Change in Control" means the occurrence of any of the following events:

(i) The approval by the stockholders of Parent or the Company (as applicable, the "Subject Entity") of any of the following (or the occurrence of any of the following if stockholder approval for such event is not required or otherwise obtained in the circumstances):

(A) any consolidation, merger, plan of share exchange, or other reorganization involving the Subject Entity (each, a "Merger"), unless (1) as a result of such Merger at least fifty percent (50%) of the outstanding securities voting generally in the election of directors of the surviving or resulting entity or a parent thereof (the "Successor Entity") immediately after the Merger are, or will be, owned, directly or indirectly, in substantially the same proportions, by stockholders of the Subject Entity immediately before the Merger, and (2) no Person (as defined below) beneficially owns, directly or indirectly, more than fifty percent (50%) of the outstanding shares of the combined voting power or the outstanding voting securities of the Successor Entity, and (3) more than fifty percent (50%) of the members of the board of directors of the Successor Entity were members of the board of directors of the Subject Entity at the time the Merger was approved by the Subject Entity;

(B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, the assets of the Subject Entity; or

(C) the adoption of any plan or proposal for the liquidation or dissolution of the Subject Entity (other than the liquidation or dissolution of the Company in connection with which the Parent employs Executive directly and assumes all of the obligations of the Company under this Agreement.

For purposes of this Agreement, the term "Person" shall mean and include any individual, corporation, partnership, group, association or other "person", as such term is used in Section 14 (d) of the Exchange Act, other than the Company or any employee benefit plan(s) sponsored by the Company.

9. Representations and Warranties. Executive hereby represents and warrants to Company that as of the date of execution of this Agreement: (i) this Agreement will not cause or require Executive to breach any obligation to, or agreement or confidence with, any other person; and (ii) Executive has not been induced to enter into this Agreement by any promise or representation other than as expressly set forth in this Agreement.

10. Confidentiality. Executive hereby acknowledges that the Company has made and the Parent and Company will make available to Executive certain customer lists, product design information, performance standards and other confidential and/or proprietary information of the Parent and Company or licensed to the Parent and Company, including without limitation trade secrets, copyrighted materials and/or financial information of the Parent and/or Company (or any of its Affiliates), including without limitation, financial statements, reports and data (collectively, the "Confidential Material"); however, Confidential Material does not include any of the foregoing items which has become publicly known or made generally available through no wrongful act of Executive or of others who were under confidentiality obligations as to the item or items involved. Except as necessary or reasonably desirable to or in connection with Executive's obligations under this Agreement, neither Executive nor any agent, employee, officer, or independent contractor of or retained by Executive shall make any disclosure of this Agreement, the terms of this Agreement, or any of the Confidential Material. Except as necessary or reasonably desirable to or in connection with Executive's obligations under this Agreement, neither Executive nor any agent, employee, officer, or independent contractor of or retained by Executive shall make any duplication or other copy of any of the Confidential Material. Immediately upon request from the Parent, Executive shall return to the Parent all Confidential Material. Executive shall notify each person to whom any disclosure is made that such disclosure is made in confidence, that the Confidential Material shall be kept in confidence by such person. Nothing contained in this Section 11 shall be construed as preventing Executive from providing Confidential Material in compliance with a valid court order issued by a court of competent jurisdiction, providing Executive takes reasonable steps to prevent dissemination of such Confidential Material.

11. Proprietary Information. For purposes of this Agreement, "Proprietary Information" shall mean any information, observation, data, written material, record, document, software, firmware, invention, discovery, improvement, development, tool, machine, apparatus, appliance, design, promotional idea, customer list, practice, process, formula, method, technique, trade secret, product and/or research related to the actual or anticipated research, marketing strategies, pricing information, business records, development, products, organization, business or finances of the Parent or Company. Proprietary Information shall not include information in the public domain as of execution of this Agreement except through any act or omission of Executive. All right, title and interest of every kind and nature whatsoever in and to the Proprietary Information made, discussed, developed, secured, obtained or learned by Executive during the term of this Agreement shall be the sole and exclusive property of the Parent and Company, as applicable, for any purposes or uses whatsoever, and shall be disclosed promptly by Executive to the Parent and Company (as applicable). The covenants set forth in the preceding sentence shall apply regardless of whether any Proprietary Information is made, discovered, developed, secured, obtained or learned (a) solely or jointly with others, (b) during the usual hours of work or otherwise, (c) at the request and upon the suggestion of the Parent or Company or otherwise, or (d) with the Company's materials, tools, instruments or on the Company's premises or otherwise. All Proprietary Information developed, created, invented, devised, conceived or discovered by Executive that is subject to copyright protection is explicitly considered by Executive and the Company to be works made for hire to the extent permitted by law. Executive hereby forever fully releases and discharges the Parent, the Company, and their respective officers, directors and employees, from and against any and all claims, demands, damages, liabilities, costs and expenses of Executive arising out of, or relating to, Executive's rights in any Proprietary Information. Executive shall (at the Company's expense) execute any documents and take any action the Company may reasonably deem necessary or appropriate to effectuate the provisions of this Agreement, including without limitation assisting the Company in obtaining and/or maintaining patents, copyrights or similar rights to any Proprietary Information assigned to the Company, if the Company, in its sole discretion, reasonably requests such assistance. Executive shall comply with any reasonable rules established from time to time by the Parent and Company for the protection of the confidentiality of any Proprietary Information. Executive irrevocably appoints the President of the Company to act as Executive's agent and attorney-in-fact to perform all acts necessary to obtain and/or maintain patents, copyrights and similar rights to any Proprietary Information assigned by Executive to the Company under this Agreement if (a) Executive refuses to perform those acts, or (b) is unavailable, within the meaning of any applicable laws. Executive acknowledges that the grant of the foregoing power of attorney is coupled with an interest and shall survive the death or disability of Executive. Executive shall promptly disclose to the Parent and Company, in confidence (a) all Proprietary Information that Executive creates during the term of this Agreement, and (b) all patent applications, copyright registrations or similar rights filed or applied for by Executive within six months after termination of this Agreement. Any application for a patent, copyright registration or similar right filed by Executive within six months after termination of this Agreement shall be presumed to relate to Proprietary Information created by Executive during the term of this Agreement, unless Executive can prove otherwise. Nothing contained in this Agreement shall be construed to preclude the Company from exercising all of its rights and privileges as sole and exclusive owner of all of the Proprietary Information owned by or assigned to the Company under this Agreement. The Company, in exercising such rights and privileges with respect to any particular item of Proprietary Information, may decide not to file any patent application or any copyright registration on such Proprietary Information, may decide to maintain such Proprietary Information as secret and confidential, or may decide to abandon such Proprietary Information or dedicate it to the public. Executive shall have no authority to exercise any rights or privileges with respect to the Proprietary Information owned by or assigned to the Company under this Agreement.

Notwithstanding anything herein to the contrary, and in accordance with California Labor Code Section 2870, no assignment of rights hereunder shall apply to an invention that the Executive developed entirely on his own time without using the Company's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(a) Relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company; or

(b) Result from any work performed by the Executive for the Company.

12. Business Opportunities. During the term of this Agreement, if Executive (or any agent, employee, officer or independent contractor of or retained by Executive) develops, creates, invests in, devises, conceives or discovers, any project, investment, venture, business or other opportunity (any of the preceding, an "Opportunity") that is similar to, competitive with or related to the Company's products, then Executive shall so notify the Company promptly in writing of such Opportunity and shall use Executive's good-faith efforts to cause the Company to have the opportunity to invest in, participate in or otherwise become affiliated with such Opportunity.

13. Miscellaneous.

13.1 Section Headings. The section headings or captions in this Agreement are for convenience of reference only and do not form a part hereof, and do not in any way modify, interpret or construe the intent of the parties or affect any of the provisions of this Agreement.

13.2 Survival. The obligations and rights imposed upon the parties hereto by the provisions of this Agreement which relate to acts or events subsequent to the termination of this Agreement shall survive the termination of this Agreement and shall remain fully effective thereafter, including without limitation the obligations of Executive with to any Confidential Material under Section 11.

13.3 Arbitration.

(a) Any claim, dispute or other controversy (a "Controversy") relating to this Agreement shall be settled and resolved by binding arbitration in Santa Clara County, California before a single arbitrator under the Employment Rules of the American Arbitration Association ("AAA") in effect at the time a demand for arbitration is made. If there is any conflict between the AAA rules and this arbitration clause, this arbitration clause will govern and determine the rights of the parties. The Parties to this Agreement (the "Parties") shall be entitled to full discovery regarding the Controversy as permitted by the California Code of Civil Procedure. The arbitrator's decision on the Controversy shall be a final and binding determination of the Controversy and shall be fully enforceable as an arbitration award in any court having jurisdiction and venue over the Parties. The arbitrator shall also award the prevailing Party any reasonable attorneys' fees and reasonable expenses the prevailing Party incurs in connection with the arbitration, and the non-prevailing Party shall pay the arbitrator's fees and expenses. The arbitrator shall determine who is the prevailing Party. Each Party also agrees to accept service of process for all arbitration proceedings in accordance with AAA's rules.

(b) The obligation to arbitrate shall not be binding upon either party with respect to requests for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution by arbitration of the actual dispute between the Parties.

(c) The provisions of this Section shall be construed as independent of any other covenant or provision of this Agreement; provided that, if a court of competent jurisdiction determines that any such provisions are unlawful in any way, such court shall modify or interpret such provisions to the minimum extent necessary to have them comply with the law.

(d) This arbitration provision shall be deemed to be self-executing and shall remain in full force and effect after expiration or termination of this Agreement. In the event either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

13.4 Severability. Should any one or more of the provisions of this Agreement be determined to be illegal or unenforceable in any relevant jurisdiction, then such illegal or unenforceable provision shall be modified by the proper court, if possible, but only to the extent necessary to make such provision enforceable, and such modified provision and all other provisions of this Agreement shall be given effect separately from the provision or portion thereof determined to be illegal or unenforceable and shall not be affected thereby; provided that, any such modification shall apply only with respect to the operation of this Agreement in the particular jurisdiction in which such determination of illegality or unenforceability is made.

13.5 Waiver. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such party thereafter from enforcing such provision or any other provision of this Agreement. The rights granted both parties herein are cumulative and the election of one shall not constitute a waiver of such party's right to assert all other legal remedies available under the circumstances.

13.6 Parties in Interest. Nothing in this Agreement, except as expressly set forth herein, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to this Agreement and the successors, assigns and affiliates of the Company, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of action over or against any party to this Agreement.

13.7 Assignment. The rights and obligations under this Agreement shall be binding upon, and inure to the benefit of, the heirs, executors, successors and assigns of Executive and the Company. Except as specifically provided in this Section 14, neither the Company nor Executive may assign this Agreement or delegate their respective responsibilities under this Agreement without the consent of the other party hereto. Upon any Change in Control, the successor entity to the Subject Entity shall assume all of the obligations of the Company under this Agreement. No assignment of this Agreement by the Company shall relieve the Company of, and the Company shall remain obligated to perform, its duties and obligations under this Agreement, including, without limitation, payment of the Base Compensation set forth in Section 5, above.

13.8 Attorneys' Fees. In the event of any Controversy, suit, action or arbitration to enforce any of the terms or provisions of this Agreement, the prevailing party shall be entitled to its reasonable attorneys' fees and costs. The foregoing entitlement shall also include attorneys' fees and costs of the prevailing party on any appeal of a judgment and for any action to enforce a judgment.

13.9 Modification. This Agreement may be modified only by a contract in writing executed by the party(ies) to this Agreement against whom enforcement of such modification is sought.

13.10 Prior Understandings. This Agreement contains the entire agreement between the parties to this Agreement with respect to the subject matter of this Agreement, is intended as a final expression of such parties' agreement with respect to such terms as are included in this Agreement, is intended as a complete and exclusive statement of the terms of such agreement, and supersedes all negotiations, stipulations, understandings, agreements, representations and warranties, if any, with respect to such subject matter, which precede or accompany the execution of this Agreement.

13.11 Interpretation. Whenever the context so requires in this Agreement, all words used in the singular shall be construed to have been used in the plural (and vice versa), each gender shall be construed to include any other genders, and the word "person" shall be construed to include a natural person, a corporation, a firm, a partnership, a joint venture, a trust, an estate or any other entity.

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

13.13 Applicable Law. This Agreement and the rights and obligations of the parties hereunder shall be construed under, and governed by, the laws of the State of California without giving effect to conflict of laws provisions.

13.14 Drafting Ambiguities. Each party to this Agreement has reviewed and revised this Agreement. Each party to this Agreement has had the opportunity to have such party's legal counsel review and revise this Agreement. The rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or of any amendments or exhibits to this Agreement.

13.15 Section 409A. It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the U.S. Internal Revenue Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") so as not to subject Executive to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to Executive. If Executive is a "specified employee" as of the date of Executive's "separation from service" (as such terms are defined for purposes of Code Section 409A), Executive shall not be entitled to any payment pursuant to Section 8 hereof until the earlier of (i) the date which is six months after Executive's separation from service for any reason other than death, or (ii) the date of Executive's death, provided that this sentence shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to Executive upon or in the six-month period following Executive's separation from service that are not so paid by reason of the preceding sentence shall be paid as soon as practicable (and in all events within thirty days) after the date that is six months after Executive's separation from service (or, if earlier, as soon as

practicable, and in all events within thirty days, after the date of Executive's death). To the extent that any reimbursements pursuant to Section 5.4 hereof are taxable to Executive, any reimbursement payment shall be paid to Executive on or before the last day of Executive's taxable year following the taxable year in which the related expense was incurred. The reimbursements pursuant to such provision are not subject to liquidation or exchange for another benefit and the amount of such reimbursements that Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that Executive receives in any other taxable year.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

THE COMPANY:

AIRPATROL CORPORATION

By: /s/ Cleve Adams

Name: Cleve Adams

Title: CEO

PARENT:

SYSOREX GLOBAL HOLDINGS CORP.

By: /s/ Nadir Ali

Name: Nadir Ali

Title: CEO

EXECUTIVE:

Signature /s/ Cleve Adams

Cleve Adams
Printed Name

EXHIBIT 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM’S CONSENT

We consent to the inclusion in this Registration Statement of Sysorex Global Holdings Corp. on Form S-1 Amendment No. 3 (File No. 333-191648) of our report dated August 12, 2013, except for Notes 21 and 22, as to which the date is January 21, 2014, with respect to our audits of the consolidated financial statements of Sysorex Global Holdings Corp. as of December 31, 2012 and 2011, and for the years then ended, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading “Experts” in such Prospectus.

/s/ Marcum llp

Marcum llp
New York, New York
January 21, 2014

EXHIBIT 23.2

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Registration Statement of Sysorex Global Holdings Corp. on Form S-1 Amendment No. 3 (File No. 333-191648) of our report dated August 12, 2013, with respect to our audits of the consolidated financial statements of Lilien LLC and Subsidiary as of December 31, 2012 and 2011, and for the years then ended, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in such Prospectus.

/s/ Marcum LLP

Marcum LLP
New York, New York
January 21, 2014

EXHIBIT 23.3

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Registration Statement of Sysorex Global Holdings Corp. on Form S-1 Amendment No. 3 (File No. 333-191648) of our report dated December 6, 2013, with respect to the audits of the consolidated financial statements of Shoom, Inc. as of December 31, 2012, and for the year then ended, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in such Prospectus.

/s/ Marcum LLP

Marcum LLP
New York, New York
January 21, 2014

EXHIBIT 23.4

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM’S CONSENT

We consent to the inclusion in this Registration Statement of Sysorex Global Holdings Corp. on Form S-1 Amendment No 3 (File No.333-191648) of our report, which includes an explanatory paragraph as to the Company’s ability to continue as a going concern dated January 21, 2014, with respect to our audits of the consolidated financial statements of Air Patrol Corporation and Subsidiary as of December 31, 2012 and 2011 and for the years then ended, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading “Experts” in such Prospectus.

/s/ Marcum LLP

Marcum LLP
New York, New York
January 21, 2014