

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, 2023

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

(State or other jurisdiction of
incorporation or organization)

88-0434915

(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 an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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	127,688,550
(Class)	Outstanding at November 17, 2023

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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 anticipated tax treatment and benefits of the spin-off of our enterprise apps business or any other strategic transaction that we undertake may not be achieved;
- risks related to the spin-off of our enterprise apps business that recently closed or any other strategic transactions that we may undertake, including the proposed transactions with XTI Aircraft Company and Damon Motors, Inc.;
- 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 or deliver 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 increases in inflation rates and rates of interest, supply chain challenges, increased costs for materials and labor, cybersecurity attacks, other lingering impacts resulting from COVID-19, and the Russia/Ukraine and Israel/Hamas conflicts;
- our ability to obtain adequate financing in the future as needed;
- our ability to consummate strategic transactions which may include acquisitions, mergers, dispositions involving us and any of our business units or other strategic investments;
- our ability to attract, retain and manage existing customers;
- our ability to maintain compliance with the continued listing requirements of the Nasdaq Capital Market;
- lawsuits and other claims by third parties or investigations by various regulatory agencies that we may be subjected 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;
- impact of any changes in existing or future tax regimes; 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.

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, 2023 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, 2022 and 2021 included in the annual report on Form 10-K for the year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission (the “SEC”) on April 17, 2023 and the recasted audited consolidated financial statements within Exhibit 99.1 on Form 8-k filed with the SEC on June 20, 2023 to reflect the presentation of CXApp operations as discontinued operations to the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

	<u>As of September 30,</u> 2023	<u>As of December 31,</u> 2022
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash and cash equivalents	\$ 13,489	\$ 10,235
Accounts receivable, net of allowance for credit losses of \$237 and \$272, respectively	1,560	1,889
Other receivables	142	86
Inventory	3,355	2,442
Notes receivable	2,068	150
Prepaid expenses and other current assets	1,949	2,803
Current assets of discontinued operations	—	12,261
Total Current Assets	22,563	29,866
Property and equipment, net	1,013	1,064
Operating lease right-of-use asset, net	376	531
Software development costs, net	988	1,265
Investments in equity securities	189	330
Long-term investments	50	716
Intangible assets, net	2,304	2,994
Other assets	164	158
Non-current assets of discontinued operations	—	20,711
Total Assets	\$ 27,647	\$ 57,635

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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

	As of September 30, 2023	As of December 31, 2022
	(Unaudited)	(Audited)
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,920	\$ 1,503
Accrued liabilities	3,569	2,619
Warrant liability	1,410	—
Operating lease obligation, current	198	211
Deferred revenue	1,315	1,323
Short-term debt	11,165	13,643
Acquisition liability	—	197
Current liabilities of discontinued operations	—	5,218
Total Current Liabilities	19,577	24,714
Long Term Liabilities		
Operating lease obligation, noncurrent	188	334
Non-current liabilities of discontinued operations	—	472
Total Liabilities	19,765	25,520
Commitments and Contingencies		
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, 2023 and December 31, 2022	—	—
Series 5 Convertible Preferred Stock - 12,000 shares authorized; 126 issued and 126 outstanding as of September 30, 2023 and December 31, 2022	—	—
Common Stock - \$0.001 par value; 500,000,000 shares authorized; 111,692,178 and 3,570,894 issued and 111,692,177 and 3,570,893 outstanding as of September 30, 2023 and December 31, 2022, respectively.	112	4
Additional paid-in capital	358,692	346,668
Treasury stock, at cost, 1 share	(695)	(695)
Accumulated other comprehensive income	41	1,061
Accumulated deficit	(347,971)	(313,739)
Stockholders' Equity Attributable to Inpixon	10,179	33,299
Non-controlling Interest	(2,297)	(1,184)
Total Stockholders' Equity	7,882	32,115
Total Liabilities and Stockholders' Equity	\$ 27,647	\$ 57,635

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Unaudited)			
Revenues	\$ 2,016	\$ 2,435	\$ 7,177	\$ 7,660
Cost of Revenues	451	756	1,632	2,409
Gross Profit	1,565	1,679	5,545	5,251
Operating Expenses				
Research and development	2,347	2,136	6,380	6,713
Sales and marketing	1,149	1,036	3,506	2,960
General and administrative	3,747	3,573	13,596	12,705
Acquisition-related costs	1,656	2	2,343	254
Transaction costs	1,527	—	2,970	—
Impairment of goodwill	—	—	—	2,030
Amortization of intangibles	221	395	671	1,137
Total Operating Expenses	10,647	7,142	29,466	25,799
Loss from Operations	(9,082)	(5,463)	(23,921)	(20,548)
Other (Expense)/Income				
Interest expense, net	(818)	(234)	(4,300)	(65)
Other income/(expense), net	(44)	830	1,169	802
Unrealized gain/(loss) on equity securities	5,791	(5,854)	5,733	(7,110)
Realized loss on equity securities	(6,692)	(151)	(6,692)	(151)
Total Other Expense	(1,763)	(5,409)	(4,090)	(6,524)
Net Loss from Continuing Operations, before tax	(10,845)	(10,872)	(28,011)	(27,072)
Income tax provision	(3)	—	(2,488)	(22)
Net Loss from Continuing Operations	(10,848)	(10,872)	(30,499)	(27,094)
Loss from Discontinued Operations, Net of Tax	—	(7,121)	(4,856)	(22,786)
Net Loss	(10,848)	(17,993)	(35,355)	(49,880)
Net Loss Attributable to Non-controlling Interest	(464)	(402)	(1,131)	(1,206)
Net Loss Attributable to Stockholders of Inpixon	(10,384)	(17,591)	(34,224)	(48,674)
Accretion of Series 7 Preferred Stock	—	—	—	(4,555)
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

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

Net Loss Attributable to Common Stockholders	<u>\$ (10,384)</u>	<u>\$ (22,631)</u>	<u>\$ (34,224)</u>	<u>\$ (64,850)</u>
Net Loss Per Share - Basic and Diluted				
Continuing Operations	\$ (0.16)	\$ (7.00)	\$ (0.82)	\$ (20.16)
Discontinued Operations	\$ —	\$ (3.21)	\$ (0.14)	\$ (10.92)
Net Loss Per Share - Basic and Diluted	<u>\$ (0.16)</u>	<u>\$ (10.21)</u>	<u>\$ (0.96)</u>	<u>\$ (31.08)</u>
Weighted Average Shares Outstanding				
Basic and Diluted	<u>65,840,189</u>	<u>2,216,544</u>	<u>35,845,916</u>	<u>2,086,633</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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

	For the Three Months Ended September		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Unaudited)			
Net Loss	\$ (10,848)	\$ (17,993)	\$ (35,355)	\$ (49,880)
Unrealized gain on available for sale debt securities	—	(375)	—	—
Unrealized foreign exchange gain (loss) from cumulative translation adjustments	230	1,273	(1,020)	1,452
Comprehensive Loss	<u>\$ (10,618)</u>	<u>\$ (17,095)</u>	<u>\$ (36,375)</u>	<u>\$ (48,428)</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY
For the three and nine months ended September 30, 2023
(Unaudited)
(In thousands, except share and per share data)

	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				
Balance - January 1, 2023	1	\$ —	126	\$ —	3,570,894	\$ 4	\$ 346,668	(1)	\$ (695)	\$ 1,061	\$ (313,739)	\$ (1,184)	\$ 32,115
Common shares issued for extinguishment of debt	—	—	—	—	1,547,234	1	1,425	—	—	—	—	—	1,426
Common shares issued for net cash proceeds of a public offering	—	—	—	—	9,655,207	10	14,956	—	—	—	—	—	14,966
Stock options and restricted stock awards granted to employees for services	—	—	—	—	—	—	329	—	—	—	—	—	329
Deconsolidation of CXApp business as result of spin off	—	—	—	—	—	—	(24,230)	—	—	—	—	—	(24,230)
Common shares issued for net proceeds from warrants exercised	—	—	—	—	1,380,000	1	—	—	—	—	—	—	1
Common shares issued for exchange of warrants	—	—	—	—	324,918	—	—	—	—	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	(1,259)	26	(17)	(1,250)
Net loss	—	—	—	—	—	—	—	—	—	—	(16,873)	(305)	(17,178)
Balance - March 31, 2023	1	\$ —	126	\$ —	16,478,253	\$ 16	\$ 339,148	(1)	\$ (695)	\$ (198)	\$ (330,586)	\$ (1,506)	\$ 6,179
Stock options and restricted stock awards granted to employees for services	—	—	—	—	—	—	241	—	—	—	—	—	241
Common shares issued for extinguishment of debt	—	—	—	—	7,349,420	7	2,013	—	—	—	—	—	2,020
Common shares issued for net cash proceeds of a public offering	—	—	—	—	19,326,522	20	5,397	—	—	—	—	—	5,417
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	9	(3)	3	9
Net loss	—	—	—	—	—	—	—	—	—	—	(6,966)	(363)	(7,329)
Balance - June 30, 2023	1	\$ —	126	\$ —	43,154,195	\$ 43	\$ 346,799	(1)	\$ (695)	\$ (189)	\$ (337,555)	\$ (1,866)	\$ 6,537
Stock options granted to employees and consultants for services	—	—	—	—	—	—	227	—	—	—	—	—	227
Common shares issued for extinguishment of debt	—	—	—	—	18,144,158	18	3,160	—	—	—	—	—	3,178
Common shares issued for exercise of warrants	—	—	—	—	9,000,000	9	2,421	—	—	—	—	—	2,430
Common shares issued for net cash proceeds of a public offering	—	—	—	—	41,393,825	42	6,085	—	—	—	—	—	6,127
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	230	(32)	33	231
Net loss	—	—	—	—	—	—	—	—	—	—	(10,384)	(464)	(10,848)
Balance - September 30, 2023	1	\$ —	126	\$ —	111,692,178	\$ 112	\$ 358,692	(1)	\$ (695)	\$ 41	\$ (347,971)	\$ (2,297)	\$ 7,882

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

INPIXON AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY
For the three and nine months ended September 30, 2022
(Unaudited)
(In thousands, except share and 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)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Series 8 Preferred stock issued for cash	—	—	53,197.72	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	—	\$ —	53,198	\$ 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 cashless stock options exercised	—	—	—	—	—	—	—	—	35,062	—	500	—	—	—	—	—	500
Series 8 Preferred stock issued for cash	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accretion Discount- Series 8 Preferred Shares	—	—	—	6,236	—	—	—	—	—	—	(6,236)	—	—	—	—	—	(6,236)
Restricted stock grants withheld for taxes	—	—	—	—	—	—	—	—	—	—	1,251	—	—	—	—	—	1,251

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Deemed contribution for the modification related to Warrants issued in connection with Series 8 Preferred Stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—										
Amortization Premium-modification related to Series 8 Preferred Stock	—	—	—	(1,251)	—	—	—	—	—	—	—	—	—	—	—	—	—	—										
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	—	656	(56)	57	657												
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	(19,872)	(458)	(20,330)												
Balance - June 30, 2022	—	\$	—	53,198	\$	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
Accrete discount - preferred series 8 shares	—	—	—	—	—	—	—	—	—	—	—	—	(6,305)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(6,305)
Amortization Premium-modification related to Series 8 Preferred Stock	—	—	—	6,305	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,265
Cumulative Translation Adjustment	—	—	—	(1,265)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	897
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(17,993)
Balance - September 30, 2022	—	\$	—	53,198	\$	53,198	1	\$	—	126	\$	—	2,250,596	\$	2	\$	331,487	(1)	\$	(695)	\$	1,496	\$	(299,123)	\$	622	\$	33,790

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

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

	For the Nine Months Ended September 30,	
	2023	2022
	(Unaudited)	
Cash Flows Used in Operating Activities		
Net loss	\$ (35,355)	\$ (49,880)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	834	1,008
Amortization of intangible assets	1,476	4,559
Amortization of right-of-use asset	206	536
Stock based compensation	797	2,962
Amortization of warrant liability to redemption value	20	—
Earnout expense valuation benefit	—	(2,827)
Gain on settlement with FOXO	(1,142)	—
Amortization of debt issuance costs	2,103	121
Accrued interest income, related party	—	(278)
Unrealized gain on note	—	1,870
Unrealized loss on foreign currency transactions	176	—
Distribution of equity method investment shares to employees as compensation	666	—
Deferred income tax	2,591	(1)
Unrealized (gain) loss on equity securities	(5,733)	7,110
Impairment of goodwill	—	7,570
Gain on fair value of warrant liability	71	—
Realized loss on sale of equity securities	6,692	151
Gain on conversion of note receivable	—	(791)
Loss on exchange of debt for equity	124	—
Other	24	202
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(652)	336
Inventory	(951)	(1,002)
Prepaid expenses and other current assets	1,110	1,545
Other assets	3	28
Accounts payable	(372)	237
Accrued liabilities	2,018	1,059
Income tax liabilities	(119)	(38)
Deferred revenue	530	(915)
Operating lease obligation	(207)	(505)
Net Cash Used in Operating Activities	(25,090)	(26,943)
Cash Flows Used in Investing Activities		
Purchase of property and equipment	(142)	(221)
Investment in capitalized software	(135)	(611)
Purchase of convertible note	—	(5,500)

INPIXON AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

Sales of equity securities	323	229
Sales of treasury bills	—	43,001
Proceeds from repayment of note receivable	150	—
Issuance of note receivable	(2,025)	(150)
Net Cash (Used in) Provided By Investing Activities	(1,829)	36,748
Cash From Financing Activities		
Net proceeds from issuance of preferred stock	—	46,906
Net proceeds from promissory note	125	5,539
Net proceeds from ATM stock offerings	26,510	—
Cash paid for redemption of preferred stock series 7	—	(49,250)
Taxes paid related to net share settlement of restricted stock units	—	(336)
Net proceeds from the issuance of warrants	1,409	—
Repayment of CXApp acquisition liability	(197)	(1,957)
Distribution to shareholders related to spin-off of CXApp	(10,003)	—
Common shares issued for exercise of warrants	2,341	—
Net Cash Provided By Financing Activities	20,185	902
Effect of Foreign Exchange Rate on Changes on Cash	(12)	(34)
Net (Decrease)/Increase in Cash and Cash Equivalents	(6,746)	10,673
Cash and Cash Equivalents - Beginning of period	20,235	52,480
Cash and Cash Equivalents - End of period	<u>\$ 13,489</u>	<u>\$ 63,153</u>
Supplemental Disclosure of cash flow information:		
Cash paid for:		
Interest	\$ —	\$ 2
Income Taxes	\$ 10	\$ 100
Non-cash investing and financing activities		
Common shares issued for extinguishment of debt	\$ 6,624	\$ 3,250
Noncash debt modification fees	\$ 144	\$ —
Marketable securities received for settlement of FOXO	\$ 1,142	\$ —
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
Noncash exercise of liability classified warrants to common shares	\$ 90	\$ —
Investment in equity securities through conversion of note receivable	\$ —	\$ 6,776
Noncash net assets distribution to shareholders related to spin-off of CXApp	\$ 14,227	\$ —

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Note 1 - Organization and Nature of Business

Inpixon is the Indoor Intelligence™ company. Our solutions and technologies help organizations enable smarter, safer and more secure environments. Inpixon customers can leverage our real-time positioning and analytics technologies to achieve higher levels of productivity and performance, increase safety and security, and drive a more connected environment. We specialize in providing real-time location systems (RTLS) for the industrial sector. As the manufacturing industry has evolved, RTLS technology has become a crucial aspect of Industry 4.0. Our RTLS solution leverages cutting-edge technologies such as IoT, AI, and big data analytics to provide real-time tracking and monitoring of assets, machines, and people within industrial environments. With our RTLS, businesses can achieve improved operational efficiency, enhanced safety, and reduced costs. By having real-time visibility into operations, industrial organizations can make informed, data-driven decisions, minimize downtime, and ensure compliance with industry regulations. With our RTLS, industrial businesses can transform their operations and stay ahead of the curve in the digital age.

Inpixon's full-stack industrial IoT solution provides end-to-end visibility and control over a wide range of assets and devices. It's designed to help organizations optimize their operations and gain a competitive edge in today's data-driven world. The turn-key platform integrates a range of technologies, including RTLS, sensor networks, edge computing, and big-data analytics, to provide a comprehensive view of an organization's operations. We help organizations to track the location and status of assets in real-time, identify inefficiencies, and make decisions that drive business growth. Our IoT stack covers all the technology layers, from the edge devices to the cloud. It includes hardware components such as sensors and gateways, a robust software platforms for data management and analysis, and a user-friendly dashboard for real-time monitoring and control. Our solutions also offer robust security features to help ensure the protection of sensitive data. Additionally, Inpixon's RTLS provides scalability and flexibility, allowing organizations to easily integrate it with their existing systems and add new capabilities as their needs evolve.

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

- Digital solutions (eTearsheets; eInvoice, and adDelivery) or cloud-based applications and analytics for the advertising, media and publishing industries through our 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 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.

Enterprise Apps Spin-off and Business Combination

On March 14, 2023, we completed the Enterprise Apps Spin-off and subsequent Business Combination (the "Closing"). In connection with the Closing, KINS was renamed CXApp Inc. ("New CXApp"). Pursuant to the Transaction Agreements, Inpixon contributed to CXApp cash and certain assets and liabilities constituting the Enterprise Apps Business, including certain related subsidiaries of Inpixon, to CXApp (the "Contribution"). In consideration for the Contribution, CXApp issued to Inpixon additional shares of CXApp common stock such that the number of shares of CXApp common stock then outstanding equaled the number of shares of CXApp common stock necessary to effect the Distribution. Pursuant to the Distribution, Inpixon shareholders as of the Record Date received one share of CXApp common stock for each share of Inpixon common stock held as of such date. Pursuant to the Merger Agreement, each share of Legacy CXApp common stock was thereafter exchanged for the right to receive 0.09752221612415190 of a share of New CXApp Class A common stock (with fractional shares rounded down to the nearest whole share) and 0.3457605844401750 of a share of New CXApp Class C common stock (with fractional shares rounded down to the nearest whole share). New CXApp Class A common stock and New CXApp Class C common stock are identical in all respects, except that New CXApp Class C common stock is not listed and will automatically convert into New CXApp Class A common stock on the earlier to occur of (i) the 180th day following the closing of the Merger and (ii) the day that the last reported sale price of New CXApp Class A common stock equals or exceeds \$12.00 per share for any 20 trading days within any 30-trading day period following the closing of the Merger. Upon the closing of the Transactions, Inpixon's existing security holders held approximately 50.0% of the shares of New CXApp common stock outstanding.

In accordance with applicable accounting guidance, the results of CXApp are presented as discontinued operations in the Condensed Consolidated Statements of Income and, as such, have been excluded from both continuing operations and segment

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

results for all periods presented prior to the completion of the Enterprise Apps Spin-off. The Condensed Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations. See Note 25 of the Notes to the Condensed Consolidated Statements of Operations for additional information on the Enterprise Apps Spin-off.

XTI Merger Agreement

On July 24, 2023, Inpixon entered into an Agreement and Plan of Merger with XTI Aircraft Company (the “XTI Merger Agreement”). See Note 22 and Note 25 for additional information on the XTI Merger Agreement.

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, 2023 are not necessarily indicative of the results for the full year ending December 31, 2023. 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, 2022 and 2021 included in the annual report on Form 10-K for the year ended December 31, 2022, filed with the SEC on April 17, 2023 and the recasted audited consolidated financial statements within Exhibit 99.1 on Form 8-k filed with the SEC on June 20, 2023 to reflect the presentation of CXApp operations as discontinued operations to the consolidated financial statements for the years ended December 31, 2022 and 2021.

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 year ended December 31, 2022.

Liquidity

As of September 30, 2023, the Company has a working capital surplus of approximately \$3.0 million, and cash of approximately \$13.5 million. For the three and nine months ended September 30, 2023, the Company had a net loss of approximately \$10.8 million and \$35.4 million, respectively. During the nine months ended September 30, 2023, the Company used approximately \$25.1 million of cash for operating activities.

Risks and Uncertainties

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

Certain global events, such as the recent military conflict between Russia and Ukraine and Israel and Hamas, 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 operations. 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. The impact that these global events will have on general economic conditions is continuously evolving and the impact that they will have on our results of operations continues to remain uncertain. There are no assurances that we will 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, including \$13.5 million cash and cash equivalents on hand, plus based on the terms of the warrant financing the company currently has the potential to raise up to approximately \$14.1 million, plus the additional

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 - Summary of Significant Accounting Policies (continued)

financing available to the Company, we believe we have the ability to mitigate such concerns for a period of at least one year from the date these financial statements are issued.

Consolidations

The consolidated financial statements have been prepared using the accounting records of Inpixon, Inpixon GmbH, Inpixon Limited, Inpixon Holding UK Limited, Nanotron Technologies, GmbH, Intranav GmbH, Inpixon India Limited and Game Your Game, Inc. The consolidated financial statements also include financial data of Inpixon Canada, Inc., Design Reactor, Inc. and Inpixon Philippines, Inc. through March 14, 2023, which is the date those entities were spun off in the Enterprise Apps Spin-off and Business Combination transaction discussed above. All material inter-company balances and transactions have been eliminated.

Use of Estimates

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

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 gain on equity securities for the three and nine months ended September 30, 2023 was approximately \$5.8 million and \$5.7 million, respectively, and for the three and nine months ended September 30, 2022 was approximately a loss of \$(5.9) million and \$(7.1) 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

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 - Summary of Significant Accounting Policies (continued)

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.

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 three and nine months ended September 30, 2023 and 2022, 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) a two 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.

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 - Summary of Significant Accounting Policies (continued)

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. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately \$1.3 million and \$1.3 million as of September 30, 2023 and December 31, 2022, respectively, related to cash received in advance for product maintenance services and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for these maintenance services and professional services, and recognize the deferred revenue and related contract costs over the next twelve months. The Company recognized revenue in the reporting period of \$1.1 million that was included in the contract liability balance at the beginning of the period, for the period ended September 30, 2023.

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 \$0.2 million and \$0.8 million, respectively, for the three and nine months ended September 30, 2023. The Company incurred stock-based compensation charges of approximately \$0.7 million and \$3.0 million for the three and nine months ended September 30, 2022, respectively, which are included in general and administrative expenses. Stock-based compensation charges are related to employee compensation and related benefits.

Acquisition-Related Costs

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 - Summary of Significant Accounting Policies (continued)

The Company recognized acquisition-related costs of approximately \$1.7 million and \$2.3 million, respectively, for the three and nine months ended September 30, 2023 primarily related to the XTI transaction outlined in Note 22. These acquisition-related costs include professional fees incurred by the Company. The Company recognized acquisition-related costs of approximately \$0.3 million for the nine months ended September 30, 2022 related to various other acquisitions. The Company did not record material acquisition-related costs for the three months ended September 30, 2022.

Transaction Costs

The Company recognized transaction costs of approximately \$1.5 million and \$3.0 million, respectively, for the three and nine months ended September 30, 2023 related to the Enterprise Apps Spin-off in the form of bonuses paid to Inpixon management, former management and professional fees that were incurred by the Company.

Transaction Bonus Plan in connection with Completed Transaction

On July 24, 2023, the compensation committee of the Inpixon Board (the "Committee") adopted a Transaction Bonus Plan (the "Completed Transaction Bonus Plan"), which is intended to compensate certain current and former employees and service providers for the successful consummation of the Completed Transaction. The Completed Transaction Bonus Plan is administered by the Committee. It will terminate upon the completion of all payments under the terms of the Completed Transaction Bonus Plan, provided, that the Board may terminate the plan as to any participant prior to the completion of all payment to under participant under the plan. The Completed Transaction is the Enterprise Apps Spin-off and subsequent Business Combination. The bonuses include a cash bonus equal to 100% of the individual's aggregate annual base salary and a cash bonus of 4% of the transaction value.

Net Loss Per Share

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

The following table summarizes the number of common shares and common share equivalents excluded from the calculation of diluted net loss per common share for the nine months ended September 30, 2023 and 2022:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Options	285,170	363,973	327,164	334,800
Warrants	147,219,886	1,737,626	76,948,805	1,455,405
Convertible preferred stock	13	1,503,739	13	1,503,739
Rights to common stock	—	52,513	—	52,513
Total	147,505,069	3,657,851	77,275,982	3,346,457

Preferred Stock

The Company relies on the guidance provided by ASC 480, "Distinguishing Liabilities from Equity" ("ASC 480"), 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 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

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 - Summary of Significant Accounting Policies (continued)

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. The Company determines the estimated fair value of such financial instruments presented in these financial statements using available market information and appropriate methodologies. These financial instruments, 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 Accounting Standards Not Yet Adopted

The Company reviewed recently issued accounting pronouncements and concluded that they were not applicable to the condensed consolidated financial statements, except for the following:

In July 2023, the FASB issued ASU 2023-03, "Presentation of Financial Statements (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718)", which updates codification on how an entity would apply the scope guidance in paragraph 718-10-15-3 to determine whether profits interest and similar awards should be accounted for in accordance with Topic 718, Compensation—Stock Compensation. The effective date of this update is for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company is currently assessing potential impacts of ASU 2023-03 and does not expect the adoption of this guidance will have a material impact on its condensed consolidated financial statements and disclosures.

In October 2023, the FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Updated and Simplification Initiative", which amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification (the "Codification"). The ASU was issued in response to the SEC's August 2018 final rule that updated and simplified disclosure requirements. The new guidance is intended to align U.S. GAAP requirements with those of the SEC and to facilitate the application of U.S. GAAP for all entities. For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. For all other entities, the amendments will be effective two years later. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity. The Company is currently assessing potential impacts of ASU 2023-06 and does not expect the adoption of this guidance will have a material impact on its condensed consolidated financial statements and disclosures.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no material effect on the reported results of operations or cash flows. The condensed consolidated balance sheet as of December 31, 2022 included approximately \$1.1 million of earnings reclassified from controlling accumulated deficit to non-controlling interest. This reclassification did not effect the Company's total stockholders' equity.

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

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Note 4 - Disaggregation of Revenue (continued)

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,	
	2023	2022	2023	2022
Recurring revenue				
Software	\$ 1,026	\$ 995	\$ 3,030	\$ 3,065
Total recurring revenue	\$ 1,026	\$ 995	\$ 3,030	\$ 3,065
Non-recurring revenue				
Hardware	\$ 483	\$ 750	\$ 2,300	\$ 2,445
Software	457	351	947	1,116
Professional services	50	339	900	1,034
Total non-recurring revenue	\$ 990	\$ 1,440	\$ 4,147	\$ 4,595
Total Revenue	\$ 2,016	\$ 2,435	\$ 7,177	\$ 7,660

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue recognized at a point in time				
Indoor Intelligence (1)	\$ 487	\$ 829	\$ 2,663	\$ 2,523
SAVES (1)	453	273	1,286	1,039
Total	\$ 940	\$ 1,102	\$ 3,949	\$ 3,562
Revenue recognized over time				
Indoor Intelligence (2) (3)	\$ 295	\$ 497	\$ 868	\$ 1,538
SAVES (3)	307	318	935	1,012
Shoom (3)	474	518	1,425	1,548
Total	\$ 1,076	\$ 1,333	\$ 3,228	\$ 4,098
Total Revenue	\$ 2,016	\$ 2,435	\$ 7,177	\$ 7,660

(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 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 over time.

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Note 5- Goodwill and Intangible Assets

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 significant assumptions in these analyses include, but are not limited to, project revenue, the weighted average cost of capital, the terminal growth rate, derived multiples from comparable market transactions and other market data.

As of September 30, 2023, the Company's cumulative impairment charges are approximately \$13.5 million with approximately \$11.6 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. There is no unimpaired goodwill as of September 30, 2023 or December 31, 2022.

Intangibles assets at September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	September 30, 2023				
	Gross Amount, net of impairment	Accumulated Amortization	Spin-Off	Net Carrying Amount	Remaining Weighted Average Useful Life
IP Agreement	\$ 160	\$ (120)	\$ —	\$ 40	1.00
Trade Name/Trademarks	1,786	(319)	(1,367)	100	3.25
Customer Relationships	6,169	(945)	(4,454)	770	2.05
Developed Technology	14,722	(1,862)	(11,466)	1,394	4.59
Non-compete Agreements	1,821	(617)	(1,204)	—	0.00
Totals	\$ 24,658	\$ (3,863)	\$ (18,491)	\$ 2,304	

	December 31, 2022				
	Gross Amount	Accumulated Amortization	Impairment	Discontinued Operations	Net Carrying Value
IP Agreement	\$ 162	\$ (91)	\$ —	\$ —	\$ 71
Trade Name/Trademarks	3,590	(1,414)	(593)	(1,458)	125
Customer Relationships	9,121	(2,776)	(749)	(4,636)	960
Developed Technology	21,777	(5,385)	(2,921)	(11,781)	1,690
Non-compete Agreements	4,270	(2,488)	(220)	(1,414)	148
Totals	\$ 38,920	\$ (12,154)	\$ (4,483)	\$ (19,289)	\$ 2,994

Amortization Expense:

Amortization expense from continuing operations for the three and nine months ended September 30, 2023 was approximately \$0.2 million and \$0.7 million, respectively, and for the three and nine months ended September 30, 2022 was approximately \$0.4 million and \$1.1 million respectively.

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Note 5 - Goodwill and Intangible Assets (continued)

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

	Amount
December 31, 2023 (for 3 months)	\$ 170
December 31, 2024	671
December 31, 2025	591
December 31, 2026	403
December 31, 2027	319
December 31, 2028 and thereafter	150
	<u>\$ 2,304</u>

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Note 6 - Inventory

Inventory as of September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	As of September 30, 2023		As of December 31, 2022	
Raw materials	\$	414	\$	351
Work-in-process		123		127
Finished goods		2,818		1,964
Inventory	\$	3,355	\$	2,442

Note 7 - 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, 2023		As of December 31, 2022	
	Cost	Fair Value	Cost	Fair Value
Investments in equity securities- fair value				
Equity shares	\$ 48,363	\$ 187	\$ 54,237	\$ 328
Equity rights	11,064	2	11,064	2
Total investments in equity securities- fair value	\$ 59,427	\$ 189	\$ 65,301	\$ 330

As of September 30, 2023, the Company owned equity shares which include approximately 1.7 million shares of FOXO Technologies Inc. common stock and 13.0 million shares of Sysorex common stock. As of December 31, 2022, the Company owned approximately 0.8 million shares of FOXO Technologies Inc. common stock and 13.0 million shares of Sysorex common stock. As of September 30, 2023 and December 31, 2022, the Company owned equity rights which include the right to acquire 3.0 million shares of Sysorex common stock.

On April 27, 2022, the Company purchased a 10% convertible note in aggregate principal amount of approximately \$6.1 million for a purchase price of \$5.5 million 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 accrued 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 recognized in the income statement for the year ended December 31, 2022.

On June 20, 2023 (the "Release Effective Date"), the Company entered into a general release agreement (the "General Release Agreement") with FOXO, pursuant to which the Company received 0.67 shares of FOXO Class A Common Stock for every \$1.00 of subscription amount of the 10% convertible note purchased on April 27, 2022 in exchange for an agreement by the Company to release, waive and forever discharge FOXO (including its officers, directors, affiliates, etc.) from any causes of action, losses, costs and expenses from the beginning of time through the Release Effective Date. The Company received 3,685,000 shares of FOXO Class A Common Stock in exchange for such release. The Company recognized a realized gain on receipt of FOXO securities of \$1.1 million based on the fair value of the FOXO securities for the nine months ended

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September 30, 2023, included in Other income/(expense), net, on the accompanying unaudited condensed consolidated statement of operations.

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 “Level 1” 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, 2023. The Company recognized an unrealized gain (loss) on FOXO common stock of \$5.8 million and \$(5.9) million on the income statement for the three months ended September 30, 2023 and 2022, respectively. The Company recognized an unrealized gain (loss) on FOXO common stock of \$5.7 million and \$(7.1) million on the income statement for the nine months ended September 30, 2023 and 2022, respectively.

During the nine months ended September 30, 2023, the Company sold 2.8 million shares of FOXO common stock with net proceeds of \$0.3 million. The Company recognized a realized loss on the sale of FOXO common stock of \$6.7 million on the income statement for the three and nine months ended September 30, 2023. The Company did not sell any shares of FOXO common stock during the three and nine months ended September 30, 2022.

Note 8 - Other Long Term Investments

In October 2020, the Company paid \$1.8 million for 599,999 Class A Units and 1,800,000 Class B Units of Cardinal Venture Holdings LLC (“CVH”). In December 2020, the Company increased its capital contribution by \$0.7 million in exchange for an additional 700,000 Class B Units. 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 entered into the Business Combination (see “Enterprise Apps Spin-off and Business Combination” under Note 1 above). The \$1.8 million purchase price was paid on October 12, 2020 and therefore is the date the purchase of the Units was closed. 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, 2022 to December 31, 2022 and January 1, 2023 to September 30, 2023, 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, 2023 and December 31, 2022:

Investee	Ownership interest as of September	Ownership interest as of December	Instrument Held
	30,	31,	
	2023	2022	
CVH Class A	— %	14.1 %	Units
CVH Class B	38.4 %	38.4 %	Units

Inpixon’s investment in equity method eligible entities are represented on the condensed consolidated balance sheets as a long term asset of approximately \$0.1 million as of September 30, 2023 and approximately \$0.7 million as of December 31, 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

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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. As a result of the closing of the Business Combination, on March 15, 2023, the \$150,000 loan was repaid.

On February 27, 2023, the Company entered into Limited Liability Company Unit Transfer and Joinder Agreements with certain of the Company's employees and directors (the "Transferees"), pursuant to which (i) the Company transferred all of its Class A Units of CVH (the "Class A Units"), an aggregate of 599,999 Class A Units, to the Transferees as bonus consideration in connection with each Transferee's services performed for and on behalf of the Company as an employee, as applicable, and (ii) each Transferee became a member of CVH and a party to the Amended and Restated Limited Liability Company Agreement of CVH, dated as of September 30, 2020. The Company recorded approximately \$0.7 million of compensation expense for the fair market value of the shares transferred to the Transferees which is included in the operating expenses section of the condensed consolidated statements of operations in the nine months ended September 30, 2023.

On August 25, 2023, as part of their distribution rights as holders of CVH Class B Units, the Company received 2.5 million warrants in New CXApp. The Company determined that the New CXApp warrants are a level 1 marketable security because the warrants are publically traded on the Nasdaq.

Note 9 - Accrued Liabilities

Accrued liabilities as of September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	<u>As of September 30, 2023</u>	<u>As of December 31, 2022</u>
Accrued compensation and benefits	\$ 698	\$ 655
Accrued interest expense	1,764	1,197
Accrued bonus and commissions	469	426
Accrued other	361	105
Accrued sales and other indirect taxes payable	277	236
	<u>\$ 3,569</u>	<u>\$ 2,619</u>

Note 10 - Debt

Debt as of September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

Short-Term Debt	Maturity	September 30, 2023	December 31, 2022
July 2022 Promissory Note, less extension fee of \$35.	5/17/2024	\$ 1,103	\$ 6,045
December 2022 Promissory Note, less debt discount and extension fee of \$466 and \$54, respectively.	5/17/2024	8,859	6,520
Third Party Note Payable	11/30/2023	1,203	1,078
Total Short-Term Debt		<u>\$ 11,165</u>	<u>\$ 13,643</u>

Interest expense on the short-term debt totaled approximately \$0.8 million and \$0.2 million for the three months ended September 30, 2023 and 2022, respectively, and approximately \$4.3 million and \$0.5 million for the nine months ended September 30, 2023 and 2022, respectively. Interest expense includes the interest on the outstanding balance of the note and the 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

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Note 10- Debt (continued)

During the quarter ended March 31, 2023, the Company entered into exchange agreements with Iliad, pursuant to which the Company and Iliad agreed to: (i) partition new promissory notes in the form of the March 2020 10% Note equal to approximately \$0.9 million and then cause the outstanding balance of the March 2020 10% Note to be reduced by approximately \$0.9 million; and (ii) exchange the partitioned note for the delivery of 611,258 shares of the Company's common stock at effective prices between \$1.09 and \$1.68 per share. 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. The March 2020 Note was satisfied in full during the nine months ended September 30, 2023.

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" or "Streeterville"), pursuant to which the Company agreed to issue and sell to the Holder an unsecured promissory note (the "July 2022 Note") in an aggregate initial principal amount of \$6.5 million (the "Initial Principal Amount"), which is payable on the maturity date or otherwise in accordance with the July 2022 Note. 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. Interest on the Note accrued at a rate of 10% per annum, which is payable on the maturity date. We may pay all or any portion of the amount owed earlier than it is due; provided that in the event we may elect to prepay all or any portion of the outstanding balance, it shall pay to the Holder 115% of the portion of the outstanding balance we may elect to prepay. Beginning on the date that is 6 months from the issue 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 for cash each month. The July 2022 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 default due to the occurrence of bankruptcy or insolvency proceedings), the Holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the July 2022 Note to be immediately due and payable. Upon the occurrence of bankruptcy-related event of default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the July 2022 Note will become immediately due and payable at the mandatory default amount. Under the terms of the July 2022 Note, if the note is still outstanding after 6 months from the issuance date, or as of January 22, 2023, a 10% monitoring fee would be added to the balance of the note. On January 31, 2023, the Holder agreed to reduce the one time monitoring fee from 10% to 5%.

During the nine months ended September 30, 2023, the Company entered into exchange agreements with Streeterville, pursuant to which the Company and Streeterville agreed to: (i) partition new promissory notes in the form of the July 2022 Note equal to approximately \$5.7 million and then cause the outstanding balance of the July 2022 Note to be reduced by approximately \$5.7 million; and (ii) exchange the partitioned notes for the delivery of 26,429,554 shares of the Company's common stock, at effective prices between \$0.1277 and \$0.9150 per share. The Company analyzed the exchange of the principal under the July 2022 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 a \$0.1 million loss on the exchange for debt for equity which is included in the other income/expense line of the condensed consolidated statement of operations.

On May 16, 2023, the Company entered into an amendment (the "July 2022 Note Amendment") to the July 2022 Note pursuant to which the maturity date was extended from July 22, 2023 to May 17, 2024 (the "July 2022 Note Maturity Date Extension"). In exchange for the July 2022 Note Maturity Date Extension, the Company agreed to pay Streeterville an extension fee in the amount of \$0.1 million, which was added to the outstanding balance of the July 2022 Note. The extension was treated as a modification and capitalized and amortized to interest expense over the term of the extension.

December 2022 Note Purchase Agreement and Promissory Note

On December 30, 2022, we entered into a note purchase agreement with Streeterville Capital, LLC (the "Holder"), pursuant to which we agreed to issue and sell to the Holder an unsecured promissory note (the "December 2022 Note") in an aggregate initial principal amount of \$8.4 million, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount of includes an original issue discount of \$1.9 million and \$0.02 million 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 \$6.5 million.

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Note 10- Debt (continued)

Interest on the December 2022 Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the December 2022 Note. We may pay all or any portion of the amount owed earlier than it is due; provided that in the event we may elect to prepay all or any portion of the outstanding balance, it shall pay to the Holder 115% of the portion of the outstanding balance we may elect to prepay. Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the December 2022 Note is paid in full, the Holder shall have the right to redeem up to an aggregate of 1/6th of the initial principal balance of the December 2022 Note plus any interest accrued thereunder each month by providing written notice delivered to us; 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 further month in addition to such future month's monthly redemption amount.

Upon receipt of any monthly redemption notice, we shall pay the applicable monthly redemption amount in cash to the Holder within five (5) business days of the Company's receipt of such monthly redemption notice. The December 2022 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 default due to the occurrence of bankruptcy or insolvency proceedings), the Holder may, by written notice, declare all unpaid principal, plus all accrued interest and other amounts due under the December 2022 Note to be immediately due and payable. Upon the occurrence of bankruptcy-related event of default, without notice, all unpaid principal, plus all accrued interest and other amounts due under the December 2022 Note will become immediately due and payable at the mandatory default amount. Under the terms of the December 2022 Note, if the note is still outstanding after 6 months from the issuance date, or as of June 30, 2023, a 10% monitoring fee would be added to the balance of the note. On June 30, 2023, a monitoring fee of \$0.9 million was added to the balance of the note and accrued to interest expense during the nine months ended September 30, 2023 which is included in the other income/expense section of the condensed consolidated statements of operations.

On May 16, 2023, the Company entered into an amendment (the "December 2022 Note Amendment") to the December 2022 Note pursuant to which the maturity date of the December 2022 Note was extended from December 30, 2023 to May 17, 2024 (the "December 2022 Note Maturity Date Extension"). In exchange for the December 2022 Note Maturity Date Extension, the Company agreed to pay the Holder an extension fee in the amount of \$0.1 million which was added to the outstanding balance of the December 2022 Note. This extension was treated as a modification and capitalized and amortized to interest expense over the term of the extension.

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 26, 2022, approximately \$0.1 million on September 16, 2022, approximately \$0.1 million on October 26, 2022, approximately \$0.1 million on November 29, 2022, approximately \$0.1 million on December 22, 2022, approximately \$0.03 million on January 18, 2023 and approximately \$0.1 million on March 30, 2023 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 November 30, 2023. As of September 30, 2023, the balance owed under the notes was \$1.2 million. Subsequent to September 30, 2023, the promissory notes were converted to 1,461,640 shares of Game Your Game common stock. See Note 26 for more details.

Note 11 - Capital Raises

Registered Direct Offerings

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 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 of 6% 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

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Note 11- Capital Raises (continued)

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 13 for Preferred Stock and Note 15 for Warrant details. During the quarter ended December 31, 2022, the Company received cash redemption notices from the holders of the Series 8 Convertible Preferred Stock issued on March 22, 2022, totaling 53,197.72 shares of Series 8 Convertible Preferred Stock for aggregate cash paid of approximately \$53.2 million which were therefore fully redeemed. In conjunction with the redemption, 751,841 warrants were forfeited.

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 was amortized until the redemption period began 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 was accreted until the redemption period began on October 1, 2022.

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 \$25.0 million (the "Shares") from time to time through Maxim, acting exclusively as the Company's sales agent (the "ATM Offering"). On June 13, 2023, the Company entered into an amendment to the Sales Agreement with Maxim, pursuant to which the aggregate offering price of the ATM Offering was increased from \$25.0 million to approximately \$27.4 million. The Company intends to use the net proceeds of the ATM Offering primarily for working capital and general corporate purposes. During the nine months ended September 30, 2023, the Company sold 70,375,554 shares of common stock at share prices between \$0.139609 and \$1.86 per share under the Sales Agreement for gross proceeds of approximately \$27.4 million or net proceeds of \$26.5 million after deducting the placement agency fees and other offering expenses. 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 additional 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 is currently subject to the SEC's "baby shelf rules," which prohibit companies with a public float of less than \$75 million from issuing securities under a shelf registration statement in excess of one-third of such company's public float in a 12-month period. These rules may limit future issuances of shares by the Company under the Sales Agreement or other offerings pursuant to the Company's effective shelf registration statement on Form S-3.

INPIXON AND SUBSIDIARIES
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Note 12 - Common Stock

During the three months ended March 31, 2023, the Company issued 1,547,234 shares of common stock under exchange agreements to settle outstanding balance and interest totaling approximately \$1.4 million under partitioned notes. See Note 10.

During the three months ended March 31, 2023, the Company issued 9,655,207 shares of common stock in connection with the ATM Offering at per share prices between \$1.15 and \$1.86, resulting in gross proceeds to the Company of approximately \$15.4 million and net proceeds of \$15.0 million after subtracting sales commissions and other offering expenses. See Note 11.

During the three months ended March 31, 2023, the Company issued 1,380,000 shares of common stock in connection with the exercise of 1,380,000 pre-funded warrants at \$0.001 per share in connection with the October 2022 registered direct offering.

During the three months ended March 31, 2023, the Company issued 324,918 shares of common stock in connection with a warrant amendment to exchange all of the then outstanding September 2021 warrants and March 2022 warrants. See Note 15.

During the three months ended June 30, 2023, the Company issued 7,349,420 shares of common stock under exchange agreements to settle outstanding balance and interest totaling approximately \$2.0 million under partitioned notes. See Note 10.

During the three months ended June 30, 2023, the Company issued 19,326,522 shares of common stock in connection with the ATM Offering at per share prices between \$0.200034 and \$0.54, resulting in gross proceeds to the Company of approximately \$5.6 million and net proceeds of \$5.4 million after subtracting sales commissions and other offering expenses. See Note 11.

During the three months ended September 30, 2023, the Company issued 18,144,158 shares of common stock under exchange agreements to settle outstanding balance and interest totaling approximately \$3.2 million under partitioned notes. See Note 10.

During three months ended September 30, 2023, the Company issued 9,000,000 shares of common stock in connection with the exercise of 9,000,000 warrants with an exercise price of \$0.26 per share in connection with the May 2023 offering for which the Company received gross proceeds of approximately \$2.3 million.

During the three months ended September 30, 2023, the Company issued 41,393,825 shares of common stock in connection with the ATM Offering at per share prices between \$0.139609 and \$0.22291, resulting in gross proceeds to the Company of approximately \$6.4 million and net proceeds of \$6.1 million after subtracting sales commissions and other offering expenses. See Note 11.

Note 13 - Preferred Stock

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

Series 4 Convertible Preferred Stock

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

As of September 30, 2023, 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

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Note 13- Preferred Stock (continued)

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, 2023, there were 126 shares of Series 5 Convertible Preferred Stock outstanding.

Series 7 Convertible Preferred Stock

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 were recorded as Mezzanine Equity 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.

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, 2023, there were zero shares of Series 7 Convertible Preferred Stock outstanding.

Series 8 Convertible Preferred Stock

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 15) 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 were recorded as Mezzanine Equity 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 \$46.9 million.

During the quarter ended December 31, 2022, the Company received cash redemption notices from the holders of the Series 8 Convertible Preferred Stock issued on March 22, 2022, totaling 53,197.72 shares of Series 8 Convertible Preferred Stock for aggregate cash paid of approximately \$53.2 million which were therefore fully redeemed.

As of September 30, 2023, there were zero shares of Series 8 Convertible Preferred Stock outstanding.

Note 14 - 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

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Note 14 - Stock Award Plans and Stock-Based Compensation (continued)

more than 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, 2023 is 55,714,178. As of September 30, 2023, 285,171 of stock options were granted to employees, directors and consultants of the Company (including 1 share outside of our plan and 41 shares under our 2011 Plan) and 55,386,081 options were available for future grant under the 2018 Plan.

Employee Stock Options

During the three months ended September 30, 2023 and 2022, the Company recorded a charge for the amortization of stock options of approximately \$0.2 million and \$0.7 million, respectively, and approximately \$0.8 million and \$1.6 million, respectively, for the nine months ended September 30, 2023 and 2022, which is included in the general and administrative section of the condensed consolidated statement of operations.

As of September 30, 2023, the fair value of non-vested stock options totaled approximately \$1.2 million, which will be amortized to expense over the weighted average remaining term of 0.91 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, 2023	57	351,529	1	351,587
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	(16)	(55,866)	—	(55,882)
Forfeited	—	(10,534)	—	(10,534)
Ending balance as of September 30, 2023	41	285,129	1	285,171

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model, however there were no stock option grants during the nine months ended September 30, 2023.

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

Restricted Stock Awards

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

During the three months ended September 30, 2023 and 2022, the Company recorded a charge of zero and \$0.03 million, respectively, and \$0.03 million and \$0.7 million for the nine months ended September 30, 2023 and 2022, respectively, for the amortization of vested restricted stock awards.

The following table summarizes restricted stock based award activity granted:

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Note 14 - Stock Award Plans and Stock-Based Compensation (continued)

	Restricted Stock Grants
Beginning balance as of January 1, 2023	42,968
Granted	—
Exercised	—
Expired	—
Forfeited	—
Ending balance as of September 30, 2023	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 15 - Warrants

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 have been forfeited and 232,675 related warrants remain outstanding. As of September 30, 2023, there are no Series 7 Warrants outstanding as they were exchanged under the warrant amendments below.

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.

During the three months ended March 31, 2023, the Company issued 1,380,000 shares of common stock in connection with the exercise of 1,380,000 pre-funded warrants at \$0.001 per share in connection with the October 2022 registered direct offering.

Warrant Amendments

On February 28, 2023, the Company entered into warrant amendments (the "Warrant Amendments") with certain holders (each, including its successors and assigns, a "Holder" and collectively, the "Holders") of (i) those certain Common Stock Purchase Warrants issued by the Company in April 2018 (the "April 2018 Warrants") pursuant to the registration statement on Form S-3 (File No. 333-204159), (ii) those certain Common Stock Purchase Warrants issued by the Company in September 2021 (the "September 2021 Warrants") pursuant to the registration statement on Form S-3 (File No. 333-256827), and (iii) those certain Common Stock Purchase Warrants issued by the Company in March 2022 (the "March 2022 Warrants" and together with the April 2018 Warrants and the September 2021 Warrants, the "Existing Warrants") pursuant to the registration statement on Form S-3 (File No. 333-256827).

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Note 15 - Warrants (continued)

Pursuant to the Warrant Amendments, the Company and the Holders have agreed to amend (i) the September 2021 Warrants and the March 2022 Warrants to provide that all of such outstanding warrants shall be automatically exchanged for shares of common stock of the Company, at a rate of 0.33 shares of Common Stock (the "Exchange Shares") for each September 2021 Warrant or March 2022 Warrant, as applicable, and (ii) the April 2018 Warrants to remove the obligation of the Company to hold the portion of a Distribution (as defined in the April 2018 Warrants) in abeyance in connection with the Beneficial Ownership Limitation (as defined in the April 2018 Warrants).

In connection with the exchange of 232,675 September 2021 Warrants and 751,867 March 2022 Warrants, which were all of the then outstanding of those warrants as of the effective date of the Warrant Amendments, the Company issued 76,794 Exchange Shares and 248,124 Exchange Shares, respectively, resulting in the issuance of 324,918 Exchange Shares in the aggregate.

The Company accounted for the exchange as a warrant modification. The Company determined the fair value of the Existing Warrants as if issued on the Warrant Amendment date and compared that to the fair value of the common stock issued for the Exchange Shares. The Company calculated the fair value of the Existing Warrants using a Black-Scholes Option pricing model and determined it to be approximately \$0.6 million. The fair value of the common stock issued was based on the closing stock price of the date of the Warrant Amendment. The total fair value of the Existing Warrants prior to modification was greater than the fair value of the Exchange Shares issued, and therefore, there was no incremental fair value related to the Warrant Amendments.

May 2023 Warrant Purchase Agreement

On May 15, 2023, the Company entered into a Warrant Purchase Agreement (the "Agreement") with multiple purchasers for the purchase and sale of up to an aggregate of 150,000,000 of warrants (the "May 2023 Warrants"). The Agreement and the May 2023 Warrants were subsequently amended on June 20, 2023. The purchase price for one (1) May 2023 Warrant is \$0.01 (the "Per Warrant Purchase Price"). The May 2023 Warrants have an initial exercise price \$0.26, payable in cash or the cancellation of indebtedness (the "Initial Exercise Price"). The exercise price will equal the lower of (i) the Initial Exercise Price and (ii) 90% of the lowest VWAP (as defined in the Agreement) of the Common Stock for the five Trading Days (as defined in the Agreement) immediately prior to the date on which a Notice of Exercise is submitted to the Company (the "Adjusted Exercise Price" and together with the Initial Price, as applicable, the "Exercise Price"); provided, however, that the Adjusted Exercise Price shall not be less than \$0.10; and provided further that any exercise of the May 2023 Warrants with an Adjusted Exercise Price will be subject to the Company's consent unless the trading price of the Common Stock as of the time the Notice of Exercise is delivered to the Company is at least 10% or more above the prior Trading Day's Nasdaq Official Closing Price. No warrant holder may exercise the May 2023 Warrants to the extent such exercise would cause such warrant holder, together with its affiliates and attribution parties, to beneficially own a number of shares of Common Stock which would exceed 9.99% of the Company's then outstanding Common Stock following such exercise.

Each May 2023 Warrant is immediately exercisable for one share of Common Stock and will expire 1 year from the issuance date (the "Termination Date") unless extended by the Company with the consent of the warrant holder. Pursuant to the terms of the May 2023 Warrants, at any time prior to the Termination Date, the Company may, in its sole discretion, redeem any portion of a May 2023 Warrants that have not been exercised, in cash, at the Per Warrant Purchase Price, plus all liquidated damages and other costs, expenses or amounts due in respect of the Warrants (the "Redemption Amount") upon five Trading Days' written notice to the warrant holder (the "Redemption Date"). On the Termination Date, the Company will be required to redeem any portion of the May 2023 Warrants that have not been exercised or redeemed prior to such date through payment of the Redemption Amount in cash. The Company will be required to pay any Redemption Amount within five Trading Days after the Redemption Date or the Termination Date, as applicable.

The 150,000,000 May 2023 Warrants were issued on May 17, 2023 for aggregate gross proceeds of approximately \$1.5 million. The aggregate net proceeds from the offerings, after deducting the placement agent fees and other estimated offering expenses, were approximately \$1.4 million.

The May 2023 Warrants were determined to be within the scope of ASC 480 as they represent obligations to the Company, as the Company is obligated to redeem any May 2023 Warrants that have not been exercised at the Termination Date. As such, the Company recorded the May 2023 Warrants as a liability at fair value on the issuance date. The fair value of the May 2023

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Note 15 - Warrants (continued)

Warrants was determined using level 3 inputs utilizing a Monte-Carlo simulation. The May 2023 Warrants are subsequently measured as if the May 2023 Warrants were to be settled on the current redemption value with subsequent changes recognized as interest cost. The fair value of the Warrants was determined to be \$1.48 million at the date of issuance, and the redemption value of the Warrants was determined to be approximately \$1.5 million as of September 30, 2023. The fair value of the Warrants are reflected within Warrant Liability on the Condensed Consolidated Balance Sheet. An immediate loss was recognized on the initial measurement date of \$71,250 as a result of the difference between fair value and net proceeds. The change in fair value of Warrants of \$71,250 for the three and nine months ended September 30, 2023 was reported as other expense on the Condensed Consolidated Statement of Operations. The interest cost of \$20,000 for the three and nine months ended September 30, 2022 was included in interest expense, net on the Condensed Consolidated Statement of Operations.

During July 2023, the Company issued 9,000,000 shares of common stock in connection with the exercise of 9,000,000 warrants with an exercise price of \$0.26 per share in connection with the May 2023 offering for which the Company received gross proceeds of approximately \$2.3 million.

The following table summarizes the activity to warrants outstanding:

	Number of Warrants
Beginning balance as of January 1, 2023	6,212,026
Granted	150,000,000
Exercised	(10,380,000)
Expired	(1,224)
Exchanged	(984,542)
Ending balance as of September 30, 2023	144,846,260
Exercisable as of September 30, 2023	144,846,260

Note 16- Income Taxes

There is an income tax expense of approximately \$0.003 million and zero for the three months ended September 30, 2023 and 2022, respectively, and \$2.5 million and \$0.02 million for the nine months ended September 30, 2023 and 2022, respectively. The income tax expense in the nine months ended September 30, 2023 includes a \$2.6 million deferred tax expense to increase the valuation allowance, which is offset by a current tax benefit of \$0.1 million, due to the Enterprise Apps Spin-off.

Note 17 - 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 UK subsidiary, German subsidiaries and its majority-owned India subsidiary. Cash in foreign financial institutions as of September 30, 2023 and December 31, 2022 was immaterial. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

For the three months ended September 30, 2023, there is one single customer who accounts for 17% of the Company's revenue totaling \$0.3 million with \$0.3 million accounts receivable at September 30, 2023. This customer represents 19% of the total accounts receivable balance as of September 30, 2023.

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Note 18 - Segments (continued)

For the nine months ended September 30, 2023, there are two customers who account for 14% and 10% of the Company's revenue totaling \$1.0 million and \$0.7 million. These customers represent \$0.3 million or 19% and \$0.0 million or —% of accounts receivable at September 30, 2023.

An additional customer, which does not account for 10% of revenue in the three or nine months ended September 30, 2023, accounts for 11% or \$0.2 million of the total accounts receivable balance as of September 30, 2023.

For the three months ended September 30, 2022, there are two customers who account for 15% and 13% of the Company's revenue totaling \$0.4 million and \$0.3 million. These customers represent 22% or \$0.4 million and 8% or \$0.1 million of accounts receivable at September 30, 2022.

For the nine months ended September 30, 2022, there is one single customer who accounts for 14% of the Company's revenue totaling \$1.1 million. This customer represents \$0.4 million or 22% of accounts receivable at September 30, 2022.

An additional customer, which does not account for 10% of revenue in the three or nine months ended September 30, 2022, accounts for 12% or \$0.2 million of the total accounts receivable balance as of September 30, 2022.

For the three months ended September 30, 2023, there is one single vendor who accounts for 21% of the Company's purchases totaling \$0.9 million. This vendor represents 5% or \$0.1 million of accounts payable at September 30, 2023.

For the nine months ended September 30, 2023, there is one single vendor who accounts for 13% of the Company's purchases totaling \$2.2 million. This vendor had no accounts payable at September 30, 2023.

Two additional vendors, which do not account for 10% of purchases in the three or nine months ended September 30, 2023, account for 20% or \$0.4 million and 10% or \$0.2 million of the total accounts payable balance as of September 30, 2023.

For the three months ended September 30, 2022, there are two vendors who account for 18% and 13% of the Company's purchases totaling \$1.0 million and \$0.7 million. These vendors represent 26% or \$0.6 million and —% or \$0.0 million of the total accounts payable balance as of September 30, 2022.

For the nine months ended September 30, 2022, there is one single vendor who accounts for 37% of the Company's purchases totaling \$6.8 million. This vendor had no accounts payable at September 30, 2022.

One additional vendor, which did not account for 10% of purchases in the three or nine months ended September 30, 2022, accounts for 11% or \$0.3 million of the total accounts payable balance as of September 30, 2022.

Note 18 - 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.

The Company completed the Enterprise Apps Spin-off during the three months ended March 31, 2023. Design Reactor was entirely part of the Indoor Intelligence business segment. As a result, the Company met the requirements of ASC 205-20 to report the results of the Design Reactor business as discontinued operations. The operating results for Design Reactor have been reclassified to discontinued operations and are no longer reported in the Indoor Intelligence business segment. See Note 25 for further details. There were no changes to the Company's reportable segments as result of the Enterprise Apps Spin-off.

Gross profit is the primary measure of segment profitability used by the Company's Chief Operating Decision Maker ("CODM").

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

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Note 18 - Segments (continued)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue by Segment				
Indoor Intelligence	\$ 782	\$ 1,327	\$ 3,531	\$ 4,061
SAVES	760	591	2,221	2,051
Shoom	474	517	1,425	1,548
Total segment revenue	\$ 2,016	\$ 2,435	\$ 7,177	\$ 7,660
Gross profit by Segment				
Indoor Intelligence	\$ 488	\$ 882	\$ 2,379	\$ 2,623
SAVES	665	341	1,938	1,315
Shoom	412	456	1,228	1,313
Gross profit by Segment	\$ 1,565	\$ 1,679	\$ 5,545	\$ 5,251
Income (loss) from operations by Segment				
Indoor Intelligence	\$ (9,259)	\$ (5,169)	\$ (24,108)	\$ (19,304)
Saves	(51)	(438)	(490)	(1,817)
Shoom	228	144	677	573
Loss from operations by Segment	\$ (9,082)	\$ (5,463)	\$ (23,921)	\$ (20,548)

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.

INPIXON AND SUBSIDIARIES
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Note 19 - 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, 2023 and December 31, 2022:

	Fair Value at September 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities	189	178	—	11
Total assets	\$ 189	\$ 178	\$ —	\$ 11

	Fair Value at December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments in equity securities	330	319	—	11
Total assets	\$ 330	\$ 319	\$ —	\$ 11

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

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 Company noted that there was no change in Level 3 instruments for which significant unobservable inputs were used to determine fair value for the nine months ended September 30, 2023. 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, 2023:

	Level 3
Level 3 Investments	
Balance at January 1, 2023	\$ 11
Unrealized loss on equity securities	—
Balance at September 30, 2023	\$ 11

INPIXON AND SUBSIDIARIES
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Note 20 - Foreign Operations

Prior to the Enterprise Apps Spin-off (see Note 1), the Company's operations were located primarily in the United States, Canada, India, Germany, Ireland, and the United Kingdom. After the Enterprise Apps Spin-off (see Note 1), the Company's operations are located primarily in the United States, India, Germany, Ireland, 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
<u>For the Three Months Ended September 30, 2023:</u>									
Revenues by geographic area	\$ 1,304	\$ —	\$ 367	\$ 725	\$ 98	\$ 6	\$ —	\$ (484)	\$ 2,016
Operating (loss) income by geographic area	\$ (7,511)	\$ —	\$ 41	\$ (1,343)	\$ (6)	\$ (263)	\$ —	\$ —	\$ (9,082)
Net (loss) income from continuing operations by geographic area	\$ (9,346)	\$ —	\$ 41	\$ (1,274)	\$ (6)	\$ (263)	\$ —	\$ —	\$ (10,848)
<u>For the Three Months Ended September 30, 2022:</u>									
Revenues by geographic area	\$ 1,495	\$ —	\$ 78	\$ 880	\$ 88	\$ —	\$ —	\$ (106)	\$ 2,435
Operating (loss) income by geographic area	\$ (3,223)	\$ —	\$ 30	\$ (1,974)	\$ 19	\$ (292)	\$ (1)	\$ (22)	\$ (5,463)
Net (loss) income from continuing operations by geographic area	\$ (8,642)	\$ —	\$ (31)	\$ (1,926)	\$ 19	\$ (292)	\$ —	\$ —	\$ (10,872)
<u>For the Nine months ended September 30, 2023:</u>									
Revenues by geographic area	\$ 4,559	\$ —	\$ 1,160	\$ 2,643	\$ 327	\$ 10	\$ —	\$ (1,522)	\$ 7,177
Operating (loss) income by geographic area	\$ (20,267)	\$ —	\$ 161	\$ (3,266)	\$ (11)	\$ (538)	\$ —	\$ —	\$ (23,921)
Net (loss) income from continuing operations by geographic area	\$ (27,031)	\$ —	\$ 165	\$ (3,085)	\$ (11)	\$ (538)	\$ —	\$ 1	\$ (30,499)
<u>For the Nine Months Ended September 30, 2022:</u>									
Revenues by geographic area	\$ 4,465	\$ —	\$ 345	\$ 2,851	\$ 331	\$ 6	\$ —	\$ (338)	\$ 7,660
Operating (loss) income by geographic area	\$ (13,878)	\$ —	\$ 114	\$ (6,082)	\$ 78	\$ (756)	\$ (1)	\$ (23)	\$ (20,548)
Net (loss) income from continuing operations by geographic area	\$ (20,531)	\$ —	\$ 53	\$ (5,938)	\$ 78	\$ (756)	\$ —	\$ —	\$ (27,094)
<u>As of September 30, 2023:</u>									
Identifiable assets by geographic area	\$ 51,204	\$ —	\$ 755	\$ 19,580	\$ 406	\$ 80	\$ —	\$ (44,378)	\$ 27,647
Long lived assets by geographic area	\$ 2,141	\$ —	\$ 61	\$ 2,476	\$ —	\$ 3	\$ —	\$ —	\$ 4,681
<u>As of December 31, 2022:</u>									
Identifiable assets by geographic area	\$ 133,382	\$ 5,484	\$ 682	\$ 19,599	\$ 277	\$ 19	\$ 415	\$ (102,223)	\$ 57,635
Long lived assets by geographic area	\$ 2,538	\$ —	\$ 3	\$ 3,308	\$ 1	\$ 4	\$ —	\$ —	\$ 5,854

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Note 21 - Related Party Transactions

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 8. The \$150,000 loan was repaid on March 15, 2023.

Reimbursable Expenses from New CXApp

In connection with the closing of the Enterprise Apps Spin-off and Business Combination and the terms of the Merger Agreement, New CXApp was obligated to reimburse the Company for certain transaction expenses related to the Business Combination. As of September 30, 2023, New CXApp owed the Company approximately \$0.9 million for reimbursable transaction expenses which is included in the prepaid and other current assets line of the Condensed Consolidated Balance Sheets.

During the three and nine months ended September 30, 2023, the Company incurred approximately \$0.02 million and \$0.3 million, respectively, in reimbursable expenses payable in connection with the terms and conditions of the Transition Services Agreement and was charged by CXApp for \$0.02 million of reimbursable expenses under the Transition Services Agreement during the three months ended September 30, 2023, of which a net amount of \$0.02 million was owed by CXApp to the Company as of September 30, 2023 and is included in other receivables on the Company's Condensed Consolidated Balance Sheets.

Note 22 - XTI Merger Agreement

On July 24, 2023, Inpixon entered into an Agreement and Plan of Merger with XTI Aircraft Company (the "XTI Merger Agreement").

Subject to the terms and conditions of the Merger Agreement, at the effective time of the merger (the "Effective Time"):

(i) Each share of XTI common stock outstanding immediately prior to the Effective Time (excluding any shares to be canceled pursuant to the Merger Agreement and shares held by holders of XTI common stock who have exercised and perfected appraisal rights) will automatically be converted into the right to receive a number of shares of Inpixon common stock equal to the Exchange Ratio (as described below). Prior to the Effective Time, subject to obtaining the consent of requisite note holders, all outstanding XTI convertible notes will be converted into XTI common stock and will participate in the merger on the same basis as the other shares of XTI common stock, except for (1) a promissory note dated April 1, 2023, in the initial principal amount of \$1,817,980, which will be amended to extend the maturity date thereof until no sooner than December 31, 2026 and be assumed by the combined company at the Closing to become convertible into the shares of common stock of the combined company, and (2) a promissory note dated December 31, 2021, in the initial principal amount of \$1,007,323, which will provide for, at Closing, payment in cash of \$507,323 of the principal plus interest accrued to the date of payment, and the conversion of the remaining \$500,000 of outstanding principal into shares of common stock of the combined company (collectively, the "Note Amendments").

(ii) Each option to purchase shares of XTI common stock outstanding and unexercised immediately prior to the Effective Time will be assumed by Inpixon and will become an option, subject to any applicable vesting conditions, to purchase shares of Inpixon common stock with the number of shares of Inpixon common stock underlying the unexercised portions of such options and the exercise prices for such options to be adjusted to reflect the Exchange Ratio.

(iii) Each warrant to purchase shares of XTI common stock outstanding and unexercised immediately prior to the Effective Time will be assumed by Inpixon and will become a warrant to purchase shares of Inpixon common stock with the number of

INPIXON AND SUBSIDIARIES
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Note 22 - XTI Merger Agreement (continued)

shares of Inpixon common stock underlying such warrants and the exercise prices for such warrants will be adjusted to reflect the Exchange Ratio.

Subject to adjustment pursuant to the formula for the Exchange Ratio set forth in Exhibit A of the Merger Agreement, the Exchange Ratio will be determined based on (a) the fully diluted capitalization of each of Inpixon and XTI immediately prior to the Effective Time, provided, however, that for this purpose the calculation of Inpixon's fully diluted capitalization will not take into account any shares of Inpixon common stock issuable after Closing for cash consideration upon conversion, exercise or exchange of derivative securities that are issued by Inpixon in Inpixon Permitted Issuances. "Inpixon Permitted Issuances" are any issuances of common stock or derivative securities by Inpixon for financing or debt cancellation purposes that are permitted under the Merger Agreement and occur after the date of the Merger Agreement but before the Closing.

The Exchange Ratio will be subject to certain adjustments to the extent that Inpixon's Net Cash (as such term is defined on Exhibit A of the Merger Agreement) is greater than or less than \$21.5 million and/or any principal and accrued or unpaid interest remains outstanding under those certain promissory notes issued by Inpixon to Streeterville Capital, LLC on July 22, 2022 and December 30, 2022.

After application of the Exchange Ratio and subject to those certain adjustments described above, Inpixon stockholders immediately prior to the Effective Time are anticipated to retain approximately 40% of the issued and outstanding capital stock of the combined company and XTI security holders are anticipated to retain approximately 60% of the issued and outstanding capital stock of the combined company.

It is expected that Inpixon's Chief Executive Officer, Nadir Ali, and Chief Financial Officer, Wendy Loundermon, will resign upon the Closing, effective as of the Closing Date.

As a condition to closing the transactions contemplated by the XTI Merger Agreement (the "Proposed XTI Transaction"), Inpixon is required to complete the divestiture of its Shoom, SAVES and Game Your Game lines of business and investment securities, as applicable, by any lawful means, including a sale to one or more third parties, spin off, plan of arrangement, merger, reorganization, or any combination of the foregoing (the "Solutions Divestiture"). The Distribution (as defined below), if completed, would constitute part of the Solutions Divestiture.

On October 23, 2023, Inpixon entered into a Separation and Distribution Agreement (the "Separation Agreement") with Grafiti Holding Inc., a British Columbia corporation and newly formed wholly-owned subsidiary of Inpixon ("Grafiti"). Additionally, on October 23, 2023, Inpixon entered into a Business Combination Agreement (the "Business Combination Agreement"), by and among Inpixon, Damon Motors Inc., a British Columbia corporation ("Damon"), Grafiti, and 1444842 B.C. Ltd., a British Columbia corporation and a newly formed wholly-owned subsidiary of Grafiti ("Amalco Sub"). Both the Separation Agreement and the Business Combination Agreement are outlined in Note 26.

XTI Promissory Note & Security Agreement

Pursuant to the Merger Agreement, on the first calendar day of the month following the date of the Merger Agreement and on the first calendar day of each month thereafter until the earlier of (i) four months following the date of the Merger Agreement and (ii) the Closing Date, Inpixon shall provide loans to XTI on a senior secured basis (each, a "Future Loan"), in such amounts requested by XTI in writing prior to the first calendar day of each such month. Each Future Loan will be in the principal amount of up to \$500,000, and the aggregate amount of the Future Loans will be up to approximately \$1.8 million (or such greater amount as Inpixon shall otherwise agree in its sole and absolute discretion). These Future Loans and security will be evidenced by a Senior Secured Promissory Note (the "Promissory Note") and a Security and Pledge Agreement (the "Security Agreement").

The Promissory Note provides an aggregate principal amount up to \$2,313,407, which amount includes the principal sum of \$525,000 which Inpixon previously advanced to XTI (the "Existing Loans", collectively with the Future Loans, the "Inpixon Loans to XTI") plus accrued interest on such amount, and the aggregate principal amount of the Future Loans. The Promissory Note will bear interest at 10% per annum, compounded annually, and for each Future Loan, beginning on the date the Future Loan is advanced to XTI. The Promissory Note balance and accrued interest as of September 30, 2023 is approximately \$2.03 million and \$0.04 million, respectively, and is included in the Company's condensed consolidated balance sheet in Notes and Other Receivables.

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Note 22 - XTI Merger Agreement (continued)

The outstanding principal amount under the Promissory Note, together with all accrued and unpaid interest, shall be due and payable upon the earlier of (a) December 31, 2023, (b) when declared due and payable by Inpixon upon the occurrence of an event of default, or (c) within three business days following termination of the Merger Agreement (i) by XTI because the XTI Board adopts a superior proposal prior to delivering the XTI Stockholder Consent, or (ii) by Inpixon because the XTI Board has made a change in recommendation, or XTI has breached or failed to perform in any material respect any of its covenants and agreements regarding obtaining its required stockholder approval or non-solicitation. The Promissory Note will be forgiven and of no further force if the Merger Agreement is terminated by the Inpixon Board because it adopts a superior proposal prior to obtaining the required Inpixon stockholder approval, subject to Inpixon's rights and remedies under the Promissory Note, the Security Agreement, and the Merger Agreement. If the Merger Agreement is terminated by XTI because the Inpixon Board makes a change in recommendation or Inpixon is in material breach of its covenants and agreements regarding obtaining its required stockholder approval or non-solicitation, the maturity date of the Promissory Note will be extended to December 31, 2024.

Transaction Bonus Plan

On July 24, 2023, the Committee adopted a Transaction Bonus Plan (the "Plan"), which is intended to provide incentives to certain employees and other service providers to remain with Inpixon through the consummation of a Contemplated Transaction or Qualifying Transaction (each as defined below) and to maximize the value of the company with respect to such transaction for the benefit of its stockholders. The Plan will be administered by the Committee. It will automatically terminate upon the earlier of (i) the one-year anniversary of the adoption date, (ii) the completion of all payments under the terms of the Plan, or (iii) at any time by the Committee, provided, however, that the Plan may not be amended or terminated following the consummation of a Contemplated Transaction or Qualifying Transaction without the consent of each participant being affected, except as required by any applicable law.

A "Contemplated Transaction" refers to a strategic alternative transaction including an asset sale, merger, reorganization, spin-off or similar transaction (a "Strategic Transaction") that results in a change of control as defined in the Plan. A Qualifying Transaction refers to a Strategic Transaction that does not result in a change of control for which bonuses may be paid pursuant to the Plan as approved by the Committee. The XTI Proposed Transaction is expected to qualify as a Contemplated Transaction. The bonuses included in the Plan include a cash bonus equal to 100% of the individual's aggregate annual base salary and target bonus amounts, a cash bonus equal to an aggregate amount of 4% of the applicable transaction value, and an equity-based bonus, such as options or restricted stock.

Note 23 - Leases

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

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 \$9,105 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 early terminated one of its administrative offices in Hyderabad, India which generated an immaterial gain on lease termination which is included in the operating expenses section of the Condensed Consolidated Statements of Operations.

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

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

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Note 23 - Leases (continued)

	As of September 30, 2023	As of December 31, 2022
Palo Alto, CA Office	\$ 630	\$ 630
Hyderabad, India Office	19	—
Ratingen, Germany Office	84	85
Berlin, Germany Office	500	508
Frankfurt, Germany Office	291	294
Less accumulated amortization	(1,148)	(986)
Right-of-use asset, net	<u>\$ 376</u>	<u>\$ 531</u>

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 condensed consolidated statement of income for the three months ended September 30, 2023 and 2022 was \$0.2 million and \$0.1 million, respectively, and for the nine months ended September 30, 2023 and 2022 was \$0.5 million and \$0.5 million, respectively.

Lease liability is summarized below (in thousands):

	As of September 30, 2023	As of December 31, 2022
Total lease liability	\$ 386	\$ 545
Less: short term portion	(198)	(211)
Long term portion	<u>\$ 188</u>	<u>\$ 334</u>

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

Three months ending December 31, 2023	\$ 53
Year ending December 31, 2024	210
Year ending December 31, 2025	107
Year ending December 31, 2026	40
Year ending December 31, 2027	—
Year ending December 31, 2028 and thereafter	—
Total	<u>\$ 410</u>
Less: Present value discount	(24)
Lease liability	<u>\$ 386</u>

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" ("ASC 842"). As of September 30, 2023, the weighted average remaining lease term is 2.2 years and the weighted average discount rate used to determine the operating lease liabilities was 3.9%.

Note 24 - 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

INPIXON AND SUBSIDIARIES
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Note 24 - Commitments and Contingencies (continued)

Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

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

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

On August 21, 2023, a purported Inpixon shareholder filed a lawsuit in the United States District Court for the Northern District of California against Inpixon and its directors. Another shareholder filed a substantially similar suit in the same court against the same parties on August 24, 2023. The cases are styled *Busby v. Inpixon*, Case No. 3:23-cv-04249 (N.D. Cal.) and *Panovski v. Inpixon*, Case No. 4:23-cv-04330-KAW (N.D. Cal.). Both suits allege that Inpixon filed a purportedly misleading Form S-4 on August 14, 2023 that omits material information regarding the process leading to the XTI transaction as described in Note 22 to the Condensed Consolidated Financial Statements and the analysis performed by Inpixon's financial advisor in connection with the merger. The suits assert claims under Section 14(a) and Section 20 of the Securities Exchange Act and seek injunctive relief, damages, costs, attorneys' fees, and other relief. Inpixon has also received demand letters from multiple purported Inpixon shareholders alleging that the Form S-4 omits or misstates material information regarding similar topics as alleged in the lawsuits, as well as material information pertaining to other topics, including information pertaining to the compensation and business or financial relationships of Inpixon's financial advisor for the proposed transaction. The letters demand that Inpixon make supplemental disclosures to correct the alleged misstatements and omissions. It is possible that Inpixon may be named in additional suits or receive additional demand letters containing similar allegations or asserting additional allegations or claims regarding the XTI business combination.

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Note 25 - Discontinued Operations

On March 14, 2023, the Company completed the divestiture of its Enterprise Apps Business and certain related assets and liabilities through a spin-off of CXApp Holding Corp., a Delaware corporation ("Legacy CXApp") to Inpixon's shareholders of record as of March 6, 2023 (the "Record Date") on a pro rata basis. This Enterprise Apps Spin-off was considered a strategic shift that has a major impact on the Company, and therefore, the results of operations are recorded as a component of "Earnings (loss) from discontinued operations, net of income taxes" in the Condensed Consolidated Statements of Operations for all periods presented. The Company noted that Legacy CXApp was part of the Company's Indoor Intelligence segment. The net assets distributed as a result of the Enterprise Apps Spin-off was \$24.2 million. Included within the \$24.2 million dividend recorded to Additional Paid in Capital as a result of the deconsolidation of CXApp through distribution to shareholders recorded during the three months ended March 31, 2023, is approximately \$1.2 million in accumulated other comprehensive income that was recognized as a result of those distributed assets and liabilities included in the foreign operations of CXApp.

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues	\$ 1,742	\$ 1,620	\$ 6,473
Cost of Revenues	499	483	1,628
Gross Profit	1,243	1,137	4,845
Operating Expenses			
Research and development	2,508	1,514	6,929
Sales and marketing	1,121	988	3,797
General and administrative	3,767	1,644	11,207
Earnout compensation benefit	—	—	(2,827)
Acquisition related costs	—	—	16
Transaction costs	—	1,043	—
Impairment of goodwill	—	—	5,540
Amortization of intangibles	971	805	2,919
Total Operating Expenses	8,367	5,994	27,581
Loss from Operations	(7,124)	(4,857)	(22,736)
Interest (expense)/income, net	(6)	1	3
Other income/(expense)	9	—	9
Total Other Income (Expense)	3	1	12
Loss from discontinued operations, before tax	(7,121)	(4,856)	(22,724)
Income tax provision	—	—	(62)
Loss from discontinued operations, net of tax	\$ (7,121)	\$ (4,856)	\$ (22,786)

Cash used in operating activities by the Enterprise Apps Business totaled approximately \$0.8 million and \$14.6 million for the nine months ended September 30, 2023 and 2022, respectively. Cash provided by investing activities from the Enterprise Apps Business totaled approximately \$0.1 million for the nine months ended September 30, 2023 and cash used in investing activities by the Enterprise Apps Business totaled approximately \$0.4 million for the nine months ended September 30, 2022.

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Note 25 - Discontinued Operations (continued)

The following table summarizes certain assets and liabilities of discontinued operations:

	As of December 31, 2022	
Current Assets of Discontinued Operations		
Cash and cash equivalents	\$	10,000
Accounts receivable		1,338
Prepaid expenses and other current assets		923
Current Assets of Discontinued Operations	\$	12,261
Long Term Assets of Discontinued Operations		
Property and equipment, net	\$	202
Operating Lease Right-of-Use Asset, net		681
Software development costs, net		487
Intangible assets, net		19,289
Other Assets		52
Long Term Assets of Discontinued Operations	\$	20,711
Current Liabilities of Discontinued Operations		
Accounts payable	\$	1,054
Accrued liabilities		1,736
Operating lease obligation, current		266
Deferred revenue		2,162
Current Liabilities of Discontinued Operations	\$	5,218
Long Term Liabilities of Discontinued Operations		
Operating lease obligation, noncurrent	\$	444
Other Liabilities, noncurrent		28
Long Term Liabilities of Discontinued Operations	\$	472

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Note 26 - Subsequent Events

From October 1, 2023 through the date of this filing, the Company exchanged approximately \$1.6 million of the outstanding principal and interest under the July 2022 10% Note Purchase Agreement and Promissory Note for 15,996,373 shares of the Company's common stock at prices from \$0.0984 to \$0.1044 per share.

Third Party Note Payable

On October 31, 2023, Game Your Game, Inc., a subsidiary of Inpixon, entered into a Note Conversion Agreement with Rick Clemmer (the "Holder") pursuant to which the approximately \$1.5 million outstanding principal and interest balance of the promissory notes held by the Holder will be converted into 1,461,640 shares of Game Your Game, Inc. common stock, par value \$0.001 per share. As of September 30, 2023, the outstanding principal on the promissory notes is \$1.2 million and is reflected within short-term debt on the Condensed Consolidated Balance Sheet and the outstanding interest on the promissory notes is \$0.3 million and is included within accrued liabilities on the Condensed Consolidated Balance Sheet.

Change in Ownership Percentage of Game Your Game, Inc. Subsidiary

On October 31, 2023, the Company entered into a Note Conversion Agreement with Game Your Game, Inc. pursuant to which approximately \$5.2 million outstanding principal balance of the related party notes held by the Company will be converted to 5,207,595 shares of Game Your Game, Inc. common stock, par value \$0.001 per share. As of September 30, 2023, the Company owned 55.4% of Game Your Game, Inc. After the conversion, the Company owns 75.4% of Game Your Game, Inc.

Divestiture of SAVES Line of Business and Subsequent Business Combination with Damon Motors Inc.

As discussed in Note 22, on July 24, 2023, Inpixon entered into an Agreement and Plan of Merger with XTI Aircraft Company. On October 23, 2023, Inpixon entered into a Separation and Distribution Agreement (the "Separation Agreement") with Graffiti Holding Inc. ("Graffiti"), pursuant to which Inpixon plans to transfer to Graffiti all of the outstanding shares of Inpixon Ltd., a United Kingdom (the "UK") limited company that operates Inpixon's SAVES line of business in the UK ("Inpixon UK"), such that Inpixon UK will become a wholly-owned subsidiary of Graffiti (the "Reorganization"). Following the Reorganization and subject to conditions in the Separation Agreement, Inpixon will spin off Graffiti (the "Spin-off") by distributing to Inpixon stockholders and certain securities holders as of a record date to be determined (the "Participating Security holders") on a pro rata basis all of the outstanding common shares of Graffiti (the "Graffiti Common Shares") owned by Inpixon (the "Distribution"), subject to certain lock-up restrictions and subject to registration of the Graffiti Common Shares, as further described below.

On October 23, 2023, Inpixon also entered into a Business Combination Agreement (the "Business Combination Agreement"), by and among Inpixon, Damon Motors Inc., a British Columbia corporation ("Damon"), Graffiti, and 1444842 B.C. Ltd., a British Columbia corporation and a newly formed wholly-owned subsidiary of Graffiti ("Amalco Sub"), pursuant to which it is proposed that Amalco Sub and Damon amalgamate under the laws of British Columbia, Canada with the amalgamated company (the "Damon Surviving Corporation") continuing as a wholly-owned subsidiary of Graffiti (the "Damon Business Combination"). The Damon Business Combination is subject to material conditions, including approval of the Damon Business Combination by securities holders of Damon, approval of the issuance of Graffiti Common Shares to Damon securities holders pursuant to the Business Combination Agreement by a British Columbia court after a hearing upon the fairness of the terms and conditions of the Business Combination Agreement as required by the exemption from registration provided by Section 3(a)(10) under the Securities Act, and approval of the listing of the Graffiti Common Shares on the Nasdaq Stock Market ("Nasdaq") after giving effect to the Damon Business Combination. Upon the consummation of the Damon Business Combination (the "Closing"), both Inpixon UK and the Damon Surviving Corporation will be wholly-owned subsidiaries of Graffiti.

Holders of Graffiti Common Shares, including Participating Security holders and management that hold Graffiti Common Shares immediately prior to the closing of the Damon Business Combination, are anticipated to retain approximately 18.75% of the outstanding capital stock of the combined company determined on a fully diluted basis, which includes up to 5% in equity incentives which may be issued to Inpixon management.

On October 26, 2023, Inpixon purchased a convertible note from Damon in an aggregate principal amount of \$3.0 million (the "Bridge Note") together with the Bridge Note Warrant (as defined below) pursuant to a private placement, for a purchase price

INPIXON AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Note 26 - Subsequent Events (continued)

of \$3.0 million. The Bridge Note has a 12% annual interest rate, payable 12 months from June 16, 2023. The full principal balance and interest on the Bridge Note will automatically convert into common shares of Damon upon the public listing of Damon or a successor issuer thereof on a national securities exchange (a “Public Company Event”). Inpixon will receive a five-year warrant to purchase 1,096,321 Damon Common Shares in connection with the Bridge Note (“Bridge Note Warrant”) at an exercise price as defined in the Bridge Note Warrant. The Bridge Note Warrant contains a cashless exercise option if the warrant shares are not covered by an effective registration statement within 180 days following the consummation of the Public Company Event, and also a full ratchet price protection feature. If the Damon Business Combination is consummated, the Bridge Note will be converted into Grafiti Common Shares upon consummation of the Damon Business Combination and the Bridge Note Warrant will become exercisable for Grafiti Common Shares.

XTI Promissory Note & Security Agreement

As discussed in Note 22, Inpixon is providing loans to XTI on a senior secured basis. On November 14, 2023, the maximum principal amount under the XTI Promissory Note was increased to \$3.1 million. As of the filing date of these financial statements, the principal balance on the loan to XTI is approximately \$2.7 million.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC and the recasted audited consolidated financial statements within Exhibit 99.1 on Form 8-k filed with the SEC to reflect the presentation of CXApp operations as discontinued operations to the consolidated financial statements for the years ended December 31, 2022 and 2021. 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 enable smarter, safer and more secure environments. Inpixon customers can leverage our real-time positioning and analytics technologies to achieve higher levels of productivity and performance, increase safety and security, and drive a more connected environment. We specialize in providing real-time location systems (RTLS) for the industrial sector. As the manufacturing industry has evolved, RTLS technology has become a crucial aspect of Industry 4.0. Our RTLS solution leverages cutting-edge technologies such as IoT, AI, and big data analytics to provide real-time tracking and monitoring of assets, machines, and people within industrial environments. With our RTLS, businesses can achieve improved operational efficiency, enhanced safety and reduced costs. By having real-time visibility into operations, industrial organizations can make informed, data-driven decisions, minimize downtime, and ensure compliance with industry regulations. With our RTLS, industrial businesses can transform their operations and stay ahead of the curve in the digital age.

Inpixon's full-stack industrial IoT solution provides end-to-end visibility and control over a wide range of assets and devices. It's designed to help organizations optimize their operations and gain a competitive edge in today's data-driven world. The turn-key platform integrates a range of technologies, including RTLS, sensor networks, edge computing, and big data analytics, to provide a comprehensive view of an organization's operations. We help organizations to track the location and status of assets in real-time, identify inefficiencies, and make decisions that drive business growth. Our IoT stack covers all the technology layers, from the edge devices to the cloud. It includes hardware components such as sensors and gateways, a robust software platforms for data management and analysis, and a user-friendly dashboard for real-time monitoring and control. Our solutions also offer robust security features, to help ensure the protection of sensitive data. Additionally, Inpixon's RTLS provides scalability and flexibility, allowing organizations to easily integrate it with their existing systems and add new capabilities as their needs evolve.

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 through our 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 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 from continuing operations of approximately \$30.5 million and approximately \$27.1 million for the nine months ended September 30, 2023 and 2022, 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

Certain global events, such as the recent military conflict between Russia and Ukraine and Israel and Hamas, and other general economic factors that are beyond our control may impact our results of operations. These factors can include interest rates; recession; inflation; 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 operations. 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. The impact that these global events will have on general economic conditions is continuously evolving and the impact that they will have on our results of operations continues to remain uncertain. There are no assurances that we will not be materially adversely effected.

Corporate Strategy Update

In order to continue to respond to rapid changes and required technological advancements, as well as increase our shareholder value, we are exploring strategic transactions and opportunities that we believe will enhance shareholder value. Our board of directors has 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. We will also be opportunistic and may consider other strategic and/or attractive transactions, 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 September of 2022, we entered into an Agreement and Plan of Merger in connection with the spin-off and sale of our enterprise apps business which was consummated on March 14, 2023. Additionally, on July 24, 2023, the Company entered into an Agreement and Plan of Merger with XTI Aircraft Company (the "XTI Merger Agreement"). (See "*Recent Events - XTI Transaction*" below for more details). In addition, on or around the effective time of the merger with XTI we intend to effect a transaction for the divestiture of our Shoom, SAVES and Game Your Game lines of business and investment securities, as applicable, by any lawful means, which may include a sale to one or more third parties, spin off, plan of arrangement, merger, reorganization, or any combination of these. On October 23, 2023, we entered into a Separation and Distribution Agreement (the "Separation Agreement") with Graffiti Holding Inc., a British Columbia corporation and newly formed wholly-owned subsidiary of Inpixon ("Graffiti"), in connection with the spin-off of Inpixon Limited which operates our SAVES business in the United Kingdom. (See "*Recent Events - Spin-off - Graffiti Holding, Inc.*" below for more details).

We also entered into a Business Combination Agreement (the "Business Combination Agreement"), by and among Inpixon, Damon Motors Inc., a British Columbia corporation ("Damon"), Graffiti, and 1444842 B.C. Ltd., a British Columbia corporation and a newly formed wholly-owned subsidiary of Graffiti ("Amalco Sub"), pursuant to which it is proposed that Amalco Sub and Damon amalgamate under the laws of British Columbia, Canada with the amalgamated company (the "Damon Surviving Corporation") continuing as a wholly-owned subsidiary of Graffiti (the "Damon Business Combination"). (See "*Recent Events - Damon Business Combination*" below for more details).

Recent Events

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 (the "Shares") from time to time through Maxim, acting exclusively as our sales agent (the "ATM Offering"). Maxim is entitled to compensation at a fixed commission rate of 3.0% of the gross sales price per Share sold excluding Maxim's costs and out-of-pocket expenses incurred in connection with its services, including the fees and out-of-pocket expenses of its legal counsel. On June 13, 2023, the Company entered into an amendment to the Sales Agreement with Maxim, pursuant to which the aggregate offering price of the ATM Offering was increased from \$25.0 million to approximately \$27.4 million. During the nine months ended September 30, 2023, the Company sold 70,375,554 shares of common stock at share prices between \$0.139609 and \$1.86 per share under the Sales Agreement for gross proceeds of approximately \$27.4 million or net proceeds of \$26.5 million after deducting the placement agency fees and other offering expenses. The Company is currently subject to the SEC's "baby shelf rules," as of April 17, 2023, which prohibits companies with a public float of less than \$75 million from issuing securities under a shelf registration statement in excess of one-third of such company's public float in a 12-month period. These rules may limit future issuances of shares by the Company under the Sales Agreement or other offerings pursuant to the Company's effective shelf registration statement on Form S-3.

Note Exchanges and Amendments

On May 16, 2023, the Company entered into an amendment (the "July 2022 Note Amendment") to the July 2022 Note pursuant to which the maturity date was extended from July 22, 2023 to May 17, 2024 (the "July 2022 Note Maturity Date").

Extension”). In exchange for the July 2022 Note Maturity Date Extension, the Company agreed to pay Streeterville an extension fee in the amount of \$0.1 million, which was added to the outstanding balance of the July 2022 Note.

On May 16, 2023, the Company entered into an amendment (the “December 2022 Note Amendment”) to the December 2022 Note pursuant to which the maturity date of the December 2022 Note was extended from December 30, 2023 to May 17, 2024 (the “December 2022 Note Maturity Date Extension”). In exchange for the December 2022 Note Maturity Date Extension, the Company agreed to pay the Holder an extension fee in the amount of \$0.1 million which was added to the outstanding balance of the December 2022 Note.

During the three months ended September 30, 2023, the Company entered into exchange agreements with Streeterville, pursuant to which the Company and Streeterville agreed to: (i) partition new promissory notes in the form of the July 2022 Note equal to approximately \$3.2 million and then cause the outstanding balance of the July 2022 Note to be reduced by approximately \$3.2 million; and (ii) exchange the partitioned notes for the delivery of 18,144,158 shares of the Company’s common stock, at effective prices between \$0.1277 and \$0.2272 per share.

From October 1, 2023 through the date of this filing, the Company exchanged approximately \$1.6 million of the outstanding principal and interest under the July 2022 10% Note Purchase Agreement and Promissory Note for 15,996,373 shares of the Company’s common stock at prices from \$0.0984 to \$0.1044 per share, calculated in accordance with Nasdaq’s “minimum price” as defined by Nasdaq Listing Rule 5635(d).

Compliance with Nasdaq Continued Listing Requirements

On April 14, 2023, the Company 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 for the last 30 consecutive business days beginning on March 2, 2023, and ending on April 13, 2023, the Company no longer meets the requirement to maintain a minimum bid price of \$1 per share, as set forth in Nasdaq Listing Rule 5550(a)(2). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company was provided a period of 180 calendar days, or until October 11, 2023, 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 per share for a minimum of ten consecutive business days during this 180-day period. The Company was not able to regain compliance within this 180-day period; however, on October 12, 2023, the Company received notice from Nasdaq that it was granted an additional 180 calendar days, or until April 8, 2024 to regain compliance with the minimum bid price requirement.

On November 9, 2023, the Company received notice (the “November 9 Letter”) from Nasdaq that Nasdaq had determined that as of November 8, 2023, the Company’s securities had a closing bid price of \$0.10 or less for ten consecutive trading days triggering application of Listing Rule 5810(c)(3)(A)(iii) which states in part: if during any compliance period specified in Rule 5810(c)(3)(A), a company’s security has a closing bid price of \$0.10 or less for ten consecutive trading days, the Listing Qualifications Department shall issue a Staff Delisting Determination under Rule 5810 with respect to that security (the “Low Priced Stocks Rule”). As a result, the Staff has issued a letter notifying the Company of its determination to delist the Company’s securities from Nasdaq effective as of the opening of business on November 20, 2023, unless the Company requests an appeal of the Staff’s determination on or prior to November 16, 2023, pursuant to the procedures set forth in the Nasdaq Listing Rule 5800 Series.

The Company requested a hearing before the Nasdaq Hearings Panel (the “Panel”) to appeal the determination described in the November 9 Letter and to address compliance with the Low-Priced Stocks Rule and a hearing was scheduled for February 22, 2024. The Company may cure the bid price deficiency to regain compliance with the Low Priced Stock Rule by effecting a reverse stock split to increase the price per share of its common stock. A reverse stock split also would be expected to allow the Company to regain compliance with the minimum bid price requirement. At a special meeting of stockholders held on September 29, 2023, the Company obtained the necessary stockholder approval of an amendment to the Company’s articles of incorporation to effect a reverse stock split of the Company’s outstanding common stock, at a ratio between 1-for-2 and 1-for-50 (the “Reverse Split Ratio”), to be determined at the discretion of the Company’s board of directors. The Company also intends to seek an increase in the Reverse Split Ratio for the purpose of satisfying the bid price requirements applicable for initial listing applications in connection with the closing of the XTI transaction. The proposed transaction between the Company and XTI is anticipated to close prior to the end of this year and as a result, the Company expects that it will be able to cure the bid price deficiencies in connection with the closing of the XTI transaction.

The November 9 Letter has no immediate effect on the listing of the Company’s common stock and its common stock will continue to be listed on the Nasdaq Capital Market under the symbol “INPX”. While the appeal process is pending, the suspension of trading of the Company’s common stock would be stayed and the Company’s common stock would continue to trade on The Nasdaq Capital Market until the hearing process concludes and the Panel issues a written decision.

Amendments to By-Laws

On September 18, 2023, the Company's Board of Directors (the "Board") approved two amendments to the Company's amended and restated by-laws, as amended (the "By-Laws"), effective as of the date of the Board's approval ("By-Laws Amendment No. 3" and "By-Laws Amendment No. 4," respectively), pursuant to NRS 78.120(2) of Chapter 78 of the Nevada Revised Statutes (the "NRS"). By-Laws Amendment No. 3 gives the Board the full power and authority to amend the By-Laws as permitted by the NRS. By-Laws Amendment No. 4 (i) revises certain By-Laws relating to the removal of directors and the filling of vacancies on the Board to be consistent with NRS 78.335 and (ii) reduces the quorum requirement for all meetings of stockholders (unless otherwise provided by the NRS, the Company's articles of incorporation or the By-Laws) from the presence, in person or by proxy, of a majority of the outstanding shares of stock entitled to vote to the presence, in person or by proxy, of one-third of the outstanding shares of stock entitled to vote, as permitted pursuant to NRS 78.320(1) and Nasdaq Listing Rule 5620(c).

May 2023 Warrant Purchase Agreement

On May 15, 2023, the Company entered into a Warrant Purchase Agreement (the "Agreement") with multiple purchasers for the purchase and sale of up to an aggregate of 150,000,000 of warrants (the "May 2023 Warrants"). The Agreement and the May 2023 Warrants were subsequently amended on June 20, 2023. The purchase price for one (1) May 2023 Warrant is \$0.01 (the "Per Warrant Purchase Price"). The May 2023 Warrants have an initial exercise price \$0.26, payable in cash or the cancellation of indebtedness (the "Initial Exercise Price"). The exercise price will equal the lower of (i) the Initial Exercise Price and (ii) 90% of the lowest VWAP (as defined in the Agreement) of the Common Stock for the five Trading Days (as defined in the Agreement) immediately prior to the date on which a Notice of Exercise is submitted to the Company (the "Adjusted Exercise Price" and together with the Initial Price, as applicable, the "Exercise Price"); provided, however, that the Adjusted Exercise Price shall not be less than \$0.10; and provided further that any exercise of the May 2023 Warrants with an Adjusted Exercise Price will be subject to the Company's consent unless the trading price of the Common Stock as of the time the Notice of Exercise is delivered to the Company is at least 10% or more above the prior Trading Day's Nasdaq Official Closing Price. No warrant holder may exercise the May 2023 Warrants to the extent such exercise would cause such warrant holder, together with its affiliates and attribution parties, to beneficially own a number of shares of Common Stock which would exceed 9.99% of the Company's then outstanding Common Stock following such exercise.

Each May 2023 Warrant is immediately exercisable for one share of Common Stock and will expire one year from the issuance date (the "Termination Date") unless extended by the Company with the consent of the warrant holder. Pursuant to the terms of the May 2023 Warrants, at any time prior to the Termination Date, the Company may, in its sole discretion, redeem any portion of a May 2023 Warrants that have not been exercised, in cash, at the Per Warrant Purchase Price, plus all liquidated damages and other costs, expenses or amounts due in respect of the Warrants (the "Redemption Amount") upon five Trading Days' written notice to the warrant holder (the "Redemption Date"). On the Termination Date, the Company will be required to redeem any portion of the May 2023 Warrants that have not been exercised or redeemed prior to such date through payment of the Redemption Amount in cash. The Company will be required to pay any Redemption Amount within five Trading Days after the Redemption Date or the Termination Date, as applicable.

The May 2023 Warrants were issued on May 17, 2023 for aggregate gross proceeds of approximately \$1.5 million. The aggregate net proceeds from the offerings, after deducting the placement agent fees and other estimated offering expenses, were approximately \$1.4 million.

The May 2023 Warrants were determined to be within the scope of ASC 480 as they represent obligations to the Company, as the Company is obligated to redeem any May 2023 Warrants that have not been exercised at the Termination Date. As such, the Company recorded the May 2023 Warrants at fair value on the issuance date. The May 2023 Warrants are subsequently measured as if the May 2023 Warrants were to be settled on the current redemption value with subsequent changes recognized as interest cost. The grant date fair value of the Warrants was determined to be \$1.48 million at the date of issuance, and the fair value of the Warrants was determined to be approximately \$1.50 million as of September 30, 2023. The fair value of the Warrants are reflected within Warrant Liability on the Condensed Consolidated Balance Sheet, and the change in fair value as interest expense is reported in the Condensed Consolidated Statement of Operations.

During July 2023, the Company issued 9,000,000 shares of common stock in connection with the exercise of 9,000,000 warrants with an exercise price of \$0.26 per share in connection with the May 2023 warrant offering for which the Company received gross proceeds of approximately \$2.3 million.

XTI Transaction

Merger Agreement

On July 24, 2023, the Company entered into an Agreement and Plan of Merger (as it may be amended from time to time, the “XTI Merger Agreement”) by and among Inpixon, Superfly Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of Inpixon (“Merger Sub”), and XTI Aircraft Company, a Delaware corporation (“XTI”). The XTI Merger Agreement was unanimously approved by Inpixon’s and XTI’s board of directors. If the XTI Merger Agreement is approved by Inpixon’s and XTI’s stockholders (and the other closing conditions are satisfied or waived in accordance with the Merger Agreement), and the transactions contemplated by the Merger Agreement are consummated, Merger Sub will merge with and into XTI, with XTI surviving the merger as a wholly-owned subsidiary of Inpixon (collectively, the “XTI Proposed Transaction”). In addition, upon the consummation of the XTI Proposed Transaction (the “Closing,” and the date of the Closing, the “Closing Date”), Inpixon will be renamed “XTI Aerospace, Inc.” (the “Name Change”). Inpixon upon the Closing is referred to herein as the “combined company.”

Subject to the terms and conditions of the Merger Agreement, at the effective time of the merger (the “Effective Time”):

(i) Each share of XTI common stock outstanding immediately prior to the Effective Time (excluding any shares to be canceled pursuant to the Merger Agreement and shares held by holders of XTI common stock who have exercised and perfected appraisal rights) will automatically be converted into the right to receive a number of shares of Inpixon common stock equal to the Exchange Ratio (as described below). Prior to the Effective Time, subject to obtaining the consent of requisite note holders, all outstanding XTI convertible notes will be converted into XTI common stock and will participate in the merger on the same basis as the other shares of XTI common stock, except for (1) a promissory note dated April 1, 2023, in the initial principal amount of \$1,817,980, which will be amended to extend the maturity date thereof until no sooner than December 31, 2026 and be assumed by the combined company at the Closing to become convertible into the shares of common stock of the combined company, and (2) a promissory note dated December 31, 2021, in the initial principal amount of \$1,007,323, which will provide for, at Closing, payment in cash of \$507,323 of the principal plus interest accrued to the date of payment, and the conversion of the remaining \$500,000 of outstanding principal into shares of common stock of the combined company (collectively, the “Note Amendments”).

(ii) Each option to purchase shares of XTI common stock outstanding and unexercised immediately prior to the Effective Time will be assumed by Inpixon and will become an option, subject to any applicable vesting conditions, to purchase shares of Inpixon common stock with the number of shares of Inpixon common stock underlying the unexercised portions of such options and the exercise prices for such options to be adjusted to reflect the Exchange Ratio.

(iii) Each warrant to purchase shares of XTI common stock outstanding and unexercised immediately prior to the Effective Time will be assumed by Inpixon and will become a warrant to purchase shares of Inpixon common stock with the number of shares of Inpixon common stock underlying such warrants and the exercise prices for such warrants will be adjusted to reflect the Exchange Ratio.

Subject to adjustment pursuant to the formula for the Exchange Ratio set forth in Exhibit A of the Merger Agreement, the Exchange Ratio will be determined based on (a) the fully diluted capitalization of each of Inpixon and XTI immediately prior to the Effective Time, provided, however, that for this purpose the calculation of Inpixon’s fully diluted capitalization will not take into account any shares of Inpixon common stock issuable after Closing for cash consideration upon conversion, exercise or exchange of derivative securities that are issued by Inpixon in Inpixon Permitted Issuances. “Inpixon Permitted Issuances” are any issuances of common stock or derivative securities by Inpixon for financing or debt cancellation purposes that are permitted under the Merger Agreement and occur after the date of the Merger Agreement but before the Closing.

The Exchange Ratio will be subject to certain adjustments to the extent that Inpixon’s Net Cash (as such term is defined on Exhibit A of the Merger Agreement) is greater than or less than \$21.5 million and/or any principal and accrued or unpaid interest remains outstanding under those certain promissory notes issued by Inpixon to Streeterville Capital, LLC on July 22, 2022 and December 30, 2022.

After application of the Exchange Ratio and subject to those certain adjustments described above, Inpixon stockholders immediately prior to the Effective Time are anticipated to retain approximately 40% of the issued and outstanding capital stock of the combined company and XTI security holders are anticipated to retain approximately 60% of the issued and outstanding capital stock of the combined company.

It is expected that Inpixon’s Chief Executive Officer, Nadir Ali, and Chief Financial Officer, Wendy Lounderson, will resign upon the Closing, effective as of the Closing Date.

In addition, pursuant to a Financial Advisory and Investment Banking Services Agreement dated May 16, 2023, between Inpixon and Maxim Group LLC (“Maxim”) (the “Maxim Agreement”), as part of compensation for Maxim’s services in connection with the transaction, Inpixon has agreed to pay to Maxim, upon Closing, a cash fee equal to \$800,000 (the “Cash

Fee”), and to issue to Maxim (or its designees) registered common stock of Inpixon pursuant to the applicable registration statement on Form S-4 for the transaction, if permitted under SEC rules, or unregistered stock if not permitted, equal to the quotient obtained by dividing \$1,000,000 by the closing price of Inpixon common stock as reported by Nasdaq on the date immediately preceding the announcement of the transaction, at the closing of the transaction. However, to the extent that Maxim would beneficially own more than 4.99% of the number of shares of Inpixon common stock outstanding immediately after giving effect to such issuance, then Maxim will receive rights to such remaining amount of shares in accordance with a rights to shares agreement, in such form reasonably acceptable to the parties. Based on the closing price of Inpixon common stock as of July 24, 2023, which equals \$0.1523 per share, Maxim will be entitled to approximately 6,565,988 shares of Inpixon common stock in connection with the Closing of the XTI Proposed Transaction. These shares will be issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act, if they are not registered.

The foregoing description of the Merger Agreement and the XTI Proposed Transaction does not purport to be complete and is qualified in its entirety by the terms and conditions of the Merger Agreement, a copy of which is attached as Exhibit 2.1 to this Form 10-Q and incorporated herein by reference.

XTI Promissory Note & Security Agreement

Pursuant to the Merger Agreement, on the first calendar day of the month following the date of the Merger Agreement and on the first calendar day of each month thereafter until the earlier of (i) four months following the date of the Merger Agreement and (ii) the Closing Date, Inpixon shall provide loans to XTI on a senior secured basis (each, a “Future Loan”), in such amounts requested by XTI in writing prior to the first calendar day of each such month. Each Future Loan will be in the principal amount of up to \$500,000, and the aggregate amount of the Future Loans will be up to \$1,775,000 (or such greater amount as Inpixon shall otherwise agree in its sole and absolute discretion). These Future Loans and security will be evidenced by a Senior Secured Promissory Note (the “XTI Promissory Note”) and a Security and Pledge Agreement (the “Security Agreement”).

The XTI Promissory Note provides an aggregate principal amount up to \$2,313,407, which amount includes the principal sum of \$525,000 which Inpixon previously advanced to XTI (the “Existing Loans”, collectively with the Future Loans, the “Inpixon Loans to XTI”) plus accrued interest on such amount, and the aggregate principal amount of the Future Loans. The XTI Promissory Note will bear interest at 10% per annum, compounded annually, and for each Future Loan, beginning on the date the Future Loan is advanced to XTI. The XTI Promissory Note is included in the Company’s condensed consolidated balance sheet as of September 30, 2023 in Notes Receivable. On November 14, 2023, the principal amount under the XTI Promissory Note was increased to approximately \$3.1 million. As of the date of this filing, the principal balance on the loan to XTI is approximately \$2.7 million.

The outstanding principal amount under the XTI Promissory Note, together with all accrued and unpaid interest, shall be due and payable upon the earlier of (a) December 31, 2023, (b) when declared due and payable by Inpixon upon the occurrence of an event of default, or (c) within three business days following termination of the XTI Merger Agreement (i) by XTI because the XTI Board adopts a superior proposal prior to delivering the XTI Stockholder Consent, or (ii) by Inpixon because the XTI Board has made a change in recommendation, or XTI has breached or failed to perform in any material respect any of its covenants and agreements regarding obtaining its required stockholder approval or non-solicitation. The XTI Promissory Note will be forgiven and of no further force if the XTI Merger Agreement is terminated by the Inpixon Board because it adopts a superior proposal prior to obtaining the required Inpixon stockholder approval, subject to Inpixon’s rights and remedies under the Promissory Note, the Security Agreement, and the Merger Agreement. If the XTI Merger Agreement is terminated by XTI because the Inpixon Board makes a change in recommendation or Inpixon is in material breach of its covenants and agreements regarding obtaining its required stockholder approval or non-solicitation, the maturity date of the XTI Promissory Note will be extended to December 31, 2024.

The Security Agreement grants Inpixon a first priority security interest in and lien upon all of XTI’s property to secure the repayment of the XTI Promissory Note.

Transaction Bonus Plan in connection with Completed Transaction

As described in Inpixon’s current report on Form 8-K filed on March 20, 2023, on March 14, 2023, Inpixon completed a reorganization involving the transfer of Inpixon’s CXApp and enterprise app business lines to a subsidiary of Inpixon, followed by a distribution of shares of such subsidiary to Inpixon’s equity holders. The reorganization was followed by a subsequent business combination transaction between such former subsidiary and KINS Technology Group Inc., a special purpose acquisition company which was renamed CXApp, Inc. upon the consummation of the business combination (collectively, the “Completed Transaction”).

On July 24, 2023, the compensation committee of the Inpixon Board (the “Committee”) adopted a Transaction Bonus Plan (the “Completed Transaction Bonus Plan”), which is intended to compensate certain current and former employees and service providers for the successful consummation of the Completed Transaction. The Completed Transaction Bonus Plan will be administered by the Committee. It will terminate upon the completion of all payments under the terms of the Completed Transaction Bonus Plan, provided, that the Board may terminate the plan as to any participant prior to the completion of all payment to under participant under the plan.

Pursuant to the Completed Transaction Bonus Plan, in connection with the Completed Transaction,

- Participants listed on Schedule 1 of the Completed Transaction Bonus Plan will be eligible for a cash bonus equal to 100% of their aggregate annual base salary in effect as of the end of the year ended December 31, 2022, provided that the participants must execute a customary release of claims and confidentiality agreement.
- Participants listed on Schedule 2 of the Completed Transaction Bonus Plan including Inpixon’s named executive officers Nadir Ali and Wendy Loundermon will be eligible for a cash bonus in an aggregate amount of 4% of the \$70,350,000 transaction value of the Completed Transaction, with Mr. Ali and Ms. Loundermon being entitled to 3.5% and 0.5% of such transaction value, respectively.

During the three months ended September 30, 2023, the Company paid approximately \$3.5 million to the company management and former management under the Transaction Bonus Plan which settled the amount in full and no amounts were owed under the plan as of September 30, 2023.

In addition, if a participant becomes entitled to any payments or benefits from the Completed Transaction Bonus Plan or any other amounts (collectively, the “Company Payments Relating to the Completed Transaction Plan”) that are subject to the tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Excise Tax”), the company will pay the participant the greater of the following amounts: (i) the Company Payments Relating to the Completed Transaction Plan, or (ii) one dollar less than the amount of the Company Payments Relating to the Completed Transaction Plan that would subject the participant to the Excise Tax, as mutually agreed between the company and the participant.

The foregoing description of the Completed Transaction Bonus Plan does not purport to be complete and is qualified in its entirety by the terms and conditions of the Completed Transaction Bonus Plan, a copy of which is attached as Exhibit 10.14 of this Form 10-Q incorporated herein by reference.

Transaction Bonus Plan in connection with Future Strategic Transactions

On July 24, 2023, the Committee adopted a Transaction Bonus Plan (the “Plan”), which is intended to provide incentives to certain employees and other service providers to remain with Inpixon through the consummation of a Contemplated Transaction or Qualifying Transaction (each as defined below) and to maximize the value of the company with respect to such transaction for the benefit of its stockholders. The Plan will be administered by the Committee. It will automatically terminate upon the earlier of (i) the one-year anniversary of the adoption date, (ii) the completion of all payments under the terms of the Plan, or (iii) at any time by the Committee, provided, however, that the Plan may not be amended or terminated following the consummation of a Contemplated Transaction or Qualifying Transaction without the consent of each participant being affected, except as required by any applicable law.

A “Contemplated Transaction” refers to a strategic alternative transaction including an asset sale, merger, reorganization, spin-off or similar transaction (a “Strategic Transaction”) that results in a change of control as defined in the Plan. A Qualifying Transaction refers to a Strategic Transaction that does not result in a change of control for which bonuses may be paid pursuant to the Plan as approved by the Committee. The XTI Proposed Transaction is expected to qualify as a Contemplated Transaction.

Pursuant to the Plan, in connection with the closing of a Contemplated Transaction or a Qualifying Transaction, the participants will be eligible to receive bonuses as described below.

- Participants listed on Schedule 1 of the Plan including Inpixon’s named executive officers Nadir Ali, Wendy Loundermon and Soumya Das, will be eligible for a cash bonus equal to 100% of their aggregate annual base salary and target bonus amount at the closing of a Contemplated Transaction and any applicable Qualifying Transaction, provided that the participants must execute a customary release of claims and confidentiality agreement. These bonus amounts will be paid at the closing of each applicable transaction.

- Participants listed on Schedule 2 of the Plan including Inpixon’s named executive officers Nadir Ali and Wendy Loundermon will be eligible for a cash bonus in an aggregate amount of 4% of the applicable Transaction Value (as defined below), with Mr. Ali and Ms. Loundermon being entitled to 3.5% and 0.5% of such Transaction Value, respectively. These bonus amounts will be paid at the closing of each applicable transaction but the pro rata portion attributable to any deferred payments will be paid when those deferred payments become due, within a maximum period of five years from the closing date. “Transaction Value” means the sum of any cash and the fair market value of any securities or other assets or property received by Inpixon or available for distribution to the holders of Inpixon’s equity securities in connection with the applicable transaction as provided for in the definitive agreement governing the applicable transaction, or such value as shall be designated by the Committee.

- Participants listed on Schedule 3 of the Plan including Inpixon’s named executive officers Nadir Ali, Wendy Loundermon and Soumya Das, will be eligible for equity-based grants, such as options or restricted stock, on such terms and upon such date as the Committee may determine.

- In the sole discretion of the Committee, receipt or eligibility for receipt by a participant of a transaction bonus in respect of a Contemplated Transaction shall not preclude such participant from receiving or being eligible to receive an additional transaction bonus in respect of a Qualifying Transaction.

If a participant becomes entitled to any payments or benefits from the Plan or any other amounts (the “Company Payments Relating to the Plan”) that are subject to the Excise Tax, the company will pay the participant the greater of the following amounts: (i) the Company Payments Relating to the Plan, or (ii) one dollar less than the amount of the Company Payments Relating to the Plan that would subject the participant to the Excise Tax, as mutually agreed between the company and the participant.

The foregoing description of the Plan does not purport to be complete and is qualified in its entirety by the terms and conditions of the Plan, a copy of which is attached as Exhibit 10.15 to this Form 10-Q and is incorporated herein by reference.

During the three months ended September 30, 2023, the Company did not pay or accrue any bonuses under the Plan in connection with future strategic transactions.

Spin-off - Grafiti Holding, Inc.

On October 23, 2023, Inpixon entered into a Separation and Distribution Agreement (the “Separation Agreement”) with Grafiti Holding Inc., a British Columbia corporation and newly formed wholly-owned subsidiary of Inpixon (“Grafiti”), pursuant to which Inpixon plans to transfer to Grafiti all of the outstanding shares of Inpixon Ltd., a United Kingdom (the “UK”) limited company that operates Inpixon’s SAVES line of business in the UK (“Inpixon UK”), such that Inpixon UK will become a wholly-owned subsidiary of Grafiti (the “Reorganization”). Following the Reorganization and subject to conditions in the Separation Agreement, Inpixon will spin off Grafiti (the “Spin-off”) by distributing to Inpixon stockholders and certain securities holders as of a record date to be determined (the “Participating Security holders”) on a pro rata basis all of the outstanding common shares of Grafiti (the “Grafiti Common Shares”) owned by Inpixon (the “Distribution”), subject to certain lock-up restrictions and subject to registration of the Grafiti Common Shares pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or the Securities Act of 1933, as amended (the “Securities Act”), as further described below.

Damon Business Combination

On October 23, 2023, Inpixon also entered into a Business Combination Agreement (the “Business Combination Agreement”), by and among Inpixon, Damon Motors Inc., a British Columbia corporation (“Damon”), Grafiti, and 1444842 B.C. Ltd., a British Columbia corporation and a newly formed wholly-owned subsidiary of Grafiti (“Amalco Sub”), pursuant to which it is proposed that Amalco Sub and Damon amalgamate under the laws of British Columbia, Canada with the amalgamated company (the “Damon Surviving Corporation”) continuing as a wholly-owned subsidiary of Grafiti (the “Damon Business Combination”). The Damon Business Combination is subject to material conditions, including approval of the Damon Business Combination by securities holders of Damon, approval of the issuance of Grafiti Common Shares to Damon securities holders pursuant to the Damon Business Combination Agreement by a British Columbia court after a hearing upon the fairness of the terms and conditions of the Business Combination Agreement as required by the exemption from registration provided by Section 3(a)(10) under the Securities Act, and approval of the listing of the Grafiti Common Shares on the Nasdaq Stock Market (“Nasdaq”) after giving effect to the Damon Business Combination. Upon the consummation of the Damon Business Combination (the “Closing”), both Inpixon UK and the Damon Surviving Corporation will be wholly-owned subsidiaries of Grafiti, which will adopt a new name as determined by Damon. Grafiti, after the Closing, is referred to herein as the “combined

company.” Pursuant to the Business Combination Agreement, the parties will take all necessary action so that at the Closing, the board of directors of the combined company will consist of such directors as Damon may determine, subject to the independent requirements under the Nasdaq rules, and provided that at least one director will be nominated by Graffiti.

Holders of Graffiti Common Shares, including Participating Security holders and management that hold Graffiti Common Shares immediately prior to the closing of the Damon Business Combination, are anticipated to retain approximately 18.75% of the outstanding capital stock of the combined company determined on a fully diluted basis, which includes up to 5% in equity incentives which may be issued to Inpixon management.

On October 23, 2023, Inpixon purchased a convertible note from Damon in an aggregate principal amount of \$3.0 million (the “Bridge Note”) together with the Bridge Note Warrant (as defined below) pursuant to a private placement, for a purchase price of \$3.0 million. The Bridge Note has a 12% annual interest rate, payable on the maturity date, which is twelve months from June 16, 2023. The full principal balance and interest on the Bridge Note will automatically convert into common shares of Damon upon the public listing of Damon or a successor issuer thereof on a national securities exchange (a “Public Company Event”). The number of shares issued upon conversion due to a Public Company Event will equal the quotient obtained by dividing (x) the outstanding principal and unpaid accrued interest on the date of a Public Company Event (or within ten trading days of a direct listing), if any, by (y) the lesser of the then applicable Conversion Price or Public Company Event Conversion Price, each as defined in the Bridge Note. The Bridge Note will contain customary covenants relating to Damon’s financials and operations. Inpixon will receive a five-year warrant to purchase 1,096,321 Damon Common Shares in connection with the Bridge Note (“Bridge Note Warrant”) at an exercise price as defined in the Bridge Note Warrant, in each case subject to adjustments for dividends, splits and subsequent equity sales by Damon. The Bridge Note Warrant contains a cashless exercise option if the warrant shares are not covered by an effective registration statement within 180 days following the consummation of the Public Company Event, and also a full ratchet price protection feature. If the Damon Business Combination is consummated, the Bridge Note will be converted into Graffiti Common Shares and the Bridge Note Warrant will become exercisable for Graffiti Common Shares.

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, 2022 and the recasted audited consolidated financial statements within Exhibit 99.1 on Form 8-k filed with the SEC to reflect the presentation of CXApp operations as discontinued operations to the consolidated financial statements for the years ended December 31, 2022 and 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. As of September 30, 2023, the Company's previously recorded goodwill has been fully impaired.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2023 compared to the Three Months Ended September 30, 2022

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

(in thousands, except percentages)	Three Months Ended September 30,					
	2023		2022		\$ Change	% Change*
	Amount	% of Revenues	Amount	% of Revenues		
Revenues	\$ 2,016	100 %	\$ 2,435	100 %	\$ (419)	(17)%
Cost of revenues	\$ 451	22 %	\$ 756	31 %	\$ (305)	(40)%
Gross profit	\$ 1,565	78 %	\$ 1,679	69 %	\$ (114)	(7)%
Operating expenses	\$ 10,647	528 %	\$ 7,142	293 %	\$ 3,505	49 %
Loss from operations	\$ (9,082)	(450)%	\$ (5,463)	(224)%	\$ (3,619)	(66)%
Other expense	\$ (1,763)	(87)%	\$ (5,409)	(222)%	\$ 3,646	67 %
Provision for income taxes	\$ (3)	— %	\$ —	— %	\$ (3)	— %
Net loss from continuing operations	\$ (10,848)	(538)%	\$ (10,872)	(446)%	\$ 24	— %
Loss from discontinued operations, net of tax	\$ —	— %	\$ (7,121)	(292)%	\$ 7,121	100 %
Net loss attributable to stockholders of Inpixon	\$ (10,384)	(515)%	\$ (17,591)	(722)%	\$ 7,207	41 %

* 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, 2023 were \$2.0 million compared to \$2.4 million for the comparable period in the prior year for a decrease of approximately \$0.4 million, or approximately 17%. This decrease is primarily attributable to the decrease in Indoor Intelligence sales due to longer sales cycles.

Cost of Revenues

Cost of revenues for the three months ended September 30, 2023 were \$0.5 million compared to \$0.8 million for the comparable period in the prior year. This decrease in cost of revenues of approximately \$0.3 million, or approximately 40%, was primarily attributable to lower cost of revenues on the SAVES product line and lower revenue in the IIOT business.

Gross Profit

The gross profit margin for the three months ended September 30, 2023 was 78% compared to 69% for the three months ended September 30, 2022. This increase in margin is primarily due to lower cost of goods on the SAVES and indoor intelligence product lines during the year.

Operating Expenses

Operating expenses for the three months ended September 30, 2023 were \$10.6 million and \$7.1 million for the comparable period ended September 30, 2022. This increase of approximately \$3.5 million is primarily attributable to the acquisition and transaction costs incurred in the three months ended September 30, 2023.

Other Income (Expense)

Other income/expense for the three months ended September 30, 2023 was a loss of \$1.8 million compared to a loss of \$5.4 million for the comparable period in the prior year. This decrease in loss of approximately \$3.6 million is primarily attributable to the unrealized loss on the FOXO shares in the three months ended September 30, 2022.

Provision for Income Taxes

The provision for income tax for the three months ended September 30, 2023 and 2022 was immaterial.

Loss from Discontinued Operations, net of tax

Loss from discontinued operations, net of tax, for the three months ended September 30, 2023 was zero compared to \$7.1 million for the comparable period in the prior year. There is no loss from discontinued operations in the three months ended September 30, 2023 as those operations were spun off in the three months ended March 31, 2023 period.

Nine Months Ended September 30, 2023 compared to the Nine Months Ended September 30, 2022

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

(in thousands, except percentages)	For the Nine Months Ended September 30,					
	2023		2022		\$ Change	% Change*
	Amount	% of Revenues	Amount	% of Revenues		
Revenues	\$ 7,177	100 %	\$ 7,660	100 %	\$ (483)	(6)%
Cost of revenues	\$ 1,632	23 %	\$ 2,409	31 %	\$ (777)	(32)%
Gross profit	\$ 5,545	77 %	\$ 5,251	69 %	\$ 294	6 %
Operating expenses	\$ 29,466	411 %	\$ 25,799	337 %	\$ 3,667	14 %
Loss from operations	\$ (23,921)	(333)%	\$ (20,548)	(268)%	\$ (3,373)	(16)%
Other expense	\$ (4,090)	(57)%	\$ (6,524)	(85)%	\$ 2,434	37 %
Provision for income taxes	\$ (2,488)	(35)%	\$ (22)	— %	\$ (2,466)	— %
Net loss from continuing operations	\$ (30,499)	(425)%	\$ (27,094)	(354)%	\$ (3,405)	(13)%
Loss from Discontinued Operations, Net of Tax	\$ (4,856)	(68)%	\$ (22,786)	(297)%	\$ 17,930	79 %
Net loss attributable to stockholders of Inpixon	\$ (34,224)	(477)%	\$ (48,674)	(635)%	\$ 14,450	30 %

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

Revenues

Revenues for the nine months ended September 30, 2023 were \$7.2 million compared to \$7.7 million for the comparable period in the prior year for an decrease of approximately \$0.5 million, or approximately 6%. This decrease is primarily due to longer sales cycles of the IIOT business.

Cost of Revenues

Cost of revenues for the nine months ended September 30, 2023 and 2022 were \$1.6 million and \$2.4 million, respectively. This decrease in cost of revenues of approximately \$0.8 million, or approximately 32%, was primarily attributable to lower cost of revenues on the SAVES product line and lower revenue in the IIOT business.

Gross Profit

The gross profit margin for the nine months ended September 30, 2023 was 77% compared to 69% for the nine months ended September 30, 2022. This increase in gross profit margin is primarily due to lower cost of goods on the SAVES product line during the year.

Operating Expenses

Operating expenses for the nine months ended September 30, 2023 were \$29.5 million and \$25.8 million for the comparable period ended September 30, 2022. This increase of \$3.7 million is primarily attributable the acquisition costs and transactions costs in the nine months ended September 30, 2023 offset by the \$2.0 million attributable to goodwill impairment in the nine months ended September 30, 2022.

Other (Expense) Income

Other expense for the nine months ended September 30, 2023 was a loss of \$4.1 million as compared to a loss of \$6.5 million for the nine months ended September 30, 2022. The nine months ended September 30, 2023 included higher interest expense on short term debt and the nine months ended September 30, 2022 included an approximate \$7.1 million unrealized loss on FOXO and Sysorex equity securities.

Provision for Income Taxes

Income tax expense totaled approximately \$2.5 million and \$0.02 million for the nine months ended September 30, 2023 and 2022, respectively. The income tax expense in the nine months ended September 30, 2023 includes a \$2.6 million deferred tax expense to increase the valuation allowance, which is offset by a current tax benefit of \$0.1 million, due to the Enterprise Apps Spin-off.

Loss from Discontinued Operations, Net of Tax

Loss from discontinued operations, net of tax for the nine months ended September 30, 2023 was \$4.9 million compared to a loss of \$22.8 million for the nine months ended September 30, 2022. The decrease in loss from discontinued operations was \$17.9 million from the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 because the enterprise apps spin off occurred in March 2023, therefore there are only 3 months of discontinued operations in the nine months ended September 30, 2023 and nine months of discontinued operations in the nine months ended September 30, 2022. Additionally, the September 2022 period of discontinued operations includes approximately \$5.5 million of goodwill impairment which is offset by a \$2.8 million earnout compensation benefit.

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, 2023 was a loss of \$4.1 million compared to a loss of \$1.4 million for the prior year period.

Adjusted EBITDA for the nine months ended September 30, 2023 was a loss of \$14.0 million compared to a loss of \$9.4 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, 2023 and 2022 (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss attributable to Common Stockholders	\$ (10,384)	\$ (22,631)	\$ (34,224)	\$ (64,850)
Loss from discontinued operations, net of tax	—	7,121	4,856	22,786
Interest expense, net	818	234	4,300	65
Income tax provision	3	—	2,488	22
Depreciation and amortization	433	705	1,277	2,123
EBITDA	(9,130)	(14,571)	(21,303)	(39,854)
<i>Adjusted for:</i>				
Non-recurring one-time charges:				
Unrealized (gain)/loss on equity securities	(5,791)	5,854	(5,733)	7,110
Realized loss on equity securities	6,692	151	6,692	151
Unrealized gain on note	—	153	—	325
Acquisition transaction/financing costs	1,656	2	2,343	254
Professional service fees	—	—	—	8
Impairment of goodwill	—	—	—	2,030
Transaction costs	1,527	—	2,970	—
Accretion of Series 7 Preferred Stock	—	—	—	4,555
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)
Distribution of equity method investment shares to employees as compensation	—	—	666	—
Gain on equity securities	—	—	(1,142)	—
Loss on exchange of debt for equity	124	—	124	—
Unrealized foreign exchange (gains)/losses	354	1,019	209	1,143
Bad debts expense/provision	—	—	24	—
Reserve for inventory obsolescence	(8)	—	8	—
Stock-based compensation - compensation and related benefits	227	688	797	2,962
Severance costs	244	239	371	301
Adjusted EBITDA	\$ (4,105)	\$ (1,425)	\$ (13,974)	\$ (9,394)

- 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 loss per share for the three months ended September 30, 2023 was \$0.16 compared to loss of \$10.21 for the prior year period.

Basic and diluted net loss per share for the nine months ended September 30, 2023 was \$0.96 compared to loss of \$31.08 for the prior year period.

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, 2023 was \$0.08 per share compared to a loss of \$0.84 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, 2023 was a loss of \$0.60 per share compared to a loss of \$4.78 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):

(thousands, except per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss attributable to stockholders of Inpixon	\$ (10,384)	\$ (22,631)	\$ (34,224)	\$ (64,850)
Adjustments:				
Non-recurring one-time charges:				
Loss from discontinued operations, net of tax	—	7,121	4,856	22,786
Unrealized (gain)/loss on equity securities	(5,791)	5,854	(5,733)	7,110
Realized loss on equity securities	6,692	151	6,692	151
Unrealized gain on note	—	153	—	325
Acquisition transaction/financing costs	1,656	2	2,343	254
Professional service fees	—	—	—	8
Impairment of goodwill	—	—	—	2,030
Transaction costs	1,527	—	2,970	—
Accretion of Series 7 Preferred Stock	—	—	—	4,555
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)
Distribution of equity method investment shares to employees as compensation	—	—	666	—
Gain on equity securities	—	—	(1,142)	—
Loss on exchange of debt for equity	124	—	124	—
Unrealized foreign exchange (gains)/losses	354	1,019	209	1,143
Bad debts expense/provision	—	—	24	—
Reserve for inventory obsolescence	(8)	—	8	—
Stock-based compensation - compensation and related benefits	227	688	797	2,962
Severance costs	244	239	371	301
Amortization of intangibles	221	511	671	1,640
Proforma non-GAAP net loss	\$ (5,138)	\$ (1,853)	\$ (21,368)	\$ (9,964)
Proforma non-GAAP net loss per common share - Basic and Diluted	\$ (0.08)	\$ (0.84)	\$ (0.60)	\$ (4.78)
Weighted average basic and diluted common shares outstanding	65,840,189	2,216,544	35,845,916	2,086,633

- 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, 2023

Our current capital resources and operating results as of and through September 30, 2023, consist of:

- 1) an overall working capital surplus of approximately \$3.0 million;
- 2) cash and cash equivalents of approximately \$13.5 million;
- 3) net cash used by operating activities for the nine months ended September 30, 2023 of \$25.1 million.

The breakdown of our overall working capital surplus as of September 30, 2023 is as follows (in thousands):

Working Capital	Assets	Liabilities	Net
Cash and cash equivalents	\$ 13,489	\$ —	\$ 13,489
Accounts receivable, net / accounts payable	1,560	1,920	(360)
Inventory	3,355	—	3,355
Accrued liabilities	—	3,569	(3,569)
Operating lease obligation	—	198	(198)
Deferred revenue	—	1,315	(1,315)
Notes and other receivables / Short-term debt	2,210	11,165	(8,955)
Warrant liability	—	1,410	(1,410)
Other	1,949	—	1,949
Total	<u>\$ 22,563</u>	<u>\$ 19,577</u>	<u>\$ 2,986</u>

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, 2023, the total obligation for capitalized operating leases is approximately \$0.4 million, of which approximately \$0.2 million is expected to be paid in the next twelve months.

As of September 30, 2023, we owed approximately \$11.2 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 10 of the Notes to Condensed Consolidated Financial Statements included elsewhere in this Form 10-Q. In addition, as of September 30, 2023, we have accrued a liability for outstanding warrants, of \$1.4 million. Each warrant is immediately exercisable for one share of Common Stock and will expire one year from the issuance date in May 2023 unless extended by the Company with the consent of the warrant holder. See Note 15 of the Notes to Condensed Consolidated Financial Statements included elsewhere in this Form 10-Q.

As part of the XTI merger transaction, the Company agreed to provide XTI with \$2.3 million in exchange for a senior secured promissory note. On November 14, 2023, the principal amount under this note was increased to approximately \$3.1 million. As of September 30, 2023, the Company has provided approximately \$2.0 million in principal of that balance. In addition, the Company agreed to make a best effort to have \$10 million cash on hand at closing, inclusive of the \$2.3 million convertible note. Additionally, at the signing of the business combination agreement with Damon on October 23, 2023, the Company agreed to and purchased a convertible note from Damon in an aggregate principal amount of \$3.0 million.

Net cash used in operating activities during the nine months ended September 30, 2023 of \$25.1 million consists of a net loss of \$35.4 million offset by non-cash adjustments of approximately \$8.9 million less net cash changes in operating assets and liabilities of approximately \$1.4 million. Although the Company has sustained significant losses during nine months ended September 30, 2023, in addition to the cash we had on hand, we raised gross proceeds of approximately \$27.4 million in connection with the ATM Offering described above and received \$2.3 million from warrants exercised since January 1, 2023. 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 conditions may materially 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. Certain global events, such as 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; 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 operations. 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. The impact that these global events will have on general economic conditions is continuously evolving and the impact that they will have on our results of operations continues to remain uncertain. There are no assurances that we will 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, 2023 and 2022 and certain balances as of the end of those periods are as follows (in thousands):

	For the Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	\$ (25,090)	\$ (26,943)
Net cash (used in) provided by investing activities	(1,829)	36,748
Net cash provided financing activities	20,185	902
Effect of foreign exchange rate changes on cash	(12)	(34)
Net (decrease)/increase in cash and cash equivalents	\$ (6,746)	\$ 10,673

	As of September 30, 2023	As of December 31, 2022
Cash and cash equivalents	\$ 13,489	\$ 10,235
Working capital surplus	\$ 2,986	\$ 5,152

Operating Activities for the nine months ended September 30, 2023

Net cash used in operating activities during the nine months ended September 30, 2023 was approximately \$25.1 million. The cash flows related to the nine months ended September 30, 2023 consisted of the following (in thousands):

Net loss	\$ (35,355)
Non-cash income and expenses	8,905
Net change in operating assets and liabilities	1,360
Net cash used in operating activities	\$ (25,090)

The non-cash income and expense of approximately \$8.9 million consisted primarily of the following (in thousands):

\$ 2,310	Depreciation and amortization expenses
206	Amortization of right of use asset
797	Stock-based compensation expense attributable, warrants, restricted stock grants and options issued as part of Company operations
2,103	Amortization of debt discount
(1,142)	Gain on settlement of FOXO
666	Distribution of equity method investment shares to employees as compensation
2,591	Deferred income tax
(5,733)	Unrealized gain on equity securities
6,692	Realized loss on sales of equity securities
291	Other
\$ 8,781	Total non-cash expenses

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

\$ (652)	Increase in accounts receivable and other receivables
162	Decrease in inventory, prepaid expenses and other current assets and other assets
(372)	Decrease in accounts payable
1,899	Increase in accrued liabilities, income tax liabilities and other liabilities
(207)	Decrease in operating lease liabilities
530	Increase in deferred revenue
\$ 1,360	Net cash used in the changes in operating assets and liabilities

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

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

\$	5,567	Depreciation and amortization expenses
	536	Amortization of right of use asset
	2,962	Stock-based compensation expense attributable to warrants and options issued as part of Company operations
	(2,827)	Earnout payment expense
	121	Amortization of debt discount
	1,870	Unrealized gain/loss 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
\$	<u>22,192</u>	Total non-cash expenses

The net use of cash 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, prepaid expenses and 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
\$	<u>745</u>	Net use of cash used in the changes in operating assets and liabilities

Cash Flows from Investing Activities as of September 30, 2023 and 2022

Net cash flows used in investing activities during the nine months ended September 30, 2023 was approximately \$1.8 million compared to net cash flows provided by investing activities during the nine months ended September 30, 2022 of approximately \$36.7 million. Cash flows related to investing activities during the nine months ended September 30, 2023 include \$0.1 million for the purchase of property and equipment, \$0.1 million for investment in capitalized software, \$2.0 million for the issuance of a note receivable, \$0.3 million from the sales of securities and \$0.2 million of proceeds from a note receivable. 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 investment in capitalized software, \$5.5 million for the purchase of a convertible note, \$0.2 million from the sales of equity securities, \$0.2 million for the issuance of a note receivable and \$43.0 million from sales of treasury bills.

Cash Flows from Financing Activities as of September 30, 2023 and 2022

Net cash flows provided by financing activities during the nine months ended September 30, 2023 was \$20.2 million. Net cash flows provided by financing activities during the nine months ended September 30, 2022 was \$0.9 million. During the nine months ended September 30, 2023, the Company received incoming cash flows of \$0.1 million from a promissory note, received \$26.5 million from a registered direct offering, received \$1.4 million from the issuance of warrants, received \$2.3 million from the exercise of warrants, paid \$0.2 million of the CXApp acquisition liability, and distributed \$10.0 million to the

shareholders related to the spin-off of CXApp. During the nine months ended September 30, 2022, the Company received incoming cash flows \$46.9 million for the issuance of preferred stock, 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 of net proceeds from promissory notes and paid \$0.3 million of taxes related to the net share settlement of restricted stock units.

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, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Control

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

There are 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 and as described in Note 24 of our financial statements.

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, 2022, filed with the SEC on April 17, 2023, which report is incorporated by reference herein, all of which could materially affect our business, financial condition and future results.

Changes in the value of the common stock or other securities that we own as a result of strategic investments may result in material fluctuations (increases or decreases) in our total asset value and net income on a quarterly basis.

On September 15, 2022, we acquired 891,124 shares of Class A common stock, par value \$0.0001 ("FOXO common stock") of FOXO Technologies Inc. ("FOXO") in connection with the conversion of a 10% convertible note acquired on April 27, 2022 in an aggregate principal amount of \$6.1 million for a purchase price of \$5.5 million as a result of the closing of a business combination. On June 20, 2023 (the "Release Effective Date"), the Company entered into a general release agreement with FOXO, pursuant to which the Company received 0.67 shares of FOXO Class A Common Stock for every \$1.00 of subscription amount of the 10% convertible note purchased on April 27, 2022 in exchange for an agreement by the Company to release, waive and forever discharge FOXO from any causes of action, losses, costs and expenses from the beginning of time through the Release Effective Date. The Company received 3,685,000 shares of FOXO Class A Common Stock in exchange for such release. The Company recognized a realized gain on receipt of FOXO securities of \$1.1 million based on the fair value of the FOXO securities for the nine months ended September 30, 2023, included in Other income/(expense), net, on the accompanying unaudited condensed consolidated statement of operations.

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 "Level 1" inputs, which consist of quoted prices in active markets, with unrealized holding gains and losses included in earnings. The fair value of the FOXO common stock was determined by the closing trading price of the security. The Company recognized an unrealized gain (loss) on FOXO common stock of \$5.8 million and \$(5.9) million on the income statement for the three months ended September 30, 2023 and 2022, respectively. The Company recognized an unrealized gain (loss) on FOXO common stock of \$5.7 million and \$(7.1) million on the income statement for the nine months ended September 30, 2023 and 2022, respectively. During the nine months ended September 30, 2023, the Company sold 2.8 million shares of FOXO common stock with net proceeds of \$0.3 million. The Company recognized a realized loss on the sale of FOXO common stock of \$6.7 million on the accompanying unaudited condensed consolidated statement of operations for the three and nine months ended September 30, 2023.

Consequently, the investment securities we own, 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.

On April 14, 2023, Nasdaq notified us that for the last 30 consecutive business days, the bid price for the Company’s common stock had closed below the minimum \$1.00 per share requirement for continued inclusion on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). In accordance with Listing Rule 5810(c)(3)(A), we were provided 180 calendar days, or until October 11, 2023, to regain compliance with the minimum bid price requirement. We were not able to regain compliance within this 180-day period; however, on October 12, 2023, we received notice from Nasdaq that we were granted an additional 180 calendar days, or until April 8, 2024, to regain compliance with the minimum bid price requirement.

However, on November 9, 2023, we received notice (the “November 9 Letter”) from Nasdaq that Nasdaq had determined that as of November 8, 2023, our securities had a closing bid price of \$0.10 or less for ten consecutive trading days triggering application of Listing Rule 5810(c)(3)(A)(iii) which states in part: if during any compliance period specified in Rule 5810(c)(3)(A), a company’s security has a closing bid price of \$0.10 or less for ten consecutive trading days, the Listing Qualifications Department shall issue a Staff Delisting Determination under Rule 5810 with respect to that security (the “Low Priced Stocks Rule”). As a result, the Staff has issued a letter notifying us of its determination to delist our securities from Nasdaq effective as of the opening of business on November 20, 2023, unless we requested an appeal of the Staff’s determination on or prior to November 16, 2023, pursuant to the procedures set forth in the Nasdaq Listing Rule 5800 Series.

We have requested a hearing before the Nasdaq Hearings Panel (the “Panel”) to appeal the determination described in the November 9 Letter and to address compliance with the Low-Priced Stocks Rule and such hearing was scheduled for February 22, 2024. We may cure the bid price deficiency to regain compliance with the Low Priced Stock Rule by effecting a reverse stock split to increase the price per share of its common stock. A reverse stock split also would be expected to allow us to regain compliance with the minimum bid price requirement. At a special meeting of stockholders held on September 29, 2023, we obtained the necessary stockholder approval of an amendment to our articles of incorporation to effect a reverse stock split of our outstanding common stock, at a ratio between 1-for-2 and 1-for-50 (the “Reverse Split Ratio”), to be determined at the discretion of our board of directors. We also intend to seek an increase in the Reverse Split Ratio for the purpose of satisfying the bid price requirements applicable for initial listing applications in connection with the closing of the XTI transaction. The proposed transaction between us and XTI is anticipated to close prior to the end of this year and as a result, we expect that we will be able to cure the bid price deficiencies in connection with the closing of the XTI transaction. While the appeal process is pending, the suspension of trading of our common stock will be stayed and our common stock will continue to trade on The Nasdaq Capital Market until the hearing process concludes and the Panel issues a written decision. There are no assurances that a hearing would be granted, that a favorable decision would be obtained from the Panel if a hearing is held or that the undertaking of a reverse stock split or the effectiveness of a reverse stock split will enable us to maintain the listing of our common stock on The Nasdaq Capital Market.

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.

Risks Related to the XTI Proposed Transaction

There are a number of significant risks related to the XTI Proposed Transaction, including the risk factors enumerated below.

The XTI Proposed Transaction is subject to the satisfaction of certain conditions, which may not be satisfied on a timely basis, if at all.

The transactions contemplated by the Merger Agreement are subject to approval by Inpixon stockholders and XTI stockholders, approval by Nasdaq of the listing of shares of Inpixon common stock to be issued in connection with the XTI Proposed Transaction, and approval by Nasdaq of the initial listing of the combined company on Nasdaq, as well as other conditions set forth in the Merger Agreement, which must be satisfied or waived to complete the XTI Proposed Transaction. Inpixon and XTI cannot assure you that all of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the XTI Proposed Transaction will not occur or will be delayed, and Inpixon and XTI each may lose some or all of the intended benefits of the XTI Proposed Transaction.

Failure to complete the XTI Proposed Transaction may result in either Inpixon or XTI paying a termination fee to the other party, as set forth in the Merger Agreement. Payment by Inpixon of a termination fee could materially and adversely affect its financial condition and termination of the transaction could have a material adverse effect on the market price of Inpixon common stock and negatively affect its future business and operations.

Inpixon and XTI equityholders may not realize a benefit from the XTI Proposed Transaction commensurate with the ownership dilution they will experience in connection with the XTI Proposed Transaction.

Inpixon may not be able to achieve the full strategic and financial benefits expected to result from the XTI Proposed Transaction. Further, such benefits, if ultimately achieved, may be delayed. If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the XTI Proposed Transaction, Inpixon stockholders and XTI stockholders will have experienced substantial dilution of their ownership interests in their respective companies, without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the XTI Proposed Transaction.

The market price of Inpixon common stock may also decline as a result of the XTI Proposed Transaction for a number of reasons, including:

- if investors react negatively to the prospects of the combined company's product candidates and services, business and financial condition post-Closing;
- the effect of the XTI Proposed Transaction on the combined company's business and prospects is not consistent with the expectations of financial or industry analysts; or
- the combined company does not achieve the perceived benefits of the XTI Proposed Transaction as rapidly or to the extent anticipated by financial or industry analysts.

The merger consideration at the Closing may have a greater or lesser value than at the time the Merger Agreement was signed.

The Merger Agreement has set the calculation of the Exchange Ratio for the XTI capital stock, and the Exchange Ratio is based on the fully-diluted capitalization of XTI and Inpixon, in each case immediately prior to the Closing.

The Merger Agreement does not include a price-based termination right. Therefore, if before the completion of the XTI Proposed Transaction the market price of Inpixon common stock declines from the market price on the date of the Merger Agreement, then XTI stockholders could receive merger consideration with substantially lower value than the value of such merger consideration on the date of the Merger Agreement. Similarly, if before the completion of the XTI Proposed Transaction the market price of Inpixon common stock increases from the market price of Inpixon common stock on the date of the Merger Agreement, then XTI stockholders could receive merger consideration with substantially greater value than the value of such merger consideration on the date of the Merger Agreement. Because the Exchange Ratio does not adjust as a direct result of changes in the market price of Inpixon common stock (other than to the extent such changes impact the calculation of Inpixon's net cash amount due to changes in liabilities associated with Inpixon warrants), changes in the market price of Inpixon common stock will change the value of the total merger consideration payable to XTI stockholders pursuant to the Merger Agreement.

Stock price changes may result from a variety of factors, including, but not limited to, changes in XTI's or Inpixon's respective businesses, operations and prospects, market assessments of the likelihood that the XTI Proposed Transaction will be completed, interest rates, federal, state, and local legislation, governmental regulation, legal developments in the industry segments in which XTI or Inpixon operate, the timing of the merger, and general market, industry and economic conditions, including geopolitical tensions, pandemics and other public health emergencies.

Some Inpixon and XTI officers and directors have interests in the XTI Proposed Transaction that are different from the respective stockholders of Inpixon and XTI and that may influence them to support or approve the XTI Proposed Transaction without regard to the interests of the respective stockholders of Inpixon and XTI.

Certain officers and directors of Inpixon and XTI participate in arrangements that provide them with interests in the XTI Proposed Transaction that are different from the interests of the respective stockholders of Inpixon and XTI, including, among others, the continued service as an officer or director of the combined company, severance benefits, the acceleration of stock option vesting, continued indemnification and the potential ability to sell shares of common stock of the combined company in accordance with Rule 144 under the Securities Act or pursuant to a registration statement. For example, certain of Inpixon's named executive officers and a director will receive transaction bonuses under the Inpixon Transaction Bonus Plan described in "Recent Events - XTI Transaction - Transaction Bonus Plan in connection with Future Strategic Transactions" under Part I, Item 2 herein. These interests, among others, may influence such officers and directors of Inpixon and XTI to support or approve the XTI Proposed Transaction.

The market price of Inpixon common stock following the XTI Proposed Transaction may decline as a result of the merger.

The market price of Inpixon common stock may decline as a result of the XTI Proposed Transaction for a number of reasons, including if:

- investors react negatively to the prospects of the combined company's business and financial condition following the merger;
- the effect of the merger on the combined company's business and prospects is not consistent with the expectations of financial or industry analysts; or
- the combined company does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts.

Inpixon and XTI security holders will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the combined company following the closing as compared to their current ownership and voting interest in the respective companies.

If the proposed merger is completed, the current security holders of Inpixon and XTI will own a smaller percentage of the combined company than their ownership in their respective companies prior to the merger. Accordingly, the issuance of shares of Inpixon common stock to XTI equity holders in the merger will reduce significantly the relative voting power of each share of Inpixon common stock held by its current stockholders and will reduce the relative voting power of each share of XTI common stock held by its current stockholders. Consequently, Inpixon stockholders as a group and XTI stockholders as a group will have less influence over the management and policies of the combined company after the merger than prior to the merger.

In addition, the board of directors for the post-merger combined company is expected to be comprised of a total of five or seven directors, such final number to be agreed by Inpixon and XTI prior to the Closing; and (iii) the chief executive officer of the combined company will be Scott Pomeroy. If the parties determine there will be a total of five directors post-Closing, two of them will have been nominated by Inpixon prior to the Closing, and at least one of which will be an independent director. If the parties determine there will be a total of seven directors post-Closing, three of them will have been nominated by Inpixon prior to the Closing, and at least two of which will be independent directors. Consequently, security holders of both Inpixon and XTI will be able to exercise less influence over the management and policies of the combined company following the Closing than they currently exercise over the management and policies of their respective companies.

The combined company will need to raise additional capital by issuing securities or debt or through licensing or other strategic arrangements, which may cause dilution to the combined company's stockholders or restrict the combined company's operations or impact its proprietary rights.

The combined company may be required to raise additional funds sooner than currently planned. If either or both of Inpixon or XTI hold less cash at the time of the Closing than the parties currently expect, the combined company will need to raise additional capital sooner than expected. Additional financing may not be available to the combined company when it

needs it or may not be available on favorable terms. To the extent that the combined company raises additional capital by issuing equity securities, such an issuance may cause significant dilution to the combined company's stockholders' ownership and the terms of any new equity securities may have preferences over the combined company's common stock. Any debt financing the combined company enters into may involve covenants that restrict its operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of the combined company's assets, as well as prohibitions on its ability to create liens, pay dividends, redeem its stock or make investments. In addition, if the combined company raises additional funds through licensing, partnering or other strategic arrangements, it may be necessary to relinquish rights to some of the combined company's technologies and proprietary rights, or grant licenses on terms that are not favorable to the combined company.

These restrictive covenants could deter or prevent the combined company from raising additional capital as and when needed. The combined company's failure to raise capital as and when needed would have a negative effect on its financial condition and its ability to pursue the combined company's business strategy and the combined company may be unable to continue as a going concern.

During the pendency of the XTI Proposed Transaction, Inpixon and XTI may not be able to enter into a business combination with another party because of restrictions in the Merger Agreement, which could adversely affect their respective businesses.

Covenants in the Merger Agreement impede the ability of Inpixon and XTI to make acquisitions, subject to certain exceptions relating to fiduciary duties, or to complete other transactions that are not in the ordinary course of business pending completion of the XTI Proposed Transaction. As a result, if the XTI Proposed Transaction is not completed, the parties may be at a disadvantage to their competitors during such period. In addition, while the Merger Agreement is in effect, each party is generally prohibited from soliciting, initiating, encouraging or entering into certain extraordinary transactions, such as a merger, sale of assets, or other business combination outside the ordinary course of business with any third party, subject to certain exceptions relating to fiduciary duties. Any such transactions could be favorable to such party's stockholders.

Risks Related to the Separation and Distribution

The proposed spin-off may not be completed on the currently contemplated timeline, or at all, may cause us to incur more expenses than anticipated and may not achieve the intended benefits.

The separation of Grafiti from Inpixon is subject to the effectiveness of the registration statement of which this information statement is a part. There can be no assurance as to when the spin-off will occur. We expect the process of completing the proposed spin-off will be time-consuming and involve significant costs and expenses, which may be significantly higher than what we currently anticipate, may increase in the event that the timing of the spin-off is delayed and may not yield intended benefits. Completing the proposed spin-off, as well as performing our obligations under the transition services agreement to be entered into with Inpixon or any successor to Inpixon for a period of time after the separation and distribution will require significant time and attention from our senior management and employees, which could adversely affect our business, financial results and results of operations.

Moreover, we may not realize some or all of the anticipated strategic, financial, operational, marketing or other benefits from the separation and distribution, which could materially and adversely affect our business, financial condition and results of operations and lead to increased volatility in the price of our common share.

After the spin-off, certain members of management and directors will hold stock in both Inpixon and Grafiti, and as a result may face actual or potential conflicts of interest.

After the spin-off, certain of the management and directors of each of Inpixon and Grafiti may own both Inpixon common stock and Grafiti common shares and may also receive equity awards issued by Grafiti. This ownership overlap could create, or appear to create, potential conflicts of interest when our management and directors and Inpixon's management and directors face decisions that could have different implications for Grafiti and Inpixon. For example, potential conflicts of interest could arise in connection with the resolution of any dispute between Grafiti and Inpixon regarding the terms of the agreements governing the spin-off and our relationship with Inpixon thereafter. Potential conflicts of interest may also arise out of any commercial arrangements that Grafiti or Inpixon may enter into in the future.

We expect the distribution to be a taxable event and you may need to use cash from other sources to cover your tax liability.

We anticipate that the distribution will be a taxable event for U.S. federal income tax purposes. If you, as a U.S. holder, receive Grafiti common shares in the distribution, you will generally be treated as receiving a taxable distribution equivalent to the fair market value of the Grafiti common shares. If the distribution causes you to recognize taxable income, you

will need to use cash from other sources to pay your tax liability because we will not be distributing cash in addition to the Grafiti common shares.

Risks Related to the Damon Business Combination

If the Damon Business Combination is consummated, Grafiti shareholders will experience substantial dilution.

It is anticipated that, upon the consummation of the Damon Business Combination, holders of Grafiti common shares, including the participating Inpixon securityholders and management that hold Grafiti common shares immediately prior to the closing of the Damon Business Combination, will retain approximately 18.75% of the outstanding capital stock of the combined company determined on a fully diluted basis, which includes up to 5% in equity incentives which may be issued to Inpixon and Grafiti management.

The consummation of the Damon Business Combination is subject to a number of conditions and if those conditions are not satisfied or waived, the Business Combination Agreement may be terminated in accordance with its terms and the Damon Business Combination may not be completed.

Even if the Damon Business Combination is approved by the Damon securityholders and the applicable British Columbia court, other specified conditions such as Nasdaq Stock Market approval of the initial listing of the Grafiti common shares must be satisfied or waived before the parties to the Business Combination Agreement are obligated to complete the Damon Business Combination. Grafiti and Damon may not satisfy all of the conditions to the closing in the Business Combination Agreement, and, accordingly, the Damon Business Combination may not be completed. If the closing conditions are not satisfied or waived, the Damon Business Combination will not occur, or will be delayed pending later satisfaction or waiver, and such delay may cause Inpixon, Grafiti and Damon to each lose some or all of the intended benefits of the Damon Business Combination. In addition, the parties can mutually decide to terminate the Business Combination Agreement at any time prior to the Closing, or Grafiti or Damon may elect to terminate the Business Combination Agreement in certain other circumstances.

The Damon Business Combination may be completed even though certain events occur prior to the closing that materially and adversely affect Grafiti or Damon.

The Business Combination Agreement provides that either Grafiti or Damon can refuse to complete the Damon Business Combination if there is a material adverse change affecting the other party between October 23, 2023, the date of the Business Combination Agreement, and the closing. However, certain types of changes do not permit either party to refuse to complete the Damon Business Combination, even if such change could be said to have a material adverse effect on either party, including:

- general changes in the financial or securities markets or general economic or political conditions in the country or region in which either party does business, and do not have a materially disproportionate adverse effect on either party compared to other participants in the industries in which such party primarily conducts its businesses;
- changes, conditions or effects that generally affect the industries in which either party principally operates, and do not have a materially disproportionate adverse effect on either party compared to other participants in the industries in which such party primarily conducts its businesses;
- changes in GAAP or other applicable accounting principles or mandatory changes in the regulatory accounting requirements applicable to any industry in which either party principally operates, and do not have a materially disproportionate adverse effect on either party compared to other participants in the industries in which such party primarily conducts its businesses;
- conditions caused by acts of God, terrorism, war (whether or not declared), natural disaster or weather conditions, epidemics, pandemics, or disease outbreaks (including the COVID-19 virus), public health emergencies (as declared by the World Health Organization or the Health and Human Services Secretary of the United States or the Public Health Agency of Canada), and do not have a materially disproportionate adverse effect on either party compared to other participants in the industries in which such party primarily conducts its businesses; and
- any failure to meet any internal or published budgets, projections, forecasts or predictions of financial performance for any period.

If adverse changes occur and Grafiti and Damon still complete the Damon Business Combination, the market price of the combined company's common shares may suffer. This in turn may reduce the value of the Damon Business Combination to the shareholders of Grafiti (which will include holders of Inpixon securities that are entitled to participate in the spinoff), Damon or both.

Inpixon, Grafiti and each of their officers and directors are, or may in the future be, subject to claims, suits and other legal proceedings, including challenging the Damon Business Combination, that may result in adverse outcomes, including preventing the Damon Business Combination from becoming effective or from becoming effective within the expected time frame.

Transactions like the proposed Damon Business Combination are frequently subject to litigation or other legal proceedings, including actions alleging that the Inpixon or Grafiti board of directors ("Inpixon or Grafiti Board") breached their fiduciary duties to their shareholders by entering into the Business Combination Agreement or otherwise. Inpixon, Grafiti and its officers and directors are, or may in the future be, subject to claims, suits and other legal proceedings, including challenging the Damon Business Combination. Such claims, suits and legal proceedings are inherently uncertain, and their results cannot be predicted with certainty. An adverse outcome in such legal proceedings, as well as the costs and efforts of a defense even if successful, can have an adverse impact on Inpixon, Grafiti or Damon because of legal costs, diversion or distraction of management and other personnel, negative publicity and other factors. In addition, it is possible that a resolution of one or more such legal proceedings could result in reputational harm, liability, penalties, or sanctions, as well as judgments, consent decrees, or orders, which could in the future materially and adversely affect Inpixon, Grafiti's or Damon's business, operating results and financial condition. Furthermore, one of the conditions to the completion of the Damon Business Combination is there must not be in force any governmental order enjoining or prohibiting the consummation of the Damon Business Combination (provided that the governmental authority issuing such governmental order has jurisdiction over the parties to the Business Combination Agreement and the transactions contemplated thereby). As such, if any of the plaintiffs are successful in obtaining an injunction preventing the consummation of the Damon Business Combination, that injunction may prevent the Damon Business Combination from becoming effective or from becoming effective within the expected time frame.

The announcement of the proposed Damon Business Combination could disrupt Inpixon's, Grafiti's and Damon's relationships with their respective customers, suppliers, business partners and others, as well as their operating results and business generally.

Whether or not the Damon Business Combination and related transactions are ultimately consummated, as a result of uncertainty related to the proposed transactions, risks related to the impact of the announcement of the Damon Business Combination on Damon's business include the following:

- employees may experience uncertainty about their future roles, which might adversely affect each party's ability to retain and hire key personnel and other employees; and
- the parties have expended and will continue to expend significant costs, fees and expenses for professional services and transaction costs in connection with the proposed Business Combination

If any of the aforementioned risks were to materialize, they could lead to significant costs which may impact the combined company's results of operations and cash available to fund its business.

The exercise of the Inpixon or Grafiti's directors' and executive officers' discretion in agreeing to changes or waivers in the terms of the Damon Business Combination may result in a conflict of interest when determining whether such changes to the terms of the Damon Business Combination or waivers of conditions are appropriate and in Inpixon or Grafiti shareholders' best interest.

In the period leading up to the closing, events may occur that, pursuant to the Business Combination Agreement, may require Inpixon or Grafiti to agree to amend the Business Combination Agreement, consent to certain actions taken by Damon or waive rights that Inpixon or Grafiti are entitled to under the Business Combination Agreement. Such events could arise because of changes in the course of Grafiti's business or a request by Damon to undertake actions that would otherwise be prohibited by the terms of the Business Combination Agreement or the occurrence of other events that would have a material adverse effect on Damon's business and would entitle Grafiti to terminate the Business Combination Agreement. In any of such circumstances, it would be at Inpixon or Grafiti's discretion, acting through the Grafiti Board, to grant its consent or waive those rights. The existence of financial and personal interests of one or more of the directors or officers described in the risk factor "*Risks Related to the Separation and Distribution — After the spin-off, certain members of management and directors will hold stock in both Inpixon and Grafiti, and as a result may face actual or potential conflicts of interest*" and described elsewhere in this information statement may result in a conflict of interest on the part of such director(s) or officers(s) between

what he, she or they may believe is best for Inpixon, Grafiti and the Inpixon or Grafiti shareholders and what he, she or they may believe is best for himself, herself or themselves in determining whether or not to take the requested action.

Grafiti and Damon will incur significant transaction and transition costs in connection with the Damon Business Combination.

Each of the parties has incurred and expects that it will continue to incur significant, non-recurring costs in connection with consummating the Damon Business Combination and operating as a independent reporting company following the consummation of the Damon Business Combination. Grafiti and Damon may also incur additional costs to retain key employees. Grafiti and Damon will also incur significant legal, financial advisor, accounting, banking and consulting fees, fees relating to regulatory filings and notices, SEC filing fees, printing and mailing fees and other costs associated with the Damon Business Combination, and will be for the account of the party incurring such fees, expenses and costs or paid by Grafiti following the closing of the Damon Business Combination. Some of these costs are payable regardless of whether the Damon Business Combination is completed. Additionally, if the Business Combination Agreement is terminated by Damon or Grafiti due to the other's breach of certain representations, warranties and covenants, the breaching party will pay the other all reasonable and documented transaction expenses of the other up to \$1 million. Inpixon is responsible for paying any such costs that may be required to be paid by Grafiti.

If the Damon Business Combination is terminated, Inpixon will not be able to immediately recover its investment in the Bridge Note, which will remain outstanding in accordance with its terms.

In connection with the Damon Business Combination and immediately following the execution of the Business Combination Agreement, Inpixon purchased a convertible note from Damon in an aggregate principal amount of \$3 million together with the Bridge Note Warrant (as defined below) pursuant to a private placement, for a purchase price of \$3 million. If the Damon Business Combination is terminated in accordance with the Business Combination Agreement, Inpixon may only receive a termination fee of \$2 million in limited circumstances and will not be able to immediately recover the \$3 million cash paid in respect of the Bridge Note. In case of such termination, Inpixon shall continue to hold the Bridge Note until its maturity in accordance with the terms thereof.

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

a) Sales of Unregistered Securities

During the quarter ended September 30, 2023, the Company issued an aggregate of 18,144,158 shares of common stock (the "2022 Note Exchange Shares," and together with the 2020 Note Exchange Shares, the "Exchange Common Shares") to the holder of that certain outstanding promissory note of the Company issued on July 22, 2022 (the "July 2022 Note"), at a price between approximately \$0.1277 and \$0.2272 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 the terms and conditions of certain Exchange Agreements, pursuant to which we and the holder agreed to (i) partition new promissory notes in the form of the July 2022 Note in the aggregate original principal amount equal to approximately \$3.2 million and then cause the outstanding balance of the July 2022 Note to be reduced by an aggregate of approximately \$3.2 million; and (ii) exchange the partitioned notes for the delivery of the 2022 Note Exchange Shares.

The offer and sale of the Exchange Common Shares was not registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on an exemption from registration under Section 3(a)(9) of the Securities Act, in that (a) the Exchange Common Shares were issued in exchanges for partitioned notes which are other outstanding securities of the Company; (b) there was no additional consideration of value delivered by the holder 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

Note Exchanges

Since October 1, 2023 the Company issued 15,996,373 shares of the Company's common stock (the "Exchange Common Shares") to the holder of that certain outstanding promissory note of Inpixon issued on July 22, 2022 (the "July 2022 Note"), at prices from \$0.0984 to \$0.1044 per share, calculated in accordance with Nasdaq's "minimum price" as defined by Nasdaq Listing Rule 5635(d), in connection with the terms and conditions of Exchange Agreements, pursuant to which Inpixon and the holder agreed to (i) partition new promissory notes in the form of the July 2022 Note in the aggregate original principal amount equal to approximately \$1.6 million and then cause the outstanding balance of the July 2022 Note to be reduced by an aggregate of approximately \$1.6 million; and (ii) exchange the partitioned notes for the delivery of the Exchange Common Shares.

The offer and sale of the Exchange Common 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 Exchange Common Shares were issued in exchanges for partitioned notes which are other outstanding securities of Inpixon; (b) there was no additional consideration of value delivered by the holder in connection with the exchanges; and (c) there were no commissions or other remuneration paid by Inpixon in connection with the exchanges.

Amended and Restated Senior Secured Promissory Note with XTI

As previously reported by the Company in a Current Report on Form 8-K filed on July 25, 2023, XTI executed a Senior Secured Promissory Note in favor of the Company, with an issue date of July 24, 2023, in the original principal amount of \$538,407 (the "Original Note"), pursuant to which the Company would lend up to \$1,775,000 in additional principal amount under the Original Note, for a maximum aggregate principal amount under the Original Note of \$2,313,407. As of November 12, 2023, the amount of outstanding principal and accrued unpaid interest under the Original Note was \$2,370,186.81. On November [14], 2023, XTI and the Company amended and restated the Original Note (the "Amended Note"), such that the Company may lend to XTI \$700,000 in additional principal amount under the Amended Note, for a maximum aggregate principal amount under the Amended Note of approximately \$3.1 million. XTI's obligations under the Amended Note are secured by all assets of XTI pursuant to the previously reported Security and Pledge Agreement, dated as of July 24, 2023, between XTI and the Company.

The description above is qualified in its entirety by reference to the Amended Note, which is filed as Exhibit 10.23 to this Quarterly Report.

Item 6. Exhibits

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

SIGNATURES

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

Date: November 20, 2023

INPIXON

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

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1†	Agreement and Plan of Merger, dated July 24, 2023, among Inpixon, Superfly Merger Sub Inc. and XTI Aircraft Company.	8-K	001-36404	2.1	July 25, 2023	
2.2†	Separation Agreement, dated as of October 23, 2023, by and between Inpixon and Grafiti Holding Inc.	8-K	001-36404	2.1	October 23, 2023	
2.3†	Business Combination Agreement, dated as of October 23, 2023, by and among Inpixon, Grafiti Holding Inc., 1444842 B.C. Ltd. and Damon Motors Inc.	8-K	001-36404	2.2	October 23, 2023	
3.1	Restated Articles of Incorporation.	S-1	333-190574	3.1	August 12, 2013	
3.2	Certificate of Amendment to Articles of Incorporation (Increase Authorized Shares).	S-1	333-218173	3.2	May 22, 2017	
3.3	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	April 10, 2014	
3.4	Articles of Merger (renamed Sysorex Global).	8-K	001-36404	3.1	December 18, 2015	
3.5	Articles of Merger (renamed Inpixon).	8-K	001-36404	3.1	March 1, 2017	
3.6	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.2	March 1, 2017	
3.7	Certificate of Amendment to Articles of Incorporation (authorized share increase).	8-K	001-36404	3.1	February 5, 2018	
3.8	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	February 6, 2018	
3.9	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	November 1, 2018	
3.10	Certificate of Amendment to Articles of Incorporation, effective as of January 7, 2020 (Reverse Split).	8-K	001-36404	3.1	January 7, 2020	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
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	Certificate of Amendment to the Articles of Incorporation increasing the number of authorized shares of Common Stock from 26,666,667 to 500,000,000 filed with the Secretary of State of the State of Nevada on November 29, 2022	8-K	001-36404	3.1	December 2, 2022	
3.14	Bylaws, as amended.	S-1	333-190574	3.2	August 12, 2013	
3.15	Bylaws Amendment.	8-K	001-36404	3.2	September 13, 2021	
3.16	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	
3.17	Certificate of Designation of Series 5 Convertible Preferred Stock, dated as of January 14, 2019.	8-K	001-36404	3.1	January 15, 2019	
3.18	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	
3.19	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	
3.20	By-Laws Amendment No. 3	8-K	001-36404	3.1	September 19, 2023	
3.21	By-Laws Amendment No. 4	8-K	001-36404	3.2	September 19, 2023	
4.1	Form of Warrant.	8-K	001-36404	4.1	April 24, 2018	
4.2	Promissory Note, dated as of March 18, 2020.	8-K	001-36404	4.1	March 20, 2020	

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
4.3	Promissory Note, dated as of July 22, 2022.	8-K	001-36404	4.1	July 22, 2022	
4.4	Form of Purchase Warrants	8-K	001-36404	4.1	October 20, 2022	
4.5	Form of Pre-Funded Warrants	8-K	001-36404	4.2	October 20, 2022	
4.6	Promissory Note, dated as of December 30, 2022	8-K	001-36404	4.1	December 30, 2022	
4.7	Common Stock Purchase Warrant	10-Q	001-36404	4.7	May 16, 2023	
10.1	Form of Amendment No. 1 to Common Stock Purchase Warrants.	8-K	001-36404	10.1	February 28, 2023	
10.2	Form of Limited Liability Company Unit Transfer and Joinder Agreement.	8-K	001-36404	10.2	February 28, 2023	
10.3†	Employee Matters Agreement, dated March 14, 2023, by and among KINS, KINS Merger Sub Inc., Inpixon, and Legacy CXApp.	8-K	001-36404	10.1	March 20, 2023	
10.4	Tax Matters Agreement, dated March 14, 2023, by and among KINS, Inpixon, and Legacy CXApp.	8-K	001-36404	10.2	March 20, 2023	
10.5†	Transition Services Agreement, dated March 14, 2023, by and between Inpixon and Legacy CXApp.	8-K	001-36404	10.3	March 20, 2023	
10.6†	Warrant Purchase Agreement	10-Q	001-36404	10.6	May 16, 2023	
10.7	Placement Agency Agreement	10-Q	001-36404	10.7	May 16, 2023	
10.8	Amendment #2 to Promissory Note, dated as of May 16, 2023.	8-K	001-36404	10.1	May 19, 2023	
10.9	Amendment to Promissory Note, dated as of May 16, 2023.	8-K	001-36404	10.2	May 19, 2023	
10.10	Amendment No. 1 to Equity Distribution Agreement, dated as of June 13, 2023, by and between Inpixon and Maxim Group LLC	8-K	001-36404	10.1	June 13, 2023	
10.11	Form of Amendment Agreement.	8-K	001-36404	10.1	June 21, 2023	

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Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.12	Form of Senior Secured Promissory Note.	8-K	001-36404	10.1	July 25, 2023	
10.13	Form of Security and Pledge Agreement	8-K	001-36404	10.2	July 25, 2023	
10.14*	Inpixon Transaction Bonus Plan, dated July 24, 2023	8-K	001-36404	10.3	July 25, 2023	
10.15*	Inpixon Transaction Bonus Plan, dated July 24, 2023	8-K	001-36404	10.4	July 25, 2023	
10.16*	First Amendment to Employment Agreement, dated July 24, 2023, between Inpixon and Wendy Loudermon.	8-K	001-36404	10.5	July 25, 2023	
10.17	Form of Securities Purchase Agreement by and between Damon Motors Inc. and Inpixon.	8-K	001-36404	10.1	October 23, 2023	
10.18	Form of Convertible Promissory Note to be issued by Damon Motors Inc. to Inpixon.	8-K	001-36404	10.2	October 23, 2023	
10.19	Form of Common Share Purchase Warrant to be issued by Damon Motors Inc. to Inpixon.	8-K	001-36404	10.3	October 23, 2023	
10.20	Form of Securityholder Support Agreement by and among Inpixon, Grafiti Holding Inc., Damon Motors Inc. and certain securityholders.	8-K	001-36404	10.4	October 23, 2023	
10.21	Form of Lockup Agreement by and among Grafiti Holding Inc., Damon Motors and certain securityholders who are insiders.	8-K	001-36404	10.5	October 23, 2023	
10.22	Form of Lockup Agreement by and among Grafiti Holding Inc., Damon Motors and certain securityholders who are not insiders.	8-K	001-36404	10.6	October 23, 2023	
10.23	XTI Amended and Restated Senior Secured Note with Loan Schedule					X
31.1	Certification of the Company's Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023.					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, 2023.					X

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
32.1#	Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	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.

* Indicates management contract or compensatory plan or arrangement.

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.

AMENDED AND RESTATED SENIOR SECURED PROMISSORY NOTE

Original Principal Amount: \$2,370,186.81

Issue Date: November 14, 2023

Englewood, CO

This Amended and Restated Senior Secured Promissory Note (this "**Note**") amends and restates in its entirety the Senior Secured Promissory Note, dated July 24, 2023 (the "**Original Note**"), made by XTI Aircraft Company, a Delaware corporation ("**Borrower**"), in favor of Inpixon, a Nevada corporation (collectively, with any and all of its successors and assigns and any other holder hereof, "**Lender**").

FOR VALUE RECEIVED, Borrower promises to pay to the order Lender, in immediately available funds in lawful money of the United States of America, without counterclaim or offset and free and clear of, and without any deduction or withholding for, any taxes or other payments, by wire transfer in accordance with the instructions provided by Lender, the principal sum of \$2,370,186.81¹ (the "**Original Principal Amount**") plus any additional cash amounts loaned by Lender to Borrower following the issue date first written above (the "**Issue Date**") as "Future Loans" (collectively, the "**Additional Principal Amount**") pursuant to Section 7.21 of that certain Agreement and Plan of Merger, dated as of July 24, 2023, among Borrower, Lender and Superfly Merger Sub Inc. (the "**Merger Agreement**"), up to an aggregate principal amount of \$3,070,186.81 under this Note including the Original Principal Amount (the "**Maximum Principal Amount**") (or the unpaid balance of all principal loaned under this Note, if such amount is less than the Maximum Principal Amount (the aggregate unpaid principal balance of this Note is referred to herein, from time to time, as the "**Principal Debt**"), together with interest on the Principal Debt, from day to day outstanding as hereinafter provided (collectively with any and all other indebtedness to Lender under this Note (the "**Indebtedness**"), as evidenced, governed, or secured by or arising under this Note or the Security Agreement (as defined below) (collectively, the "**Loan Documents**"). The loans evidenced by this Note are referred to herein collectively as the "**Loan**".

The Original Principal Amount represents the principal amounts loaned by Lender to Borrower pursuant to the Promissory Notes made by Borrower in favor of Lender, dated March 10, 2023, in the amount of \$300,000, June 9, 2023, in the amount of \$150,000, and July 13, 2023 in the amount of \$75,000, and all amounts loaned under the Original Note from July 24, 2023 through the date immediately preceding the Issue Date, and all interest accrued thereunder through the date immediately preceding the Issue date, which Promissory Notes were cancelled and rendered of no further force or effect pursuant to the Original Note.

Lender shall set forth on Schedule 1 hereto the Additional Principal Amount and date of each Future Loan made to Borrower pursuant to the Merger Agreement and the Security Agreement and deliver a modified Schedule 1 to Borrower setting forth each such Future Loan promptly following the making of each such Future Loan, upon which such modified Schedule 1 shall be deemed incorporated in this Note as though fully set forth herein and shall serve as conclusive and binding evidence of the making of each such Future Loan.

1. Payment Schedule and Maturity Date. The Principal Debt, together with all accrued and unpaid interest and all other amounts payable hereunder and under the other Loan Documents (collectively, the "**Obligations**"), shall be due and payable upon the earlier of (a) December 31, 2023, (b) when declared due and payable by Lender upon the occurrence of an Event of Default, or (c) within three Business Days (as defined in the Merger Agreement) following termination of the Merger Agreement by Borrower pursuant to Section 9.1(c)(ii) thereof (*Company Superior Proposal*) or by Lender pursuant to Section 9.1(d)(i)(A) thereof (*Company Board Change of Recommendation*) or Section 9.1(d)(i)(B) thereof (*Company Breach of Company Stockholder Consent Meeting or Non-Solicit Covenants*) (the foregoing (a), (b) or (c), as applicable, the "**Maturity Date**"). Notwithstanding the foregoing, this Note shall be forgiven, cancelled and of no further force or effect if the Merger Agreement is terminated by Lender pursuant to Section 9.1(d)(ii) thereof (*Parent Superior Proposal*),

¹Includes principal and accrued unpaid interest through November 12, 2023 under the Original Note.

subject to Lender's rights and remedies under the Loan Documents and the Merger Agreement, all of which are hereby reserved and unaffected hereby. If the Merger Agreement is terminated by the Company pursuant to Section 9.1(c)(i)(A) (*Parent Board Change of Recommendation*) or Section 9.1(c)(i)(B) (*Parent Breach of Parent Stockholder Meeting or Non-Solicit Covenants*), then the Maturity Date shall be extended to, and such capitalized term as used herein shall mean, December 31, 2024.

2. Representations and Warranties of Borrower. To induce Lender to make the Loan and other financial accommodations hereunder, Borrower represents and warrants to Lender that:

2.1 Corporate Status and Qualification. Borrower: (a) is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware and has the corporate power and authority to own its property and assets and to transact the business in which it is engaged; and (b) is duly qualified and is authorized to do business and in good standing (if applicable) in all jurisdictions where it is required to be so qualified, except where the failure to be so qualified would not have a material adverse effect on (i) the assets, liabilities (actual or contingent), business, operations, financial condition or results of operations of Borrower, (ii) the ability of Borrower to perform its obligations under this Note or any other Loan Document to which it is a party, or (iii) the legality, binding effect, validity or enforceability of this Note or any other Loan Document (a "***Borrower Material Adverse Effect***"). Borrower holds all necessary licenses and permits for the operation of its businesses, except such licenses or permits which Borrower's failure to hold would not have a Borrower Material Adverse Effect.

2.2 Corporate Authority and Enforceability. Borrower has all requisite power and authority to own its property and to carry on its business as now conducted and has the corporate or other organizational power to execute, deliver, and carry out the terms and provisions of this Note and all other Loan Documents to which it is a party and has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of each Loan Document to which it is a party. Borrower has duly executed and delivered each Loan Document to which it is a party, and each such Loan Document constitutes the legal, valid and binding obligation of it enforceable in accordance with its terms, in each case subject to (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, arrangement or similar laws relating to or affecting creditors' rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at law).

2.3 No Violation. Unless otherwise provided herein under Section 22, neither the execution, delivery or performance by Borrower of the Loan Documents to which it is a party nor compliance with the terms and provisions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby will (a) result in any breach of any of the terms, material covenants, conditions or provisions of, or constitute a material default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the material property or assets of Borrower (other than liens created by or otherwise permitted under the Loan Documents) pursuant to, the terms of any material indenture, loan agreement, lease agreement, mortgage, deed of trust, agreement or other material instrument to which it is party or by which it or any of its property or assets is bound or (b) violate any provision of its certificate of incorporation or bylaws.

2.4 Compliance with Laws. Borrower is in compliance with all applicable provisions of all constitutions, statutes, rules, regulations and orders of all governmental and nongovernmental bodies, except where the failure to be in compliance would not have a Borrower Material Adverse Effect.

2.5 No Litigation. There are no judgments against Borrower as of the date of this Note and no litigation or administrative, regulatory or self-regulatory proceeding, investigation or inquiry

before any governmental or self-regulatory authority is presently pending, or to the knowledge of Borrower, threatened in writing, against it or any of its property.

- 2.6 **Tax Compliance.** Borrower has filed, or caused to be filed, all federal and all material state or local income tax returns and all other material tax returns required to be filed by it and has paid all taxes shown to be due and payable on its return(s) or on any assessment made against it, other than those (i) not yet delinquent or (ii) contested in good faith as to which adequate reserves have been provided in accordance with U.S. generally accepted accounting principles consistently applied (“*GAAP*”).
- 2.7 **Good Title and Absence of Liens.** As of the date of this Note, Borrower has good and marketable title to or leasehold interest in all of its properties and assets, real, personal and mixed, that are necessary for the operation of its business as currently conducted, free and clear of all liens or other encumbrances except liens in favor of Lender, or liens otherwise permitted under the Loan Documents.
- 2.8 **Reaffirmation.** Each and every request for a loan or other financial accommodation hereunder shall be deemed as an affirmation by Borrower that no Event of Default (as defined below) exists hereunder and that the representations and warranties contained in this Note are true and accurate in all material respects (or in all respects to the extent already qualified by materiality) as of the date of the issuance of this Note as if made on and as of such date (other than any representation or warranty that expressly speaks only as of a different date to the extent not true and correct in all material respects (or in all respects to the extent already qualified by materiality) as of such earlier date) as of the date of each such request.
- 2.9 **Solvency.** The fair value of the business and assets of Borrower (including, without limitation, contingent, unmatured, and unliquidated claims arising out of all rights of indemnity, contribution, reimbursement, or any similar right, or any claim of subrogation arising in respect of any guaranty, as such claims may arise or mature, that Borrower may have against it) will be in excess of the amount that will be required to pay its liabilities (including, without limitation, contingent, subordinated, unmatured, and unliquidated liabilities on existing debts, as such liabilities may become absolute and matured), in each case after giving effect to the transactions contemplated by this Note and the use of proceeds therefrom. Borrower, after giving effect to the transactions contemplated by this Note and the use of proceeds therefrom, will not be engaged in any business or transaction, or about to engage in any business or transaction, for which it has an unreasonably small capital (within the meaning of the Uniform Fraudulent Transfer Act, as adopted in the State of New York and Section 548 of the Bankruptcy Code (defined below)), and Borrower has no intent to: (i) hinder, delay or defraud any entity to which it is, or will become, on or after the date hereof, indebted, or (ii) incur debts that would be beyond its ability to pay as they mature.
- 2.10 **Defaults.** Borrower is not in default under any material agreement to which it is a party or by which it or any of its material property is bound, or under any instrument evidencing any material indebtedness, and neither the execution of nor performance under the Loan Documents will create a default or any lien under any such agreement or instrument other than a lien in favor of Lender in accordance with the Security Agreement.

1 Affirmative Covenants of Borrower.

- 3.1 **Notices.** Borrower shall, promptly (and in any event within five (5) business days) upon obtaining knowledge thereof, furnish to Lender written notice of the following, including in such notice details of the occurrence and stating what action Borrower has taken or proposes to take with respect thereto:

(a) the occurrence of an Event of Default; or

(b) all existing and all threatened litigation, claims, investigations, inquiries, administrative proceedings or similar actions affecting Borrower that would reasonably be expected to result in a Borrower Material Adverse Effect.

- 3.2 **Financial Records.** Borrower shall maintain its books and records with full, true and correct entries, in accordance with GAAP, applied on a consistent basis, and shall permit Lender and its certified public accounting firm and other accounting advisers to examine and audit its books and records at all reasonable times during business hours and upon reasonable prior notice.
- 3.3 **Existence/Nature of Business.** Borrower shall continue to engage in business of the same general type, or substantially similar type, or related business thereto as now conducted by Borrower and shall at all times preserve and keep in full force and effect its legal existence and take all reasonable action to preserve all rights, franchises, licenses, permits, privileges, patents, copyrights, trademarks and trade names necessary to the conduct of its business, except to the extent failure to do so would not have a Borrower Material Adverse Effect.
- 3.4 **Payment of Expenses.** Borrower shall pay any and all expenses, including reasonable attorney's fees and disbursements, filing and recording fees, and all other charges and expenses incurred or to be incurred by Lender in connection with the preparation and execution and recording of this Note and all other Loan Documents, and the loans and advances made under this Note, and all amendments and modifications hereto, and in connection with monitoring and protecting the collateral securing this Note pursuant to the Security Agreement, and in defending or prosecuting any actions or proceedings arising out of the Loan Documents, including but not limited to any proceedings under the Bankruptcy Code relating to Borrower.
- 3.5 **Payment of Taxes.** Borrower shall pay all taxes imposed upon it or any of its properties or assets or in respect of any of its income, businesses or franchises before the same shall become delinquent or in default, except those taxes which are being contested in good faith by appropriate proceedings and diligently conducted.
- 3.6 **Maintenance of Properties.** Borrower shall maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all properties material to the conduct of its business and, from time to time, make or cause to be made all appropriate repairs, renewals and replacements thereof.
- 3.7 **Material Contracts.** Borrower shall (a) perform and observe all the terms and provisions of each agreement or contract to be performed or observed by it, (b) maintain each such agreement or contract in full force and effect except to the extent such agreement or contract is no longer used or useful in the conduct of the business of Borrower in the ordinary course of business, consistent with past practices, and (c) enforce each such agreement or contract in accordance with its terms, if such failure to perform, observe, maintain or enforce such agreement or contract, would reasonably be expected to result in a Borrower Material Adverse Effect.
- 3.8 **Compliance with Laws.** Borrower shall comply in all material respects with any and all material laws, legislation, ordinances, orders, judgments, rules, regulations, certifications, franchises, permits, licenses, directions, and requirements of governmental authorities applicable to Borrower, its properties or its assets. Borrower covenants that it shall continue to obtain and hold all necessary licenses and permits for the operations of its business.

3.9 **Additional Loan Disbursements.** Borrower acknowledges and agrees that Lender shall have the authority to make adjustments to Schedule 1 to reflect additional loans made by Lender to Borrower following the Issue Date, which shall be deemed "Future Loans" as defined in the Security Agreement.

2 **Negative Covenants of Borrower.** During the period when the Obligations are outstanding, Borrower shall not engage in any of the activities set forth below without prior written consent of Lender.

4.1 **Loans and Investments.** Borrower shall not make any loans or advances to, or investment in, any person or entity, except as set forth below:

4.1.1 investments in cash and cash equivalents;

4.1.2 guarantees, in the ordinary course of business, of obligations owed to landlords, suppliers, customers and licensees of Borrower or its wholly-owned subsidiaries;

4.1.3 investments in the nature of pledges or deposits with respect to leases or utilities provided to third party, non-affiliates of Borrower;

4.2 **Liens.** Borrower will not allow or suffer any lien or other encumbrance to exist on any of its assets, except as set forth below:

4.2.1 liens in favor of Lender pursuant to the Security Agreement;

4.2.2 liens existing on the Issue Date and disclosed by Borrower to Lender in writing prior to the Issue Date;

4.2.3 liens for taxes not yet delinquent or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of such Person in conformity with GAAP;

4.2.4 liens arising in the ordinary course of business (i) in favor of carriers, warehousemen, mechanics and materialmen, construction contractors and other similar liens imposed by law, (ii) in connection with worker's compensation, unemployment compensation and other types of social security laws and regulations or to secure the performance of bids, tenders, leases, contracts (other than for the payment of money) and statutory obligations, (iii) in connection with surety bonds, bids, performance bonds and similar obligations or (iv) securing liability for reimbursement indemnification obligations of (including obligations in respect of letters of credit of bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to Borrower;

4.2.5 rights of setoff or bankers' liens upon deposits of funds in favor of banks or other depository institutions or upon securities in favor of securities intermediaries, solely to the extent incurred in connection with the maintenance of deposit accounts or securities accounts;

4.2.6 (i) easements, zoning restrictions, encroachments, rights of way, restrictions, minor defects or irregularities in title and other similar liens on real property not interfering in any material respect with the business of Borrower, and (ii) liens of landlords and

mortgagees of landlords (A) arising by statute or under any lease or related contractual obligation, (B) on fixtures and movable tangible property located on the real property leased or subleased from such landlord, and (C) for amounts not yet due;

- 4.2.7 attachments, appeal bonds, judgments and other similar liens, arising in connection with court proceedings not constituting an Event of Default under Section 8.7; and
 - 4.2.8 non-exclusive licensing of intellectual property in the ordinary course of business.
- 4.3 **Limitation on Indebtedness.** Borrower will not, without the prior written consent of Lender, create, incur, assume, or suffer to exist any other indebtedness, except as set forth below:
- 4.3.1 the Obligations;
 - 4.3.2 debt existing on the Issue Date and disclosed by Borrower to Lender in writing prior to the Issue Date and refinancings, renewals and extensions thereof, so long as such refinancings, renewals, or extensions do not result in an increase in the principal amount of the debt so refinanced, renewed, or extended, other than by the amount of accrued interest and premiums paid thereon and the fees and expenses incurred in connection therewith and by the amount of unfunded commitments with respect thereto;
 - 4.3.3 debt incurred in connection with the acquisition, construction or improvement of fixed or capital assets (including pursuant to a capitalized lease) in an aggregate amount not exceeding \$100,000 during any fiscal year, and any renewals or refinancing of such debt on substantially the same as or better terms as in effect on the date of incurrence of such debt;
 - 4.3.4 cash management obligations and other unsecured debt incurred in respect of netting services, automatic clearinghouse arrangements, overdraft protection, and other like services; and
 - 4.3.5 to the extent constituting debt obligations, debt incurred in connection with the financing of insurance premiums.
- 4.4 **Certificate of Incorporation and Bylaws.** Borrower will not amend or otherwise modify its certificate of incorporation or bylaws, except for such amendments or other modifications required by law or which are not materially adverse to the interests of Lender.
- 4.5 **Transactions Among Affiliates.** Borrower will not become a party to any transaction with an affiliate of Borrower (other than its wholly-owned subsidiaries) unless the terms and conditions relating to such transaction are as favorable to Borrower as would be obtainable at the time in a comparable arm's-length transaction with a person or entity other than an affiliate of Borrower or pay or incur any obligation to pay any management, service, consulting, or similar fees to any affiliate of Borrower.
- 4.6 **Prepayments of Indebtedness.** Borrower will not prepay or obligate itself to prepay in whole or in part, any indebtedness (other than the Obligations).

4.7 **Dividends; Redemptions.** Borrower will not pay or declare any cash or property dividends, nor otherwise make a distribution of capital or income, nor redeem, retire or repurchase any equity interests of Borrower.

4.8 **Maintain Corporate Existence and Nature of Business.**

(a) Borrower will not allow its corporate existence to be other than in good standing and will not, without the prior written consent of Lender, dissolve or liquidate, or merge or consolidate with, or acquire or affiliate with any other business entity unless Borrower is the surviving entity;

(b) Borrower will not change its name without furnishing to Lender at least 10 business days prior written notice thereof; and

(c) Borrower will not change the nature of its business from (i) business of the same general type or substantially similar type as conducted by Borrower on the Issue or Date or (ii) any related business.

3 **Interest.**

5.1 **Interest Rate.** The Principal Debt from day-to-day outstanding that is not past due shall bear interest at a rate per annum equal to ten percent (10%) percent (the "**Interest Rate**"), compounded annually and computed on the basis of a 365-day year beginning on the date such amount is advanced by Lender to Borrower.

5.2 **Computations and Determinations.** All interest shall be computed on the basis of a year of 365 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Lender shall determine each interest amount applicable to the Principal Debt in accordance with this Note and its determination thereof shall be conclusive in the absence of manifest error. The books and records of Lender shall be conclusive evidence, in the absence of manifest error, of all sums owing to Lender from time to time under this Note, but the failure to record any such information shall not limit or affect the obligations of Borrower under the Loan Documents.

5.3 **Past Due Rate.** If any amount payable by Borrower under any Loan Document is not paid when due, such amount shall thereafter bear interest at the Past Due Rate (as hereinafter defined), in lieu of the Interest Rate, to the fullest extent permitted by applicable law. In addition, following any Event of Default, all the Indebtedness shall bear interest at the Past Due Rate, in lieu of the Interest Rate. In either case, accrued and unpaid interest or past due amounts (including interest on past due interest) shall be due and payable on demand, at a rate per annum equal to eighteen percent (18%) compounded annually and computed on the basis of a 365-day year, in lieu of the Interest Rate, provided that in no event shall the rate of interest hereunder exceed the maximum rate permitted by applicable law (the "**Past Due Rate**").

4 **Prepayment.**

6.1 Borrower may prepay the Principal Debt, in full at any time or in part from time to time, without penalty or premium, provided that:

6.1.1 Lender shall have actually received from Borrower prior written notice (the "**Prepayment Notice**") setting forth (A) Borrower's intent to prepay, (B) the amount of principal that will be prepaid (the "**Prepaid Principal**"), and (C) the date on which the prepayment will be made, such Prepayment Notice to be received by Lender, in each case, on or prior to the date that is 5 days prior to the date of such proposed prepayment, provided that Borrower shall have the right to revoke any Prepayment Notice prior to payment of the Prepaid Principal;

6.1.2 each prepayment shall be in the amount of one hundred percent (100%) of the Prepaid Principal, plus accrued unpaid interest thereon to the date of prepayment (or the end of

the month in which the prepayment is made), plus any other sums that have become due to Lender under the Loan Documents on or before the date of prepayment but have not been paid.

6.2 If this Note is prepaid in full, any commitment of Lender for further advances shall automatically terminate. No Prepaid Principal may be reborrowed.

5 Certain Provisions Regarding Payments. All payments made under this Note shall be applied, to the extent thereof, to late charges, to accrued but unpaid interest, to unpaid principal, and to any other sums due and unpaid to Lender under the Loan Documents, in such manner and order as Lender may elect in its sole discretion, any instructions from Borrower or anyone else to the contrary notwithstanding. Remittances shall be made without offset, demand, counterclaim, deduction, or recoupment (each of which is hereby waived) and shall be accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the amount then due on any of the Indebtedness shall be deemed an acceptance on account only, notwithstanding any notation on or accompanying such partial payment to the contrary, and shall not in any way (a) waive or excuse the existence of an Event of Default (as hereinafter defined), (b) waive, impair, or extinguish any right or remedy available to Lender hereunder or under the other Loan Documents, or (c) waive the requirement of punctual payment and performance or constitute a novation in any respect. Payments received after 2:00 p.m. Eastern Time shall be deemed to be received on, and shall be posted as of, the following business day. Whenever any payment under this Note or any other Loan Document falls due on a day that is not a business day, such payment may be made on the next succeeding business day. As used in this Agreement, "business day" means any day other than a Saturday, Sunday or a bank holiday in the City of New York, New York.

6 Events of Default. The occurrence of any one or more of the following shall constitute an "*Event of Default*" under this Note:

- 8.1 Borrower fails to pay: (i) when and as required to be paid under this Note, including, without limitation, the Principal Debt or interest accrued thereon or (ii) within ten (10) calendar days after the same becomes due, any other amount payable hereunder.
- 8.2 Borrower fails to perform or observe any material term, covenant or agreement contained in this Note other than the payment of money which is the subject of Section 8.1 above and such failure continues for 10 calendar days.
- 8.3 An Event of Default (as defined in the Security Agreement) occurs.
- 8.4 Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of Borrower herein, or in the Security Agreement or any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or any representation, warranty, certification or statement of fact contained herein is or becomes false or materially misleading at any time.
- 8.5 Borrower institutes or consents to the institution of any Insolvency Proceeding or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of Borrower and the appointment continues undischarged or unstayed for 60 calendar days; or any Insolvency Proceeding relating to Borrower or to all or any material part of its property is instituted without the consent of Borrower and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such Insolvency Proceeding.
- 8.6 Borrower becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of Borrower and is not released, vacated or fully bonded within 60 calendar days after its issue or levy.

8.7 There is entered against Borrower one or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments or orders) exceeding \$100,000.

8.8 This Note or the Security Agreement or any material provision hereof or thereof, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations of Borrower, ceases to be in full force and effect; or Borrower contests in any manner the validity or enforceability of this Note or the Security Agreement or any provision hereof or thereof other than a contest based solely on all of the Obligations having already been paid or satisfied in full; or Borrower denies that it has any or further liability or obligation under this Note or the Security Agreement other than a denial based solely on all of the Obligations having already been paid or satisfied in full, or revokes, terminates or rescinds or purports to revoke, terminate or rescind this Note or the Security Agreement or any provision thereof.

For purposes of this Note, "**Insolvency Proceeding**" means any proceeding commenced by or against any person or entity under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, or extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief; and "**Bankruptcy Code**" means Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (or other applicable bankruptcy, insolvency or similar laws).

7 Remedies. Upon the occurrence of an Event of Default, Lender may at any time thereafter exercise any one or more of the following rights, powers, and remedies:

9.1 Lender may accelerate the Maturity Date and declare the Principal Debt and accrued but unpaid interest thereon, and all other amounts payable hereunder and under the other Loan Documents, at once due and payable, and upon such declaration the same shall at once be due and payable.

9.2 Lender may set off the amount owed by Borrower to Lender, whether or not matured and regardless of the adequacy of any other collateral securing this Note, against any and all accounts, credits, money, securities or other property now or hereafter on deposit with, held by or in the possession of Lender to the credit or for the account of Borrower, without notice to or the consent of Borrower.

9.3 Lender may exercise any of its other rights, powers, and remedies under the Loan Documents or at law or in equity.

8 Remedies Cumulative. All of the rights and remedies of Lender under this Note and the other Loan Documents are cumulative of each other and of any and all other rights at law or in equity, and the exercise by Lender of any one or more of such rights and remedies shall not preclude the simultaneous or later exercise by Lender of any or all such other rights and remedies. No single or partial exercise of any right or remedy shall exhaust it or preclude any other or further exercise thereof, and every right and remedy may be exercised at any time and from time to time. No failure by Lender to exercise, nor delay in exercising, any right or remedy shall operate as a waiver of such right or remedy or as a waiver of any Event of Default.

9 Costs and Expenses of Enforcement. Borrower agrees to pay to Lender on demand all costs and expenses incurred by Lender in seeking to collect this Note or to enforce any of Lender's rights and remedies under the Loan Documents, including court costs and reasonable attorneys' fees and expenses, whether or not suit is filed hereon, or whether in connection with bankruptcy, insolvency, or appeal.

10 Service of Process. Borrower hereby consents to process being served in any suit, action, or proceeding instituted in connection with this Note by (i) the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to Borrower; and (ii) serving a copy thereof upon the agent, if any, designated and appointed by Borrower in the State of Delaware as Borrower's agent for service of process. Borrower irrevocably agrees that such service shall be deemed to be service of

process upon Borrower in any such suit, action, or proceeding. Nothing in this Note shall affect the right of Lender to serve process in any manner otherwise permitted by law and nothing in this Note will limit the right of Lender otherwise to bring proceedings against Borrower in the courts of any jurisdiction or jurisdictions.

- 11 Successors and Assigns.** The terms of this Note and of the other Loan Documents shall bind and inure to the benefit of the representatives, successors, and assigns of the parties. The foregoing sentence shall not be construed to permit Borrower to, and Borrower shall not, assign the Loan, or its rights and obligations under this Note or any of the Loan Documents, except as otherwise expressly permitted under the other Loan Documents.
- 12 General Provisions.** Time is of the essence with respect to Borrower's obligations under this Note, subject to applicable notice and/or cure periods. Borrower does hereby (a) waive demand, presentment for payment, notice of dishonor and of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration, and all other notices (except any notices which are specifically required by this Note or any other Loan Document), filing of suit and diligence in collecting this Note or enforcing any of the security herefor; (b) agree to any substitution, subordination, exchange, or release of any such security; (c) agree that Lender shall not be required first to institute suit or exhaust its remedies hereon against Borrower or to perfect or enforce its rights against Borrower hereunder or any security herefor; (d) consent to any extensions or postponements of time of payment on this Note for any period or periods of time and to any partial payments, before or after maturity, and to any other indulgences with respect hereto, without notice thereof to any of them; (e) submit (and waive all rights to object) to nonexclusive personal jurisdiction of any state or federal court sitting in the County of New York in the State of New York and the state and county in which payment on this Note is to be made for the enforcement of any and all obligations under this Note and the other Loan Documents; and (f) agree that its liability under this Note shall not be affected or impaired by any determination that any title, security interest, or lien taken by Lender to secure this Note is invalid or unperfected, until this Note is paid in full. A determination that any provision of this Note is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Note to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances. This Note may not be amended except in a writing specifically intended for such purpose and executed by the party against whom enforcement of the amendment is sought. Title and headings in this Note are for convenience only and shall be disregarded in construing it. Whenever a time of day is referred to herein, unless otherwise specified such time shall be the local time of the place where payment on this Note is to be made.
- 13 Notices.** All notices and other communications hereunder shall be in writing and shall be deemed duly delivered (a) on the date of actual delivery if delivered personally (with written confirmation of receipt), (b) four Business Days after being sent by registered or certified mail, return receipt requested, postage prepaid, (c) one Business Day after being sent for next Business Day delivery, fees prepaid, via a reputable nationwide overnight courier service, or (d) on the date of transmission by email (or the first Business Day following such transmission if the date of such transmission is not a Business Day), in each case to the intended recipient as set forth below (or to such other address as such party shall have specified in a written notice duly delivered to the other parties hereto):

If to Borrower:

XTI Aircraft Company
7625 S. Peoria St., Suite D11
Englewood, CO 80112
Attention: Scott Pomeroy
Email: spomeroy@xtiaircraft.com
Arnold & Porter Kaye Scholer LLP
1144 Fifteenth Street, Suite 3100
Denver, CO 80202
Attention: Ronald R. Levine, II
Email: Ron.Levine@arnoldporter.com

*with a copy to, which shall not
constitute notice:*

MBMC International PLLC
9202 N 52 Street
Paradise Valley, AZ 85253
Attention: Mara Babin
Email: mara.babin@mbmc-intl.com

If to Lender:

Inpixon
2479 E. Bayshore Road, Suite 195
Palo Alto, California 94303
Attention: Nadir Ali, Chief Executive Officer
Email: nadir.ali@inpixon.com

*with a copy to, which shall not
constitute notice:*

Norton Rose Fulbright US LLP
1045 West Fulton Market, Suite 1200
Chicago, IL 60607
Attention: Kevin Friedmann
Email: kevin.friedmann@nortonrosefulbright.com

14 No Usury. It is expressly stipulated and agreed to be the intent of Borrower and Lender at all times to comply with applicable state law or applicable United States federal law (to the extent that it permits Lender to contract for, charge, take, reserve, or receive a greater amount of interest than under state law) and that this Section shall control every other covenant and agreement in this Note and the other Loan Documents. If applicable state or federal law should at any time be judicially interpreted so as to render usurious any amount called for under this Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved, or received with respect to the Loan, or if Lender's exercise of the option to accelerate the Maturity Date, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by applicable law, then it is Lender's express intent that all excess amounts theretofore collected by Lender shall be credited on the principal balance of this Note and all other indebtedness secured by the Security Agreement and the other Loan Documents, and the provisions of this Note and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid or agreed to be paid to Lender for the use or forbearance of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan.

15 Lost Note. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction, or mutilation of this Note or any other security document which is not of public record, and, in the case of any such loss, theft, destruction, or mutilation, upon cancellation of this Note or other security

document, Borrower will issue, in lieu thereof, a replacement note or other security document in the same principal amount thereof and otherwise of like tenor.

- 16 Choice of Law.** This Note and its validity, enforcement, and interpretation shall be governed by the laws of the State of New York (without regard to any principles of conflicts of laws) and applicable United States federal law.
- 17 Waiver of Jury Trial.** BORROWER AND LENDER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS NOTE OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY, INCLUDING, WITHOUT LIMITATION, ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS, OR ACTIONS OF LENDER RELATING TO THE ADMINISTRATION OF THE LOAN EVIDENCED BY THIS NOTE OR ENFORCEMENT OF THE LOAN DOCUMENTS EVIDENCING AND/OR SECURING THE LOAN, AND AGREE THAT NEITHER PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. EXCEPT AS PROHIBITED BY LAW, EACH OF LENDER AND BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE, OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES. EACH OF BORROWER AND LENDER CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF BORROWER OR LENDER HAS REPRESENTED TO THE OTHER, EXPRESSLY OR OTHERWISE, THAT BORROWER OR LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR LENDER TO ACCEPT THIS NOTE AND MAKE THE LOAN.
- 18 Venue; Jurisdiction.** BORROWER AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS NOTE OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COUNTY OF NEW YORK IN THE STATE OF NEW YORK OR ANY FEDERAL COURT SITTING THEREIN AND CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURT. BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT FORUM.
- 19 Indemnification.** Borrower hereby indemnifies and holds harmless Lender, each of its affiliates and each of their respective directors, officers, employees, agents and advisors (each, an "*Indemnified Party*") from and against any and all actions, claims, damages, losses, liabilities, fines, penalties, costs and expenses of any kind (including, without limitation, counsel fees and disbursements in connection with any subpoena, investigative, administrative or judicial proceeding, whether or not the Indemnified Party shall be designated a party thereto) which may be incurred by the Indemnified Party or which may be claimed against the Indemnified Party by any person or entity by reason of or in connection with the execution, delivery or performance of this Note, or action taken or omitted to be taken by Lender under, this Note; *provided*, however that Borrower is not obligated to indemnify any Indemnified Party under the Loan Documents to the extent the claim is found by a court of competent jurisdiction in a final adjudication to have resulted from any Indemnified Party's gross negligence, bad faith or willful misconduct. Nothing in this paragraph is intended to limit Borrower's obligations contained elsewhere in this Note. Without prejudice to the survival of any other obligation of Borrower hereunder, the indemnities and obligations of Borrower contained in this paragraph shall survive the payment in full of all obligations hereunder.

20 Grant of Security Interest. This Note is secured to the extent and in the manner set forth in the Security and Pledge Agreement, dated as of July 24, 2023, between Borrower and Lender (the "**Security Agreement**") and all amounts loaned by Lender to Borrower from and after such date under the Original Note and hereunder shall be deemed Future Loans (as defined in the Security Agreement).

21 Counterparts. If this Note is to be executed by more than one person or entity, then this Note may be executed electronically or by electronic transmission in one or more counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the date first above written.

BORROWER:

XTI AIRCRAFT COMPANY

By: _____
Name:
Title:

Agreed and accepted by:

LENDER:

INPIXON



By: _____
Name: Nadir Ali
Title: CEO

SCHEDULE 1
LOAN ADVANCEMENTS

Custom Balance Sheet Detail 5									
From Jan 2023 to Oct 2023									
						TOTAL	\$2,370,186.81	\$2,302,500.00	\$67,686.81
Activity Only									
Financial Type	Date	Document Name	Memo	type	Amount	Principal	Interest		
J ournal	3/31/23	J E8019	Interst on Loan to XTI	interest	\$1,833.33		\$1,833.33		
J ournal	4/30/23	J E8273	Interst on Loan to XTI	interest	\$2,500.00		\$2,500.00		
J ournal	5/31/23	J E8475	Interst on Loan to XTI	interest	\$2,500.00		\$2,500.00		
J ournal	6/30/23	J E8510	Interst on Loan to XTI	interest	\$3,250.00		\$3,250.00		
J ournal	7/31/23	J E8900	Interst on Loan to XTI	interest	\$4,819.44		\$4,819.44		
J ournal	8/31/23	J E9044	Interst on Loan to XTI	interest	\$10,347.22		\$10,347.22		
J ournal	9/30/23	J E9223	Interst on Loan to XTI	interest	\$14,934.73		\$14,934.73		
J ournal	3/1/23	J E7694	XTI Aircraft Company - loan payment	principal	\$300,000.00	\$300,000.00			
J ournal	6/1/23	J E8541	XTI Aircraft Company - loan payment	principal	\$150,000.00	\$150,000.00			
J ournal	7/1/23	J E8635	XTI Aircraft Company - loan payment	principal	\$75,000.00	\$75,000.00			
J ournal	7/26/23	J E8804	XTI Aircraft Company - loan payment	principal	\$500,000.00	\$500,000.00			
J ournal	8/18/23	J E8966	XTI Aircraft Company - loan payment	principal	\$500,000.00	\$500,000.00			
J ournal	9/15/23	J E9097	XTI Aircraft Company - loan payment	principal	\$500,000.00	\$500,000.00			
Check	9/25/23		Nasdaq Filing Fee - XTI Transaction	principal	\$2,500.00	\$2,500.00			
	10/17/23		XTI Aircraft Company - loan payment	principal	\$275,000.00	\$275,000.00			
	10/31/23		Interst on Loan to XTI	interest	\$19,827.09		\$19,827.09		
	11/12/23		Interst on Loan to XTI	interest	\$7,675.00		\$7,675.00		

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 15d-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 20, 2023

/s/ Nadir Ali

Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

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 15d-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 20, 2023

/s/ Wendy Loundermon

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

CERTIFICATION

In connection with the periodic report of Inpixon (the "Company") on Form 10-Q for the period ended September 30, 2023 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 20, 2023

/s/ Nadir Ali

Nadir Ali
Chief Executive Officer
(Principal Executive Officer)

/s/ Wendy Loundermon

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