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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 2022**

**OR**

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

**For the transition period from ______________ to _______________**

**Commission File Number 001-36404**

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

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

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

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

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

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

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

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

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

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

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

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

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

| **Common Stock, Par Value $0.001** | **3,238,893** |
|---|---|
| (Class) | Outstanding at November 9, 2022 |

**INPIXON**

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

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

- our history of losses;
- our ability to achieve profitability;
- our limited operating history with recent acquisitions;
- the possibility that the Business Combination (as defined in "Recent Events - Proposed Spin-Off of our Enterprise Apps Business" section under Part I, Item 2 of this Form 10-Q) of our enterprise apps business will not be consummated within the anticipated time period or at all;
- the possibility that anticipated tax treatment and benefits of the Business Combination may not be achieved;
- risks related to our recent acquisitions;
- our ability to successfully integrate companies or technologies we acquire;
- emerging competition and rapidly advancing technology in our industry that may outpace our technology;
- customer demand for the products and services we develop;
- the impact of competitive or alternative products, technologies and pricing;
- our ability to manufacture any products we develop;
- general economic conditions and events and the impact they may have on us and our potential customers, including, but not limited to supply chain challenges, increased costs for materials and labor and other impacts resulting from COVID-19 and the Russia/Ukraine conflict;
- our ability to obtain adequate financing in the future;
- our ability to consummate strategic transactions which may include acquisitions, mergers, dispositions or investments;
- our ability to maintain compliance with the continued listing requirements of the Nasdaq Stock Market LLC;
- lawsuits and other claims by third parties or investigations by various regulatory agencies that we are and may be become subject to and are required to report, including but not limited to, the U.S. Securities and Exchange Commission;
- our success at managing the risks involved in the foregoing items; and
- other factors discussed in this Form 10-Q.

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

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

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

Unless indicated otherwise in this Form 10-Q, all references to “$” refer to United States dollars, the lawful currency of the United States of America. References to “CAD” refer to Canadian dollars, the lawful currency of Canada. References to “INR” refer to Indian rupees, the lawful currency of India. References to “EUR” refer to euros, the single currency of Participating Member States of the European Union. References to “GBP” refer to the British pound, the lawful currency of the United Kingdom.

**Note Regarding Reverse Stock Split**

The Company effected a reverse stock split of its authorized and issued and outstanding common stock, par value $0.001, at a ratio of 1-for-75, effective as of October 7, 2022 (the "Reverse Stock Split"). We have reflected the Reverse Stock Split retroactively herein, unless otherwise indicated.

## PART I — FINANCIAL INFORMATION

### ITEM 1: FINANCIAL STATEMENTS

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

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

The results for the period ended September 30, 2022 are not necessarily indicative of the results of operations for the full year. These financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in our audited consolidated financial statements for the fiscal years ended December 31, 2021 and 2020 included in the annual report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) on March 16, 2022.

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

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

| | As of September 30, 2022 | As of December 31, 2021 |
|---|---|---|
| | (Unaudited) | (Audited) |
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 63,153 | $ 52,480 |
| Accounts receivable, net of allowances of $268 and $272, respectively | 2,879 | 3,218 |
| Other receivables | 137 | 321 |
| Inventory | 2,702 | 1,976 |
| Short-term investments | — | 43,125 |
| Note receivable | 150 | — |
| Prepaid expenses and other current assets | 3,258 | 4,842 |
| **Total Current Assets** | 72,279 | 105,962 |
| Property and equipment, net | 1,307 | 1,442 |
| Operating lease right-of-use asset, net | 1,323 | 1,736 |
| Software development costs, net | 1,684 | 1,792 |
| Investments in equity securities | 1,124 | 1,838 |
| Long-term investments | 2,500 | 2,500 |
| Intangible assets, net | 28,174 | 33,478 |
| Goodwill | — | 7,672 |
| Other assets | 204 | 253 |
| **Total Assets** | $ 108,595 | $ 156,673 |

The accompanying notes are an integral part of these financial statements

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

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

| | As of September 30, 2022 | As of December 31, 2021 |
|---|---|---|
| | (Unaudited) | (Audited) |
| **Liabilities and Stockholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 2,559 | $ 2,414 |
| Accrued liabilities | 4,370 | 10,665 |
| Operating lease obligation, current | 514 | 643 |
| Deferred revenue | 3,730 | 4,805 |
| Short-term debt | 6,179 | 3,490 |
| Acquisition liability | 3,376 | 5,114 |
| **Total Current Liabilities** | 20,728 | 27,131 |
| **Long Term Liabilities** | | |
| Operating lease obligation, noncurrent | 852 | 1,108 |
| Other liabilities, noncurrent | 28 | 28 |
| Acquisition liability, noncurrent | — | 220 |
| **Total Liabilities** | 21,608 | 28,487 |
| **Commitments and Contingencies** | — | — |
| **Mezzanine Equity** | | |
| Series 7 Convertible Preferred Stock - 58,750 shares authorized; zero and 49,250 issued and outstanding as of September 30, 2022 and December 31, 2021, respectively. | — | 44,695 |
| Series 8 Convertible Preferred Stock- 53,197.7234 shares authorized; 53,197.7234 and zero issued and outstanding as of September 30, 2022 and December 31, 2021, respectively. (Liquidation preference of $53,198) | 53,198 | — |
| **Stockholders' Equity** | | |
| Preferred Stock -$0.001 par value; 5,000,000 shares authorized | | |
| Series 4 Convertible Preferred Stock - 10,415 shares authorized; 1 issued and 1 outstanding as of September 30, 2022 and December 31, 2021 | — | — |
| Series 5 Convertible Preferred Stock - 12,000 shares authorized; 126 issued and 126 outstanding as of September 30, 2022 and December 31, 2021 | — | — |
| Common Stock - $0.001 par value; 26,666,667 shares authorized; 2,250,597 and 1,730,141 issued and 2,250,596 and 1,730,140 outstanding as of September 30, 2022 and December 31, 2021, respectively. | 2 | 2 |
| Additional paid-in capital | 331,487 | 332,761 |
| Treasury stock, at cost, 1 share | (695) | (695) |
| Accumulated other comprehensive income | 1,496 | 44 |
| Accumulated deficit | (299,123) | (250,309) |
| Stockholders' Equity Attributable to Inpixon | 33,167 | 81,803 |
| Non-controlling Interest | 622 | 1,688 |

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

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

| | | |
|---|---|---|
| **Total Stockholders' Equity** | 33,789 | 83,491 |
| **Total Liabilities, Mezzanine Equity and Stockholders' Equity** | $ 108,595 | $ 156,673 |

The accompanying notes are an integral part of these financial statements

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share data)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | (Unaudited) | | | |
| **Revenues** | $ 4,177 | $ 4,450 | $ 14,133 | $ 10,857 |
| **Cost of Revenues** | 1,255 | 1,186 | 4,037 | 2,966 |
| **Gross Profit** | 2,922 | 3,264 | 10,096 | 7,891 |
| **Operating Expenses** | | | | |
| Research and development | 4,644 | 3,254 | 13,642 | 9,185 |
| Sales and marketing | 2,157 | 2,407 | 6,757 | 6,119 |
| General and administrative | 5,146 | 8,571 | 18,148 | 26,570 |
| Acquisition-related costs | 2 | 93 | 270 | 1,098 |
| Impairment of goodwill | — | — | 7,570 | — |
| Amortization of intangibles | 1,366 | 1,395 | 4,056 | 3,088 |
| **Total Operating Expenses** | 13,315 | 15,720 | 50,443 | 46,060 |
| **Loss from Operations** | $ (10,393) | (12,456) | (40,347) | $ (38,169) |
| **Other Income (Expense)** | | | | |
| Interest income (expense), net | (240) | (15) | (62) | 1,191 |
| Loss on exchange of debt for equity | — | — | — | (30) |
| Recovery of valuation allowance on related party loan - held for sale | — | — | — | 7,345 |
| Other (expense)/income, net | (1,506) | (47) | (2,277) | 464 |
| Gain on related party loan - held for sale | — | — | — | 49,817 |
| Unrealized gain/(loss) on equity securities | (5,854) | (22,285) | (7,110) | (51,250) |
| **Total Other Income (Expense)** | (7,600) | (22,347) | (9,449) | 7,537 |
| **Net Loss, before tax** | (17,993) | (34,803) | (49,796) | (30,632) |
| Income tax benefit/(provision) | — | 854 | (84) | (1,350) |
| **Net Loss** | $ (17,993) | (33,949) | (49,880) | $ (31,982) |
| **Net Loss Attributable to Non-controlling Interest** | (402) | (309) | (1,206) | (544) |
| **Net Loss Attributable to Stockholders of Inpixon** | (17,591) | (33,640) | (48,674) | (31,438) |
| Accretion of Series 7 Preferred Stock | — | (2,962) | (4,555) | (2,962) |
| Accretion of Series 8 Preferred Stock | (6,305) | — | (13,089) | — |
| Deemed dividend for the modification related to Series 8 Preferred Stock | — | — | (2,627) | — |
| Deemed contribution for the modification related to Warrants issued in connection with Series 8 Preferred Stock | — | — | 1,469 | — |
| Amortization premium- modification related to Series 8 Preferred Stock | 1,265 | — | 2,626 | — |
| **Net Loss Attributable to Common Stockholders** | $ (22,631) | $ (36,602) | $ (64,850) | $ (34,400) |

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share data)**

| | | | | |
|---|---|---|---|---|
| **Net Loss Per Share - Basic and Diluted** | $ (10.21) | $ (22.31) | $ (31.08) | $ (23.95) |
| **Weighted Average Shares Outstanding** | | | | |
| Basic and Diluted | 2,216,544 | 1,640,971 | 2,086,633 | 1,436,093 |

The accompanying notes are an integral part of these financial statements

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**(In thousands)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (Unaudited) | | | |
| **Net Loss** | $ (17,993) | $ (33,949) | $ (49,880) | $ (31,982) |
| Unrealized foreign exchange (loss) income from cumulative translation adjustments | 898 | (404) | 1,452 | (1,012) |
| **Comprehensive Loss** | $ (17,095) | $ (34,353) | $ (48,428) | $ (32,994) |

The accompanying notes are an integral part of these financial statements

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY**

**(Unaudited)**

**(In thousands, except per share data)**

| | Series 7 Preferred Stock | | Series 8 Preferred Stock | | Series 4 Convertible Preferred Stock | | Series 5 Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Treasury Stock | | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Non-Controlling Interest | Total Stockholders' (Deficit) Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | Shares | Amount | | | | |
| Balance - January 1, 2022 | 49,250 | $ 44,695 | — | $ — | 1 | $ — | 126 | $ — | 1,730,140 | $ 2 | $ 332,761 | (1) | $ (695) | $ 44 | $ (250,309) | $ 1,688 | $ 83,491 |
| Common shares issued for extinguishment of debt | — | — | — | — | — | — | — | — | 57,472 | — | 1,500 | — | — | — | — | — | $ 1,500 |
| Stock options and restricted stock awards granted to employees for services | — | — | — | — | — | — | — | — | — | — | 1,533 | — | — | — | — | — | $ 1,533 |
| Series 7 Preferred redeemed for cash | (49,250) | (49,250) | — | — | — | — | — | — | — | — | — [1] | — | — | — | — | — | $ — |
| Series 8 Preferred stock issued for cash | — | — | 53,197.7234 | 41,577 | — | — | — | — | — | — | 5,329 | — | — | — | — | — | $ 5,329 |
| Accretion Discount-Series 7 Preferred Shares | — | 4,555 | — | — | — | — | — | — | — | — | (4,555) | — | — | — | — | — | $ (4,555) |
| Accretion Discount-Series 8 Preferred Shares | — | — | — | 548 | — | — | — | — | — | — | (548) | — | — | — | — | — | $ (548) |
| Deemed dividend for the modification related to Series 8 Preferred Stock | — | — | — | 2,627 | — | — | — | — | — | — | (2,627) | — | — | — | — | — | $ (2,627) |
| Deemed contribution for the modification related to Warrants issued in connection with Series 8 Preferred Stock | — | — | — | (1,469) | — | — | — | — | — | — | 1,469 | — | — | — | — | — | $ 1,469 |
| Amortization Premium-modification related to Series 8 Preferred Stock | — | — | — | (110) | — | — | — | — | — | — | 110 | — | — | — | — | — | $ 110 |
| Restricted stock grants withheld for taxes | — | — | — | — | — | — | — | — | (12,802) | — | (336) | — | — | — | — | — | $ (336) |
| Common shares issued for CXApp earnout | — | — | — | — | — | — | — | — | 144,986 | — | 3,697 | — | — | — | — | — | $ 3,697 |
| Common shares issued for exchange of warrants | — | — | — | — | — | — | — | — | 184,153 | — | — | — | — | — | — | — | $ — |
| Cumulative translation adjustment | — | — | — | — | — | — | — | — | — | — | — | — | — | (102) | (15) | 15 | $ (102) |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (11,211) | (346) | $ (11,557) |
| Balance - March 31, 2022 | — | — | 53,197.7234 | 43,173 | 1 | — | 126 | — | 2,103,949 | 2 | 338,333 | (1) | (695) | (58) | (261,535) | 1,357 | $ 77,404 |
| Stock options and restricted stock awards granted to employees for services | — | — | — | — | — | — | — | — | — | — | 741 | — | — | — | — | — | $ 741 |
| Common shares issued for extinguishment of debt | — | — | — | — | — | — | — | — | 35,062 | — | 500 | — | — | — | — | — | $ 500 |
| Accretion Discount-Series 8 Preferred Shares | — | — | — | 6,236 | — | — | — | — | — | — | (6,236) | — | — | — | — | — | $ (6,236) |
| Amortization Premium-modification related to Series 8 Preferred Stock | — | — | — | (1,251) | — | — | — | — | — | — | 1,251 | — | — | — | — | — | $ 1,251 |
| Cumulative translation adjustment | — | — | — | — | — | — | — | — | — | — | — | — | — | 656 | (56) | 57 | $ 657 |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (19,872) | (458) | $ (20,330) |

1

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance - June 30, 2022 | — | — | 53,197.7234 | 48,158 | 1 | — | 126 | — | 2,139,011 | 2 | 334,589 | (1) | (695) | 598 | (281,463) | 956 | $ 53,987 |
| | | | | | | | | | | | | | | | | | |
| Stock options granted to employees and consultants for services | — | — | — | — | — | — | — | — | — | — | 688 | — | — | — | — | — | 688 |
| Common shares issued for extinguishment of debt | — | — | — | — | — | — | — | — | 111,585 | — | 1,250 | — | — | — | — | — | 1,250 |
| Accrete discount - preferred series 8 shares | — | — | — | 6,305 | — | — | — | — | — | — | (6,305) | — | — | — | — | — | (6,305) |
| Amortization Premium-modification related to Series 8 Preferred Stock | — | — | — | (1,265) | — | — | — | — | — | — | 1,265 | — | — | — | — | — | 1,265 |
| Cumulative translation adjustment | — | — | — | — | — | — | — | — | — | — | — | — | — | 898 | (69) | 68 | 897 |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (17,591) | (402) | (17,993) |
| Balance - September 30, 2022 | — | — | 53,197.7234 | 53,198 | 1 | — | 126 | — | 2,250,596 | $ 2 | $ 331,487 | (1) | $ (695) | $ 1,496 | $ (299,123) | $ 622 | $ 33,789 |

The accompanying notes are an integral part of these financial statements

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY**
**(Unaudited)**

**(In thousands, except per share data)**

| | Series 7 Preferred Stock | | Series 4 Convertible Preferred Stock | | Series 5 Convertible Preferred Stock | | Common Stock | | Additional Paid-In Capital | Treasury Stock | | Accumulated Other Comprehensive Income (Loss) | Accumulated Deficit | Non-Controlling Interest | Total Stockholders' (Deficit) Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | Shares | Amount | | | | |
| Balance - January 1, 2021 | — | — | 1 | $ — | 126 | $ — | 779,964 | $ 1 | $ 225,665 | (1) | $ (695) | $ 660 | $ (180,992) | $ 41 | $ 44,680 |
| Common shares issued for registered direct offering | — | — | — | — | — | — | 210,668 | — | 74,074 | — | — | — | — | — | 74,074 |
| Common shares issued for extinguishment of debt | — | — | — | — | — | — | 11,919 | — | 1,500 | — | — | — | — | — | 1,500 |
| Common shares issued for cashless stock options exercised | — | — | — | — | — | — | 67 | — | — | — | — | — | — | — | — |
| Common shares issued for net proceeds from warrants exercised | — | — | — | — | — | — | 420,071 | — | 3,779 | — | — | — | — | — | 3,779 |
| Stock options granted to employees and consultants for services | — | — | — | — | — | — | — | — | 5,096 | — | — | — | — | — | 5,096 |
| Cumulative translation adjustment | — | — | — | — | — | — | — | — | — | — | — | (671) | — | — | (671) |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | (12,557) | 18 | (12,539) |
| Balance - March 31, 2021 | — | — | 1 | $ — | 126 | $ — | 1,422,689 | $ 1 | $ 310,114 | (1) | $ (695) | $ (11) | $ (193,549) | $ 59 | $ 115,919 |
| Stock options and restricted stock awards granted to employees for services | — | — | — | — | — | — | — | — | 2,053 | — | — | — | — | — | 2,053 |
| Common shares issued for Game Your Game acquisition | — | — | — | — | — | — | 15,722 | — | 1,403 | — | — | — | — | — | 1,403 |
| Common shares issued for Visualix acquisition | — | — | — | — | — | — | 4,928 | — | 429 | — | — | — | — | — | 429 |
| Common shares issued for the CXApp | — | — | — | — | — | — | 117,995 | 1 | 9,999 | — | — | — | — | 2,811 | 12,811 |
| Common shares for cashless stock options exercised | — | — | — | — | — | — | 6 | — | — | — | — | — | — | — | — |
| Common shares issued for restricted stock grants | — | — | — | — | — | — | 62,308 | — | — | — | — | — | — | — | — |
| Taxes paid on stock based compensation | — | — | — | — | — | — | — | — | (1,687) | — | — | — | — | — | (1,687) |
| Cumulative translation adjustment | — | — | — | — | — | — | — | — | — | — | — | 63 | (141) | 130 | 52 |
| Net income (loss) | — | — | — | — | — | — | — | — | — | — | — | — | 14,759 | (253) | 14,506 |
| Balance - June 30, 2021 | — | — | 1 | $ — | 126 | $ — | 1,623,648 | $ 2 | $ 322,311 | (1) | $ (695) | $ 52 | $ (178,931) | $ 2,747 | $ 145,486 |
| Stock options granted to employees and consultants for services | — | — | — | — | — | — | — | — | 1,664 | — | — | — | — | — | 1,664 |
| Common shares issued for extinguishment of debt | — | — | — | — | — | — | 11,696 | — | 1,000 | — | — | — | — | — | 1,000 |
| Preferred Shares issued in public offering | — | — | — | — | — | — | — | | 1,589 | — | — | — | — | — | 1,589 |
| Series 7 Preferred Stock issued for cash | 58,750 | 48,995 | — | — | — | — | — | — | — | — | — | — | — | — | — |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Series 7 Preferred Stock converted to common stock | (9,500) | (9,500) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Common shares issued for conversion of preferred shares | — | — | — | — | — | — | 104,334 | — | 9,500 | — | — | — | — | — | 9,500 |
| Restricted stock grants forfeited | — | — | — | — | — | — | (4,500) | — | — | — | — | — | — | — | — |
| Cumulative Translation Adjustment | — | — | — | — | — | — | — | — | — | — | — | (404) | (22) | 21 | (405) |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | (33,640) | (309) | (33,949) |
| Balance - September 30, 2021 | $ 49,250 | 39,495 | 1 | $ — | 126 | $ — | 1,735,178 | $ 2 | $ 336,064 | (1) | $ (695) | $ (352) | $ (212,593) | $ 2,459 | $ 124,885 |

The accompanying notes are an integral part of these financial statements

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash Flows Used in Operating Activities** | (Unaudited) | |
| Net loss | $ (49,880) | $ (31,982) |
| Adjustment to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,008 | 970 |
| Amortization of intangible assets | 4,559 | 3,571 |
| Amortization of right of use asset | 536 | 527 |
| Stock based compensation | 2,962 | 8,813 |
| Earnout expense valuation benefit | (2,827) | — |
| Loss on exchange of debt for equity | — | 30 |
| Amortization of debt discount | — | 224 |
| Amortization of original issued discount | 121 | — |
| Accrued interest income, related party | (278) | (1,627) |
| Provision for doubtful accounts | 5 | 100 |
| Unrealized gain on note | 1,870 | (638) |
| Provision for inventory obsolescense | — | 300 |
| Recovery for valuation allowance for held for sale loan | — | (7,345) |
| Gain on settlement of related party promissory note and loan related party receivable | — | (49,817) |
| Deferred income tax | (1) | (4,507) |
| Loss on disposal of property and equipment | 1 | — |
| Unrealized loss on equity securities | 7,110 | 51,250 |
| Impairment of goodwill | 7,570 | — |
| Realized loss on sale of equity securities | 151 | — |
| Gain on conversion of note receivable | (791) | — |
| Other | 196 | 137 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable and other receivables | 336 | (678) |
| Inventory | (1,002) | (499) |
| Prepaid expenses and other current assets | 1,545 | (70) |
| Other assets | 28 | 200 |
| Accounts payable | 237 | (653) |
| Accrued liabilities | 1,059 | 3,421 |
| Income tax liabilities | (38) | 3,471 |
| Deferred revenue | (915) | 1,214 |
| Operating lease obligation | (505) | (519) |
| Other liabilities | — | 89 |
| **Net Cash Used in Operating Activities** | (26,943) | (24,018) |
| **Cash Flows Used in Investing Activities** | | |
| Purchase of property and equipment | (221) | (258) |

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

**(In thousands)**

| | | |
|---|---|---|
| Investment in capitalized software | (611) | (857) |
| Purchase of other short term investments | — | (2,000) |
| Sales of other short term investments | — | 2,000 |
| Purchase of convertible note | (5,500) | — |
| Sales of equity securities | 229 | — |
| Purchases of treasury bills | — | (63,362) |
| Sales of treasury bills | 43,001 | 28,000 |
| Purchase of Systat licensing agreement | — | (900) |
| Issuance of note receivable | (150) | (268) |
| Acquisition of Game Your Game | — | 184 |
| Acquisition of CXApp | — | (15,186) |
| Acquisition of Visualix | — | (61) |
| **Net Cash Provided By (Used in) Investing Activities** | 36,748 | (52,708) |
| | | |
| **Cash From Financing Activities** | | |
| Net proceeds from issuance of preferred stock and warrants | 46,906 | 50,584 |
| Net proceeds from issuance of common stock and warrants | — | 77,853 |
| Net proceeds from promissory note | 5,539 | — |
| Cash paid for redemption of preferred stock series 7 | (49,250) | — |
| Taxes paid related to net share settlement of restricted stock units | (336) | (1,687) |
| Loans to related party | — | (117) |
| Repayment of CXApp acquisition liability | (1,957) | (241) |
| Repayment of acquisition liability to Nanotron shareholders | — | (467) |
| Repayment of acquisition liability to Locality shareholders | — | (500) |
| **Net Cash Provided By Financing Activities** | 902 | 125,425 |
| | | |
| **Effect of Foreign Exchange Rate on Changes on Cash** | (34) | 90 |
| | | |
| **Net Increase in Cash and Cash Equivalents** | 10,673 | 48,789 |
| | | |
| Cash and Cash Equivalents - Beginning of period | 52,480 | 17,996 |
| | | |
| Cash and Cash Equivalents - End of period | $ 63,153 | $ 66,785 |
| | | |
| **Supplemental Disclosure of cash flow information:** | | |
| Cash paid for: | | |
| Interest | $ 2 | $ 3 |
| Income Taxes | $ 100 | $ 2,387 |
| | | |
| **Non-cash investing and financing activities** | | |
| Common shares issued for extinguishment of debt | $ 3,250 | $ 2,500 |
| Common shares issued for CXApp Earnout Payment | $ 3,697 | $ — |
| Common shares issued in exchange for warrants | $ 14 | $ — |
| Right of use asset obtained in exchange for lease liability | $ 284 | $ — |
| Settlement of Sysorex Note | $ — | $ 7,462 |
| Investment in equity securities through conversion of note receivable | $ 6,776 | $ 58,905 |
| Common shares issued for CXApp acquisition | $ — | $ 10,000 |

**INPIXON AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

**(In thousands)**

| | | | | |
|---|---|---|---|---|
| Common shares issued for Game Your Game acquisition | $ | — | $ | 1,403 |
| Common shares issued for Visualix asset acquisition | $ | — | $ | 429 |
| Preferred shares converted into common shares | $ | — | $ | 9,500 |

The accompanying notes are an integral part of these financial statements

**INPIXON AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**Note 1 - Organization and Nature of Business**

Inpixon is the Indoor Intelligence™ company. Our solutions and technologies help organizations create and redefine exceptional workplace experiences that enable smarter, safer and more secure environments. We leverage our positioning, mapping, analytics and app technologies to achieve higher levels of productivity and performance, increase safety and security, improve worker and employee satisfaction rates and drive a more connected workplace. We have focused our corporate strategy on being the primary provider of the full range of foundational technologies needed in order to offer a comprehensive suite of solutions that make indoor data available and meaningful to organizations and their employees.

Our Indoor Intelligence solutions are used by our customers for a variety of use cases including, but not limited to, employee and visitor experience enhancement through a customer branded app with features such as desk booking, wayfinding and navigation, and the delivery of content to tens of thousands of attendees in hybrid events. Our real time location (RTLS) and asset tracking products offer manufacturing and warehouse logistics optimization and automation, increase workforce productivity, and enhance worker safety and security.

In addition to our Indoor Intelligence technologies and solutions, we also offer:

- Digital solutions (eTearsheets; eInvoice, adDelivery) or cloud-based applications and analytics for the advertising, media and publishing industries and advertising management platform referred to as Shoom by Inpixon; and

- A comprehensive set of data analytics and statistical visualization solutions for engineers and scientists referred to as SAVES by Inpixon.

We report financial results forthree segments: Indoor Intelligence, Shoom and SAVES. For Indoor Intelligence, we generate revenue from sales of hardware, software licenses and professional services. For Shoom and SAVES, we generate revenue from the sale of software licenses.

***Proposed Spin-Off of Enterprise Apps Business***

On September 25, 2022, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among Inpixon, KINS Technology Group Inc., a Delaware corporation ("KINS"), CXApp Holding Corp., a Delaware corporation and newly formed wholly-owned subsidiary of Inpixon ("CXApp"), and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS ("Merger Sub"), pursuant to which KINS will acquire Inpixon's enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the "Enterprise Apps Business") in exchange for the issuance of shares of KINS capital stock valued at $69 million (the "Business Combination").

Immediately prior to the Merger and pursuant to a Separation and Distribution Agreement, dated as of September 25, 2022, among KINS, Inpixon, CXApp and Design Reactor, Inc., a California corporation ("Design Reactor") (the "Separation Agreement"), and other ancillary conveyance documents, Inpixon will, among other things and on the terms and subject to the conditions of the Separation Agreement, transfer the Enterprise Apps Business, including certain related subsidiaries of Inpixon, including Design Reactor, to CXApp (the "Reorganization"). Following the Reorganization, Inpixon will distribute 100% of the common stock of CXApp, par value $0.00001, to certain holders of Inpixon securities as of a record date to be determined (the "Spin-Off").

Immediately following the Spin-Off, in accordance with and subject to the terms and conditions of the Merger Agreement, Merger Sub will merge with and into CXApp (the "Merger"), with CXApp continuing as the surviving company in the Merger and as a wholly-owned subsidiary of KINS.

The Spin-Off and the Merger are subject to various conditions to closing, including the effectiveness of a Registration Statement on Form S-4 filed by KINS in connection with the Business Combination and a Registration Statement on Form S-1 filed by CXApp in connection with the Spin-Off.

***Reverse Stock Split***

On October 7, 2022, the Company effected a 1-for-75 reverse stock split. See Note 27 for more details. All historical share and per share amounts reflected throughout this report have been adjusted to reflect the Reverse Stock Split.

**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 in the United States of America ("GAAP"), for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results for the full year ending December 31, 2022. These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes for the years ended December 31, 2021 and 2020 included in the annual report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 16, 2022.

**Note 3 - Summary of Significant Accounting Policies**

The Company's complete accounting policies are described in Note 2 to the Company's audited consolidated financial statements and notes for the years ended December 31, 2021 and 2020.

***Liquidity***

As of September 30, 2022, the Company has a working capital surplus of approximately $51.6 million, and cash of approximately $63.2 million. For the three and nine months ended September 30, 2022, the Company had a net loss of approximately $18.0 million and $49.9 million, respectively. During the nine months ended September 30, 2022, the Company used approximately $26.9 million of cash for operating activities.

During the first quarter of 2022, the Company was required to redeem its Series 7 Preferred Stock for an aggregate amount of $49.3 million. On March 22, 2022, the Company entered into a Securities Purchase Agreement with certain institutional investors named therein, pursuant to which it sold in a registered direct offering (i) 53,197.7234 shares of Series 8 Convertible Preferred Stock and (ii) related warrants to purchase up to an aggregate of 1,503,726 shares of common stock. Each share of Series 8 Convertible Preferred Stock and the related warrants were sold at a subscription amount of $940, representing an original issue discount of6% of the stated value of each share of Series 8 Convertible Preferred Stock for an aggregate subscription amount of $50.0 million. The net proceeds to the Company from this offering was $46.9 million after placement agent commissions and other offering costs. See further breakdown in Note 13 - Capital Raises. Effective October 1, 2022, the holders of Series 8 Convertible Preferred Stock were eligible to redeem their shares. During October 2022, the Company received cash redemption notices from the holders of the Series 8 Convertible Preferred Stock issued on March 22, 2022, totaling 45,755.72 shares of Series 8 Convertible Preferred Stock for aggregate cash paid of approximately $45.8 million.

On July 22, 2022, the Company entered into a note purchase agreement in an aggregate initial principal amount of $6.5 million for which in exchange for the Note, the company received $5.0 million. Additionally on July 22, 2022, the Company entered into an Equity Distribution Agreement (the "Sales Agreement") under which the Company may offer and sell shares of its common stock having an aggregate offering price of up to $25 million. The Company is not obligated to make any sales of the Shares under the Sales Agreement and no assurance can be given that the Company will sell any Shares under the Sales Agreement, or if it does, as to the price or amount of Shares that the Company will sell, or the date on which any such sales will take place. The Company did not make any sales pursuant to the Sales Agreement as of September 30, 2022.
On October 18, 2022, the Company entered into a Securities Purchase Agreement with an institutional investor, pursuant to which the Company agreed to issue and sell, in a registered direct offering, 253,112 shares of the Company's common stock, warrants to purchase up to3,846,153 shares of common stock at a combined offering price of $5.85 per share and pre-funded warrants to purchase up to 2,310,990 shares of common stock at a purchase price of $5.849 per pre-funded warrant, with each pre-funded warrant having an exercise price of $0.001 per share. The Company raised net proceeds of $14.2 million after deduction of sales commissions and other offering expenses.

***Risks and Uncertainties***

The Company cannot assure you that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. In order to continue our operations, we have supplemented the revenues we earned with proceeds from the sale of

**Note 3 - Summary of Significant Accounting Policies (continued)**

our equity and debt securities and proceeds from loans and bank credit lines. While the impact of the COVID-19 pandemic is generally subsiding, the lasting impact on our business and results of operations continues to remain uncertain. While we were able to continue operations remotely throughout the pandemic, we have experienced supply chain cost increases and constraints and delays in the receipt of certain components of our hardware products impacting delivery times for our products. In addition, to the extent that certain customers continue to be challenged by the lasting effects of the pandemic, including delays in returning employees to the office, we have and may continue to see an impact in the demand of certain products and delays in certain projects and customer orders.

Certain global events, such as the continued impact of the pandemic, the recent military conflict between Russia and Ukraine, market volatility and other general economic factors that are beyond our control may impact our results of operations. These factors can include interest rates; recession; inflation; unemployment trends; the threat or possibility of war, terrorism or other global or national unrest; political or financial instability; and other matters that influence our customers spending. Increasing volatility in financial markets and changes in the economic climate could adversely affect our results of operation. We also expect that supply chain interruptions and constraints, and increased costs on parts, materials and labor may continue to be a challenge for our business. While we have been able to realize growth in the nine months ended September 30, 2022 as compared to the same period in 2021, the impact that these global events will have on general economic conditions is continuously evolving and the ultimate impact that they will have on our results of operations continues to remain uncertain. There are no assurances that we will be able to continue to experience the same growth or not be materially adversely effected.

The Company's recurring losses and utilization of cash in its operations are indicators of going concern however with the Company's current liquidity position, the Company believes it has the ability to mitigate such concerns for a period of at least one year from the date these financial statements are issued.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each of the reporting periods. Actual results could differ from those estimates. The Company’s significant estimates consist of:

- the valuation of stock-based compensation;
- the valuation of the Company’s common stock issued in transactions, including acquisitions;
- the allowance for credit losses;
- the valuation of loans receivable;
- the valuation of equity securities;
- the valuation allowance for deferred tax assets; and
- impairment of long-lived assets and goodwill.

***Business Combinations***

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

***Short-term investments***

Investments with maturities greater than 90 days but less than one year are classified as short-term investments on the consolidated balance sheets and consist of U.S. Treasury Bills. Accrued interest on U.S. Treasury bills are also classified as short term investment.

Our short-term investments are considered available for use in current operations, are classified as available-for-sale securitiesAvailable for sale securities are carried at fair value, with an unrealized gains and losses included in the Other income (expense) line of the Condensed Consolidated Statements of Operations. The Company recorded zero unrealized losses for the three and

**Note 3 - Summary of Significant Accounting Policies (continued)**

nine months ended September 30, 2022, respectively. The Company recorded unrealized losses of approximately $0.1 million for each of the three and nine months ended September 30, 2021, respectively.

***Mezzanine equity***
When common or preferred shares are determined to be conditionally redeemable upon the occurrence of certain events that are not solely within the control of the issuer, and upon such event, the shares would become redeemable at the option of the holders, they are classified as 'mezzanine equity' (temporary equity). The purpose of this classification is to convey that such a security may not be permanently part of equity and could result in a demand for cash, securities or other assets of the entity in the future.

***Investment in equity securities- fair value***

Investment securities—fair value consist primarily of investments in equity securities and are carried at fair value in accordance with ASC 321, "Investments-Equity Securities". These securities are marked to market based on the respective publicly quoted market prices of the equity securities adjusted for liquidity. These securities transactions are recorded on a trade date basis. Any unrealized appreciation or depreciation on investment securities is reported in the Condensed Consolidated Statement of Operations within Unrealized Loss on Equity Securities. The Unrealized loss on equity securities for the three and nine months ended September 30, 2022 was approximately $5.9 million and $7.1 million, respectively, and for the three and nine months ended September 30, 2021 was a loss of approximately $22.3 million and $51.3 million, respectively.

***Revenue Recognition***

The Company recognizes revenue when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from software as a service, design and implementation services for its Indoor Intelligence systems, and professional services for work performed in conjunction with its systems.

*Hardware and Software Revenue Recognition*

For sales of hardware and software products, the Company's performance obligation is satisfied at a point in time when they are shipped to the customer. This is when the customer has title to the product and the risks and rewards of ownership. The delivery of products to Inpixon's customers occurs in a variety of ways, including (i) as a physical product shipped from the Company's warehouse, (ii) via drop-shipment by a third-party vendor, or (iii) via electronic delivery with respect to software licenses. The Company leverages drop-ship arrangements with many of its vendors and suppliers to deliver products to customers without having to physically hold the inventory at its warehouse. In such arrangements, the Company negotiates the sale price with the customer, pays the supplier directly for the product shipped, bears credit risk of collecting payment from its customers and is ultimately responsible for the acceptability of the product and ensuring that such product meets the standards and requirements of the customer. Accordingly, the Company is the principal in the transaction with the customer and records revenue on a gross basis. The Company receives fixed consideration for sales of hardware and software products. The Company's customers generally pay within 30 to 60 days from the receipt of a customer approved invoice. The Company has elected the practical expedient to expense the costs of obtaining a contract when they are incurred because the amortization period of the asset that otherwise would have been recognized is less than a year.

*Software As A Service Revenue Recognition*

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

*Professional Services Revenue Recognition*

The Company's professional services include milestone, fixed fee and time and materials contracts.

**Note 3 - Summary of Significant Accounting Policies (continued)**

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

Professional services are also contracted on the fixed fee and time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company's time and materials contracts are paid weekly or monthly based on hours worked. Revenue on time and material contracts is recognized based on a fixed hourly rate as direct labor hours are expended. Materials, or other specified direct costs, are reimbursed as actual costs and may include markup. The Company has elected the practical expedient to recognize revenue for the right to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date. For fixed fee contracts including maintenance service provided by in house personnel, the Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing continuous service. Because the Company's contracts have an expected duration of one year or less, the Company has elected the practical expedient in ASC 606-10-50-14(a) to not disclose information about its remaining performance obligations. Anticipated losses are recognized as soon as they become known. For the nine months ended September 30, 2022 and 2021, the Company did not incur any such losses. These amounts are based on known and estimated factors.

*License Revenue Recognition*

The Company enters into contracts with its customers whereby it grants a non-exclusive on-premise license for the use of its proprietary software. The contracts provide for either (i) a one year stated term with a one year renewal option, (ii) a perpetual term or (iii) atwo year term with the option to upgrade to a perpetual license at the end of the term. The contracts may also provide for yearly on-going maintenance services for a specified price, which includes maintenance services, designated support, and enhancements, upgrades and improvements to the software (the "Maintenance Services"), depending on the contract. Licenses for on-premises software provide the customer with a right to use the software as it exists when made available to the customer. All software provides customers with the same functionality and differ mainly in the duration over which the customer benefits from the software.

The timing of the Company's revenue recognition related to the licensing revenue stream is dependent on whether the software licensing agreement entered into represents a good or service. Software that relies on an entity's IP and is delivered only through a hosting arrangement, where the customer cannot take possession of the software, is a service. A software arrangement that is provided through an access code or key represents the transfer of a good. Licenses for on-premises software represents a good and provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premises licenses is recognized upfront at the point in time when the software is made available to the customer.

Renewals or extensions of licenses are evaluated as distinct licenses (i.e., a distinct good or service), and revenue attributed to the distinct good or service cannot be recognized until (1) the entity provides the distinct license (or makes the license available) to the customer and (2) the customer is able to use and benefit from the distinct license. Renewal contracts are not combined with original contracts, and, as a result, the renewal right is evaluated in the same manner as all other additional rights granted after the initial contract. The revenue is not recognized until the customer can begin to use and benefit from the license, which is typically at the beginning of the license renewal period. Therefore, the Company recognizes revenue resulting from renewal of licensed software at a point in time, specifically, at the beginning of the license renewal period.

The Company recognizes revenue related to Maintenance Services evenly over the service period using a time-based measure because the Company is providing continuous service and the customer simultaneously receives and consumes the benefits provided by the Company's performance as the services are performed.

*Contract Balances*

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment.

**Note 3 - Summary of Significant Accounting Policies (continued)**

Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately $3.7 million and $4.8 million as of September 30, 2022 and December 31, 2021, respectively, related to cash received in advance for product maintenance services and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for these maintenance services and professional services, and recognize the deferred revenue and related contract costs over the next twelve months.

***Stock-Based Compensation***

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

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

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

The Company incurred stock-based compensation charges of approximately $0.7 million and $1.7 million for the three months ended September 30, 2022 and 2021, respectively. The Company incurred stock-based compensation charges of approximately $3.0 million and $8.8 million for the nine months ended September 30, 2022 and 2021, respectively, which are included in general and administrative expenses. Stock-based compensation charges are related to employee compensation and related benefits.

***Net Income (Loss) Per Share***

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

The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net loss per common share for the nine months ended September 30, 2022 and 2021:

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| Options | 363,973 | 160,992 |
| Warrants | 1,737,732 | 1,285,312 |
| Convertible preferred stock | 1,503,739 | 525,345 |
| Earnout reserve | — | 147,493 |
| Total | 3,605,444 | 2,119,142 |

***Preferred Stock***

The Company relies on the guidance provided by ASC 480, "Distinguishing Liabilities from Equity", to classify certain redeemable and/or convertible instruments. Preferred shares subject to mandatory redemption are classified as liability instruments and are measured at fair value. Conditionally redeemable preferred shares (including preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain

**Note 3 - Summary of Significant Accounting Policies (continued)**

events not solely within the Company's control) are classified as temporary equity. At all other times, preferred shares are classified as permanent equity.
The Company also follows the guidance provided by ASC 815, "Derivatives and Hedging" ("ASC 815"), which states that contracts that are both, (1) indexed to its own stock and (2) classified in stockholders' equity in its statement of financial position, are not classified as derivative instruments, and to be recorded under stockholder's equity on the balance sheet of the financial statements. Management assessed the preferred stock and determined that it did meet the scope exception under ASC 815, and would be recorded as equity, and not a derivative instrument, on the balance sheet of the Company's financial statements.

***Fair Value of Financial Instruments***

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

***Recently Issued and Adopted Accounting Standards***

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06, *"Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)"* ("ASU 2020-06"). ASU 2020-06 reduces the number of models used to account for convertible instruments, amends diluted EPS calculations for convertible instruments, and amends the requirements for a contract (or embedded derivative) that is potentially settled in an entity's own shares to be classified in equity. The amendments add certain disclosure requirements to increase transparency and decision-usefulness about a convertible instrument's terms and features. Under the amendment, the Company must use the if-converted method for including convertible instruments in diluted EPS as opposed to the treasury stock method. ASU 2020-06 is effective for annual reporting periods beginning after December 15, 2023 for smaller reporting companies as defined by the SEC. Early adoption is allowed under the standard with either a modified retrospective or full retrospective method. The Company early adopted ASU 2020-06 on January 1, 2022 using the modified retrospective method. As a result of Management's evaluation, the adoption of ASU 2020-06 did not have a material impact on the consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, "Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity Classified Written Call Options'" ("ASU 2021-04"), which introduces a new way for companies to account for warrants either as stock compensation or derivatives. Under the new guidance, if the modification does not change the instrument's classification as equity, the company accounts for the modification as an exchange of the original instrument for a new instrument. In general, if the fair value of the "new" instrument is greater than the fair value of the "original" instrument, the excess is recognized based on the substance of the transaction, as if the issuer has paid cash. The effective date of the standard is for interim and annual reporting periods beginning after December 15, 2021 for all entities, and early adoption is permitted. The Company adopted ASU 2021-04 on January 1, 2022. As a result of Management's evaluation, the adoption of ASU 2021-04 did not have a material impact on the consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" ("ASU 2021-08"), which addresses diversity in practice related to the accounting for revenue contracts with customers acquired in a business combination. Under the new guidance, the acquirer is required to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The effective date of the standard is for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2021-08 on January 1, 2022. As a result of Management's evaluation, the adoption of ASU 2021-08 did not have a material impact on the consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832)" ("ASU 2021-10"), which provides guidance on disclosing government assistance. Under the new guidance, the Company is required to including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on the entity's financial statements. The effective date of the standard is for annual periods beginning after December 15, 2021. The Company

**Note 3 - Summary of Significant Accounting Policies (continued)**

adopted ASU 2021-10 on January 1, 2022. As a result of Management's evaluation, the adoption of ASU 2021-10 did not have a material impact on the consolidated financial statements.

**Note 4 - Disaggregation of Revenue**

***Disaggregation of Revenue***

The Company recognizes revenue when control is transferred of the promised products or services to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. The Company derives revenue from software as a service, design and implementation services for its Indoor Intelligence systems, and professional services for work performed in conjunction with its systems recognition policy. Revenues consisted of the following (in thousands):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Recurring revenue** | | | | |
| Hardware | $ — | $ 3 | $ — | $ 3 |
| Software | 2,365 | 1,971 | 7,055 | 5,093 |
| Professional services | — | — | — | 35 |
| **Total recurring revenue** | $ 2,365 | $ 1,974 | $ 7,055 | $ 5,131 |
| **Non-recurring revenue** | | | | |
| Hardware | $ 751 | $ 1,031 | $ 2,447 | $ 2,244 |
| Software | 351 | 781 | 1,116 | 1,390 |
| Professional services | 710 | 664 | 3,515 | 2,092 |
| **Total non-recurring revenue** | $ 1,812 | $ 2,476 | $ 7,078 | $ 5,726 |
| **Total Revenue** | $ 4,177 | $ 4,450 | $ 14,133 | $ 10,857 |

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Revenue recognized at a point in time** | | | | |
| Indoor Intelligence (1) | $ 829 | $ 2,167 | $ 2,524 | $ 3,382 |
| SAVES (1) | 272 | 309 | 1,038 | 917 |
| Shoom (1) | — | — | — | — |
| **Total** | $ 1,101 | $ 2,476 | $ 3,562 | $ 4,299 |
| **Revenue recognized over time** | | | | |
| Indoor Intelligence (2) (3) | $ 2,241 | $ 1,067 | $ 8,011 | $ 3,739 |
| SAVES (3) | 318 | 405 | 1,012 | 1,312 |
| Shoom (3) | 517 | 502 | 1,548 | 1,507 |
| **Total** | $ 3,076 | $ 1,974 | $ 10,571 | $ 6,558 |
| **Total Revenue** | $ 4,177 | $ 4,450 | $ 14,133 | $ 10,857 |

(1) Hardware and Software's performance obligation is satisfied at a point in time where when they are shipped to the customer.

(2) Professional services are also contracted on the fixed fee and time and materials basis. Fixed fees are paid monthly, in phases, or upon acceptance of deliverables. The Company has elected the practical expedient to recognize revenue for the right

**Note 4 - Disaggregation of Revenue (continued)**

to invoice because the Company's right to consideration corresponds directly with the value to the customer of the performance completed to date, in which revenue is recognized over time.

(3) Software As A Service Revenue's performance obligation is satisfied evenly over the service period using a time-based measure because the Company is providing continuous access to its service and service is recognized overtime.

**Note 5 – CXApp Acquisition**

On March 3, 2022, we entered into a Second Amendment to that certain Stock Purchase Agreement, dated as of April 30, 2021 (the "CXApp Stock Purchase Agreement"), by and among the Company, Design Reactor, Inc. (the "CXApp") and the holders of the outstanding capital stock of CXApp (the "Sellers") with the Sellers' Representative (as defined in the CXApp Stock Purchase Agreement), pursuant to which the parties agreed that withholding taxes payable by certain of the Sellers, as applicable, in connection with the issuance of the Earnout Shares (as defined in the CXApp Purchase Agreement) would be offset up to the aggregate amount payable to such Seller by the Company from the Holdback Amount (as defined in the CXApp Purchase Agreement) and the Holdback Amount would be reduced by an equal amount. On March 3, 2022, the Company issued 144,986 shares of common stock to the Sellers in connection with the satisfaction of the Earnout Payment (as defined in the CXApp Purchase Agreement). The fair market value of the Earnout Shares issued was lower than the fair market value of the Earnout Shares as of December 31, 2021, and therefore the Company recorded a benefit of $2.8 million for the nine months ended September 30, 2022, which is included in the General and Administrative costs of the condensed consolidated statements of operations.

**Note 6 - Proforma Financial Information**

***CXApp Proforma Financial Information***

The following unaudited proforma financial information presents the consolidated results of operations of the Company and the CXApp for the nine months ended September 30, 2021, as if the acquisition had occurred as of the beginning of the first period presented instead of on April 30, 2021. 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.

The proforma financial information for Game Your Game, Visualix and IntraNav have not been presented as it is deemed immaterial.

The proforma financial information for the Company and the CXApp is as follows (in thousands):

| | For the Nine Months Ended September 30, 2021 | |
|---|---|---|
| Revenues | $ | 12,707 |
| Net income (loss) attributable to common stockholders | $ | (32,503) |
| Net income (loss) per basic and diluted common share | $ | (21.84) |
| Weighted average common shares outstanding: | | |
| Basic and Diluted | | 1,487,975 |

**Note 7- Goodwill and Intangibles**

**Goodwill:**

The following table summarizes the changes in the carrying amount of Goodwill for the nine months ended September 30, 2022 (in thousands):

| Segments | Acquisitions | Balance as of January 1, 2022 | Goodwill additions through acquisitions | Impairment | Exchange rate fluctuations as of September 30, 2022 | Balance as of September 30, 2022 |
|---|---|---|---|---|---|---|
| **SAVES** | Systat | $ 695 | $ — | $ (695) | $ — | $ — |
| **Indoor Intelligence** | GTX | 1 | — | (1) | — | — |
| | Nanotron | 1,119 | — | (1,035) | (84) | — |
| | Jibestream | 480 | — | (474) | (6) | — |
| | CXApp | 5,066 | — | (5,066) | — | — |
| | Game Your Game | 152 | — | (152) | — | — |
| | IntraNav | 159 | — | (147) | (12) | — |
| | Total | $ 7,672 | $ — | $ (7,570) | (102) | $ — |

The Company reviews goodwill for impairment on a reporting unit basis on December 31 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The Company's goodwill balance and other assets with indefinite lives were evaluated for potential goodwill impairment on a reporting unit basis during the period ended June 30, 2022 as certain indications on a qualitative and a quantitative basis were identified that an impairment exists as of the reporting date primarily from a sustained decrease in their stock price.

The Company utilized a mix of both the income and market approaches in determining the fair value of the reporting units. The Company noted that 50% weight was attributed to the income approach and 50% was attributed to the market approach. During the nine months ended September 30, 2022, the Company recognized approximately $7.6 million of goodwill impairment on Systat, GTX, Nanotron, Jibestream, CXApp, Game Your Game, and IntraNav. As of September 30, 2022, the Company's cumulative impairment charges are approximately $31.0 million with approximately $29.1 million related to the Indoor Intelligence reporting unit, approximately $1.2 million related to the Shoom reporting unit and approximately $0.7 million related to the SAVES reporting unit. As of December 31, 2021, the Company's cumulative goodwill impairment charges were approximately $23.4 million with approximately $22.2 million related to the Indoor Intelligence reporting unit and approximately $1.2 million related to the Shoom reporting unit.

Intangibles assets at September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

**Note 7- Goodwill and Intangibles (continued)**

| | Gross Carrying Amount | | Accumulated Amortization Amount | | Remaining Weighted Average Useful Life |
|---|---|---|---|---|---|
| | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 | |
| IP Agreement | $ 148 | $ 172 | $ (74) | $ (54) | 2.00 |
| Trade Name/Trademarks | 3,573 | 3,602 | (1,217) | (662) | 3.58 |
| Webstores & Websites | 404 | 404 | (224) | (123) | 1.33 |
| Customer Relationships | 8,984 | 9,294 | (2,387) | (1,440) | 5.19 |
| Developed Technology | 21,584 | 22,175 | (4,712) | (3,010) | 7.78 |
| Non-compete Agreements | 4,222 | 4,786 | (2,127) | (1,666) | 1.75 |
| **Totals** | **$ 38,915** | **$ 40,433** | **$ (10,741)** | **$ (6,955)** | |

**Amortization Expense:**

Amortization expense for the three and nine months ended September 30, 2022 was approximately $1.5 million and $4.6 million, respectively, and for the three and nine months ended September 30, 2021 was approximately $1.7 million and $3.6 million, respectively.

**Note 7- Goodwill and Intangibles (continued)**

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

| | Amount |
|---|---|
| December 31, 2022 (for 3 months) | $ 1,514 |
| December 31, 2023 | 5,852 |
| December 31, 2024 | 4,920 |
| December 31, 2025 | 4,299 |
| December 31, 2026 and thereafter | 11,589 |
| | $ 28,174 |

**Note 8 - Inventory**

Inventory as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

| | As of September 30, 2022 | As of December 31, 2021 |
|---|---|---|
| Raw materials | $ 369 | $ 163 |
| Work-in-process | 433 | 539 |
| Finished goods | 1,900 | 1,274 |
| Inventory | $ 2,702 | $ 1,976 |

**Note 9 - Investments in Equity Securities**

Investment securities—fair value consist of investments in the Company's investment in shares and rights of equity securities.The composition of the Company's investment securities—fair value was as follows (in thousands):

| | As of September 30, 2022 | |
|---|---|---|
| | Cost | Fair Value |
| Investments in equity securities- fair value | | |
| Equity shares | $ 54,237 | $ 1,115 |
| Equity rights | 11,064 | 9 |
| Total investments in equity securities- fair value | $ 65,301 | $ 1,124 |

On April 27, 2022, the Company purchased a 10% convertible note in aggregate principal amount of $6,050,000 for a purchase price of $5,500,000 from FOXO Technologies Operating Company, formerly FOXO Technologies Inc. ("FOXO Legacy"), pursuant to the terms of a securities purchase agreement between FOXO Legacy and the Company (the "April 2022 Purchase Agreement"). Interest on the convertible note accrues at 12% per annum. The term of the convertible note is twelve months, however FOXO Legacy has the ability to extend the maturity date for an additional 3 months. The convertible note is subject to certain conversion features which include qualified financing, and/or qualified transaction, as defined in the April 2022 Purchase Agreement. The Company can voluntarily convert the note after 270 days. The note is required to convert upon FOXO Legacy completing a qualified offering.

On September 15, 2022, FOXO Legacy consummated a business combination with Delwinds Insurance Acquisition Corp., now known as FOXO Technologies Inc. ("FOXO"), which qualified as a qualified offering as defined in the April 2022 Purchase Agreement. This qualified offering triggered a mandatory conversion of the convertible note to FOXO Legacy common stock which was then automatically converted into 891,124 shares of FOXO Class A common stock, par value $0.0001 ("FOXO common stock") upon closing of the business combination. The Company recognized an unrealized gain on conversion of $0.8 million to be recognized on the income statement for the three and nine months ended September 30, 2022.

FOXO common stock is traded in active markets, as the security is trading under “FOXO” on the NYSE American. FOXO common stock is accounted for as available-for-sale equity securities based on “Level1” inputs, which consist of quoted prices in active markets, with unrealized holding gains and losses included in earnings. The fair value was determined by the closing trading price of the security as of September 30, 2022. The Company recognized an unrealized loss on FOXO common stock of $5.3 million to be recognized on the income statement for the three and nine months ended September 30, 2022.

For the three months ended September 30, 2022 and 2021, inclusive of the FOXO transactions above, the Company recognized a net unrealized (gain) loss on equity securities of $5.9 million and $22.3 million, respectively, and $7.1 million and $51.3 million for the nine months ended September 30, 2022 and 2021, respectively, in the other income/expense section of the condensed consolidated statements of operations.

**Note 10 - Other Long Term Investments**

In 2020, the Company paid $1.8 million for 600,000 Class A Units and 2,500,000 Class B Units of Cardinal Venture Holdings LLC (“CVH”). The Company is a member of CVH. CVH owns certain interests in KINS Capital, LLC, the sponsor entity (the “Sponsor”) to KINS Technology Group Inc., a Delaware corporation and special purpose acquisition company with which the Company anticipates entering into the Business Combination (see “Proposed Spin-Off of our Enterprise Apps Business” under Note 1 above and “Recent Events - Proposed Spin-Off of our Enterprise Apps Business” section under Part I, Item 2 herein for more details). The $1.8 million purchase price was paid on October 12, 2020 and therefore is the date the purchase of the Units was closed. On December 16, 2020, the Company increased its capital contribution by $0.7 million in exchange for an additional 700,000 Class B Units. The capital contribution was used by CVH to fund the Sponsor's purchase of securities in KINS. The underlying subscription agreement provides that each Class A Unit and each Class B Unit represents the right of the Company to receive any distributions made by the Sponsor on account of the Class A Interests and Class B Interests, respectively, of the Sponsor.

The Company generally records its share of earnings in its equity method investments using a three-month lag methodology and within net investment income. During the period January 1, 2021 to December 31, 2021 and January 1, 2022 to September 30, 2022, CVH had no operating results as CVH is a holding company. CVH only contains units and has not been allocated shares of KINS, therefore CVH is not allocating any portion of income or expense incurred by KINS. As such, there was no share of earnings recognized by the Company in its statement of operations on its proportional equity investment.

The following component represents components of Other long-term investments as of September 30, 2022:

| | Ownership interest as of September 30, 2022 | Instrument Held |
|---|---|---|
| **Investee** | | |
| CVH Class A | 14.1 % | Units |
| CVH Class B | 38.4 % | Units |

Inpixon’s investment in equity method eligible entities are represented on balance sheet as an asset of $2.5 million as of September 30, 2022 and December 31, 2021. Ownership interest in equity method eligible entities did not change from the year ended December 31, 2021 to September 30, 2022.

On July 1, 2022, the Company loaned $150,000 to CVH. The loan bears no interest and is due and payable in full on the earlier of: (i) the date by which KINS has to complete a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (a “business combination”), and (ii) immediately prior to the date of consummation of the business combination of KINS, unless accelerated upon the occurrence of an event of default. Nadir Ali, the Company’s Chief Executive Officer and director, is also a member in CVH through 3AM, LLC, which is a member of CVH, and which may, in certain circumstances, be entitled to manage the affairs of CVH.

**Note 11 - Accrued Liabilities**

Accrued liabilities as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

| | As of September 30, 2022 | As of December 31, 2021 |
|---|---|---|
| Accrued compensation and benefits | $ 1,186 | $ 8,027 |
| Accrued interest expense | 1,341 | 1,012 |
| Accrued bonus and commissions | 830 | 597 |
| Accrued other | 863 | 707 |
| Accrued sales and other indirect taxes payable | 150 | 322 |
| | **$ 4,370** | **$ 10,665** |

**Note 12 - Debt**

Debt as of September 30, 2022 and December 31, 2021 consisted of the following (in thousands):

| Short-Term Debt | Maturity | September 30, 2022 | December 31, 2021 |
|---|---|---|---|
| March 2020 10% Note | 3/18/2023 | $ 58 | $ 3,251 |
| Streeterville Note, less debt discount of $1,123 and zero, respectively. | 7/22/2023 | $ 5,343 | — |
| Third Party Note Payable | 12/31/2022 | $ 778 | 239 |
| **Total Short-Term Debt** | | **$ 6,179** | **$ 3,490** |

Interest expense on the short-term debt totaled approximately $0.2 million and $1.4 million for the three months ended September 30, 2022 and 2021, respectively, and approximately $0.4 million and $2.0 million for the nine months ended September 30, 2022 and 2021, respectively, which was amortized to interest expense from the combined amortization of deferred financing costs and note discounts recorded at issuance for the Short Term Debt.

***Notes Payable***

***March 2020 10% Note Purchase Agreement and Promissory Note***

On March 18, 2020, the Company entered into a note purchase agreement with Iliad Research and Trading, L.P. ("Iliad"), pursuant to which the Company agreed to issue and sell to the holder an unsecured promissory note (the "March 2020 10% Note") in an aggregate initial principal amount of $6.5 million, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount includes an original issue discount of $1.5 million and $0.02 million that the Company agreed to pay to the holder to cover the holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs.

In exchange for the March 2020 10% Note, the holder paid an aggregate purchase price of $5.0 million. Interest on the March 2020 10% Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the March 2020 10% Note. The Company may pay all or any portion of the amount owed earlier than it is due; provided, that in the event the Company elects to prepay all or any portion of the outstanding balance, it shall pay to the holder 115% of the portion of the outstanding balance the Company elects to prepay.

Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the March 2020 10% Note is paid in full, the holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the March 2020 10% Note each month by providing written notice delivered to the Company; provided, however, that if the holder does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the holder to redeem in any future month in addition to such future month's monthly redemption amount.

Upon receipt of any monthly redemption notice, the Company shall pay the applicable monthly redemption amount in cash to the holder within five business days of the Company's receipt of such Monthly Redemption Notice. The March 2020 10% Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings, the

**Note 12- Debt (continued)**

holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the March 2020 10% Note to be immediately due and payable. Upon the occurrence of a bankruptcy-related event of default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the March 2020 10% Note will become immediately due and payable at the mandatory default amount. On September 17, 2020, the Company amended the one time monitoring fee applicable in the event the note was outstanding on the date that was 6 months from the issuance date, from 10% to 5% which was added to the March 2020 10% Note balance. On March 17, 2021, the Company extended the maturity date of the March 2020 10% Note from March 18, 2021 to March 18, 2022.

On February 11, 2021, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to $1.5 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by $1.5 million; and (ii) exchange the partitioned note for the delivery of 11,919 shares of the Company's common stock, at an effective price per share equal to $125.85. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and recorded approximately a $30,000 loss on the exchange of debt for equity as a separate item in the other income/expense section of the condensed consolidated statements of operations for nine months ended September 30, 2021.

The Company entered into an exchange agreement with Iliad which afforded a free trading date of July 1, 2021, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to $1.0 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by $1.0 million; and (ii) exchange the partitioned note for the delivery of 11,696 shares of the Company's common stock, at an effective price per share equal to $85.50. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On February 1, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to $0.5 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by $0.5 million; and (ii) exchange the partitioned note for the delivery of 15,889 shares of the Company's common stock, at an effective price per share equal to $31.47. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On February 18, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to $0.4 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by $0.4 million; and (ii) exchange the partitioned note for the delivery of 12,885 shares of the Company's common stock, at an effective price per share equal to $27.17. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On March 15, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to $0.7 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by $0.7 million; and (ii) exchange the partitioned note for the delivery of 28,698 shares of the Company's common stock, at an effective price per share equal to $22.65. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

Effective as of March 16, 2022, we entered into a third amendment (the "Third Amendment") to the Original Note which was accounted for as a modification. Pursuant to the terms of the Third Amendment, the maturity date of the Original Note was extended from March 18, 2022 to March 18, 2023 (the "Maturity Date Extension"). In exchange for the Maturity Date Extension, we agreed to pay a 2% extension fee in the amount of approximately $56,860 (the "Extension Fee"), which was added to the outstanding balance of the Original Note.

On May 17, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to approximately $0.3 million and

**Note 12- Debt (continued)**

then cause the outstanding balance of the March 2020 10% Note to be reduced by approximately $0.3 million; and (ii) exchange the partitioned note for the delivery of 15,256 shares of the Company's common stock, at an effective price per share equal to $16.50. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On May 31, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to approximately $0.3 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by approximately $0.3 million; and (ii) exchange the partitioned note for the delivery of 19,806 shares of the Company's common stock, at an effective price per share equal to $12.75. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On July 1 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to approximately $0.4 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by approximately $0.4 million; and (ii) exchange the partitioned note for the delivery of 32,074 shares of the Company's common stock, at an effective price per share equal to $10.91. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On July 11, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to approximately $0.4 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by approximately $0.4 million; and (ii) exchange the partitioned note for the delivery of 33,949 shares of the Company's common stock, at an effective price per share equal to $11.78. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On August 4, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to approximately $0.3 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by approximately $0.3 million; and (ii) exchange the partitioned note for the delivery of 25,691 shares of the Company's common stock, at an effective price per share equal to $11.68. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

On September 9, 2022, the Company entered into an exchange agreement with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition a new promissory note in the form of the March 2020 10% Note equal to approximately $0.2 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by approximately $0.2 million; and (ii) exchange the partitioned note for the delivery of 19,871 shares of the Company's common stock, at an effective price per share equal to $10.07. The Company analyzed the exchange of the principal under the March 2020 10% Note as an extinguishment and compared the net carrying value of the debt being extinguished to the reacquisition price (shares of common stock being issued) and there was no loss on the exchange for debt for equity.

***July 2022 Note Purchase Agreement and Promissory Note***

On July 22, 2022, the Company entered into a note purchase agreement (the "Purchase Agreement") with Streeterville Capital, LLC (the "Holder"), pursuant to which the Company agreed to issue and sell to the Holder an unsecured promissory note (the "Note") in an aggregate initial principal amount of $6.5 million (the "Initial Principal Amount"), which is payable on or before the date that is 12 months from the issuance date (the "Maturity Date"). The Initial Principal Amount includes an original issue discount of $1.5 million and $0.02 million that the Company agreed to pay to the Holder to cover the Holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the Note, the Holder paid an aggregate purchase price of $5.0 million (the "Transaction"). Interest on the Note accrued at a rate of 10% per annum, which is payable on the maturity date. Beginning on the date that is 6 months from the issue date and at the intervals indicated below until the

**Note 12- Debt (continued)**

Note is paid in full, the Holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the Note for cash each month.

**Third Party Note Payable**

Game Your Game entered into promissory notes with an individual whereby it received approximately $0.2 million on October 29, 2021, approximately $0.2 million on January 18, 2022, approximately $0.1 million on March 22, 2022, approximately $0.1 million on August 17, 2022, and approximately $0.1 million on September 21, 2022 for funding of outside liabilities and working capital needs. All of the promissory notes have an interest rate of 8% and are due on or before December 31, 2022. As of September 30, 2022, the balance owed under the notes was $0.8 million.

**Note 13 - Capital Raises**

***Registered Direct Offerings***

On January 24, 2021, the Company entered into a securities purchase agreement with an institutional investor, pursuant to which it sold in a registered direct offering, 77,334 shares of its common stock, and 5-year warrants to purchase up to 258,065 shares of common stock at an exercise price of $116.25 per share (the "January 2021 Purchase Warrants") for a combined purchase price of $116.25 per share and pre-funded warrants to purchase up to 180,732 shares of common stock ("January 2021 Pre-funded Warrants") at an exercise price of $0.08 per share, at a purchase price of $116.18 per share for net proceeds of approximately $27.8 million. The January 2021 Pre-funded Warrants were exercised in full as of February 8, 2021. In addition, the investor exercised its purchase rights for 40,000 shares of common stock pursuant to the January 2021 Purchase Warrant on February 11, 2021. In January 2022, the January 2021 Purchase Warrants were exchanged for shares of the Company's common stock in connection with the Warrant Exchange (as defined below). See Note 14 - Common Stock.

On February 12, 2021, the Company entered into a securities purchase agreement with an institutional investor, pursuant to which it sold in a registered direct offering, 93,334 shares of its common stock, and 5-year warrants to purchase up to 200,000 shares of common stock at an exercise price of $150.00 per share (the "First February 2021 Purchase Warrants") for a combined purchase price of $150.00 per share and pre-funded warrants to purchase up to 106,667 shares of common stock ("First February 2021 Pre-funded Warrants") at an exercise price of $0.08 per share, at a purchase price of $149.93 per share for net proceeds of approximately $27.8 million. The First February 2021 Pre-funded warrants were exercised in full as of February 18, 2021. In January 2022, the February 2021 Purchase Warrants were exchanged for shares of the Company's common stock in connection with the Warrant Exchange. See Note 14 - Common Stock.

On February 16, 2021, the Company entered into a securities purchase agreement with an institutional investor, pursuant to which the Company sold in a registered direct offering, 40,000 shares of its common stock, and 5-year warrants to purchase up to 132,670 shares of common stock at an exercise price of $150.75 per share (the "Second February 2021 Purchase Warrants") for a combined purchase price of $150.75 per share and pre-funded warrants to purchase up to 92,670 shares of common stock ("Second February 2021 Pre-funded Warrants") at an exercise price of $0.08 per share, at a purchase price of $150.68 per share for net proceeds of $18.5 million after deducting placement agent commissions and offering expenses. The Second February 2021 Pre-funded warrants were exercised in full as of March 1, 2021. In January 2022, the Second February 2021 Purchase Warrants were exchanged for shares of the Company's common stock in connection with the Warrant Exchange. See Note 14 - Common Stock.

On September 13, 2021, the Company entered into a securities purchase agreement with certain institutional investors named therein, pursuant to which the Company sold in a registered direct offering (i) 58,750 shares of Series 7 Convertible Preferred Stock and (ii) related warrants to purchase up to an aggregate of 626,667 shares of common stock. Each share of Series 7 Convertible Preferred Stock and the related Warrants were sold at a subscription amount of $920, representing an original issue discount of 8% of the stated value of each share of Series 7 Convertible Preferred Stock for an aggregate subscription amount of $54.1 million. In connection with this offering, the Company filed a Certificate of Designation for the Series 7 Convertible Preferred Stock with the Nevada Secretary of State. The Company has authorized the issuance of 5,000,000 shares of preferred stock, of which none were issued and outstanding as of September 30, 2022. Each share of Series 7 Convertible Preferred Stock has a par value of $0.001 per share and stated value of $1,000 per share. The shares of Series 7 Convertible Preferred Stock are convertible into shares of the Company's common stock, at a conversion price of $93.75 per share. Each share of Series 7 Convertible Preferred Stock is entitled to receive cumulative dividends, payable in the same form as dividends paid on shares of

**Note 13- Capital Raises (continued)**

the Company's common stock. At any time beginning on the 6-month anniversary of the date the shares of Series 7 Convertible Preferred Stock are issued and ending 90 days thereafter, the holders of the Series 7 Convertible Preferred Stock have the right to redeem all or part of the shares held by such holder in cash for the redemption price equal to the stated value of such share, plus all accrued but unpaid dividends thereon and all liquidated damages and other costs, expenses or amounts due. Upon redemption, the holder of the Series 7 Convertible Preferred Stock will forfeit 75% of the warrants issued in connection therewith. The holders of the Series 7 Convertible Preferred Stock are entitled to vote together with all other classes and series of stock of the Company as a single class on all actions to be taken by the stockholders of the Company. The Series 7 Convertible Preferred Stock and related warrants subject to forfeiture are recorded as Mezzanine Equity in the accompanying balance sheets as the holder has the option to redeem these shares for cash and the warrants are an embedded feature for the Series 7 Convertible Preferred Stock. The remaining warrants that are not subject to forfeiture are recorded within Stockholders' Equity as the remaining warrants are classified as freestanding instruments The aggregate net proceeds from the offering, after deducting the placement agent fees and other estimated offering expenses, were approximately $50.6 million. All of the shares of Series 7 Convertible Preferred Stock were redeemed in March 2022 and 75% of the related warrants were forfeited. See Note 15 for Preferred Stock and Note 18 for Warrant details.

On March 22, 2022, the Company entered into a Securities Purchase Agreement with certain institutional investors named therein, pursuant to which the Company sold in a registered direct offering (i) 53,197.7234 shares of Series 8 Convertible Preferred Stock and (ii) related warrants to purchase up to an aggregate of1,503,726 shares of common stock. Each share of Series 8 Convertible Preferred Stock and the related Warrants were sold at a subscription amount of $940, representing an original issue discount of6% of the stated value of each share of Series 8 Convertible Preferred Stock for an aggregate subscription amount of $50.0 million. In connection with this offering, the Company filed a Certificate of Designation for the Series 8 Convertible Preferred Stock with the Nevada Secretary of State. Each share of Series 8 Convertible Preferred Stock has a par value of $0.001 per share and stated value of $1,000 per share. The shares of Series 8 Convertible Preferred Stock are convertible into shares of the Company's common stock, at a conversion price of $35.38 per share. Each share of Series 8 Convertible Preferred Stock is entitled to receive cumulative dividends, payable in the same form as dividends paid on shares of the Company's common stock. At any time beginning on October 1, 2022 and ending ninety 90 days thereafter, the holders of the Series 8 Convertible Preferred Stock have the right to redeem all or part of the shares held by such holder in cash for the redemption price equal to the stated value of such share, plus all accrued but unpaid dividends thereon and all liquidated damages and other costs, expenses or amounts due. Upon redemption, the holder of the Series 8 Convertible Preferred Stock will forfeit 50% of the warrants issued in connection therewith. The holders of the Series 8 Convertible Preferred Stock shall vote together with all other classes and series of stock of the Company as a single class on all actions to be taken by the stockholders of the Company. The Series 8 Convertible Preferred Stock and related warrants subject to forfeiture are recorded as Mezzanine Equity in the accompanying balance sheets as the holder has the option to redeem these shares for cash and the warrants are an embedded feature for the Series 8 Convertible Preferred Stock. The remaining warrants that are not subject to forfeiture are recorded within Stockholders' Equity as the remaining warrants are classified as freestanding instruments containing a total value of $5.6 million. The aggregate net proceeds from the offering, after deducting the placement agent fees and other estimated offering expenses, were approximately $46.9 million. See **Note 15** for Preferred Stock and Note 18 for Warrant details. During October 2022, the Company received cash redemption notices from the holders of the Series 8 Convertible Preferred Stock issued on March 22, 2022, totaling 45,755.72 shares of Series 8 Convertible Preferred Stock for aggregate cash paid of approximately $45.8 million.

Between March 15, 2022 and March 22, 2022, the Company received cash redemption notices from the holders of the Series 7 Convertible Preferred Stock issued on September 15, 2021, totaling 49,250 shares of Series 7 Convertible Preferred Stock for aggregate cash required to be paid of approximately $49.3 million. In addition, in accordance with the related purchase agreement, upon redemption of the Series 7 Convertible Preferred Stock, each holder forfeited 75% of the related warrants that were issued. Therefore, as of March 22, 2022, 49,250 shares of Series 7 Convertible Preferred Stock were redeemed and 394,000 related warrants were forfeited. The Company noted about 71% of the Series 7 Preferred Stock holders that redeemed shares also participated as Series 8 Convertible Preferred Stock holders ("shared holders"). The Company accounted for proceeds of the shared holders as a modification to the Series 7 and Series 8 Convertible Preferred Stock, as well as the related embedded warrants. The total change in fair value as a result of modification related to the Preferred Stock amounted to $2.6 million which were recognized as a deemed dividend at the date of the modification, upon which will be amortized until the redemption period begins on October 1, 2022. The total change in fair value as a result of modification related to the embedded warrants amounted to $1.5 million which was recognized as a deemed contribution at the date of the modification, upon which will be accreted until the redemption period begins on October 1, 2022.

**Note 13- Capital Raises (continued)**

On July 22, 2022, the Company entered into an Equity Distribution Agreement (the "Sales Agreement") with Maxim Group LLC (“Maxim”) under which the Company may offer and sell shares of its common stock having an aggregate offering price of up to $25 million (the “Shares”) from time to time through Maxim, acting exclusively as the Company’s sales agent (the “Offering”). The Company intends to use the net proceeds of the Offering primarily for working capital and general corporate purposes. The Company is not obligated to make any sales of the Shares under the Sales Agreement and no assurance can be given that the Company will sell any Shares under the Sales Agreement, or if it does, as to the price or amount of Shares that the Company will sell, or the date on which any such sales will take place.

**Note 14 - Common Stock**

On January 28, 2022, the Company entered into an exchange agreement with the holder of certain existing warrants of the Company which were exercisable for an aggregate of 657,402 shares of the Company's common stock. Pursuant to the exchange agreement, the Company agreed to issue to the warrant holder an aggregate of184,153 shares of common stock and rights to receive an aggregate of 52,513 shares of common stock in exchange for the existing warrants (the "Warrant Exchange").

On February 19, 2022, 12,802 shares of common stock issued in connection with restricted stock grants were withheld for employee taxes.

On March 3, 2022, the Company issued 144,986 shares of common stock to the sellers of the CXApp in connection with the satisfaction of an earnout payment. See Note 5.

During the three months ended March 31, 2022, the Company issued57,472 shares of common stock under exchange agreements to settle outstanding balances totaling approximately $1.5 million under partitioned notes.

During the three months ended June 30, 2022, the Company issued35,062 shares of common stock under exchange agreements to settle outstanding balances totaling approximately $0.5 million under partitioned notes. See **Note 12**.

During the three months ended September 30, 2022, the Company issued111,585 shares of common stock under exchange agreements to settle outstanding balances totaling approximately $1.3 million under partitioned notes. **Note 12**.

**Note 15 - Preferred Stock**

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

**Series 4 Convertible Preferred Stock**

On April 20, 2018, the Company filed with the Secretary of State of the State of Nevada the Certificate of Designation that created the Series 4 Convertible Preferred Stock ("Series 4 Preferred"), authorized 10,415 shares of Series 4 Preferred and designated the preferences, rights and limitations of the Series 4 Preferred. The Series 4 Preferred is non-voting (except to the extent required by law) and was convertible into the number of shares of common stock, determined by dividing the aggregate stated value of the Series 4 Preferred of $1,000 per share to be converted by $16,740.

As of September 30, 2022, there was 1 share of Series 4 Preferred outstanding.

**Series 5 Convertible Preferred Stock**

On January 14, 2019, the Company filed with the Secretary of State of the State of Nevada the Certificate of Designation that created the Series 5 Convertible Preferred Stock, authorized 12,000 shares of Series 5 Convertible Preferred Stock and designated the preferences, rights and limitations of the Series 5 Convertible Preferred Stock. The Series 5 Convertible Preferred Stock is non-voting (except to the extent required by law). The Series 5 Convertible Preferred Stock is convertible into the number of shares of common stock, determined by dividing the aggregate stated value of the Series 5 Convertible Preferred Stock of $1,000 per share to be converted by $11,238.75.

As of September 30, 2022, there were 126 shares of Series 5 Convertible Preferred Stock outstanding.

**Series 7 Convertible Preferred Stock**

On September 13, 2021, the Company filed a Certificate of Designation with the Secretary of State of the State of Nevada, amending the Company's Articles of Incorporation, as amended, to establish the Series 7 Convertible Preferred Stock, consisting of 58,750 authorized shares, $0.001 par value per share and $1,000 stated value per share. The holders of the Series

**Note 15- Preferred Stock (continued)**

7 Convertible Preferred Stock have full voting rights and powers, except as otherwise required by the Articles of Incorporation, as amended, or applicable law. The holders of Series 7 Convertible Preferred Stock are entitled to vote together with all other classes and series of stock of the Company as a single class on all actions to be taken by the stockholders of the Company. Each holder of the Series 7 Convertible Preferred Stock is entitled to the number of votes equal to the number of shares of common stock into which the Series 7 Convertible Preferred Stock then held by such holder could be converted on the record date for the vote which is being taken, provided, however, that the voting power of a holder together with its Attribution Parties (as defined in the Certificate of Designation), may not exceed 19.99% (or such greater percentage allowed by the Nasdaq Listing Rules without any shareholder approval requirements). The Series 7 Convertible Preferred Stock is convertible into the number of shares of common stock, determined by dividing the aggregate stated value of the Series 7 Convertible Preferred Stock of $1,000 per share to be converted by $93.75.

On September 13, 2021, the Company entered into a securities purchase agreement with certain institutional investors named therein, pursuant to which the Company agreed to issue and sell in a registered direct offering (i) up to 58,750 shares of Series 7 Convertible Preferred Stock and (ii) related warrants to purchase up to an aggregate of 626,667 shares of common stock (the "Warrants"). Each share of Series 7 Convertible Preferred Stock and the related Warrants were sold at a subscription amount of $ 920, representing an original issue discount of 8% of the stated value for an aggregate subscription amount of $54.1 million. The shares of Series 7 Convertible Preferred Stocks are recorded as Mezzanine Equity in the accompanying balance sheets as the holder has the option to redeem these shares for cash. The aggregate net proceeds from the offering, after deducting the placement agent fees and other estimated offering expenses, was approximately $50.6 million. The Company has elected to accrete the issuance costs, discount, and freestanding warrants through the date shares can be first be redeemed at the option of the holders, which is the sixth month anniversary of the original issuance date using the effective interest method.

During the year ended December 31, 2021, 9,500 shares of Series 7 Convertible Preferred Stock were converted into 101,334 shares of the Company's common stock.

Between March 15, 2022 and March 22, 2022, the Company received cash redemption notices from the holders of the Series 7 Convertible Preferred Stock issued on September 15, 2021, totaling 49,250 shares of Series 7 Convertible Preferred Stock for aggregate cash paid of approximately $49.3 million.

As of September 30, 2022, there were zero shares of Series 7 Convertible Preferred Stock outstanding.

**Series 8 Convertible Preferred Stock**

On March 22, 2022, the Company filed a Certificate of Designation with the Secretary of State of the State of Nevada, amending the Company's Articles of Incorporation, as amended, by establishing the Series 8 Convertible Preferred Stock, consisting of 53,197.7234 authorized shares, $0.001 par value per share and $1,000 stated value per share. The holders of the Series 8 Convertible Preferred Stock have full voting rights and powers, except as otherwise required by the Articles of Incorporation, as amended, or applicable law. The holders of Series 8 Convertible Preferred Stock are entitled to vote together with all other classes and series of stock of the Company as a single class on all actions to be taken by the stockholders of the Company. Each holder of the Series 8 Convertible Preferred Stock is entitled to the number of votes equal to the number of shares of common stock into which the Series 8 Convertible Preferred Stock then held by such holder could be converted on the record date for the vote which is being taken, provided, however, that the voting power of a holder together with its Attribution Parties (as defined in the Certificate of Designation), may not exceed 19.99% (or such greater percentage allowed by the Nasdaq Listing Rules without any shareholder approval requirements). The Series 8 Convertible Preferred Stock is convertible into the number of shares of common stock, determined by dividing the aggregate stated value of the Series 8 Convertible Preferred Stock of $1,000 per share to be converted by $35.38.

On March 22, 2022, the Company entered into a securities purchase agreement with certain institutional investors named therein, pursuant to which the Company agreed to issue and sell in a registered direct offering (i) up to 53,197.7234 shares of Series 8 Convertible Preferred Stock and (ii) related warrants to purchase up to an aggregate of 1,503,726 shares of common stock (the "Warrants"). Each share of Series 8 Convertible Preferred Stock and the related Warrants (see Note 18) were sold at a subscription amount of $940, representing an original issue discount of 6% of the stated value for an aggregate subscription amount of $50.0 million. The shares of Series 8 Convertible Preferred Stocks are recorded as Mezzanine Equity in the accompanying balance sheets as the holder has the option to redeem these shares for cash. The aggregate net proceeds from the

**Note 15- Preferred Stock (continued)**

offering, after deducting the placement agent fees and other estimated offering expenses, was approximately $46.9 million. The Company has elected to accrete the issuance costs, discount, and freestanding warrants through the date shares can be first be redeemed at the option of the holders, which is the sixth month anniversary of the original issuance date using the effective interest method.

As of September 30, 2022, there were 53,197.7234 shares of Series 8 Convertible Preferred Stock outstanding.

During October 2022, the Company received cash redemption notices from the holders of the Series 8 Convertible Preferred Stock issued on March 22, 2022, totaling 45,755.72 shares of Series 8 Convertible Preferred Stock for aggregate cash required to be paid of approximately $45.8 million.

**Note 16- Authorized Share Increase**

On November 18, 2021, the Company filed a certificate of amendment to the Company's articles of incorporation, as amended, with the Secretary of State of the State of Nevada to increase the number of authorized shares of common stock from 3,333,334 to 26,666,667 shares effective as of November 18, 2021. The authorized shares listed herein are adjusted for the 1 for 75 reverse stock split that was effective October 7, 2022.

**Note 17 - Stock Award Plans and Stock-Based Compensation**

In September 2011, the Company adopted the 2011 Employee Stock Incentive Plan (the "2011 Plan") which provides for the granting of incentive and non-statutory common stock options and stock based incentive awards to employees, non-employee directors, consultants and independent contractors. The plan was terminated by its terms on August 31, 2021 and no new awards will be issued under the 2011 Plan.

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

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

The aggregate number of shares that may be awarded under the 2018 Plan as of September 30, 2022 is 653,334. As of September 30, 2022, 406,941 of stock options and restricted stock were granted to employees, directors and consultants of the Company (including 1 share outside of our plan and 68 under our 2011 Plan) and 246,462 options were available for future grant under the 2018 Plan.

***Employee Stock Options***

During the nine months ended September 30, 2021, the Company granted options under the 2018 Plan for the purchase of 21,400 shares of common stock to employees and consultants of the Company. These options are 100% vested or vest pro-rata over 12, 24 or 36 months, have a life of ten years and an exercise price of $137.25 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the awards was determined to be approximately $1.0 million. The fair value of the common stock as of the grant date was determined to be $137.25 per share.

On February 5, 2021, the Company issued 67 shares of common stock in connection with the cashless exercise of 195 employee stock options.

On June 10, 2021, the Company issued 6 shares of common stock in connection with the cashless exercise of 82 employee stock options.

**Note 17 - Stock Award Plans and Stock-Based Compensation (continued)**

During the nine months ended September 30, 2022, the Company granted options under the 2018 Plan for the purchase of 132,669 shares of common stock to employees and consultants of the Company. These options are 100% vested or vest pro-rata over 12 or 48 months, have a life of ten years and an exercise price of $39.75 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the awards was determined to be approximately $1.8 million. The fair value of the common stock as of the grant date was determined to be $39.75 per share.

During the three months ended September 30, 2022 and 2021, the Company recorded a charge for the amortization of stock options of approximately $0.7 million and $0.6 million, respectively, and approximately $2.2 million and $1.4 million for the nine months ended September 30, 2022 and 2021, respectively, which is included in the general and administrative section of the condensed consolidated statement of operations.

As of September 30, 2022, the fair value of non-vested stock options totaled approximately $3.0 million, which will be amortized to expense over the weighted average remaining term of 1.11 years.

See below for a summary of the stock options granted under the 2011 and 2018 plans:

| | 2011 Plan | 2018 Plan | Non Plan | Total |
|---|---|---|---|---|
| Beginning balance as of January 1, 2022 | 73 | 251,932 | 1 | 252,006 |
| Granted | — | 132,669 | — | 132,669 |
| Exercised | — | — | — | — |
| Expired | (5) | (4,005) | — | (4,010) |
| Forfeited | — | (16,692) | — | (16,692) |
| Ending balance as of September 30, 2022 | 68 | 363,904 | 1 | 363,973 |

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 nine months ended September 30, 2022 were as follows:

| | For the Nine Months Ended September 30, 2022 |
|---|---|
| Risk-free interest rate | 1.50% |
| Expected life of option grants | 5 years |
| Expected volatility of underlying stock | 37.24% |
| Dividends assumption | -- |

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

***Restricted Stock Awards***

On February 19, 2021, the Company granted 70,000 restricted stock awards to employees of the Company. These stock awards vest either 25% on the grant date and 25% on each one year anniversary of the grant date or 50% on the grant date and 50% on the one year anniversary. In accordance with the terms of the restricted stock award agreements 12,291 shares of common stock underlying the awards were withheld by the Company in satisfaction of the employee portion of the payroll taxes required to paid in connection with the grant of such awards.

On April 23, 2021, the Company granted 4,598 restricted stock awards to employees of the Company. These stock awards either vest 50% at the 6 months anniversary and 50% on the one year anniversary or over 2 years pro rata every 6 months.

On August 21, 2021, 4,500 of unvested restricted stock award grants were forfeited in connection with the departure of an employee.

**INPIXON AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**Note 17 - Stock Award Plans and Stock-Based Compensation (continued)**

On February 19, 2022, 12,802 restricted stock grants were forfeited for employee taxes.

During the three months ended September 30, 2022 and 2021, the Company recorded a charge of $0.03 million and $1.1 million, respectively, and $0.7 million and $7.4 million for the nine months ended September 30, 2022 and 2021, respectively, for the amortization of vested restricted stock awards.

The following table summarizes restricted stock based award activity granted:

| | Restricted Stock Grants |
|---|---|
| Beginning balance as of January 1, 2022 | 55,770 |
| Granted | — |
| Exercised | — |
| Expired | — |
| Forfeited | (12,802) |
| Ending balance as of September 30, 2022 | 42,968 |

The Company determined the fair value of these grants based on the closing price of the Company's common stock on the respective grant dates. The compensation expense is being amortized over the respective vesting periods.

**Note 18 - Warrants**

On January 24, 2021, Inpixon entered into a securities purchase agreement (the "January 2021 Purchase Agreement") with an institutional investor named therein (the "Investor"), pursuant to which the Company agreed to issue and sell, in a registered direct offering, 77,334 shares of the Company's common stock, par value $0.001 per share, and warrants to purchase up to 258,065 shares of common stock (the "Purchase Warrants") at a combined offering price of $116.25 per share. The Purchase Warrants have an exercise price of $116.25 per share. Each Purchase Warrant is exercisable for one share of common stock and will be immediately exercisable and will expire five years from the issuance date.

The Company also offered and sold to the Investor pre-funded warrants to purchase up to 40,000 shares of common stock (the "Pre-Funded Warrants" and, together with the 77,334 shares and the Purchase Warrants, the "Securities"), in lieu of shares of common stock at the Investor's election. Each Pre-Funded Warrant is exercisable for one share of common stock. The purchase price of each Pre-Funded Warrant is $116.18, and the exercise price of each Pre-Funded Warrant is $0.08 per share. The Pre-Funded Warrants are immediately exercisable and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full.

During the year ended December 31, 2021, the Company issued 180,732 shares of common stock in connection with the exercise of 180,732 Pre-Funded Warrants at $0.08 per share in connection with the January 2021 Purchase Agreement.

On February 12, 2021, Inpixon entered into a securities purchase agreement (the "February 12, 2021 Securities Purchase Agreement") with an institutional investor named therein (the "Investor"), pursuant to which the Company agreed to issue and sell, in a registered direct offering, 93,334 shares of the Company's common stock, par value $0.001 per share, and warrants to purchase up to 200,000 shares of common stock (the "Purchase Warrants") at a combined offering price of $150.00 per share. The Purchase Warrants have an exercise price of $150.00 per share. Each Purchase Warrant is exercisable for one share of common stock and will be immediately exercisable and will expire five years from the issuance date.

The Company also offered and sold to the Investor pre-funded warrants to purchase up to 106,667 shares of common stock (the "Pre-Funded Warrants" and, together with the 93,334 shares and the Purchase Warrants, the "Securities"), in lieu of shares of common stock at the Investor's election. Each Pre-Funded Warrant is exercisable for one share of common stock. The purchase price of each Pre-Funded Warrant is $149.93, and the exercise price of each Pre-Funded Warrant is $0.08 per share. The Pre-Funded Warrants are immediately exercisable and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full.

**Note 18 - Warrants (continued)**

During the year ended December 31, 2021, the Company issued 106,667 shares of common stock in connection with the exercise of 106,667 Pre-Funded Warrants at an exercise price of $0.08 per share in connection with the February 12, 2021 Securities Purchase Agreement.

On February 16, 2021, Inpixon entered into a securities purchase agreement (the "February 16, 2021 Securities Purchase Agreement") with an institutional investor named therein (the "Investor"), pursuant to which the Company agreed to issue and sell, in a registered direct offering, 40,000 shares of the Company's common stock, par value 0.001 per share, and warrants to purchase up to 132,670 shares of common stock (the "Purchase Warrants") at a combined offering price of $150.75 per share. The Purchase Warrants have an exercise price of $150.75 per share. Each Purchase Warrant is exercisable for one share of common stock and will be immediately exercisable and will expire five years from the issuance date.

The Company also offered and sold to the Investor pre-funded warrants to purchase up to 92,670 shares of common stock in lieu of shares of common stock at the Investor's election. Each Pre-Funded Warrant is exercisable for one share of common stock. The purchase price of each Pre-Funded Warrant is $150.68, and the exercise price of each Pre-Funded Warrant is $0.08 per share. The Pre-Funded Warrants are immediately exercisable and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full.

During the year ended December 31, 2021, the Company issued 92,670 shares of common stock in connection with the exercise of 92,670 pre-funded warrants at $0.08 per share in connection with the February 16, 2021 Securities Purchase Agreement.

On September 13, 2021, the Company entered into a securities purchase agreement with certain investors pursuant to which the Company agreed to issue and sell, in a registered direct offering sold an aggregate of 58,750 shares of the Company's Series 7 Convertible Preferred Shares, par value $0.001 per share, which are convertible into 626,667 shares of the Company's common stock and warrants to purchase up to 626,667 shares of common stock. Each share and related warrants were sold together at a subscription amount of $920, representing an original issue discount of 8% of the stated value for an aggregate subscription amount of $54.1 million.

On January 28, 2022, the Company entered into an exchange agreement with the holder of certain existing warrants of the Company which were exercisable for an aggregate of 657,402 shares of the Company's common stock. Pursuant to the exchange agreement, the Company agreed to issue to the warrant holder an aggregate of 184,153 shares of common stock and rights to receive an aggregate of 52,513 shares of common stock in exchange for the existing warrants. The Company accounted for the exchange agreement as a warrant modification. The Company determined the fair value of the existing warrants as if issued on the exchange agreement date and compared that to the fair value of the common stock issued. The Company calculated the fair value of the existing warrants using a Black-Scholes Option pricing model and determined it to be approximately $12.00 per share. The fair value of the common stock issued was based on the closing stock price of the date of the exchange. The total fair value of the warrants prior to modification was greater than the fair value of the common stock issued, and therefore, there was no incremental fair value related to the exchange.

Between March 15 and March 22, 2022, we received cash redemption notices from the holders of the Company's Series 7 Convertible Preferred Stock issued on September 15, 2021, totaling 49,250 shares of Series 7 Convertible Preferred Stock for aggregate cash required to be paid of approximately $49.3 million. In addition, upon redemption of the Series 7 Convertible Preferred Stock, each holder forfeited 75% of the related warrants that were issued together with the Series 7 Convertible Preferred Stock (the "Series 7 Warrants"). 394,000 corresponding warrants issued in connection with the issuance of the Series 7 Convertible Preferred Stock been forfeited and 232,675 related warrants remain outstanding.
On March 22, 2022, the Company entered into a securities purchase agreement with certain investors pursuant to which the Company agreed to issue and sell, in a registered direct offering sold an aggregate of 53,197.7234 shares of the Company's Series 8 Convertible Preferred Shares, par value $0.001 per share, and warrants to purchase up to 1,503,726 shares of common stock. Each share and related warrants were sold together at a subscription amount of $940, representing an original issue discount of 6% of the stated value for an aggregate subscription amount of $50.0 million.

**Note 19- Income Taxes**

There is an income tax benefit of approximately $0 million and $0.9 million for the three months ended September 30, 2022 and 2021, respectively. There is an income tax expense of approximately $0.1 million and $1.4 million for the nine months ended September 30, 2022 and 2021, respectively. The Company's effective tax rate varies from the statutory rate as a result of state taxes and release of valuation allowance.

**Note 20 - Credit Risk and Concentrations**

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

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. Cash is also maintained at foreign financial institutions for its Canadian subsidiary, UK subsidiary, German subsidiaries and its majority-owned India and Philippines subsidiaries. Cash in foreign financial institutions as of September 30, 2022 and December 31, 2021 was immaterial. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

During the three and nine months ended September 30, 2022 and 2021, no customer accounted for at least 10% of revenue.

As of September 30, 2022, two customers represented approximately 22% of total accounts receivable. As of September 30, 2021, two customers represented approximately 27% of total accounts receivable.

As of September 30, 2022, two vendors represented approximately 34% of total gross accounts payable. Purchases from these vendors during the nine months ended September 30, 2022 was approximately $1.6 million. As of September 30, 2021, two vendors represented approximately 37% of total gross accounts payable. Purchases from these vendors during the nine months ended September 30, 2021 was approximately $0.5 million.

For the nine months ended September 30, 2022, one vendors represented approximately 33% of total purchases. For the nine months ended September 30, 2021, three vendors represented approximately 24%, 18%, and 8% of total purchases.

**Segments**

The Company's operations consist of three reportable segments based on similar economic characteristics, the nature of products and production processes, end-use markets, channels of distribution, and regulatory environments: Indoor Intelligence, SAVES, and Shoom.

During the second quarter of 2021, the Company changed the level of detail at which its Chief Executive Officer ("CEO") acting as the Chief Operating Decision Maker, or "CODM") regularly reviews and manages certain of its businesses, resulting in the bifurcation of its former one segment into three standalone reportable segments: Indoor Intelligence, SAVES, and Shoom. The Company now manages and reports its operating results through these three reportable segments. This change allows the Company to enhance its customer focus and better align its business models, resources, and cost structure to the specific current and future growth drivers of each business, while providing increased transparency to the Company's shareholders. The historical segment information has been recast to conform to the current segment structure.

Gross profit is the primary measure of segment profitability used by the Company's CODM.

Revenues and gross profit segments consisted of the following (in thousands):

**Note 20 - Credit Risk and Concentrations (continued)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Revenue by Segment** | | | | |
| Indoor Intelligence | $ 3,069 | $ 3,234 | $ 10,535 | $ 7,121 |
| SAVES | 590 | 714 | 2,050 | 2,229 |
| Shoom | 518 | 502 | 1,548 | 1,507 |
| **Total segment revenue** | 4,177 | 4,450 | $ 14,133 | $ 10,857 |
| **Gross profit by Segment** | | | | |
| Indoor Intelligence | $ 2,124 | $ 2,343 | $ 7,468 | $ 5,020 |
| SAVES | 341 | 490 | 1,315 | 1,588 |
| Shoom | 457 | 431 | 1,313 | 1,283 |
| **Gross profit by Segment** | $ 2,922 | $ 3,264 | $ 10,096 | $ 7,891 |
| **Income (loss) from operations by Segment** | | | | |
| Indoor Intelligence | $ (10,116) | $ (12,747) | $ (39,107) | $ (38,620) |
| Saves | (455) | 61 | (1,813) | (235) |
| Shoom | 178 | 230 | 573 | 686 |
| **Income (loss) from operations by Segment** | $ (10,393) | $ (12,456) | $ (40,347) | $ (38,169) |

The reporting package provided to the Company's CODM does not include the measure of assets by segment as that information isn't reviewed by the CODM when assessing segment performance or allocating resources.

**Note 21 - Fair Value of Financial Instruments**

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in ASC 820. The framework is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC 820 hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. We classified our financial instruments measured at fair value on a recurring basis in the following valuation hierarchy.

The Company's assets measured at fair value consisted of the following at September 30, 2022 and December 31, 2021:

| | Fair Value at September 30, 2022 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Short-term investments | $ — | $ — | $ — | $ — |
| Investments in equity securities | 1,124 | 1,077 | — | 47 |
| Investments in debt securities | — | — | — | — |
| Total assets | $ 1,124 | $ 1,077 | $ — | $ 47 |

| | Fair Value at December 31, 2021 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Short-term investments | $ 43,125 | $ 43,125 | $ — | $ — |
| Investments in equity securities | 1,838 | — | — | 1,838 |
| Total assets | $ 44,963 | $ 43,125 | $ — | $ 1,838 |

The following is a discussion of the valuation methodologies used for the Company's assets measured at fair value.

Short-term investments represent U.S. treasury bills with maturities greater than three months. The fair value of the U.S. treasury bills are based on quoted market prices in active markets and are included in the Level 1 fair value hierarchy. The market for U.S. treasury bills is an actively traded market given the high level of daily trading volume. All U.S. treasury bills were sold by the Company during the nine months ended September 30, 2022.

Investments in equity securities are marked to market based on the respective publicly quoted market prices of the equity securities adjusted for liquidity. The fair value for Level 1 equity investments was determined using quoted prices of the security in active markets. The fair value for Level 3 equity investments was determined using a pricing model with certain significant unobservable market data inputs.

Investments in debt securities are valued using an option pricing model under the income approach methodology as the investment does not have observable inputs of identical or comparable instruments.

The following table is a reconciliation of assets for Level 3 investments for which significant unobservable inputs were used to determine fair value For the Nine Months Ended September 30, 2022:

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| | | Level 3 |
|---|---|---|
| Level 3 Investments | | |
| Balance at January 1, 2022 | $ | 1,838 |
| Transfers in - FOXO Technologies, Inc. convertible note | | 6,050 |
| FOXO Technologies, Inc. - Original issue discount | | (550) |
| FOXO Technologies, Inc. - Conversion of note to equity security | | (5,500) |
| Unrealized loss on equity securities | | (1,791) |
| Balance at September 30, 2022 | $ | 47 |

The following table is a reconciliation of assets for Level 3 investments for which significant unobservable inputs were used to determine fair value for the nine months ended September 30, 2021:

| | | Level 3 |
|---|---|---|
| Level 3 Investments | | |
| Balance at January 1, 2021 | $ | — |
| Transfers in- Sysorex Securities Settlement Agreement | | |
| Benefit (provision for valuation allowance on related party loan - held for sale | | 7,461 |
| Interest income (expense), net | | 1,627 |
| Gain on related party loan held for sale | | 49,817 |
| Unrealized loss on equity securities | | (51,250) |
| Balance at September 30, 2021 | $ | 7,655 |

**Note 22 - Foreign Operations**

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

| | United States | Canada | India | Germany | United Kingdom | Ireland | Philippines | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| **For the Three Months Ended September 30, 2022:** | | | | | | | | | |
| Revenues by geographic area | $ 2,922 | $ 484 | $ 481 | $ 880 | $ 90 | $ 1 | $ — | $ (681) | $ 4,177 |
| Operating (loss) income by geographic area | $ (7,562) | $ (1,401) | $ 65 | $ (1,334) | $ 16 | $ (139) | $ (60) | $ 22 | $ (10,393) |
| Net (loss) income by geographic area | $ (12,890) | $ (2,950) | $ 107 | $ (1,926) | $ 22 | $ (291) | $ (64) | $ (1) | $ (17,993) |
| **For the Three Months Ended September 30, 2021:** | | | | | | | | | |
| Revenues by geographic area | $ 3,189 | $ 557 | $ 255 | $ 879 | $ 119 | $ 2 | $ — | $ (551) | $ 4,450 |
| Operating (loss) income by geographic area | $ (10,497) | $ (1,190) | $ (28) | $ (667) | $ 25 | $ (99) | $ — | $ — | $ (12,456) |
| Net (loss) income by geographic area | $ (31,892) | $ (1,182) | $ (29) | $ (720) | $ 19 | $ (145) | $ — | $ — | $ (33,949) |
| **For the Nine months ended September 30, 2022:** | | | | | | | | | |
| Revenues by geographic area | $ 9,777 | $ 1,701 | $ 1,163 | $ 2,851 | $ 331 | $ 6 | $ — | $ (1,696) | $ 14,133 |
| Operating (loss) income by geographic area | $ (30,536) | $ (4,476) | $ 192 | $ (5,102) | $ 70 | $ (431) | $ (87) | $ 23 | $ (40,347) |
| Net (loss) income by geographic area | $ (36,818) | $ (6,549) | $ 195 | $ (5,938) | $ 78 | $ (756) | $ (92) | $ — | $ (49,880) |
| **For the Nine Months Ended September 30, 2021:** | | | | | | | | | |
| Revenues by geographic area | $ 7,245 | $ 2,018 | $ 919 | $ 2,288 | $ 288 | $ 2 | $ — | $ (1,903) | $ 10,857 |
| Operating (loss) income by geographic area | $ (32,095) | $ (3,655) | $ 23 | $ (2,297) | $ 32 | $ (177) | $ — | $ — | $ (38,169) |
| Net (loss) income by geographic area | $ (26,133) | $ (3,371) | $ 10 | $ (2,284) | $ 23 | $ (227) | $ — | $ — | $ (31,982) |
| **As of September 30, 2022:** | | | | | | | | | |
| Identifiable assets by geographic area | $ 181,374 | $ 5,784 | $ 740 | $ 17,886 | $ 236 | $ 19 | $ 253 | $ (97,711) | $ 108,595 |
| Long lived assets by geographic area | $ 23,958 | $ 4,916 | $ 121 | $ 3,279 | $ 1 | $ 4 | $ 232 | $ — | $ 32,488 |
| Goodwill by geographic area | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| **As of December 31, 2021:** | | | | | | | | | |
| Identifiable assets by geographic area | $ 216,338 | $ 7,191 | $ 675 | $ 20,238 | $ 283 | $ 69 | $ — | $ (88,121) | $ 156,673 |
| Long lived assets by geographic area | $ 27,773 | $ 5,864 | $ 181 | $ 4,624 | $ 2 | $ 4 | $ — | $ — | $ 38,448 |
| Goodwill by geographic area | $ 5,914 | $ 480 | $ — | $ 1,278 | $ — | $ — | $ — | $ — | $ 7,672 |

**Note 23 - Related Party Transactions**

Nadir Ali, the Company’s Chief Executive Officer and a member of its Board of Directors, was a member of the Board of Directors of Sysorex, Inc. ("Sysorex") until he resigned on May 14, 2021. In addition, Nadir Ali previously entered into a consulting agreement with Sysorex, pursuant to which he agreed to provide certain business services specified in the agreement for the benefit of Sysorex in exchange for shares of Sysorex's common stock. The consulting agreement was terminated on October 14, 2021.

***Sysorex Note Purchase Agreement***

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

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

In accordance with the terms of the Systat License Agreement, on June 30, 2020, the Company partitioned a portion of the outstanding balance of the Secured Note into a new note in an amount equal to $3 million in principal plus accrued interest (the “Closing Note”) and assigned the Closing Note and all rights and obligations thereunder to Systat in accordance with the terms and conditions of that certain Promissory Note Assignment and Assumption Agreement ("Assignment Agreement"). An additional $2.3 million of the principal balance underlying the Sysorex Note was partitioned into a new note and assigned to Systat as consideration payable for the rights granted under the license as of December 31, 2020. During the year ended December 31, 2020, an additional amount of approximately $2.6 million was advanced under the Secured Note and approximately $200,000 was repaid. The amount owed for principal as of December 31, 2020 and accrued interest through September 30, 2019 by Sysorex to the Company as of December 31, 2020 was approximately $7.7 million. These amounts excludes $275,000 of additional interest that the Company is contractually entitled to accrue from October 1, 2019 through December 31, 2019 and approximately $1.1 million of additional interest from January 1, 2020 through December 31, 2020 in accordance with the terms of the Sysorex Note, but did not accrue due to the uncertainty of repayment.

During the three months ended March 31, 2020 an additional $117,000 was advanced under the Secured Note and the Company was entitled to an additional $251,806 of interest in accordance with the terms of the Note, but did not accrue due to the uncertainty of repayment. An additional $1 million of the principal balance under the Secured Note was assigned to Systat on March 19, 2021, as the final portion of the total consideration due in connection with the license.

As of April 14, 2021, the Sysorex Note Purchase Agreement was settled, see Sysorex Securities Settlement Agreement below.

**Note 23 - Related Party Transactions (continued)**

***Sysorex Receivable***

On February 20, 2019, the Company, Sysorex and Atlas Technology Group, LLC ("Atlas") entered into a settlement agreement resulting in a net award of $941,796 whereby Atlas agreed to accept an aggregate of 16,655 shares of freely-tradable common stock of the Company in full satisfaction of the award. The Company and Sysorex each agreed pursuant to the terms and conditions of that certain Separation and Distribution Agreement, dated August 7, 2018, as amended, that 50% of the costs and liabilities related to the arbitration action would be shared by each party following the Spin-off. As a result, Sysorex owes the Company $0.6 million for the settlement plus the interest accrued during the fiscal year ended December 31, 2020 of $0.1 million.. The total owed to the Company for this settlement as of December 31, 2021 and 2020 was $0 and $0.6 million, respectively. The Company established a full valuation allowance against this balance as of December 31, 2020.

As of April 14, 2021, the Sysorex Receivable was settled, see Sysorex Securities Settlement Agreement below.

**Sysorex Securities Settlement Agreement**

On April 14, 2021, the Company entered into a Securities Settlement Agreement (the "SSA") and a Rights Letter Agreement (the "RLA"), each with Sysorex, whereby Sysorex agreed to satisfy in full its outstanding debt, in the aggregate amount of $9,088,176 as of March 31, 2021, owed to the Company under that certain secured promissory note, originally dated December 31, 2018, as amended from time to time, and in connection with that certain settlement agreement, dated February 20, 2019, by and among the Company, Sysorex and Atlas Technology Group, LLC (the "Debt Settlement"). To effect the Debt Settlement, Sysorex agreed to issue to the Company (i) pursuant to the terms of the SSA, 12,972,189 shares of its common stock, $0.00001 par value per share, and (ii) rights to acquire 3,000,000 additional shares of its common stock pursuant to the terms of the RLA. The Debt Settlement was entered into in connection with Sysorex's closing of a reverse triangular merger with TTM Digital Assets & Technologies, Inc.

The Company recorded $7.5 million for the release of the previously recorded valuation allowance, $1.6 million of interest income, and a gain on settlement of $49.8 million equal to the difference in the carry value of the promissory note, including interest and value of the common stock and rights to acquire additional shares received in the settlement.

In connection with the Debt Settlement, the Company also entered into a Registration Rights Agreement, dated as of April 14, 2021 (the "RRA"), with Sysorex and certain other shareholders of Sysorex (the "Holders"). Pursuant to the terms of the RRA, Sysorex must, subject to certain limitations, register the resale of the shares of common stock held by the Company and the Holders, with the U.S. Securities and Exchange Commission (the "SEC"), during the period that begins on the 90th day following April 14, 2021. In the event Sysorex fails to register such shares within that timeframe, or otherwise fails to meet its obligations under the RRA, then, subject to certain limitations, the Company and the Holders may be entitled to receive from Sysorex an amount in cash equal to the product of 1.5% multiplied by the value of their shares (as set forth in the RRA), which amount is payable each month following the date of such failure for so long as the failure continues; provided that the shares are considered "Registrable Securities" as defined by the RRA. The shares of Sysorex common stock were not deemed Registrable Securities as defined by the RRA as of the date of the registration obligation.

Also, under the RRA, if Sysorex determines to prepare and file with the SEC a registration statement relating to an offering of any of its equity securities, for its own account or the account of others, then the Company and the Holders will have the right, subject to certain limitations, to require Sysorex to include in such registration statement all or any part of the shares of common stock held by them.

**Systat License Agreement**

Nadir Ali, the Company's Chief Executive Officer and a member of its Board of Directors, is a related party in connection with the acquisition of the Licenses as a result of his prior service as a director of Sysorex, the issuer of the Sysorex Note that was assigned in accordance with the terms and conditions of the License Agreement. In addition, Tanveer Khader and Kareem Irfan, members of the Company's Board of Directors, may also be deemed related parties in connection with the acquisition of the Licenses as a result of their respective employment relationships with the Systat Parties.

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**Note 23 - Related Party Transactions (continued)**

***Cardinal Venture Holdings Investment***

Nadir Ali, the Company's Chief Executive Officer and a members of its Board of Directors, is also a controlling member of 3AM, LLC ("3AM"), which is a member of Cardinal Venture Holdings LLC ("CVH"), which may, in certain circumstances, be entitled to manage the affairs of CVH. Mr. Ali's relationship may create conflicts of interest between Mr. Ali's obligations to the Company and its shareholders and his economic interests and possible fiduciary obligations in CVH through 3AM. For example, Mr. Ali may be in a position to influence or manage the affairs of CVH in a manner that may be viewed as contrary to the best interests of either the Company or CVH and their respective stakeholders. On July 1, 2022, the Company loaned $150,000 to CVH. See **Note 10.**

***Director Services Agreement***

The Company and Kareem Irfan, a director of the Company, have amended Mr. Irfan's Director Services Agreement on May 16, 2022 (as amended, the "Amended Director Services Agreement") to increase his quarterly compensation by an additional $10,000 per month as consideration for the additional time and efforts dedicated to the Company and management in support of the evaluation of strategic relationships and growth initiatives. The Amended Director Services Agreement supersedes and replaces all prior agreements by and between the Company and Mr. Irfan.

**Note 24 - Leases**

The Company has operating leases for administrative offices in the United States (California), Canada, India, the United Kingdom, Germany, and the Philippines.

The Company terminated the lease in Ratingen, Germany in January 2021. The Company entered intotwo new operating leases for its administrative offices in Ratingen, Germany, both from February 1, 2021 through January 1, 2023. The monthly lease rate is $2,642 and $1,031 per month.

As part of the acquisition of IntraNav on December 9, 2021. the Company acquired right-of-use assets and lease liabilities related to an operating lease for an office space (the IntraNav office) located in Frankfurt, Germany. This lease expires on January 6, 2025 and the current lease rate is approximately $8,790 per month.

The Company entered into two new operating leases for its administrative office in Hyderabad, India and Manila, Philippines. The Hyderabad, India and Manila, Philippines office lease expires on March 25, 2025 and May 14, 2025, respectively.

The Company has no other operating or financing leases with terms greater than 12 months.

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

| | As of September 30, 2022 | As of December 31, 2021 |
|---|---|---|
| Palo Alto, CA Office | $ 631 | $ 631 |
| Hyderabad, India Office | 349 | 359 |
| Coquitlam, Canada Office | — | 97 |
| Westminster, Canada Office | — | 10 |
| Toronto, Canada Office | 559 | 949 |
| Ratingen, Germany Office | 78 | 90 |
| Berlin, Germany Office | 464 | 536 |
| Slough, United Kingdom Office | — | 34 |
| Frankfurt, Germany Office | 268 | 312 |
| Manila, Philippines Office | 234 | — |
| Less accumulated amortization | (1,260) | (1,282) |
| Right-of-use asset, net | $ 1,323 | $ 1,736 |

**Note 24 - Leases (continued)**

Lease expense for operating leases recorded in the balance sheet is included in operating costs and expenses and is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in our consolidated statement of income for the three months ended September 30, 2022 and 2021 was $0.3 million and $0.3 million, respectively, and for the Nine months ended September 30, 2022 and 2021 was $1.0 million and $0.8 million, respectively.

Lease liability is summarized below (in thousands):

| | As of September 30, 2022 | As of December 31, 2021 |
|---|---|---|
| Total lease liability | $ 1,366 | $ 1,751 |
| Less: short term portion | (514) | (643) |
| Long term portion | $ 852 | $ 1,108 |

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

| | |
|---|---|
| Quarter ending December 31, 2022 | $ 193 |
| Year ending December 31, 2023 | 517 |
| Year ending December 31, 2024 | 431 |
| Year ending December 31, 2025 | 263 |
| Year ending December 31, 2026 | 93 |
| Total | $ 1,497 |
| Less: Present value discount | (131) |
| Lease liability | $ 1,366 |

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of ASC 842, "Leases". As of September 30, 2022, the weighted average remaining lease term is 2.9 years and the weighted average discount rate used to determine the operating lease liabilities was 6.4%.

**Note 25 - Restructuring Activities**

On September 21, 2022, Inpixon informed its employees that it was taking steps to streamline its operations and conserve cash resources. These steps included layoffs, which were completed by September 30, 2022, and which reduced Inpixon's global employee headcount by approximately 20%. The layoffs resulted in one-time expenses of approximately $0.6 million in the Indoor Intelligence segment which consisted of severance payouts to terminated employees and outplacement service expenses for the three and nine months ended September 30, 2022. The Company anticipates additional costs to be recorded related to contingent payments in the amount of $0.2 million which have not been incurred as of September 30, 2022. These expenses were included in the Company's total operating expenses on the Consolidated Statements of Operations with the restructuring costs payable included in accrued liabilities in the Condensed Consolidated Balance Sheets.

The Company recorded a Restructuring costs payable for costs incurred related to the restructuring activities noted above for costs incurred but not yet paid as of September 30, 2022. A summary of the activity for the three months ended September 30, 2022, is included below (in thousands):

| | |
|---|---|
| Restructuring costs payable - July 1, 2022 | $ — |
| Restructuring costs incurred | 597 |
| Restructuring costs paid | (343) |
| Restructuring costs payable - September 30, 2022 | $ 254 |

**Note 26 - Commitments and Contingencies**

***Litigation***

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

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

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

***Compliance with Nasdaq Continued Listing Requirement***

On October 25, 2021, we received a letter from the Listing Qualifications Staff of The Nasdaq Stock Market LLC ("Nasdaq") indicating that, based upon the closing bid price of our common stock ("Common Stock") for the prior 30 consecutive business days beginning on September 13, 2021, and ending on October 22, 2021, the Company no longer met the requirement to maintain a minimum bid price of $1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2).

In accordance with Nasdaq Listing Rules we were provided until October 24, 2022 to regain compliance with this requirement. We effected a 1-for-75 reverse stock split of our common stock on October 7, 2022, and on November 1, 2022, we were informed by Nasdaq that we had regained compliance with the minimum bid price requirement and that we were back in compliance with the applicable Nasdaq continued listing criteria.

**Note 27 - Subsequent Events**

On October 12, 2022, the Company issued 52,513 shares of common stock in connection with the exercise of a right to shares of common stock granted as part of warrant exchange agreement entered into on January 28, 2022. See Note 18.

On October 17, 2022, the Company exchanged approximately $0.4 million of the outstanding principal and interest under the March 2020 10% Note Purchase Agreement and Promissory Note for 83,682 shares of the Company's common stock at a price of $4.78 per share, calculated in accordance with Nasdaq's "minimum price" as defined by Nasdaq Listing Rule 5635(d).

***Reverse Stock Split***

On October 4, 2022, the Company filed a Certificate of Change with the Secretary of State of the State of Nevada to effect a reverse stock split of the Company's authorized and issued and outstanding shares of common stock at a ratio of one (1) share of common stock for every seventy five (75) shares of common stock (the "Reverse Stock Split"). The Reverse Stock Split was effective October 7, 2022. The Reverse Stock Split is primarily intended to bring the Company into compliance with the minimum bid price requirements for maintaining its listing on the Nasdaq Capital Market. The Company has reflected the Reverse Stock Split herein, unless otherwise indicated.

**Note 27 - Subsequent Events (continued)**

***Series 8 Preferred Stock Redemptions***

During October 2022, the Company received cash redemption notices from the holders of the Series 8 Convertible Preferred Stock issued on March 22, 2022, totaling 45,755.72 shares of Series 8 Convertible Preferred Stock for aggregate cash paid of approximately $45.8 million.

***Registered Direct Offering***

On October 18, 2022, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with an institutional investor named therein (the “Purchaser”), pursuant to which the Company agreed to issue and sell, in a registered direct offering, 253,112 shares of the Company’s common stock and warrants to purchase up to 3,846,153 shares of common stock (the “Purchase Warrants”) at a combined offering price of $5.85 per share. The Purchase Warrants have an exercise price of $5.85 per share. Each Purchase Warrant is exercisable for one share of common stock and will be immediately exercisable and will expire five years from the issuance date.

The Company also offered and sold to the Purchaser pre-funded warrants to purchase up to 2,310,990 shares of common stock, in lieu of shares of common stock at the Purchaser’s election. Each pre-funded warrant is exercisable for one share of common stock. The purchase price of each pre-funded warrant was $5.849, and the exercise price of each pre-funded warrant is $0.001 per share. The pre-funded warrants are immediately exercisable and may be exercised at any time until all of the pre-funded warrants are exercised in full.

The Company raised net proceeds of $14.2 million after deduction of sales commissions and other offering expenses.

In October 2022, the Company issued 598,990 shares of common stock in connection with the exercise of 598,990 pre-funded warrants at $0.001 per share.

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC. In addition to our historical condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q, particularly in Part II, Item 1A, "Risk Factors."*

### Overview of Our Business

Inpixon is the Indoor Intelligence™ company. Our solutions and technologies help organizations create and redefine exceptional workplace experiences that enable smarter, safer and more secure environments. We leverage our positioning, mapping, analytics and app technologies to achieve higher levels of productivity and performance, increase safety and security, improve worker and employee satisfaction rates and drive a more connected workplace. We have focused our corporate strategy on being the primary provider of the full range of foundational technologies needed in order to offer a comprehensive suite of solutions that make indoor data available and meaningful to organizations and their employees.

Our Indoor Intelligence solutions are used by our customers for a variety of use cases including, but not limited to, employee and visitor experience enhancement through a customer branded app with features such as desk booking, wayfinding and navigation, and the delivery of content to tens of thousands of attendees in hybrid events. Our real time location (RTLS) and asset tracking products offer manufacturing and warehouse logistics optimization and automation, increase workforce productivity, and enhance worker safety and security.

In addition to our Indoor Intelligence technologies and solutions, we also offer:

- Digital solutions (eTearsheets; eInvoice, and adDelivery) or cloudbased applications and analytics for the advertising, media and publishing industries referred to as Shoom by Inpixon; and

- A comprehensive set of data analytics and statistical visualization solutions for engineers and scientists referred to as SAVES by Inpixon.

We report financial results for three segments: Indoor Intelligence, Shoom and SAVES. For Indoor Intelligence, we generate revenue from sales of hardware, software licenses and professional services. For Shoom and SAVES we generate revenue from the sale of software licenses.

We experienced a net loss of approximately $49.9 million and approximately $32.0 million for the nine months ended September 30, 2022 and 2021, respectively. We cannot assure that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. In order to continue our operations, we have supplemented the revenues we earned with proceeds from the sale of our equity and debt securities and proceeds from loans and bank credit lines.

### Global Events

While the impact of the COVID-19 pandemic is generally subsiding, the lasting impact on our business and results of operations continues to remain uncertain. While we were able to continue operations remotely throughout the pandemic, we have experienced supply chain cost increases and constraints and delays in the receipt of certain components of our hardware products impacting delivery times for our products. In addition, to the extent that certain customers or prospective customers continue to be challenged by the lasting effects of the pandemic, we have and may continue to see an impact in the demand of certain products and delays in certain projects and customer orders. While we have been able to realize growth in the nine months ended September 30, 2022 as compared to the same periods in 2021, the impact that these global events will have on general economic conditions is continuously evolving and the ultimate impact that they will have on our results of operations continues to remain uncertain. There are no assurances that we will be able to continue to experience the same growth or not be materially adversely effected.

We anticipate that certain global events, such as the continued impact of the pandemic, the recent military conflict between Russia and Ukraine, and inflation on our customers and partners in regions throughout the world, we expect that supply chain interruptions and constraints, and increased costs on parts, materials and labor may continue to be a challenge for our business. A further discussion of the impact of the COVID-19 pandemic and the Russia and Ukraine conflict on our business is set forth below in Part II, Item 1A. Risk Factors.

**Corporate Strategy Update**

Since 2019, management has pursued a corporate strategic acquisition strategy focused on building and developing its business as the Indoor Intelligence™ provider with the ability to provide end to end solutions ranging from the collection of data to delivering insights from that data to our customers with a focus on securing, digitizing and optimizing premises with our indoor positioning, mapping and analytics solutions for businesses and governments. In furtherance of this strategy, we have completed a series of strategic transactions to enhance our products and solution offerings, including, the acquisition of (1) technologies allowing for wireless device positioning and radio frequency augmentation of video surveillance systems; (2) GPS tracking products, software, technologies, and related intellectual property to provide ground positioning, asset tracking, and situational awareness monitoring for those whose intelligence needs expand outdoors; (3) our indoor mapping solution, Inpixon Mapping, to provide users with the tools to add intelligence to complex indoor spaces by integrating business data with geospatially accurate indoor maps to create relevant views of indoor environments; (4) a suite of on-device "blue dot" indoor location and motion technologies, including patents, trademarks, software and related intellectual property; (5) IoT solutions for real-time location systems (RTLS) and indoor and outdoor positioning solutions utilizing both industry-standard technologies, such as ultra-wideband (UWB), and patented proprietary wireless communication technologies, such as Chirp Spread Spectrum (CSS); (6) a suite of augmented reality, computer vision, localization, navigation, mapping, and 3D reconstruction technologies, including patents, trademarks, software and related intellectual property; (7) a leading SaaS app platform that enables corporate enterprise organizations to provide a custom-branded, location-aware employee app focused on enhancing the workplace experience and hosting virtual and hybrid events and (8) an industrial IoT, RTLS, and sensor data services provider.

We believe these transactions have positioned us as a market leader with a comprehensive suite of products and solutions allowing us to provide organizations with actionable indoor intelligence to make their indoor spaces smarter, safer and more secure. We also operate and compete in an industry that is characterized by rapid technological innovation, changing customer needs, evolving industry standards and frequent introductions of new products, product enhancements, services and distribution methods. Our success will depend on our ability to develop expertise with these new products, product enhancements, services and distribution methods and to implement solutions that anticipate and respond to rapid changes in technology, the industry, and customer needs. In order to continue to respond to rapid changes and required technological advancements, as well as increase shareholder value, we intend to continue to evaluate various strategic transactions and opportunities that we believe will enhance shareholder value and/or support our commitment to delivering exceptional experiences and continued innovation with technologies that combine the physical and digital worlds with augmented reality and location based technologies. We are primarily focused on identifying potential targets or other opportunities that we believe will increase shareholder value, which may include, but not be limited to other alternative investment opportunities, such as minority investments, joint ventures or special purpose acquisition companies. If we make any acquisitions in the future, we expect that we may pay for such acquisitions with cash, equity securities and/or debt in combinations appropriate for each acquisition. In addition, at the end of last year, our board of directors authorized a review of strategic alternatives, including a possible asset sale, merger with another company or spin-off of one or more of our business units. In this regard, we have entered into the Separation Agreement and the Merger Agreement (each as defined below under "Proposed Spin-Off of our Enterprise Apps Business"), pursuant to which we plan to separate our enterprise apps business into our wholly-owned subsidiary and combine such subsidiary with a special purpose acquisition corporation, resulting in the subsidiary becoming a separate publicly traded company in exchange for the issuance of shares to certain holders of Inpixon securities of the post-merger company valued at $69 million as of the date of the Merger Agreement. For more details, see "Proposed Spin-Off of our Enterprise Apps Business" below.

In addition, we have and may enter into one or more non-binding letters of intent in connection with our due diligence and evaluation process. In this regard, we have entered into a non-binding letter of intent and are in the due diligence stages with another third party in connection with a potential transaction involving the remainder of our business. We may also retain an investment bank as our financial advisor in order to evaluate strategic options that may be available to us.

**Recent Events**

***Financings***

***At-The-Market (ATM) Program***

On July 22, 2022, we entered into an Equity Distribution Agreement (the "Sales Agreement") with Maxim Group LLC ("Maxim") under which we may offer and sell shares of our common stock having an aggregate offering price of up to $25 million from time to time through Maxim, acting exclusively our sales agent (the "ATM"). We are not obligated to make any sales of shares under the Sales Agreement and no assurance can be given that we will sell any shares under the Sales Agreement, or if we do, as to the price or amount of shares that we will sell, or the date on which any such sales will take place.

***Note Purchase Agreement and Promissory Note***

On July 22, 2022, we entered into a note purchase agreement (the "Purchase Agreement") with Streeterville Capital, LLC (the "Holder") pursuant to which we issued and sold to the Holder an unsecured promissory note (the "Note") in an aggregate initial principal amount of approximately $6.5 million (the "Initial Principal Amount"), which is payable on or before the date that is 12 months from the issuance date (the "Maturity Date"). The Initial Principal Amount includes an original issue discount of approximately $1.5 million and $15,000 that we agreed to pay to the Holder to cover the Holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the Note, the Holder paid an aggregate purchase price of $5 million (the "Transaction"). Interest on the note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the note. We may pay all or any portion of the amount owed earlier than it is due in an amount equal to 115% of the portion of the outstanding balance the Company elects to prepay.

Redemption. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the Note is paid in full, the Holder shall have the right to redeem up to an aggregate of 1/3 of the initial principal balance of the Note each month (each monthly exercise, a "Monthly Redemption Amount") by providing written notice (each, a "Monthly Redemption Notice") delivered to the Company; provided, however, that if the Holder does not exercise any Monthly Redemption Amount in its corresponding month then such Monthly Redemption Amount shall be available for the Holder to redeem in any future month in addition to such future month's Monthly Redemption Amount. Upon receipt of any Monthly Redemption Notice, the Company shall pay the applicable Monthly Redemption Amount in cash to the Holder within five business days of the Company's receipt of such Monthly Redemption Notice.

Monitoring Fee. If the Note is still outstanding on the date that is six (6) months from the issuance date, then a one-time monitoring fee equal to ten percent (10%) of the then-current outstanding balance shall be added to the Note.

Default Events. The Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default (except a default due to the occurrence of bankruptcy or insolvency proceedings (the "Bankruptcy-Related Event of Default")), the Holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the Note to be immediately due and payable. Upon the occurrence of a Bankruptcy-Related Event of Default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the Note will become immediately due and payable at the Mandatory Default Amount.

In addition, at any time while the Note is outstanding, if the Company intends to enter into a financing pursuant to which it will issue securities that (A) have or may have conversion rights of any kind, contingent, conditional or otherwise, in which the number of shares that may be issued pursuant to such conversion right varies with the market price of the Company's common stock, or (B) are or may become convertible into common stock (including without limitation convertible debt, warrants or convertible preferred stock), with a conversion price that varies with the market price of the common stock, even if such security only becomes convertible following an event of default, the passage of time, or another trigger event or condition (a "Future Offering"), then the Company must first offer such opportunity to the Holder to provide such financing to the Company on the same terms no later than five (5) trading days immediately prior to the trading day of the expected announcement of the Future Offering (the "Right of First Refusal"). If the Holder is unwilling or unable to provide such financing to the Company within five (5) trading days from the Holder's receipt of notice of the Future Offering from the Company, then the Company may obtain such financing upon the exact same terms and conditions offered by the Company to the Holder, which transaction must be completed within 30 days after the date of the notice. If the Company does not receive the financing within 30 days after the date of the notice, then the Company must again offer the financing opportunity to the Holder as described above, and the process detailed above will be repeated. The Right of First Refusal does not apply to an Exempt Issuance (as defined in the Purchase Agreement) or to a registered offering made pursuant to a registration statement on Form S-1 or Form S-3.

In addition, pursuant to the terms of the Purchase Agreement, so long as the Note is outstanding, the Holder has the right to participate in any offering of securities by the Company which contains any term or condition more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder (the "Participation Right"). The Participation Right does not apply in connection with an offering of securities which qualifies as an Exempt Issuance, a transaction under Section 3(a)(10) of the Securities Act of 1933, as amended (the "Securities Act"), a registered offering made pursuant to a registration statement on Form S-1 or Form S-3, or in connection with the satisfaction of outstanding trade payables.

***Note Exchanges***

Since August 15, 2022, we have issued an aggregate of 103,553 shares of common stock to the holder of that certain outstanding promissory note of the Company issued on March 18, 2020 (the “March 2020 Note”), at exchange rates between $4.78 and $10.07 per share, in each case at a price per share equal to the Minimum Price as defined in Nasdaq Listing Rule 5635(d) in connection with exchange agreements pursuant to which we and the holder agreed to (i) partition new promissory notes in the form of the March 2020 Note in the aggregate original principal amount equal to approximately $0.6 million and then cause the outstanding balance of the March 2020 Note to be reduced by an aggregate of approximately $0.6 million; and (ii) exchange the partitioned notes for the delivery of the shares of common stock.

***Investments***

***FOXO Debenture***

On April 27, 2022, the Company entered into and consummated the transactions contemplated by a securities purchase agreement (the “Purchase Agreement”) with FOXO Technologies Operating Company, formerly FOXO Technologies Inc. (“FOXO Legacy”), an unaffiliated company operating in the insurance technology sector, pursuant to which the Company purchased a 10% Original Issue Discount Senior Convertible Debenture (a “Debenture”) issued by FOXO Legacy in an aggregate principal amount of approximately $6.1 million for a purchase price of $5.5 million. The Purchase Agreement is one of a series of securities purchase agreements which FOXO Legacy entered into under a private placement of Debentures commenced in February 2022. Interest on the Debenture accrues at a rate of 12% per annum, of which 12 months will be guaranteed, and is payable on each conversion date (as to the principal amount being converted) and on the maturity date, in cash, or in shares of FOXO Legacy's Class A common stock upon a conversion of all or a portion of the outstanding principal amount on the Debenture. The Debenture will mature on the date that is 12 months from the original issue date, which may be extended or accelerated pursuant to the terms of the Debenture.

On September 15, 2022, FOXO Legacy consummated a business combination with Delwinds Insurance Acquisition Corp., now known as FOXO Technologies Inc. ("FOXO"), which qualified as a qualified offering as defined in the Purchase Agreement. This qualified offering triggered a mandatory conversion of the convertible note to FOXO Legacy Class A common stock, which was then automatically converted into 891,124 shares of FOXO's Class A common stock. The Company recognized a realized loss on conversion of $2.4 million to be recognized on the income statement for the three and nine months ended September 30, 2022.

***GYG Promissory Notes***

Pursuant to the terms of Securities Purchase Agreements, dated October 29, 2021, January 18, 2022, March 22, 2022, May 17, 2022, June 29, 2022, July 28, 2022, August 17, 2022, September 16, 2022 and October 26, 2022, Game Your Game, Inc., a majority owned subsidiary of the Company ("GYG") issued promissory notes in an aggregate principal amount equal to approximately $2.3 million (the "GYG Notes"), including an aggregate of approximately $1.5 million to the Company and approximately $0.8 million to a third party. All of the GYG Notes have an interest rate of 8% and are due on or before December 31, 2022. The proceeds received from the issuance of the GYG Notes were used to satisfy GYG working capital requirements.

***CVH Loan***

On July 1, 2022, we loaned $150,000 to Cardinal Venture Holdings LLC (“CVH”). We are a member of CVH. CVH owns certain interests in KINS Capital, LLC, the sponsor entity (the “Sponsor”) to KINS Technology Group Inc., a Delaware corporation and special purpose acquisition company with which the Company anticipates entering into the Business Combination (see “Proposed Spin-Off of our Enterprise Apps Business” below for more details). The loan bears no interest and is due and payable in full on the earlier of: (i) the date by which KINS has to complete a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (a “business combination”), and (ii) immediately prior to the date of consummation of the business combination of KINS, unless accelerated upon the occurrence of an event of default. Nadir Ali, our Chief Executive Officer and director, is also a member in CVH through 3AM, LLC, which is a member of CVH, and which may, in certain circumstances, be entitled to manage the affairs of CVH.

***Proposed Spin-Off of our Enterprise Apps Business***

As previously disclosed in our Current Report on Form 8-K dated September 26, 2022, we entered into an Agreement and Plan of Merger (the “Merger Agreement”), dated as of September 25, 2022, by and among the Company, KINS Technology Group Inc., a Delaware corporation (“KINS”), CXApp Holding Corp., a Delaware corporation and newly formed wholly-owned subsidiary of the Company (“CXApp”), and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS (“Merger Sub”), pursuant to which KINS will acquire our enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the “Enterprise Apps Business”) in exchange for the issuance of shares of KINS capital stock valued at $69 million (the “Business Combination”). The proposed Business Combination is expected to be completed in the fourth quarter of 2022.

Immediately prior to the Merger (as defined below) and pursuant to a Separation and Distribution Agreement, dated as of September 25, 2022, by and among KINS, the Company, CXApp and Design Reactor, Inc., a California corporation and wholly-owned subsidiary of the Company (“Design Reactor”) (the “Separation Agreement”), and other ancillary conveyance documents, we will, among other things and on the terms and subject to the conditions of the Separation Agreement, transfer the Enterprise Apps Business, including certain of our related subsidiaries, including Design Reactor, to CXApp, and, in connection therewith, will distribute (the “Distribution”) to our stockholders and other security holders 100% of the common stock of CXApp, par value $0.00001.

Immediately following the Distribution, in accordance with and subject to the terms and conditions of the Merger Agreement, Merger Sub will merge with and into CXApp (the “Merger”), with CXApp continuing as the surviving company in the Merger and as a wholly-owned subsidiary of KINS.

Following the Business Combination, we will retain the remainder of our products including the Industrial Internet of Things (IIoT) business line.

The Business Combination has not yet occurred and will be subject to various conditions.

***Reverse Stock Split***

On October 4, 2022, the Company filed a Certificate of Change with the Secretary of State of the State of Nevada to effect a reverse stock split of the Company’s authorized and issued and outstanding shares of common stock at a ratio of one (1) share of common stock for every seventy five (75) shares of common stock (the “Reverse Stock Split”). The Reverse Stock Split was effective October 7, 2022. The Reverse Stock Split was primarily intended to bring the Company into compliance with the minimum bid price requirement for maintaining its listing on the Nasdaq Capital Market. The Company has reflected the Reverse Stock Split herein, unless otherwise indicated.

***Series 8 Preferred Stock Redemptions***

During October 2022, the Company received cash redemption notices from the holders of the Series 8 Convertible Preferred Stock issued on March 22, 2022, totaling 45,755.72 shares of Series 8 Convertible Preferred Stock for aggregate cash required to be paid of approximately $45.8 million.

***Registered Direct Offering***

On October 18, 2022, the Company entered into a Securities Purchase Agreement with an institutional investor named therein (the “Purchaser”), pursuant to which the Company agreed to issue and sell, in a registered direct offering, 253,112 shares of the Company’s common stock and warrants to purchase up to 3,846,153 shares of common stock (the “Purchase Warrants”) at a combined offering price of $5.85 per share. The Purchase Warrants have an exercise price of $5.85 per share. Each Purchase Warrant is exercisable for one share of common stock and will be immediately exercisable and will expire five years from the issuance date.

The Company also offered and sold to the Purchaser pre-funded warrants to purchase up to 2,310,990 shares of common stock, in lieu of shares of common stock at the Purchaser’s election. Each Pre-Funded Warrant is exercisable for one share of Common Stock. The purchase price of each Pre-Funded Warrant is $5.849, and the exercise price of each Pre-Funded Warrant is $0.001 per share. The Pre-Funded Warrants are immediately exercisable and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full.

The Company raised net proceeds of $14.2 million after deduction of sales commissions and other offering expenses.

**Critical Accounting Policies and Estimates**

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

Our significant accounting policies are discussed in Note 3 of the condensed consolidated financial statements. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. There have been no changes to estimates during the periods presented in the filing. Historically changes in management estimates have not been material.

There have been no significant changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

***Goodwill, Acquired Intangible Assets and Other Long-Lived Assets - Impairment Assessments***

We have recorded goodwill and other indefinite-lived assets in connection with our historical acquisitions. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of the acquired company, is not amortized. Indefinite-lived intangible assets are stated at fair value as of the date acquired in a business combination. The recoverability of goodwill is evaluated at least annually and when events or changes in circumstances indicate that the carrying amount may not be recoverable. A significant amount of judgment is involved in determining if an indicator of goodwill impairment has occurred. We have determined that we will operate and report in three reporting units: Indoor Intelligence, SAVES, and Shoom.

We have selected December 31 as the date to perform our annual goodwill impairment test. Goodwill is the only intangible asset with an indefinite useful life. Circumstances that could indicate impairment and require us to perform a quantitative impairment test include a significant decline in our financial results, a significant decline in our enterprise value relative to our net book value, a sustained decline in our stock price, or an unanticipated change in competition or our market share and a significant change in our strategic plans. As of December 31, 2021, we concluded that our fair value did not exceed our carrying value in our Indoor Intelligence reporting unit and an impairment charge of $14.8 million was recorded. At December 31, 2021, the fair value of the SAVES reporting unit exceeded its carrying value by greater than 100%. There is no goodwill assigned to the Shoom reporting unit. Since December 31, 2021, the price of our common stock has declined significantly and may continue to fluctuate in future periods. A sustained decrease in the price of our common stock is one of the qualitative factors to be considered as part of an impairment test when evaluating whether events or changes in circumstances may indicate that it is more likely than not that a potential goodwill impairment exists. Primarily because of the sustained decrease in stock price, we determined there to be trigger indicators of impairment. At June 30, 2022, the Company completed a quantitative test and concluded to record an impairment charge for $7.6 million in goodwill which resulted in remaining goodwill being fully impaired.

**RESULTS OF OPERATIONS**

***Three Months Ended September 30, 2022 compared to the Three Months Ended September 30, 2021***

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

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | | |
| (in thousands, except percentages) | Amount | % of Revenues | Amount | % of Revenues | $ Change | % Change* |
| Revenues | $ 4,177 | 100 % | $ 4,450 | 100 % | $ (273) | (6) % |
| Cost of revenues | $ 1,255 | 30 % | $ 1,186 | 27 % | $ 69 | 6 % |
| Gross profit | $ 2,922 | 70 % | $ 3,264 | 73 % | $ (342) | (10) % |
| Operating expenses | $ 13,315 | 319 % | $ 15,720 | 353 % | $ (2,405) | (15) % |
| Loss from operations | $ (10,393) | (249) % | $ (12,456) | (280) % | $ 2,063 | 17 % |
| Other income (expense) | $ (7,600) | (182) % | $ (22,347) | (502) % | $ 14,747 | 66 % |
| Provision for income taxes | $ — | — % | $ 854 | 19 % | $ (854) | (100) % |
| Net (loss) income | $ (17,993) | (431) % | $ (33,949) | (763) % | $ 15,956 | 47 % |
| Net income (loss) attributable to stockholders of Inpixon | $ (17,591) | (421) % | $ (33,640) | (756) % | $ 16,049 | 48 % |

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

**Revenues**

Revenues for the three months ended September 30, 2022 were $4.2 million compared to $4.5 million for the comparable period in the prior year for a decrease of approximately $0.3 million, or approximately 6%. This decrease is primarily attributable to the decrease in Indoor Intelligence sales due to delayed shipments in the IIoT product line and lower sales for the SAVES product line.

**Cost of Revenues**

Cost of revenues for the three months ended September 30, 2022 were $1.3 million compared to $1.2 million for the comparable period in the prior year. This increase in cost of revenues of approximately $0.1 million, or approximately 6%, was primarily attributable to the sales mix during the quarter.

**Gross Profit**

The gross profit margin for the three months ended September 30, 2022 was 70% compared to 73% for the three months ended September 30, 2021. This decrease in margin is primarily due to the sales mix during the quarter.

**Operating Expenses**

Operating expenses for the three months ended September 30, 2022 were $13.3 million and $15.7 million for the comparable period ended September 30, 2021. This decrease of approximately $2.4 million is primarily attributable to lower compensation, professional fees and legal expenses.

**Other Income (Expense)**

Other income/expense for the three months ended September 30, 2022 was a loss of $7.6 million compared to a loss of $22.3 million for the comparable period in the prior year. This decrease in loss of approximately $14.7 million is primarily attributable to the lower unrealized loss on equity securities in the three months ended September 30, 2022.

**Provision for Income Taxes**

There was no income tax provision for the three months ended September 30, 2022 and an income tax benefit of $0.9 million for the three months ended September 30, 2021.

***Nine Months Ended September 30, 2022 compared to the Nine Months Ended September 30, 2021***

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

| | For the Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | | |
| (in thousands, except percentages) | Amount | % of Revenues | Amount | % of Revenues | $ Change | % Change* |
| Revenues | $ 14,133 | 100 % | $ 10,857 | 100 % | $ 3,276 | 30 % |
| Cost of revenues | $ 4,037 | 29 % | $ 2,966 | 27 % | $ 1,071 | 36 % |
| Gross profit | $ 10,096 | 71 % | $ 7,891 | 73 % | $ 2,205 | 28 % |
| Operating expenses | $ 50,443 | 357 % | $ 46,060 | 424 % | $ 4,383 | 10 % |
| Loss from operations | $ (40,347) | (285) % | $ (38,169) | (352) % | $ (2,178) | (6) % |
| Other income (expense) | $ (9,449) | (67) % | $ 7,537 | 69 % | $ (16,986) | (225) % |
| Provision for income taxes | $ (84) | (1) % | $ (1,350) | (12) % | $ 1,266 | 94 % |
| Net (loss) income | $ (49,880) | (353) % | $ (31,982) | (295) % | $ (17,898) | (56) % |
| Net (loss) income attributable to stockholders of Inpixon | $ (48,674) | (344) % | $ (31,438) | (290) % | $ (17,236) | (55) % |

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

**Revenues**

Revenues for the nine months ended September 30, 2022 were $14.1 million compared to $10.9 million for the comparable period in the prior year for an increase of approximately $3.3 million, or approximately 30%. This increase is primarily attributable to the increase in Indoor Intelligence sales including the addition of the CXApp product line during the second quarter of 2021 and the addition of the IIoT product line in the fourth quarter of 2021.

**Cost of Revenues**

Cost of revenues for the nine months ended September 30, 2022 were $4.0 million compared to $3.0 million for the comparable period in the prior year. This increase in cost of revenues of approximately $1.1 million, or approximately 36%, was primarily attributable to the increased sales during the quarter.

**Gross Profit**

The gross profit margin for the nine months ended September 30, 2022 was 71% compared to 73% for the nine months ended September 30, 2021. This decrease in gross profit margin is due to the sales mix during the period.

**Operating Expenses**

Operating expenses for the nine months ended September 30, 2022 were $50.4 million and $46.1 million for the comparable period ended September 30, 2021. This increase of $4.4 million is primarily attributable to the $7.6 million of goodwill impairment, offset by lower compensation, professional fees and legal expense in the nine months ended September 30, 2022.

**Other Income (Expense)**

Other income/expense for the nine months ended September 30, 2022 was a loss of $9.4 million compared to a gain of $7.5 million for the comparable period in the prior year. This increase in other loss of approximately $17.0 million is primarily attributable to the unrealized losses on equity securities of $7.1 million, and unrealized foreign exchange losses of $2.8 million in the nine months ended September 30, 2022 as compared to the discounted net unrealized loss of approximately $1.4 million on the Sysorex note, a $7.5 million release on the valuation allowance on the Sysorex note and approximately $1.6 million of interest received on the Sysorex note were included in other income for the nine months ended September 30, 2021.

**Provision for Income Taxes**

There is an income tax expense of approximately $0.1 million and $1.4 million for the nine months ended September 30, 2022 and 2021, respectively.

**Non-GAAP Financial information**

***EBITDA***

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

Adjusted EBITDA for the three months ended September 30, 2022 was a loss of $8.2 million compared to a loss of $6.7 million for the prior year period.

Adjusted EBITDA for the nine months ended September 30, 2022 was a loss of $26.9 million compared to a loss of $18.5 million for the prior year period.

The following table presents a reconciliation of net income (loss) attributable to stockholders of Inpixon, which is our GAAP operating performance measure, to Adjusted EBITDA for the three and nine months ended September 30, 2022 and 2021 (in thousands):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net loss attributable to stockholders of Inpixon | $ (17,591) | $ (33,640) | $ (48,674) | $ (31,438) |
| Interest expense/(income), net | 240 | 15 | 62 | (1,191) |
| Income tax (benefit)/provision | — | (854) | 84 | 1,350 |
| Depreciation and amortization | 1,891 | 1,903 | 5,567 | 4,541 |
| EBITDA | (15,460) | (32,576) | (42,961) | (26,738) |
| *Adjusted for:* | | | | |
| Non-recurring one-time charges: | | | | |
| Loss on exchange of debt for equity | — | — | — | 30 |
| Provision for valuation allowance on held for sale loan | — | — | — | (7,345) |
| Gain on related party loan held for sale | — | — | — | (49,817) |
| Unrealized loss on equity securities | 5,854 | 22,285 | 7,110 | 51,250 |
| Acquisition transaction/financing costs | 2 | 93 | 270 | 1,098 |
| Earnout compensation expense/(benefit) | — | 835 | (2,827) | 2,893 |
| Professional service fees | — | 418 | 8 | 1,189 |
| Impairment of goodwill | — | — | 7,570 | — |
| Unrealized losses/(gains) on notes, loans, investments | — | (6) | 124 | (497) |
| Bad debts expense/provision | 5 | 100 | 5 | 100 |
| Reserve for inventory obsolescence | — | 300 | — | 300 |
| Stock-based compensation - compensation and related benefits | 688 | 1,664 | 2,962 | 8,813 |
| Severance costs | 127 | 210 | 248 | 210 |
| Restructuring costs | 597 | — | 597 | — |
| Adjusted EBITDA | $ (8,187) | $ (6,677) | $ (26,894) | $ (18,514) |

- We rely on Adjusted EBITDA, which is a non-GAAP financial measure for the following:
- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a basis for allocating resources to various projects;

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

- To evaluate internally the performance of our personnel.

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

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

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

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

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

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;

- Adjusted EBITDA does not reflect income or other taxes or the cash requirements to make any tax payments; and

- Other companies in our industry may calculate Adjusted EBITDA differently than we do, thereby potentially limiting its usefulness as a comparative measure.

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

***Proforma Non-GAAP Net Income (Loss) per Share***

Basic and diluted net income (loss) per share for the three months ended September 30, 2022 was a loss of $10.21 compared to a loss of $22.31 for the prior year period. The decrease in loss per share in 2022 was attributable to the changes discussed in our results of operations.

Basic and diluted net income (loss) per share for the nine months ended September 30, 2022 was a loss of $31.08 compared to loss of $23.95 for the prior year period. The increase in loss per share in 2022 was attributable to the changes discussed in our results of operations.

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

Proforma non-GAAP net loss per basic and diluted common share for the three months ended September 30, 2022 was a loss of $3.96 per share compared to a loss of $3.77 per share for the prior year period. Proforma non-GAAP net loss per basic and diluted common share for the nine months ended September 30, 2022 was a loss of $13.44 per share compared to a loss of $13.68 per share for the prior year period.

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

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| (thousands, except per share data) | 2022 | 2021 | 2022 | 2021 |
| Net loss attributable to stockholders of Inpixon | $ (17,591) | $ (33,640) | $ (48,674) | $ (31,438) |
| Adjustments: | | | | |
| Non-recurring one-time charges: | | | | |
| Loss on the exchange of debt for equity | — | — | — | 30 |
| Provision for valuation allowance on held for sale loan | — | — | — | (7,345) |
| Gain on related party loan held for sale | — | — | — | (49,817) |
| Unrealized loss on equity securities | 5,854 | 22,285 | 7,110 | 51,250 |
| Acquisition transaction/financing costs | 2 | 93 | 270 | 1,098 |
| Earnout compensation expense/(benefit) | — | 835 | (2,827) | 2,893 |
| Professional service fees | — | 418 | 8 | 1,189 |
| Impairment of goodwill | — | — | 7,570 | — |
| Unrealized losses/(gains) on notes, loans, investments | — | (6) | 124 | (497) |
| Bad debts expense/provision | 5 | 100 | 5 | 100 |
| Reserve for inventory obsolescense | — | 300 | — | 300 |
| Stock-based compensation - compensation and related benefits | 688 | 1,664 | 2,962 | 8,813 |
| Severance costs | 127 | 210 | 248 | 210 |
| Restructuring costs | 597 | — | 597 | — |
| Amortization of intangibles | 1,533 | 1,560 | 4,559 | 3,571 |
| Proforma non-GAAP net loss | (8,785) | (6,181) | (28,048) | (19,643) |
| Proforma non-GAAP net loss per common share - Basic and Diluted | $ (3.96) | $ (3.77) | $ (13.44) | $ (13.68) |
| Weighted average basic and diluted common shares outstanding | 2,216,544 | 1,640,971 | 2,086,633 | 1,436,093 |

- We rely on proforma non-GAAP net income (loss) per share, which is a non-GAAP financial measure:
- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- To evaluate internally the performance of our personnel.

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

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

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

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

**Liquidity and Capital Resources as of September 30, 2022**

Our current capital resources and operating results as of and through September 30, 2022, consist of:

1) an overall working capital surplus of approximately $51.6 million;

2) cash of approximately $63.2 million;

3) net cash used by operating activities for the nine months ended September 30, 2022 of $26.9 million.

The breakdown of our overall working capital surplus as of September 30, 2022 is as follows (in thousands):

| Working Capital | Assets | Liabilities | Net |
|---|---|---|---|
| Cash and cash equivalents | $ 63,153 | $ — | $ 63,153 |
| Accounts receivable, net / accounts payable | 2,879 | 2,559 | 320 |
| Inventory | 2,702 | — | 2,702 |
| Accrued liabilities | — | 4,370 | (4,370) |
| Operating lease obligation | — | 514 | (514) |
| Deferred revenue | — | 3,730 | (3,730) |
| Notes and other receivables / Short-term debt | 287 | 6,179 | (5,892) |
| Other | 3,258 | 3,376 | (118) |
| Total | $ 72,279 | $ 20,728 | $ 51,551 |

On July 22, 2022, we also entered into an Equity Distribution Agreement pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to $25 million. We are not obligated to make any sales under the Equity Distribution Agreement and no assurance can be given we will sell any shares or if we do, as to the price or amount of shares that we will sell, or the date on which any such sales will take place. In addition, subsequent to the quarter ended September 30, 2022, we entered into a Securities Purchase Agreement with an institutional investor, pursuant to which the Company agreed to issue and sell, in a registered direct offering, the Company's common stock, warrants and pre-funded warrants for net proceeds of $14.2 million after deduction of sales commissions and other offering expenses.

***Contractual Obligations and Commitments***

Contractual obligations are cash that we are obligated to pay as part of certain contracts that we have entered during our course of business. Our contractual obligations consists of operating lease liabilities and acquisition liabilities that are included in our consolidated balance sheet and vendor commitments associated with agreements that are legally binding. As of September 30, 2022, the total obligation for operating leases is approximately $1.5 million, of which approximately $0.6 million is expected to be paid in the next twelve months. Our vendor commitments are approximately $0.5 million all of which is expected in the next twelve months. As of September 30, 2022, our obligation for acquisition liabilities is approximately $3.4 million of which approximately $3.4 million is expected to be paid in the next twelve months. In addition, any time during the

Series 8 Redemption Period, each holder of our Series 8 Shares is entitled to require us to redeem all or part of the Series 8 Shares then held by such holder in cash for a redemption price per share equal to the Series 8 Redemption Amount. Any holder that elects to redeem its shares of Series 8 Preferred Stock will be required to forfeit 50% of the corresponding warrants held by such holder. During October 2022, the Company was required to redeem 45,755.72 shares of its Series 8 Preferred Stock for an aggregate amount of $45.8 million. The remaining aggregate Redemption Amount that we may be required to pay is equal to $7.4 million (which may be increased to $8.2 million in the event of certain events of default) plus any accrued but unpaid dividends, liquidated damages and other costs, expenses, or amounts due in respect of the shares, to the extent applicable.

As of September 30, 2022, we owed approximately $6.2 million in principal under promissory notes with third parties. This balance excludes intercompany amounts that are eliminated in the financial statements. These notes are payable within the next twelve months and the interest rate charged under the notes range from 8% to 10%. See Note 12 of the Notes to Consolidated Financial Statements included elsewhere in this Form 10-Q.

Net cash used in operating activities during the nine months ended September 30, 2022 of $26.9 million consists of a net loss of $49.9 million offset by non-cash adjustments of approximately $22.2 million less net cash changes in operating assets and liabilities of approximately $0.7 million. Although the Company has sustained significant losses during nine months ended September 30, 2022, in addition to the cash we had on hand, we raised net proceeds of approximately $14.2 million after placement agent commissions in connection with a registered direct offering in October 2022 and in July 2022 raised $5 million in connection with the debt offering described above. The Company has also filed an At-The-Market financing facility having an aggregate offering price of up to $25 million that it can access should the Company deem necessary. Given our current cash balances, financing facilities and budgeted cash flow requirements, the Company believes such funds are sufficient to satisfy its working capital needs, capital asset purchases, debt repayments and other liquidity requirements associated with its existing operations for the next 12 months from the issuance date of the financial statements.

However, general economic or other conditions resulting from COVID 19 or other events materially may impact the liquidity of our common stock or our ability to continue to access capital from the sale of our securities to support our growth plans. While the impact of the COVID-19 pandemic is generally subsiding, the lasting impact on our business and results of operations continues to remain uncertain. While we were able to continue operations remotely throughout the pandemic, we have experienced supply chain cost increases and constraints and delays in the receipt of certain components of our hardware products impacting delivery times for our products. In addition, to the extent that certain customers continue to be challenged by the lasting effects of the pandemic, we have and may continue to see an impact in the demand of certain products and delays in certain projects and customer orders. Our business has been impacted by the COVID-19 pandemic and may continue to be impacted. While we have been able to continue operations remotely, we have and continue to experience supply chain cost increases and constraints and delays in the receipt of certain components of our products impacting delivery times for our products. We have also seen some impact in the demand of certain products and delays in certain projects and customer orders either because they require onsite services which could not be performed as a result of new rules and regulations resulting from the pandemic, customer facilities being partially or fully closed during the pandemic or because of the uncertainty of the customer's financial position and ability to invest in our technology.

Certain global events, such as the continued impact of the pandemic, the recent military conflict between Russia and Ukraine, and other general economic factors that are beyond our control may impact our results of operations. These factors can include interest rates; recession; inflation; unemployment trends; the threat or possibility of war, terrorism or other global or national unrest; political or financial instability; and other matters that influence our customers spending. Increasing volatility in financial markets and changes in the economic climate could adversely affect our results of operation. We also expect that supply chain interruptions and constraints, and increased costs on parts, materials and labor may continue to be a challenge for our business. While we have been able to realize growth in the nine months ended September 30, 2022 as compared to the same periods in 2021, the impact that these global events will have on general economic conditions is continuously evolving and the ultimate impact that they will have on our results of operations continues to remain uncertain. There are no assurances that we will be able to continue to experience the same growth or not be materially adversely effected. The Company may continue to pursue strategic transactions and may raise such additional capital as needed, using our equity securities and/or cash and debt financings in combinations appropriate for each transaction.

**Liquidity and Capital Resources**

The Company's net cash flows used in operating, investing and financing activities for the nine months ended September 30, 2022 and 2021 and certain balances as of the end of those periods are as follows (in thousands):

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| Net cash used in operating activities | $ (26,943) | $ (24,018) |
| Net cash provided by (used in) investing activities | 36,748 | (52,708) |
| Net cash provided by financing activities | 902 | 125,425 |
| Effect of foreign exchange rate changes on cash | (34) | 90 |
| Net increase in cash and cash equivalents | $ 10,673 | $ 48,789 |

| | As of September 30, 2022 | As of December 31, 2021 |
|---|---|---|
| Cash and cash equivalents | $ 63,153 | $ 52,480 |
| Working capital surplus | $ 51,551 | $ 78,831 |

**Operating Activities for the nine months ended September 30, 2022**

Net cash used in operating activities during the nine months ended September 30, 2022 was approximately $26.9 million. The cash flows related to the nine months ended September 30, 2022 consisted of the following (in thousands):

| | |
|---|---|
| Net income (loss) | $ (49,880) |
| Non-cash income and expenses | 22,192 |
| Net change in operating assets and liabilities | 745 |
| Net cash used in operating activities | $ (26,943) |

The non-cash income and expense of approximately $22.2 million consisted primarily of the following (in thousands):

| | |
|---|---|
| $ 5,567 | Depreciation and amortization expenses (including amortization of intangibles) primarily attributable to the Shoom, AirPatrol, LightMiner, Locality, GTX, Jibestream, Systat, Ten Degrees, Nanotron, Game Your Game, Visualix, CXApp and IntraNav, which were acquired effective August 31, 2013, April 16, 2014, November 21, 2016, May 21, 2019, June 27, 2019, August 15, 2019, June 30, 2020, August 19, 2020, October 6, 2020, April 9, 2021, April 23, 2021, April 30, 2021, December 9, 2021 respectively. |
| 536 | Amortization of right of use asset |
| 2,962 | Stock-based compensation expense attributable, warrants, restricted stock grants and options issued as part of Company operations |
| (2,827) | Earnout expense valuation benefit |
| 121 | Amortization of issued discount |
| 1,870 | Unrealized loss(gain) on note |
| (791) | Loss on conversion of note receivable |
| (278) | Accrued interest income, related party |
| 5 | Provision for doubtful accounts |
| (1) | Deferred income tax |
| 7,110 | Unrealized loss on equity securities |
| 7,570 | Impairment of goodwill |
| 348 | Other |
| $ 22,192 | Total non-cash expenses |

The net cash used in the change in operating assets and liabilities aggregated approximately $0.7 million and consisted primarily of the following (in thousands):

| | | |
|---|---|---|
| $ | 336 | Decrease in accounts receivable and other receivables |
| | 571 | Decrease in inventory, other current assets and other assets |
| | 237 | Increase in accounts payable |
| | 1,021 | Increase in accrued liabilities, income tax liabilities and other liabilities |
| | (505) | Decrease in operating lease liabilities |
| | (915) | Decrease in deferred revenue |
| $ | 745 | Net cash used in the changes in operating assets and liabilities |

**Operating Activities for the nine months ended September 30, 2021**

Net cash used in operating activities during the nine months ended September 30, 2021 was approximately $24.0 million. The cash flows related to the nine months ended September 30, 2021 consisted of the following (in thousands):

| | | |
|---|---|---|
| Net income (loss) | $ | (31,982) |
| Non-cash income and expenses | | 1,988 |
| Net change in operating assets and liabilities | | 5,976 |
| Net cash used in operating activities | $ | (24,018) |

The non-cash income and expense of approximately $2.0 million consisted primarily of the following (in thousands):

| | | |
|---|---|---|
| $ | 4,541 | Depreciation and amortization expenses (including amortization of intangibles) primarily attributable to the Shoom, AirPatrol, LightMiner, Locality, GTX, Jibestream, Systat, Ten Degrees, Nanotron, Game Your Game, Visualix and CXApp, which were acquired effective August 31, 2013, April 16, 2014, November 21, 2016, May 21, 2019, June 27, 2019, August 15, 2019, June 30, 2020, August 19, 2020, October 6, 2020, April 9, 2021, April 23, 2021 and April 30, 2021, respectively. |
| | 527 | Amortization of right of use asset |
| | 8,813 | Stock-based compensation expense attributable to warrants and options issued as part of Company operations |
| | 30 | Loss on exchange of debt for equity |
| | 224 | Amortization of debt discount |
| | (7,345) | Recovery for valuation allowance for held for sale loan |
| | (1,627) | Accrued interest income, related party |
| | 100 | Provision for doubtful accounts |
| | 300 | Provision for inventory accounts |
| | (49,817) | Gain on settlement of related party note and receivable |
| | (4,507) | Income tax expense |
| | 51,250 | Unrealized loss on equity securities |
| | (501) | Other |
| $ | 1,988 | Total non-cash expenses |

The net use of cash in the change in operating assets and liabilities aggregated approximately $6.0 million and consisted primarily of the following (in thousands):

| | | |
|---|---|---|
| $ | (678) | Increase in accounts receivable and other receivables |
| | (369) | Increase in inventory,other current assets and other assets |
| | (653) | Decrease in accounts payable |
| | 3,510 | Increase in accrued liabilities and other liabilities |
| | 3,471 | Increase in income tax liabilities |
| | (519) | Decrease in operating lease liabilities |
| | 1,214 | Increase in deferred revenue |
| $ | 5,976 | Net use of cash used in the changes in operating assets and liabilities |

**Cash Flows from Investing Activities as of September 30, 2022 and 2021**

Net cash flows provided by investing activities during the nine months ended September 30, 2022 was approximately $36.7 million compared to net cash flows used in investing activities during the nine months ended September 30, 2021 of approximately $52.7 million. Cash flows related to investing activities during the nine months ended September 30, 2022 include $0.2 million for the purchase of property and equipment, $0.6 million for investment in capitalized software, $5.5 million for the purchase of a convertible note, $0.2 million for the issuance of a note receivable, $0.2 million for the sales of equity securities and $43.0 million of sales of treasury bills. Cash flows related to investing activities during the nine months ended September 30, 2021 include $0.3 million for the purchase of property and equipment, $0.9 million investment in capitalized software, $63.4 million for the purchase of treasury bills, $2.0 million for the purchase of short term investments, $2.0 million sale of short term investment, $28.0 million from sales of treasury bills, $0.2 million from the acquisition of Game Your Game, $15.2 million for the acquisition of CXApp, $0.9 million for the purchase of the Systat licensing agreement, $0.3 million for the issuance of a note receivable and $0.1 million for the acquisition of Visualix.

**Cash Flows from Financing Activities as of September 30, 2022 and 2021**

Net cash flows provided by financing activities during the nine months ended September 30, 2022 was $0.9 million. Net cash flows provided by financing activities during the nine months ended September 30, 2021 was $125.4 million. During the nine months ended September 30, 2022, the Company received incoming cash flows of $46.9 million for the issuance of preferred stock and warrants, paid $49.3 million for the redemption of preferred series 7 stock, paid $2.0 million of the CXApp acquisition liability, received $5.5 million net proceeds from promissory note, and paid $0.3 million for the settlement of employee taxes on restricted stock. During the nine months ended September 30, 2021, the Company received incoming cash flows of $77.9 million from the issuance of common stock and warrants, received incoming cash flows of $50.6 million for the issuance of preferred stock and warrants, loaned $0.1 million to a related party, paid $1.7 million of taxes related to the net share settlement of restricted stock units, paid a $0.2 million liability related to the CXApp acquisition, paid a $0.5 million acquisition liability to the pre-acquisition shareholders of Nanotron, and paid a $0.5 million acquisition liability to the pre-acquisition shareholders of Locality.

**Off-Balance Sheet Arrangements**

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

**Recently Issued Accounting Standards**

For a discussion of recently issued accounting pronouncements, please see Note 3 to our financial statements, which are included in this report beginning on page F-1.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

**Item 4. Controls and Procedures**

***Disclosure Controls and Procedures***

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized, recorded and reported; and (2) our assets are safeguarded against unauthorized or improper use, to permit the preparation of our condensed consolidated financial statements in conformity with GAAP.

In connection with the preparation of this Form 10-Q, management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Principal Executive

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

***Changes in Internal Controls***

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. The Company's management determined that there were no material changes needed to internal controls as a result of the COVID-19 pandemic.

***Limitations of the Effectiveness of Control***

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

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

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

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

### Item 1A. Risk Factors

We face a number of significant risks and uncertainties in connection with our operations. Our business, results of operations and financial condition could be materially adversely affected by these risks. In addition to the risk factors set forth below and the other information set forth in this Form 10-Q, you should carefully consider the factors disclosed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 16, 2022, and Part II, Item 1A, "Risk Factors," in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, filed with the SEC on May 16, 2022, and Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022, filed with the SEC on August 15, 2022, which reports are incorporated by reference herein, all of which could materially affect our business, financial condition and future results.

***Changes in the value of the Sysorex common stock we own may result in material fluctuations (increases or decreases) in our total asset value and net income on a quarterly basis.***

We entered into a note purchase agreement with Sysorex, as amended from time to time, pursuant to which we agreed to loan Sysorex up to an aggregate principal amount of $10,000,000 on a revolving credit basis (the "Sysorex Note").

On March 1, 2020, we agreed to extend the maturity date of the note from December 31, 2020 to December 31, 2022. On April 14, 2021, we entered into a Securities Settlement Agreement (the "SSA") and a Rights Letter Agreement (the "RLA"), with Sysorex, whereby it agreed to satisfy in full its outstanding debt, in the aggregate amount of $9,088,176 as of March 31, 2021, owed to the Company, including but, not limited to, amounts outstanding under the Sysorex Note (the "Debt Settlement"). To effect the Debt Settlement, Sysorex agreed to issue to us (i) pursuant to the terms of the SSA, 12,972,189 shares of its common stock and (ii) rights to acquire 3,000,000 additional shares of its common stock pursuant to the terms of the RLA. The Debt Settlement was entered into in connection with Sysorex's closing of a reverse triangular merger with TTM Digital Assets & Technologies, Inc.

The Company recorded $7.5 million benefit for the release of the previously recorded valuation allowance related to the Sysorex Note, $1.6 million of interest income, and a gain on settlement of $49.8 million equal to the difference in the carry value of the Sysorex Note, including interest, and the value of the common stock and rights to acquire additional shares received in the settlement. As of September 30, 2022, the value of these securities decreased to approximately $0.05 million as a result of the corresponding decrease in Sysorex's common stock price. Accordingly, a $1.8 million unrealized loss on the Sysorex note for the nine months ended September 30, 2022 was included in the condensed consolidated statements of operations.

Consequently, the shares of common stock of Sysorex we own, which are inherently volatile. Accordingly, the value of our total assets and as a consequence, the price of our common stock may decline or increase regardless of our operating performance, which may result in losses for investors purchasing shares of our common stock. Further, to the extent that we experience unrealized losses in connection with such securities from declines in securities values that management determines to be other than temporary, the book value of those securities will be adjusted to their estimated recovery value and we will recognize a charge to earnings in the quarter during which we make that determination. Additionally, the Company has no control over the price the Company will eventually receive as a result of the disposition of such assets and may be unable to sell the aforementioned securities at favorable prices quickly or when desired.

***Our common stock may be delisted from The Nasdaq Capital Market which could negatively impact the price of our common stock, liquidity and our ability to access the capital markets.***

Our common stock is currently listed on The Nasdaq Capital Market under the symbol “INPX.” The listing standards of The Nasdaq Capital Market provide that a company, in order to qualify for continued listing, must maintain a minimum stock price of $1.00 and satisfy standards relative to minimum stockholders’ equity, minimum market value of publicly held shares and various additional requirements. If The Nasdaq Stock Market LLC, or Nasdaq, delists our securities from trading on its exchange for failure to meet the listing standards, we and our stockholders could face significant negative consequences including:

- limited availability of market quotations for our securities;
- a determination that the common stock is a “penny stock” which would require brokers trading in the common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for shares of common stock;
- a limited amount of analyst coverage, if any; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Delisting from The Nasdaq Capital Market could also result in other negative consequences, including the potential loss of confidence by suppliers, customers and employees, the loss of institutional investor interest and fewer business development opportunities.

As previously reported, on October 25, 2021, we received written notification from Nasdaq informing us that because the closing bid price of our common stock was below $1.00 for 30 consecutive trading days, our shares no longer complied with the minimum closing bid price requirement for continued listing on Nasdaq under the Nasdaq Listing Rules. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were provided a period of 180 calendar days, or until April 25, 2022, in which to regain compliance. In order to regain compliance with the minimum bid price requirement, the closing bid price of our common stock must be at least $1.00 per share for a minimum of ten consecutive business days. We were not able to regain compliance within this 180-day period, and were eligible to seek an additional 180 calendar days to meet the minimum bid price requirement if we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and provide written notice to Nasdaq of our intent to cure the deficiency during this second compliance period, by effecting a reverse stock split, if necessary. We provided Nasdaq written notice of our intention to cure the bid price deficiency during the second compliance period and on April 26, 2022, we received notice from Nasdaq that we were granted an additional 180 days, or until October 24, 2022 to regain compliance with this requirement.

We effected a 1-for-75 reverse stock split of our common stock on October 7, 2022, and on November 1, 2022, we were informed by Nasdaq that we had regained compliance with the minimum bid price requirement and that we were back in compliance with the applicable Nasdaq continued listing criteria.

Notwithstanding the reverse stock split and our compliance with The Nasdaq Capital Market requirements, we cannot be certain that our share price will comply with the requirements for continued listing of our common stock on The Nasdaq Capital Market in the future, or that we will be able to comply with the other continued listing requirements.

If our shares of common stock lose their status on Nasdaq, we believe that they would likely be eligible to be quoted on the inter-dealer electronic quotation and trading system operated by OTC Markets Group Inc., commonly referred to as the Pink Open Market and we may also qualify to be traded on their OTCQB market (The Venture Market). These markets are generally not considered to be as efficient as, and not as broad as, Nasdaq. Selling our shares on these markets could be more difficult because smaller quantities of shares would likely be bought and sold, and transactions could be delayed. In addition, in the event our shares are delisted, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in our common stock or even holding our common stock, further limiting the liquidity of our common stock. These factors could result in lower prices and larger spreads in the bid and ask prices for our common stock.

***The impact of the military conflict between Russia and Ukraine has resulted in an increase in the likelihood of supply chain constraints, contributed to inflation driving up the cost of material and labor required to make our products, the effects of which remains uncertain and may have a material adverse impact on our business, operations and financial condition.***

The military conflict between Russia and Ukraine has increased the likelihood of supply interruptions which may hinder our ability to find the materials we need to make our products. Supply disruptions are making it harder for us to find favorable pricing and reliable sources for the materials we need, putting upward pressure on our costs and increasing the risk that we may be unable to acquire the materials and services we need to continue to make certain products. The wider implications of the conflict has contributed to inflation driving up the costs of labor and materials required to make our products. The fluidity and continuation of the conflict may result in additional economic sanctions and other impacts which could have a negative impact on the Company's financial condition, results of operations and cash flows, including decreased sales; supply chain and logistics disruptions; volatility in foreign exchange rates and interest rates; inflationary pressures on materials and labor; and heightened cybersecurity threats. The overall impact on our business of these events continues to remain uncertain and there are no assurances that we will be able to continue to experience the same growth or not be materially adversely affected.

**Risks Related to the Business Combination**

***The Merger with KINS is subject to the satisfaction of certain conditions, which may not be satisfied on a timely basis, if at all.***

The consummation of the Merger is subject to customary closing conditions for transactions involving special purpose acquisition companies, including, among others:

- there is not in force any order, judgment, injunction, decree, writ, stipulation, determination or award, in each case, entered by or with any governmental authority of competent jurisdiction, statute, rule or regulation enjoining or prohibiting the consummation of the Merger;
- KINS shall have at least $5,000,001 of net tangible assets as of the closing;
- the KINS Class A common stock issuable pursuant to the Business Combination shall have been approved for listing on the Nasdaq Capital Market;
- CXApp and KINS shall each have performed and complied in all material respects with the covenants required by the Merger Agreement to be performed by it as of or prior to closing;
- customary bring down conditions related to the accuracy of the CXApp's and KINS's respective representations and warranties in the Merger Agreement;
- the consummation of the Separation and other transactions contemplated by the Separation Agreement;
- KINS's registration statement to be filed with the SEC shall have become effective (and no stop order suspending effectiveness have been issued and no proceedings for that purpose has been initiated or threatened by the SEC);
- each of KINS's and CXApp's stockholder approvals shall have been obtained; and
- the sum of (A) the aggregate amount of cash available in KINS's trust account following KINS's stockholders' meeting, after deducting the amount required to satisfy the Acquiror Share Redemption Amount (as defined in the Merger Agreement) (but prior to payment of any transaction expenses), (B) the aggregate gross purchase price of any other purchase of shares of KINS common stock (or securities convertible or exchangeable for KINS common stock) actually received by KINS prior to or substantially concurrently with the closing of the Merger, and (C) the aggregate gross purchase price of any other purchase of shares of CXApp common stock (or securities convertible or exchangeable for CXApp common stock) actually received by CXApp prior to or substantially concurrently with the closing of the Merger, shall be equal to or greater than $9.5 million.

Additionally, KINS's obligation to consummate the Business Combination is also conditioned on there having been no event that has had, or would reasonably be expected to have, individually or in the aggregate, a "Material Adverse Effect" on CXApp.

There can be no assurance that such closing conditions will be satisfied or waived, or that the Merger will be consummated. Further, Inpixon cannot assure you that the approval of KINS' stockholders will be obtained. Inpixon, CXApp and KINS may be subject to shareholder lawsuits, or other actions filed in connection with or in opposition to the Merger, which could prevent or delay the consummation of the Merger.

***If the Distribution (as defined in the Separation Agreement), together with certain related transactions, fails to qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"), or the Merger fails to qualify as a reorganization under Section 368(a) of the Code, Inpixon and its stockholders could incur significant tax liabilities, and KINS and CXApp could be required to indemnify Inpixon for taxes that could be material, pursuant to indemnification obligations under the Tax Matters Agreement.***

Although the Distribution and Merger are not conditioned on its receipt, Inpixon expects to receive a tax opinion, which will provide that the Contribution (as defined in the Separation Agreement) and Distribution, taken together, will qualify as a reorganization under Sections 355 and 368(a)(1)(D) of the Code. The tax opinion will be based on, among other things, certain facts, assumptions, representations and undertakings from Inpixon, CXApp and KINS, including those regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations, or undertakings are incorrect or not satisfied, Inpixon may not be able to rely on such opinion. Moreover, even if Inpixon receives the opinion, such opinion will not be binding on the IRS or the courts, and no assurance can be given that the IRS will not challenge its conclusions or otherwise determine on audit that the Distribution or Merger does not qualify for its respective intended tax treatment, including as a result of a change in stock or asset ownership of Inpixon, CXApp or KINS after the Distribution.

If the Distribution does not qualify under Section 355 of the Code, the Distribution would be treated as a taxable dividend to Inpixon securityholders equal to the fair market value of the CXApp stock to the extent of Inpixon's earnings and profits. If the dividend exceeds such earnings and profits, the amount of such excess will be treated as a return of capital to the extent of an Inpixon Stockholder's basis in its Inpixon stock, and then a capital gain. To the extent that the Merger does not qualify as a reorganization under Section 368(a) of the Code, Inpixon securityholders would recognize taxable income equal to the difference between the fair market value of the KINS shares received and their tax basis in the CXApp Shares. In either such case, Inpixon securityholders that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities.

In addition, if the Contribution and Distribution, taken together, do not qualify under Section 355 and 368(a)(1)(D) of the Code, Inpixon would recognize taxable income on the Distribution equal to the difference between the fair market value of the CXApp shares distributed by Inpixon to the Inpixon securityholders and Inpixon's basis in such shares. Inpixon does not anticipate that it would have net operating losses to offset any taxable income triggered as a result of failure to qualify under Section 355 and 368(a)(1)(D) of the Code because its net operating losses will be limited by Section 382 of the Code.

Even if the Contribution and Distribution, taken together, otherwise qualify as a transaction described in Sections 355 and 368(a)(1)(D) of the Code, the Distribution would be taxable to Inpixon (but not to Inpixon securityholders) pursuant to Section 355(e) of the Code if one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of Inpixon or CXApp, directly or indirectly (including through acquisitions of the stock of the combined company after the Merger), as part of a plan or series of related transactions that includes the Distribution. Pursuant to the tax matters agreement to be entered into prior to the Separation, Inpixon will bear the responsibility for this tax if such tax relates to or arises out of the failure of the intended tax treatment or to certain actions taken by Inpixon. If, however, such tax is attributable to certain actions or omissions by KINS or CXApp, inaccuracies, misrepresentations or misstatements relating to KINS or CXApp, or certain events involving the stock of KINS or CXApp or assets of CXApp post-Distribution, KINS and CXApp will be obligated to indemnify Inpixon for such taxes. Further, even if KINS and CXApp are not responsible for tax liabilities of Inpixon under the tax matters agreement, CXApp nonetheless could be liable under applicable U.S. federal tax law for such liabilities if Inpixon were to fail to pay them.

***The anticipated benefits of the Business Combination may not be achieved.***

Inpixon may not be able to achieve the full strategic and financial benefits expected to result from the Business Combination, including the potential that the Business Combination will:

- allow each business to pursue its own operational and strategic priorities and more quickly respond to trends, developments and opportunities in its respective markets;
- increase the potential value for Inpixon securityholders to receive shares of the combined company post-Merger based on a pre-transaction equity value of CXApp of $69.0 million, which was greater than the market capitalization of Inpixon as of the date of the Merger Agreement;
- create two separate and distinct management teams focused on each business's unique strategic priorities, target markets and corporate development opportunities;
- give each business opportunity and flexibility by pursuing its own investment, capital allocation and growth strategies consistent with its long-term objectives;
- allow investors to separately value each business based on the unique merits, performance and future prospects of each business, providing investors with two distinct investment opportunities;
- enhance the ability of each business to attract and retain qualified management and to better align incentive-based compensation with the performance of each separate business; and
- give each of CXApp and Inpixon its own equity currency for use in connection with acquisitions.

Inpixon may not achieve the anticipated benefits of the Business Combination for a variety of reasons. Further, such benefits, if ultimately achieved, may be delayed. In addition, the Business Combination could materially and adversely affect Inpixon's business, financial condition and results of operations.

***The Separation and Distribution may expose Inpixon to potential liabilities arising out of legal dividend requirements.***

The Distribution of CXApp common stock is subject to review under state corporate distribution statutes. Under the Nevada Revised Statutes (“NRS”), no distribution (including dividends on, or redemption or repurchases of, shares of capital stock) may be made if, after giving effect to such distribution, the corporation would not be able to pay its debts as they become due in the usual course of business, or the corporation’s total assets would be less than the sum of its total liabilities plus the amount that would be needed at the time of a liquidation to satisfy the preferential rights of preferred stockholders. Although Inpixon intends to make the Distribution of CXApp common stock in compliance with the NRS, Inpixon cannot assure you that a court will not later determine that some or all of the Distribution to Inpixon security holders was unlawful.

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

***a) Sales of Unregistered Securities***

During the quarter ended September 30, 2022, the Company exchanged approximately $1.3 million of the outstanding principal and interest under the March 2020 10% Note Purchase Agreement and Promissory Note for 111,585 shares of the Company's common stock at exchange rates between $10.07 and $11.78 per share, in each case calculated in accordance with Nasdaq’s “minimum price” as defined by Nasdaq Listing Rule 5635(d).

On October 12, 2022, the Company issued 52,513 shares of common stock in connection with the exercise of a right to shares of common stock granted as part of warrant exchange agreement entered into on January 28, 2022.

On October 17, 2022, the Company exchanged $400,000 of the outstanding principal and interest under the March 2020 10% Note Purchase Agreement and Promissory Note for 83,682 shares of the Company's common stock at a per share price equal to $4.78 calculated in accordance with Nasdaq’s “minimum price” as defined by Nasdaq Listing Rule 5635(d).

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

***c) Issuer Purchases of Equity Securities***

None.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosure**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

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

## SIGNATURES

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

| | | |
|---|---|---|
| | **INPIXON** | |
| Date: November 14, 2022 | By: | /s/ Nadir Ali |
| | | Nadir Ali<br>Chief Executive Officer<br>(Principal Executive Officer) |
| | By: | /s/ Wendy Loundermon |
| | | Wendy Loundermon<br>Chief Financial Officer<br>(Principal Financial Officer) |

**EXHIBIT INDEX**

| Exhibit Number | Exhibit Description | Form | File No. | Exhibit | Filing Date | Filed Herewith |
|---|---|---|---|---|---|---|
| 2.1† | Stock Purchase Agreement, dated as of April 30, 2021, among Inpixon, Design Reactor, Inc., dba The CXApp, the sellers set forth on the signature page thereto and each other person who owns outstanding capital stock of The CXApp and executes a Joinder to Stock Purchase Agreement, and Leon Papkoff, as Sellers' Representative | 8-K | 001-36404 | 2.1 | May 6, 2021 | |
| 2.2† | Share Sale and Purchase Agreement, dated as of December 8, 2021, between Nanotron Technologies GmbH and the Shareholders of IntraNav GmbH. | 8-K | 001-36404 | 2.1 | December 13, 2021 | |
| 2.3 | Amendment to Stock Purchase Agreement, dated as of December 30, 2021, by and between Inpixon and Leon Papkoff, in his capacity as the Sellers' Representative. | 8-K | 001-36404 | 2.1 | December 30, 2021 | |
| 2.4† | Agreement and Plan of Merger, dated as of September 25, 2022, by and among KINS Technology Group Inc., Inpixon, CXApp Holding Corp. and KINS Merger Sub Inc | 8-K | 001-36404 | 2.1 | September 26, 2022 | |
| 2.5† | Separation and Distribution Agreement, dated as of September 25, 2022, by and among KINS Technology Group Inc., Inpixon, CXApp Holding Corp. and Design Reactor, Inc. | 8-K | 001-36404 | 2.2 | September 26, 2022 | |
| 2.6 | Sponsor Support Agreement, dated as of September 25, 2022, by and among KINS Capital LLC, KINS Technology Group Inc., Inpixon and CXApp Holding Corp. | 8-K | 001-36404 | 2.3 | September 26, 2022 | |
| 3.1 | Restated Articles of Incorporation. | S-1 | 333-190574 | 3.1 | August 12, 2013 | |
| 3.2 | Certificate of Amendment to Articles of Incorporation (Increase Authorized Shares). | S-1 | 333-218173 | 3.2 | May 22, 2017 | |
| 3.3 | Certificate of Amendment to Articles of Incorporation (Reverse Split). | 8-K | 001-36404 | 3.1 | April 10, 2014 | |
| 3.4 | Articles of Merger (renamed Sysorex Global). | 8-K | 001-36404 | 3.1 | December 18, 2015 | |
| 3.5 | Articles of Merger (renamed Inpixon). | 8-K | 001-36404 | 3.1 | March 1, 2017 | |

| Exhibit Number | Exhibit Description | Form | File No. | Exhibit | Filing Date | Filed Herewith |
|---|---|---|---|---|---|---|
| 3.6 | Certificate of Amendment to Articles of Incorporation (Reverse Split). | 8-K | 001-36404 | 3.2 | March 1, 2017 | |
| 3.7 | Certificate of Amendment to Articles of Incorporation (authorized share increase). | 8-K | 001-36404 | 3.1 | February 5, 2018 | |
| 3.8 | Certificate of Amendment to Articles of Incorporation (Reverse Split). | 8-K | 001-36404 | 3.1 | February 6, 2018 | |
| 3.9 | Certificate of Amendment to Articles of Incorporation (Reverse Split). | 8-K | 001-36404 | 3.1 | November 1, 2018 | |
| 3.10 | Certificate of Amendment to Articles of Incorporation, effective as of January 7, 2020 (Reverse Split). | 8-K | 001-36404 | 3.1 | January 7, 2020 | |
| 3.11 | Certificate of Amendment to the Articles of Incorporation increasing the number of authorized shares of Common Stock from 250,000,000 to 2,000,000,000 filed with the Secretary of State of the State of Nevada on November 18, 2021 | 8-K | 001-36404 | 3.1 | November 19, 2021 | |
| 3.12 | Certificate of Change filed with the Secretary of State of the State of Nevada on October 4, 2022 (effective as of October 7, 2022). | 8-K | 001-36404 | 3.1 | October 6, 2022 | |
| 3.13 | Bylaws, as amended. | S-1 | 333-190574 | 3.2 | August 12, 2013 | |
| 3.14 | Bylaws Amendment. | 8-K | 001-36404 | 3.2 | September 13, 2021 | |
| 3.15 | Form of Certificate of Designation of Preferences, Rights and Limitations of Series 4 Convertible Preferred Stock. | 8-K | 001-36404 | 3.1 | April 24, 2018 | |
| 3.16 | Certificate of Designation of Series 5 Convertible Preferred Stock, dated as of January 14, 2019. | 8-K | 001-36404 | 3.1 | January 15, 2019 | |
| 3.17 | Series 7 Convertible Preferred Stock Certificate of Designation, filed with the Secretary of State of the State of Nevada and effective September 13, 2021 | 8-K | 001-36404 | 3.1 | September 15, 2021 | |
| 3.18 | Series 8 Convertible Preferred Stock Certificate of Designation, filed with the Secretary of State of the State of Nevada and effective March 22, 2022 | 8-K | 001-36404 | 3.1 | March 24, 2022 | |

| Exhibit Number | Exhibit Description | Form | File No. | Exhibit | Filing Date | Filed Herewith |
|---|---|---|---|---|---|---|
| 4.1 | Promissory Note, dated as of July 22, 2022. | 8-K | 001-36404 | 4.1 | July 22, 2022 | |
| 4.2 | Form of Purchase Warrants | 8-K | 001-36404 | 4.1 | October 20, 2022 | |
| 4.3 | Form of Pre-Funded Warrants | 8-K | 001-36404 | 4.2 | October 20, 2022 | |
| 10.1 | Amendment No. 2 to Board of Directors Services Agreement, dated as of May 16, 2022, between Inpixon and Kareem M. Irfan | | | | | X |
| 10.2 | Equity Distribution Agreement, dated as of July 22, 2022, between Inpixon and Maxim Group LLC | 8-K | 001-36404 | 10.1 | July 22, 2022 | |
| 10.3† | Note Purchase Agreement, dated as of July 22, 2022 | 8-K | 001-36404 | 10.2 | July 22, 2022 | |
| 10.4 | Securities Purchase Agreement, dated as of April 27, 2022 | 10-Q | 001-36404 | 10.1 | August 15, 2022 | |
| 10.5 | 10% Original Issue Discount Senior Convertible Debenture | 10-Q | 001-36404 | 10.2 | August 15, 2022 | |
| 10.6 | Subsidiary Guarantee | 10-Q | 001-36404 | 10.3 | August 15, 2022 | |
| 10.7† | Form of Securities Purchase Agreement | 8-K | 001-36404 | 10.1 | October 20, 2022 | |
| 10.8 | Placement Agency Agreement, dated as of October 18, 2022 | 8-K | 001-36404 | 10.2 | October 20, 2022 | |
| 31.1 | Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022. | | | | | X |
| 31.2 | Certification of the Company's Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30 2022. | | | | | X |
| 32.1# | Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |

| Exhibit Number | Exhibit Description | Form | File No. | Exhibit | Filing Date | Filed Herewith |
|---|---|---|---|---|---|---|
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | X |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101). | | | | | X |

† Exhibits, schedules and similar attachments have been omitted pursuant to Item 601 of Regulation S-K and the registrant undertakes to furnish supplemental copies of any of the omitted exhibits and schedules upon request by the SEC.

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

# Amendment No. 2
# to
# Board of Directors Services Agreement

This Amendment No. 2 to Board of Directors Services Agreement (this “Amendment No. 2”) is entered into as of May 16, 2022, between Inpixon, a Nevada corporation (the “Company”), and Kareem M. Irfan, an individual (“Director”).

**WHEREAS**, the Company and Director entered into that certain Board of Directors Services Agreement, dated October 21, 2014 (the “Original Agreement”);

**WHEREAS**, pursuant to that certain Waiver and Amendment No. 1 to Board of Directors Services Agreement, dated February 4, 2019 (“Amendment No. 1”), the Company and Director agreed, among other things, to amend certain provisions of the Original Agreement relating to Director’s equity award compensation; and

**WHEREAS**, the Company and Director desire to further amend the Original Agreement (as amended by Amendment No. 1, the “Board Services Agreement”), to specifically provide for certain additional services that Director agrees to perform as a member of the Board of Directors of the Company and for which Director will receive additional compensation at a rate of $10,000 per month.

**NOW THEREFORE**, for consideration and as set forth herein, the parties hereto agree as follows:

**1. Amendments to Board Services Agreement.**

1.1 Board Duties. Section 1 of the Board Services Agreement is hereby amended by redesignating subsection (b) as subsection (c), and then adding a new subsection (b) to read as follows:

“(b) Director further agrees that Director’s services to the Company as a member of the Board of Directors shall include, but not be limited to: (i) leading succession planning per audit recommendations relating to compliance with the Sarbanes Oxley Act of 2002, as amended; (ii) supporting strategic relationships and growth initiatives for the Company; (iii) supporting merger and acquisition activities, such as pre-acquisition targeting, due diligence, proactive planning to leverage acquisitions and post-acquisition integration; (iv) evaluating and supporting strategic investments, partnerships and collaborations for business stability and expansion; (v) assessing international operations for corporate effectiveness and synergies; (vi) making performance, value and culture assessments for business leadership; and (vii) performing or assisting with other specific projects as may be requested by the Board of Directors.”

1.2 Board Compensation. Section 2(a) of the Board Services Agreement is hereby amended and restated in its entirety to read as follows:

“(a) As compensation for the services provided herein, the Company shall, so long as Director continues to fulfill Director’s duties and to provide services pursuant to this Agreement, pay to Director (i) monthly compensation at an initial rate of $10,000, to be paid to Director no later than 30 days after the close of the applicable month and (ii) apart from and in addition to such monthly compensation, quarterly compensation at an initial rate of $5,000, to be paid to Director on the last day of each fiscal quarter.”

**2.** Except as otherwise provided in this Amendment No. 2, all of the terms, covenants and conditions of the Board Services Agreement shall remain in full force and effect. This Amendment No. 2 and the Board Services Agreement, as modified herein, together constitute the entire understanding and agreement of the parties relating to the subject matter hereof and thereof, and supersede all prior agreements and understandings of the parties, whether written or oral, relating to the subject matter hereof and thereof. The terms of this Amendment No. 2 may not be amended except by a written instrument hereafter signed by Director and the Company.

**3.** The titles of the sections and subsections of this Amendment No. 2 are for convenience and reference only and are not to be considered in construing this Amendment No. 2.

**4.** This Amendment No. 2 may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original and all such counterparts shall together constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto enter into Amendment No.2 as of the date first set forth above.

**THE COMPANY:**
Inpixon

By: /s/ Nadir Ali
Name: Nadir Ali
Title: Chief Executive Officer

**DIRECTOR:**
/s/ Kareem M. Irfan
Kareem M. Irfan

**Exhibit 31.1**

**CERTIFICATION**

I, Nadir Ali, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inpixon;

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

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

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

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

*/s/ Nadir Ali*

Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Wendy Loundermon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inpixon;

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

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

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

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a). All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b). Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

*/s/ Wendy Loundermon*

Wendy Loundermon
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**CERTIFICATION**

In connection with the periodic report of Inpixon (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission (the "Report"), we, Nadir Ali, Chief Executive Officer (Principal Executive Officer) and Wendy Loundermon, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

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

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

Date: November 14, 2022

*/s/ Nadir Ali*

Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

/s/ Wendy Loundermon

Wendy Loundermon
Chief Financial Officer
(Principal Financial and Accounting Officer)