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

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023
OR
¨ ANNUAL 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

XTI AEROSPACE, INC.
(Exact name of registrant as specified in its charter)

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

8123 InterPort Blvd., Suite C
Englewood, CO 80112
(Address of principal executive offices)
(Zip Code)

(303) 503-5660
(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	XTIA	The Nasdaq Stock Market LLC

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

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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 x No ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	¨

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. □

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. □

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). □

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, was $7,720,081 based upon the closing price reported for such date on the Nasdaq Capital Market.

As of April 3, 2024, there were 9,919,411 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

XTI AEROSPACE, INC.

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

This report 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 report. In particular, these include statements relating to future actions; prospective products, anticipated expenses, applications, customers and technologies; future performance or results of anticipated products; and projected expenses and 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 or maintain profitability in the future;
- our limited operating history with recent acquisitions;
- the possibility that anticipated tax treatment and benefits of the spin-off of our enterprise apps business and any other strategic transaction that we undertake may not be achieved;
- risks related to the spin-off of our enterprise apps business, business combination with XTI Aircraft Company (the "XTI Merger") and solutions divestiture or any other strategic transactions that we may undertake;
- the anticipated benefits of the XTI Merger;
- our ability to successfully integrate companies or technologies we acquire;
- the ability to meet the development and commercialization schedule with respect to the TriFan 600;
- 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 develop other new products and technologies;
- our ability to secure required certifications for the TriFan 600 and/or any other aircraft we develop;
- our ability to navigate the regulatory environment and complexities with compliance related to such environment;
- our ability to attract customers and/or fulfill customer orders;
- our ability to enhance and maintain the reputation of our brand and expand its customer base;
- our ability to scale in a cost-effective manner and maintain and expand our manufacturing and supply chain relationships;
- 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 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 (the "SEC");
- our ability to respond to a failure of our systems and technology to operate our business;
- our ability to protect our intellectual property;
- the outcome of any known and unknown litigation and regulatory proceedings;
- 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 report.

The forward-looking statements are based upon management's beliefs and assumptions and are made as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statements included in this report. You should not place undue reliance on these forward-looking statements.

This report also contains or may contain estimates, projections and other information concerning our industry and our business, including data regarding the estimated size of our markets and their projected growth rates. Information that is based on estimates, forecasts, projections or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained these industry, business, market and other data from reports, studies and similar data prepared by third parties, industry and general publications, government data and similar sources. In some cases, we do not expressly refer to the sources from which these data are derived.

EXPLANATORY NOTE

On March 12, 2024, XTI Aerospace, Inc. (formerly known as Inpixon) ("XTI Aerospace"), Superfly Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of XTI Aerospace ("Merger Sub"), and XTI Aircraft Company, a Delaware corporation ("Legacy XTI"), completed their previously announced merger transaction. The merger transaction was completed pursuant to an Agreement and Plan of Merger (the "XTI Merger Agreement"), dated as of July 24, 2023 and amended on December 30, 2023 and March 12, 2024, pursuant to which Merger Sub merged with and into Legacy XTI with Legacy XTI surviving the merger as a wholly-owned subsidiary of XTI Aerospace (the "XTI Merger"). In connection with the closing of the XTI Merger, our corporate name changed to "XTI Aerospace, Inc."

Since the closing of the XTI Merger was subsequent to December 31, 2023, this report includes Inpixon's audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022, Inpixon's Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the years ended December 31, 2023 and 2022 and other historical information relating to the Inpixon board of directors, executive officers and governance arrangements prior to the completion of the XTI Merger. This report also includes certain disclosures concerning our current business, our board of directors and officers currently in office. We will file as an amendment to the Current Report on Form 8-K filed with

the SEC on March 15, 2024 (i) the audited consolidated financial statements of Legacy XTI as of and for the years ended December 31, 2023 and 2022, (ii) Legacy XTI's Management's Financial Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2023 and 2022 and (iii) the unaudited pro forma condensed combined financial information of Inpixon and Legacy XTI as of and for the year ended December 31, 2023, in accordance with Item 9.01 of Form 8-K.

In this report, unless otherwise noted, or the context otherwise requires, the terms "XTI Aerospace," the "Company," "we," "us," and "our" refer to XTI Aerospace, Inc. (formerly known as Inpixon), Inpixon GmbH, IntraNav GmbH and, prior to the closing of the XTI Merger, Merger Sub, and after the XTI Merger, Legacy XTI.

Note Regarding Reverse Stock Split

The Company effected a reverse stock split of its authorized and issued and outstanding common stock, par value $0.001, at a ratio of 1-for-75, effective as of October 7, 2022, for the purpose of complying with Nasdaq Listing Rule 5550(a)(2). The Company also effected a reverse stock split of its outstanding common stock at a ratio of 1-for-100, effective as of March 12, 2024, for the purpose of complying with Nasdaq Listing Rule 5550(a)(2) and satisfying the bid price requirements applicable for initial listing applications in connection with the closing of the XTI Merger. We have reflected the reverse stock splits herein, unless otherwise indicated.

PART I

ITEM 1: BUSINESS

Introduction

Following the closing of the XTI Merger, we are primarily an aircraft development company. We also provide real-time location systems (“RTLS”) for the industrial sector, which was our focus prior to the closing of the XTI Merger.

Headquartered in Englewood, Colorado, the Company is developing a vertical takeoff and landing ("VTOL") aircraft that takes off and lands like a helicopter and cruises like a fixed-wing business aircraft. We believe our initial configuration, the TriFan 600, will be one of the first civilian fixed-wing VTOL aircraft that offers the speed and comfort of a business aircraft and the range and versatility of VTOL for a wide range of customer applications, including private aviation for business and high net worth individuals, emergency medical services, and commuter and regional air travel. Since 2013, we have been engaged primarily in developing the design and engineering concepts for the TriFan 600, building and testing a two-thirds scale unmanned version of the TriFan 600, generating pre-orders for the TriFan 600, and seeking funds from investors to enable the Company to build full-scale piloted prototypes of the TriFan 600, and to eventually engage in commercial development of the TriFan 600.

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.

Our full-stack industrial IoT solution provides end-to-end visibility and control over a wide range of assets and devices. It is 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 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, our 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 previously offered:

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

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

The Company notes that during the fourth quarter and as of December 31, 2023, the Shoom and SAVES operating segments and a portion of the Indoor Intelligence segment, have been disposed of or met the held for sale criteria and represent a strategic shift in the Company's operations, and therefore are presented as discontinued operations. As such, these disposal groups have been excluded from both continuing operations and segment results for all periods presented. In addition, the Company also notes that as of December 31, 2023, the divesiture of our enterprise apps business, which was completed in the first quarter of 2023, is presented as discontinued operations and as such, have been excluded from both continuing operations and segment results for all periods presented. This divestiture represents a portion of the Indoor Intelligence operating segment. Therefore, apart from our aircraft and development and manufacturing business which commenced as part of our XTI merger in 2024, only the Indoor Intelligence operating segment remains as of December 31, 2023.

The Air Travel Market

In today's regional air travel market, customers have two choices – either a fixed-wing airplane which requires a runway, or a helicopter which is slower, comparatively expensive, and relatively range limited. What we intend to bring to market is a unique "crossover" aircraft combining the speed, range and comfort of a fixed-wing business airplane with the point-to-point VTOL capability of a helicopter. Our target customers for the TriFan 600 include business jet and helicopter operators, major and regional airlines, companies which own and operate their own fleet of aircraft, including private jets and helicopters, air medical operators, and individuals. In terms of current market size, the 2023 year-end General Aviation Aircraft Shipment Reports of the General Aviation Aircraft Manufacturers Association ("GAMA") reports total general (civilian, non-commercial) aircraft and helicopter shipments billings at approximately $28.3 billion for 2023, an approximate 3.4% increase from 2022.

We believe the anticipated differentiating performance capabilities of the TriFan 600 – the unique versatility delivered by combining the best of a helicopter and a business aircraft in one platform which we expect will result in significant time and cost savings – will be attractive to customers and disruptive in existing markets. As of the date of this filing, we have conditional pre-orders under a combination of aircraft purchase agreements, non-binding reservation deposit agreements, options and letters of intent for the delivery of more than 700 aircraft. One purchaser located in the southwest region of the United States is a party to a non-binding pre-order for 100 aircraft. We have entered into non-binding options to purchase for an aggregate of 452 aircraft with potential purchasers located in the northeast, southwest and west coast regions of the United States. We have entered into non-binding aircraft reservation deposit agreements for an aggregate of 114 aircraft with potential purchasers located in the United Kingdom, Ireland, Australia, Dubai, India, Japan, Brazil, and the United States. Customers making reservation deposits are not obligated to purchase aircraft until they execute a definitive purchase agreement. We have written letters of intent (without deposits) with customers for an additional 105 aircraft. Customers may request a return of their refundable deposits any time up until the execution of a purchase agreement. These conditional orders and reservations represent the potential of more than $7.0 billion in future gross revenue upon delivery of those aircraft, based on our current list price of $10 million per aircraft assuming we are able to execute on the development program for the TriFan 600, secure FAA certification, and deliver these aircraft. For more details regarding the nature of the conditional pre-orders, please see "- *Key Agreement*."

In contrast to the eVTOL (electric vertical takeoff and landing) aircraft, which are short-range air taxis for urban transport being developed by other companies (and not yet certified by the FAA), the TriFan 600 is expected to have significantly greater range of 700 miles in addition to the flexibility to take off and land either vertically or conventionally. With our initial configuration of two turboshaft engines, we expect that our customers will be able to use much of the existing infrastructure on the ground, including more than 5,000 existing helipads in the U.S. alone, as well as other landing areas where it is safe and legal to land and take off, including job sites, grassy areas, driveways, backyards, other paved and improved surfaces, hospital helipads and regional airports, which may not contain the requisite charging infrastructure for eVTOL aircraft. We expect that the TriFan's speed, range, and comfort, as well as its flexibility in takeoff and landing sites will offer a significant competitive advantage over eVTOL aircraft because eVTOL aircraft depend on the availability of battery or hydrogen charging infrastructure which is not commercially available yet. We expect that the TriFan 600 will provide increased connectivity between communities as well as generate time savings for travelers. As technology matures, we envision a transition to hybrid-electric propulsion for future TriFan configurations in our pursuit of taking aviation to a greener future. We believe our phased, measured-risk approach is prudent given the lack of technology readiness of battery and hydrogen propulsion, limited and slow progress with respect to regulatory guidance regarding novel propulsion technologies, and expected long timelines to develop a widespread charging network. With time, we also expect to benefit from the TriFan owners and operators use of the expected expansion of the landing pads, vertiports, and other VTOL aircraft infrastructure that will accommodate the eVTOL air taxis. We anticipate owners and users of the TriFan will be able to access many of those facilities, which should allow XTI to participate to some extent in the upcoming and not yet established Advanced Air Mobility ("AAM") market.

As of the date of this filing, the base price of the TriFan 600 aircraft is approximately $10 million. The announced price for our only known direct competitor for a civilian fixed-wing VTOL aircraft is between $20 million and $30 million.

The TriFan 600's $10 million base price falls within the price range ($6.5 million - $12 million) for many of the business airplanes with whom we expect the TriFan 600 to compete. Unlike the TriFan 600, these airplanes require runways for takeoff and landing, which adds to total trip times. The $10 million base price is above the initial purchase price range ($5.5 million to $8.2 million) for helicopters with whom the TriFan 600 expects to compete. However, the TriFan 600 can complete missions at approximately twice the speed of competing helicopters. Therefore, the mission time compared to helicopters is expected to be reduced by 40% - 50% and mission costs and emissions will also be reduced. As a result, we expect the TriFan 600's five-year cost of ownership (initial base purchase price plus annual direct operating costs) to be lower than much of the helicopter competition.

Corporate Strategy

In December of 2021, our board of directors authorized a review of strategic alternatives, with the goal of maximizing shareholder value. In furtherance of this objective, the Company pursued a number of strategic transactions which were consummated during 2023 and 2024. In March 2023, we spun off and sold our enterprise apps business (see "*Recent Events - Enterprise Apps Spin-off and Business Combination*" under Part II, Item 7 herein for more information). Additionally, we consummated the XTI Merger on March 12, 2024 (see section "*Recent Events - XTI Merger"* under Part II, Item 7 herein." below for more details), and as required by the terms of the XTI Merger Agreement, we have also effected transactions for the divestiture of the businesses and assets that are not associated with our real time location services business, including our Shoom, SAVES and Game Your Game lines of business (see "*Recent Events - Solutions Divestiture - Grafiti Holding Inc.*" "- *Damon Business Combination*" and "- *Solutions Divestiture - Grafiti LLC* " under Part II, Item 7 herein for more information).

Products and Services

TriFan 600

Our aviation business is focused on the development of our initial configuration of the TriFan 600 Vertical Lift Crossover Airplane, which is a six-seat aircraft is intended to provide point-to-point air travel over distances of up to 700 miles, fly at twice the speed of a helicopter and cruise at altitudes up to 25,000 feet. We believe that the target TriFan 600 airplane will provide unique advantages over existing helicopters, turboprop and light jet aircraft. Since the aircraft will take off and land vertically, we anticipate that the TriFan 600 will generate significant time savings on a typical 500-mile trip by traveling point-to-point or utilizing more convenient existing ground and airspace infrastructure (such as helipads) to avoid or reduce the time traveling on the ground to and from an airport. The TriFan 600 also is expected to have the capability to take off and land conventionally, if a runway is available. This added capability is expected to increase range and payload and expand utility.

We plan to either assemble the TriFan 600 aircraft in-house with supplier-provided components or engage a third-party manufacturer to assemble the aircraft. By combining existing and future state-of-the-art technologies and components (including turbine engines, composites, software, advanced propulsion and fuel systems) into our patented proprietary design, we believe the TriFan 600 will be a commercially successful aircraft for the business and other aviation markets.

Indoor Intelligence

Our Indoor Intelligence offerings consist of the following software and hardware products.

- *Industrial RTLS SaaS Platform* - Our full stack offering in the Industrial IoT space includes an enterprise class, multi-technology RTLS IoT platform for industrial automation. Our RTLS IoT platform is a comprehensive real-time IoT solution for the implementation of industrial RTLS (track & trace) applications for indoor and outdoor areas, such as vehicle localization, production tracking, yard management, gate allocation, forklift location (MHE), real-time route optimization, and the automatic identification (AutoID) and booking of goods and material flows. In addition to real-time data applications for the digital twin, it also provides smart real-time location analyses from a single platform suite, enabling companies to identify significant process optimizations and make data-based decisions. Prebuilt modules offered within the platform include smart factory, smart warehouse, inventory manager, shipment manager, and yard manager. The digital twin of a physical space facilitates use cases for facility management, security safety, customer or worker experiences, asset tracking and more.

- *IoT Devices, Sensors and Tags* - Our RTLS asset tracking hardware includes a full end-to-end portfolio of IoT sensors (also known as nodes or anchors) and tracking tags to track assets or personnel. This portfolio leverages our own products for ultra-wideband (UWB) and chirp spread spectrum (CSS) and GPS while incorporating support for third party integrated BLE, RFID and LiDAR solutions. In the security space, a version of our sensor enables detection of cellular, Wi-Fi and BLE signals that is combined with UWB to offer security and high value asset tracking solutions. Chirp technology is effective for longer range communication while UWB is an important RF standard for pinpoint asset tracking. Organizations across many different industries can leverage the accuracy, low-latency, and reliability of both technologies to track the real-time location and status of key assets and equipment, with precision. Users can display and track the static location and movement of assets and asset attribute information within a space on indoor maps.

- *Transceivers/Modules* - Our nanoLOC transceiver is a low-power, highly integrated mixed-signal chip. This 2.4 GHz long range CSS transceiver transmits and receives wireless data packets for robust wireless communications, ranging capabilities, and real-time location determination. Our chirp leverages a patented, Company-owned technology and offers range comparable to Wi-Fi systems with accuracy of BLE or UWB in some scenarios. Supporting a freely adjustable center frequency with three non-overlapping frequency channels, amongst others, our nanoLOC enables multiple physically independent networks and improved coexistence with existing 2.4 GHz wireless technologies. This product is also available in a module form to allow easier integration for our partners and integrators.

- *Video Integration* – Our RF video solution uses IoT analytics data and allows direct integration with leading Video Management Systems (VMS) and CCTV to provide visual track and trace of assets or to quickly allow video to aid security personnel in an emergency situation. This solution builds upon the accurate mapping solutions while adding analytics and precise RTLS data.

- *Analytics and Insights* - Our cloud-based analytics platform allows data from multiple sensors and data sources to be visualized for action by the customer. Our platforms can engage with data from our IoT sensors, mobile apps, third-party sensors and data that is ingested via an application programming interface ("API") or data import. Analytics enable, for instance, factory operators to visualize and analyze the flow of products through the facility to address bottlenecks and improve efficiency and productivity.

- *Augmented Reality ("AR") and 3D* - Our augmented reality solutions allow us to easily scan a space and subsequently attach AR content persistently to any position in the world. The technology can also be used for visual asset tracking without beacons or markers as well as digital twin creation and manipulation. Using SLAM (simultaneous localization and mapping) combined with innovative technologies offers tools to help enable augmented reality and metaverse capabilities for their business.

- *Wireless Device Detection for Security* – Our wireless detection and positioning solutions help cultivate situational awareness and identify security risks by leveraging sensors with proprietary technology that can detect and position active cellular, Wi-Fi, Bluetooth, and UWB signals throughout a venue. This solution allows for the positioning of people and assets

homogeneously as they travel in a controlled space and empowers customers to make key decisions around security, risk mitigation and public safety, at scale. Utilizing various radio signal technologies permits device positioning with accuracy ranging from several meters down to approximately thirty centimeters, depending on the product deployed and conditions in the indoor space. The technology allows for detailed understanding of space and resource utilization, and in security applications it enables detection and identification of authorized and unauthorized devices, prevention of rogue devices through alerts based on rules when unknown devices are detected in restricted areas and asset tracking with centimeter level precision.

• *Enterprise Apps* - Our indoor intelligence segment historically also included the smart office app, events and mapping solution which comprised the enterprise apps line of products offering enhanced employee experiences with a holistic location aware customer branded employee app for a smart, innovative and connected workplace. This suite of products and solutions was spun off in connection with the separation of our enterprise apps business effective as of March 14, 2023 and is presented as discontinued operations and, as such have been excluded from both continuing operations and segment results for all periods presented. (See "*Recent Events - Enterprise Apps Spin-off and Business Combination*" under Part II, Item 7 herein for more information).

Shoom and SAVES Product Lines

Our Shoom and SAVES operating segments, which included our cloud-based applications and analytics for the advertising, media and publishing industries and the data analytics and statistical visualization software solutions for engineers and scientists have been disposed of or met the held for sale criteria and represent a strategic shift in our operations, and therefore are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented (see "*Recent Events - Solutions Divestiture - Grafiti Holding Inc.*" "- *Damon Business Combination*" and "- *Solutions Divestiture - Grafiti LLC* " under Part II, Item 7 herein for more information).

RTLS Product Enhancements

Our ability to adapt to the technological advancements within our industry is critical to our long-term success and growth. As a result, our executive management must continuously work to ensure that they remain informed and prepared to quickly adapt and leverage new technologies within our product and service offering as such technologies become available. In connection with that goal, our product roadmap development plans include expanding the use of both UWB and CSS technology for precise asset tracking, furthering our efforts towards 3D mapping, with a specific focus on light detection and ranging (LiDAR) and AR features, innovation in our machine learning algorithms for our positioning engines, and understanding worldwide 5G deployments to enhance our detection and positioning capabilities.

Positioning Innovation Powered by Machine Learning

In 2024, we intend to continue to explore the use of machine learning and artificial intelligence ("AI") to improve positioning accuracy, reliability and range which would provide additional benefits to existing customers and unlock new opportunities for our RTLS technology. Here is an example of how we are utilizing AI to enhance our technology: due to fluctuating frequency plotting in the beginning of a project, but after applying advanced AI filter methods and machine learning algorithms we can better understand the radio frequency (RF) behavior as to how the time difference of arrival (TDoA) sync path should be configured in the specific environment considering several attributes. Following these enhancements, we believe our products will be able to assist in providing predictive, more accurate, bidirectional location information to secure and optimize our deployments using hardware that includes iOS and Android smartphones, IoT sensors, access points or BLE beacons.

5G

Building on research and development (R&D) efforts in 2023, we intend to continue to study the worldwide 5G deployments, both public and private, to identify a robust hardware and software solution to detect and position new handsets based on this technology and explore software defined radio solutions, as well as enhancements in antenna technology to provide our customers with additional capabilities in the security field. This is a complex challenge and we are working with partners and customers to understand requirements, use cases and solutions.

Analytics and Insights

Inpixon Analytics on-premises or in the cloud, along with specially-optimized algorithms and industry specific dashboards that are intended to provide better visibility, predictive maintenance, process optimization, security and safety, and data-driven decision-making. Improved visibility gives real-time locations and status of assets, people, and equipment both indoors and outdoors. By collecting and analyzing data from RTLS systems, organizations gain insights from asset movements and use this information to optimize their operations. Predictive maintenance reduces downtime and maintenance costs, as well as improve the lifespan of equipment. Process optimization helps improve productivity, reduce costs, and enhance customer satisfaction. Security and safety helps prevent accidents, reduce the risk of theft, and enhance the overall safety of employees and customers. Data-driven decision making by analyzing data from RTLS systems, organizations gains a better understanding of their operations, identify areas for improvement, and make data-driven decisions that drive business value. Furthermore, we are continuing to enhance the integration of ChatGPT, a generative artificial intelligence (AI), into our RTLS solution. This innovative integration expands the capabilities of our RTLS, enabling rapid, AI-assisted insights as well as interactive discussions in a conversational medium. Operations managers in production and logistics, in particular, stand to benefit from this transformative development.

Augmented Reality and Digital Twin

Our AR and digital twin technologies multiply the capabilities of RTLS solutions by providing real-time visualization aided with meta data, remote monitoring, simulation and testing, predictive maintenance, collaboration, and training, all of which can help optimize operations and improve efficiency. AR helps visualize the real-time location of assets, people, and equipment in the physical world, overlaid with digital information such as asset status, maintenance history, and other relevant data. This can provide a more intuitive and efficient way for operators to understand and interact with the physical world. In addition, digital twin features can enable remote monitoring of assets and equipment, providing a virtual representation of the physical world that can be accessed from anywhere to monitor assets and equipment in real-time and make informed decisions based on the data gathered. Digital twin technology can also enable simulation and testing of scenarios in a virtual environment, allowing our customers to test different configurations and optimize their operations without the need for physical experimentation. Finally, AR and digital twin technologies can facilitate collaboration and training by providing a shared virtual environment where operators can train and work together remotely.

Research and Development

TriFan 600

We plan to seek FAA certification of the TriFan 600 as a fixed-wing, VTOL aircraft. Initial concept and engineering analysis for the TriFan 600 was completed in July 2015. Legacy XTI built a 65% scale prototype and in May 2019 began initial hover tests. The prototype was successfully hover-tested multiple times. Subsequent to raising private funding during 2021, Legacy XTI hired a number of engineers (employees and consultants) to establish its core engineering organization. Additionally, Legacy XTI retained consulting firms to provide specialized engineering technical knowledge to complement XTI's team.

Legacy XTI completed its preliminary design review ("PDR") in 2022, which set the stage for the next step of design development. Legacy XTI updated the exterior design of the TriFan 600, including the wing fans location and the location of the horizontal tail, all of which had a positive impact on the performance and efficiency of the aircraft. Design and engineering for other systems, including the propulsion system, landing gear, cockpit visibility, cabin sizing and structural integrity were also advanced during 2022 and 2023.

The PDR phase included the identification of Legacy XTI's supply chain. The team, throughout the design phase, has identified and started negotiating with key suppliers globally to support each of the components or systems of the TriFan 600, requesting proposals from each. As a result of these efforts, Legacy XTI has established a baseline bill-of-materials.

The current development design review phase ("DDR") of the program includes further interactions with suppliers to develop and mature major structures and systems of the aircraft. With input from industry-respected suppliers, we believe all systems of the TriFan 600 can be incorporated into the airframe to deliver a fully-integrated solution. The fulfillment of this phase is expected to pave the way for approving engineering designs used to build the aircraft. The DDR phase also includes ongoing communication with the FAA to discuss and maintain awareness of our compliance with federal regulations.

The next target milestones include critical design review (“CDR”) and building and preliminary testing of a full-scale flight test aircraft, along with building additional full-scale flight test aircraft, are fully dependent on raising additional financing.

Following the completion of the first full-scale flight test aircraft, certification from the Federal Aviation Administration ("FAA") is expected to take an additional eighteen months to achieve. We anticipate FAA certification of the TriFan 600 in 2028.

Indoor Intelligence

Our management believes that we must continue to dedicate a significant amount of resources to research and development efforts to maintain a competitive position. Our RTLS products intersect many emerging fields including metaverse, augmented reality, occupancy planning, industry 4.0, smart cities, and more, and we continue to innovate and patent new methods to solve problems for our customers. Research and development expenses associated with our indoor intelligence business for the years ended December 31, 2023 and 2022 totaled approximately $4.4 million and $4.5 million, respectively.

Sales and Marketing

TriFan 600

Our sales channels include direct sales as well as indirect sales channels which may include one or more regional sales agents or brokers. Indirect sales partners may also provide a range of pre- and post-sales services to our customers including aftermarket support and maintenance, repair and overhaul ("MRO") services using XTI parts.

In 2023, we entered into a commercial agreement with a sales and distribution agent for prospective sales of TriFan aircraft and MRO services in certain markets, including 21 countries of the Middle East and North Africa. We have been in discussions with other sales and distribution agents throughout the world and plan to expand our global territory reach via commercial agreements.

We intend to market our aircraft through customer-targeted marketing campaigns (e.g., EMS, land management, oil & gas) utilizing our digital presence, webinars, national and regional trade shows, conferences, traditional print advertising and other media. To best identify target customers, we intend to utilize focus groups and "voice of the customers" panels to allow us to map customer requirements and use cases to our available features, functions and options.

Indoor Intelligence

Our sales channels include direct sales as well as indirect sales through channel partners including original equipment manufacturers (OEMs), integrators, resellers and distributors. Indirect sales partners may provide a range of pre- and post-sales services to our customers including system design, installation, commissioning and service.

Direct sales representatives are compensated with a base salary and may participate in incentive plans such as commissions or bonuses.

We market our products through industry-focused as well as account-based marketing strategies which utilize SEO, advertising, social media, trade shows, conferences, webinars and other media.

Our RTLS products are primarily sold on a license and SaaS mode, which we call "location as a service" or "LaaS." In our licensing model, we also typically charge an annual maintenance fee. The LaaS model is typically for a 3-5 year contract and includes license to use, maintenance and hardware upgrades. The LaaS model generates a recurring revenue stream.

Customers

TriFan 600

Aircraft Purchase Agreement

On February 2, 2022, we entered into a conditional aircraft purchase contract (the "Aircraft Purchase Agreement") with a counterparty located in the southwest region of the United States ("Counterparty A") relating to the purchase of 100 TriFan 600 aircraft. The parties' obligations under the Aircraft Purchase Agreement are subject to certain conditions, including certification of our aircraft by the FAA and obligations to amend the Aircraft Purchase Agreement to add certain material terms including, among others, delivery dates, aircraft specifications, warranties, remedies, milestones relating to the development of the TriFan 600, the type and extent of assistance to be provided by Counterparty A in obtaining certification of the TriFan 600, branding and marketing matters, optional equipment and other matters. Counterparty A's obligations to consummate the Aircraft Purchase Agreement arise only after all material terms are agreed upon, in the discretion of each party. If the parties do not agree on such material terms, either party will have the right to terminate the agreement if such party determines in its discretion that it is not likely that the material terms will be agreed to in a manner consistent with such party's business and operational interests (as those interests may change from time to time).

We will determine the base purchase price for each TriFan 600 aircraft under the Aircraft Purchase Agreement during the first month of the calendar quarter prior to the quarter in which the subject TriFan 600 aircraft are to be delivered, subject to adjustments. The Aircraft Purchase Agreement contains customary representations and covenants for contracts of this type.

In connection with the Aircraft Purchase Agreement, we issued Counterparty A a warrant to purchase 6,357,474 shares of Legacy XTI common stock (as amended as of April 3, 2022 and March 11, 2024, the "Counterparty A Warrant"). The shares underlying the Counterparty A Warrant adjusted to 567,467 shares of our common stock by application of the exchange ratio at the effective time of the XTI Merger (the "Effective Time"). The Counterparty A Warrant contains conditional vesting criteria; the purchase right for one-third of the shares represented by the Counterparty A Warrant vested upon the execution and delivery of the Aircraft Purchase Agreement, one-sixth of the shares vested on March 11, 2024, and one-third of the shares will vest upon the acceptance of delivery and final purchase of the first TriFan 600 aircraft by Counterparty A pursuant to the Aircraft Purchase Agreement. The Counterparty A Warrant requires the parties to agree on an initial strategic public and industry announcement within 90 days of March 11, 2024 or such other time as the parties may mutually agree. The Counterparty A Warrant will expire on the earlier of (i) a liquidation event as defined therein and (ii) 5:00 p.m. Pacific time on February 2, 2029.

Indoor Intelligence

Our RTLS offerings which include real-time location tracking, collision avoidance and wireless device detections are used around the world in automotive factories, heavy equipment factories, logistics and distribution warehouses, mining operations, government and military buildings, and corporate offices.

During the year ended December 31, 2023, two customers accounted for over 10% of revenue with one customer with 17% of revenue and one customer that accounted for 10% of revenue. During the year ended December 31, 2022, only one customer accounted for over 10% of revenue with 23% of revenue for the year. From time to time, one or two customers can represent a significant portion of our revenue as a result of one-time projects.

Competition

TriFan 600

The private jet and private business aircraft markets are highly competitive and we face a significant number of original equipment manufacturer competitors, most of which are larger, better known and have better financial resources than us. When the TriFan 600 goes into production, we believe it will compete with other aircraft manufacturers by providing our customers with what we believe is a unique "crossover" aircraft with distinct and largely unique performance capabilities at a competitive purchase price. We believe the TriFan 600 will be one of a small number of aircraft that offers the speed, range and comfort of a business aircraft with the versatility of VTOL. As we expect that the TriFan 600 will be capable of flying greater distances and on average at twice the speed and three times the range of competing helicopters, we expect the TriFan 600 to offer lower direct operating costs (cost per flight hour) and be able to fly almost twice as many missions, thus generating additional cost savings and revenue for airlines and aircraft operators when compared with helicopters.

Indoor Intelligence

In addition, our RTLS business is characterized by innovation and rapid change. Our RTLS Indoor Intelligence products compete with companies such as Aruba, Cisco, Juniper Networks/Mist Systems, Ubisense, Sewio, Kinexon, Zebra Technologies and other mostly vertical focused RTLS companies. Some competitors determine positioning primarily using BLE or Wi-Fi and, therefore, we believe they cannot achieve the same accuracy that we do and so cannot meet some customers' needs. Many RTLS competitors are focused on one technology and/or vertical and, at this time, we believe none of them have as complete an offering of tags, anchors, positioning, engine, software, integrations and analytics.

We believe we offer a unique and differentiated approach to the market with our industrial RTLS which is:

- *Comprehensive*. We offer full-stack RTLS solutions which seamlessly integrates tracking tags, anchors, sensors, positioning engine, software, and connections to third-party systems. We integrate a myriad of indoor data inputs and outputs. With a single platform we can support a multitude of use cases across numerous industries in both the private and public sector.

- *Scalable*. Our solutions are built to support customers' expanding needs and use cases. Unlike many other competitive point-solutions, we can offer expansion paths and support for a wide variety of location-based use cases at large, multi-size, global enterprises. Our multi-layered depiction of indoor data allows users to see the information most relevant to their role, in the optimal format for them (e.g., charts, tables, maps, etc.).

- *Technology-agnostic and open*. We embrace an ecosystem of hardware, software, integration and distribution partners welcoming integration and synchronization with third party data and systems in combination with our platform. Our open architecture is designed to enable the integration of disparate technologies, preserve investment and avoid obsolescence. APIs and MQTT make it possible to move data in and out of our platform to enable a plethora of opportunities and benefits.

Intellectual Property

TriFan 600

We have received a utility patent (US Patent 9,676,479) and a design patent (US Patent D741247) for a VTOL aircraft that includes a pair of ducted lift/thrust fans that are rotatably moveable between the lift and thrust positions. Based on those U.S. patents, the Company has also applied for and has been issued multiple additional foreign utility patents, including from China, Japan, Europe and Canada. We have sought to protect our intellectual property through the use of patents and trade secrets. Employee and third-party consultants have signed non-disclosure agreements with Legacy XTI which include standard provisions related to assignment of work product and other requirements to further protect its proprietary rights. We are continuing to develop intellectual property and we intend to aggressively protect our position in key technologies. We own several trademarks protecting Legacy XTI's name and logo. Our intellectual property also includes extensive data, engineering analyses and other know-how.

We have obtained broad patent protection in both respects through the above-referenced patents. Under the European patent, we have applied for issuance of patents in the U.K., France, Germany, and Italy, where we expect the aircraft will be sold and used. Patents are also pending in Brazil.

Indoor Intelligence

To establish and protect our proprietary rights, we rely on a combination of patents, trademarks, copyrights, trade secrets, including know-how, license agreements, confidentiality procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements, and other contractual rights. We do not believe that our proprietary technology is dependent on any single patent or copyright or groups of related patents or copyrights. We believe the duration of our patents is adequate relative to the expected lives of our products.

In connection with the Enterprise Apps Spin-off and the terms of the KINS Separation Agreement (defined below in the Recent Events section of Item 7), each of the Company and CXApp have granted the other party a limited worldwide, non-exclusive, irrevocable, royalty free, fully paid up, perpetual license (the "Licensee") to use, practice and otherwise exploit such intellectual property (with certain exceptions) that is owned, controlled or purported to be owned or controlled by the other party (the "Licensor") to the extent used, practiced or otherwise exploited in the business of the Licensee during the twelve (12) months prior to the separation or is reasonably anticipated to be used after the separation for the conduct of any business of the

Licensee as conducted on or prior to the separation and reasonably anticipated extension or evolutions thereof that are not substitutes for any product or service of the Licensor.

Government Regulation

In general, we are subject to numerous federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anticorruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition.

Violations of one or more of these diverse legal requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations. To date, compliance with these regulations has not been financially burdensome.

Aviation Regulations

In the U.S., civil aviation is regulated by the FAA, which controls virtually every aspect of flight from pilot licensing to aircraft design and construction, and use of the public air space within the boundaries and territorial waters of the United States. The FAA requires that every civilian aircraft that flies in the U.S. carry a valid "type certificate" and airworthiness certificate issued by the FAA or a foreign civil aviation authority.

We intend to seek approval for the design of the TriFan 600 by obtaining a standard Type Certificate under Federal Aviation Regulations, in particular the criteria set forth by the FAA (as defined in Part 23 of the Federal Aviation Regulations (14 CFR Part 23)), as a normal category piloted aircraft that can also take off and land vertically. The Company submitted a preliminary certification plan to the FAA during the fourth quarter of 2023 and plans to submit a formal initial certification plan by 2025. The FAA will oversee extensive testing and analysis of the TriFan 600 to confirm the aircraft's safety, stability, reliability, performance, and compliance with the applicable airworthiness standards.

In addition, once the FAA issues a type certificate to the Company, we intend to apply for a production certificate, the FAA's approval required for the manufacture of an FAA-approved type design, to enable the Company to manufacture the TriFan in commercial quantities. TriFan 600 aircraft that are manufactured by XTI in accordance with the type certificate and the production certificate will be delivered to customers along with a certificate of airworthiness. To obtain a production certificate from the FAA, we must demonstrate that our organization and our personnel, facilities, and quality system can produce the aircraft such that they conform to the approved design.

Since we are not permitted to deliver commercially produced aircraft to customers until any such aircraft has obtained FAA certification, no material aircraft sales revenue will be generated before receipt of FAA certification. The process of obtaining a valid type certificate, production certificate and airworthiness certificate for the TriFan 600 will take several years.

In addition to the FAA, customers' operation of the TriFan 600 will be regulated by various state, county, and municipal agencies. Specifically, flight of the TriFan 600 will be regulated by the FAA, while the ability to take off and land will be governed by the FAA and various zoning restrictions imposed by non-federal agencies in each location where an owner of the TriFan 600 intends to operate. These restrictions vary by location. Some government and private locations in the U.S. and around the world limit or prohibit the use of aircraft. There are currently over 5,000 helipads in the U.S. where helicopters are allowed to land. Thus, we expect that customers will be able to legally land the TriFan 600 in these locations and at thousands of other paved areas or grassy areas, job sites, residential and commercial locations in the U.S. and around the world where it's safe and legal to land VTOL aircraft, as well as smaller general aviation airports unavailable to conventional business aircraft and jets.

Employees

As of March 15, 2024, we have 50 employees, including 4 part-time employees, which includes all employees of our subsidiaries. This includes 4 officers, 6 sales personnel, 4 marketing personnel, 27 technical and engineering personnel and 9 finance, legal and administration personnel.

Corporate Information

We currently have two direct, wholly-owned operating subsidiaries: XTI Aircraft Company, based in Englewood, Colorado (at our corporate headquarters), and Inpixon GmbH (previously Nanotron Technologies GmbH), based in Berlin, Germany. IntraNav GmbH, based in Eschborn, Germany ("IntraNav"), is an indirect subsidiary of the Company and the wholly-owned subsidiary of Inpixon GmbH.

Our principal executive offices are located at Centennial Airport at 8123 InterPort Blvd., Suite C, Englewood, Colorado 80112. This facility houses our principal executive office, finance, and other administrative activities, although our employees and consultants mostly work remotely. Our engineers are working remotely throughout the U.S.

We believe that our facility in Colorado meets our needs for the immediate future. However, we plan to begin a site selection process as early as the second quarter of 2024 to identify a facility located at an airport within the continental U.S. that will allow us to consolidate engineers and other administrative employees, perform flight simulations, perform propulsion rig and prototype flight tests, and potentially expand to a full production site with a facility for pilot training. It is not yet determined whether our corporate headquarters will change from the current location at Centennial Airport. We expect to move into a new facility by 2025.

Our telephone number is (800) 680-7412. We have also agreed to sublease office space in Palo Alto, California. Two of our subsidiaries, Inpixon GmbH and IntraNav, maintain offices in Berlin Germany, and Eschborn, Germany, respectively. Our Internet website is www.xtiaerospace.com. The information on, or that can be accessed through, our website is not part of this report, and you should not rely on any such information in making any investment decision relating to our common stock.

ITEM 1A: RISK FACTORS

We are subject to various risks and uncertainties that may materially harm our business, prospects, financial condition and results of operations. An investment in our common stock is speculative and involves a high degree of risk. In evaluating an investment in shares of our common stock, you should carefully consider the risks described below, together with the other information included in this report.

If any of the events described in the following risk factors actually occurs, or if additional risks and uncertainties later materialize, that are not presently known to us or that we currently deem immaterial, then our business, prospects, results of operations and financial condition could be materially adversely affected. In that event, the trading price of our common stock could decline, and investors in our common stock may lose all or part of their investment in our shares. The risks discussed below include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Summary Risk Factors

The following summarizes the risks and uncertainties that could materially adversely affect our business, financial condition, results of operation and stock price. You should read this summary together with the more detailed description of each risk factor contained below.

Risks Related to Our Business and Industry

- We have a limited operating history and have not yet manufactured any non-prototype aircraft, delivered any aircraft to customers or generated any revenues from our aircraft business, and we may never develop or manufacture any VTOL aircraft.
- Operating aircrafts carry a degree of inherent risk. Accidents or incidents involving VTOL aircrafts, us or our competitors could have a material adverse effect on our business, financial condition and results of operations.
- The remainder of the development period for the TriFan 600 may take longer than anticipated.
- The market for a civilian long-range fixed-wing VTOL aircraft is new and untested. If such market does not respond at the level we expect or if it fails to grow as large as we expect, our business, financial condition and results of operations could be harmed.

- The pre-orders we have received for our aircraft are non-binding, conditional or written expressions of interest and may be terminated at any time prior to execution of a definitive purchase agreement. If these pre-orders are cancelled, modified, delayed or not placed in accordance with the terms agreed with each party, our business, results of operations, liquidity and cash flow will be materially adversely affected.
- We will require FAA certification, and a delay in receiving such certification could adversely affect our prospects, business, financial condition and results of operations.
- We have completed several strategic transactions, which may make it difficult for potential investors to evaluate our future business, and, due to the risks and uncertainties related to the acquisition of new businesses, any such acquisition does not guarantee that we will be able to attain profitability.
- We may not be able to successfully integrate the business and operations of entities that we have acquired, have been acquired by or may acquire in the future into our ongoing business operations.
- The risks arising with respect to the historic business and operations of our recent acquisition targets may be different from what we anticipate, which could significantly increase the costs and decrease the benefits of the acquisition and materially and adversely affect our operations going forward.
- Our ability to successfully execute our business plan may require additional debt or equity financing, which may otherwise not be available on reasonable terms or at all.
- Failure to manage or protect growth may be detrimental to our business because our infrastructure may not be adequate for expansion.
- We have a history of operating losses and working capital deficiency and there is no assurance that we will be able to achieve profitability or raise additional financing.
- Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results.
- Any future disposition of assets and business could have material and adverse effect on business, financial conditions, and operations, if not consummated in a timely manner.
- We have been subject to regulatory and other government or regulatory investigations or inquiries under national, regional and local laws, as amended from time to time, and may be required to comply with data requests, or requests for information by government authorities and regulators in the United States or other jurisdictions in which we operate and any resulting enforcement action could have a materially adverse effect on us.
- If we do not adequately protect our intellectual property rights, we may experience a loss of revenue and our operations and growth prospects may be materially harmed.
- The growth of our business is dependent on increasing sales to our existing customers and obtaining new customers, which, if unsuccessful, could limit our financial performance.

Risks Related to Our Securities

- Our failure to maintain compliance with the continued listing requirements of the Nasdaq Capital Market may result in our common stock being 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 stock price may be volatile.
- Sales of our common stock or other securities, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well.
- There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.
- We may issue debt and equity securities or securities convertible into equity securities, any of which may be senior to our common stock as to distributions and in liquidation, which could negatively affect the value of our common stock.
- If our common stock becomes subject to the penny stock rules, it would become more difficult to trade our shares.
- We do not intend to pay cash dividends to our stockholders, so it is unlikely that stockholders will receive any return on their investment in our Company prior to selling our stock.
- Some provisions of Nevada law, our Articles of Incorporation and bylaws may deter takeover attempts, which may inhibit a takeover that stockholders consider favorable and limit the opportunity of our stockholders to sell their shares at a favorable price.

Risks Related to the XTI Merger

- Our equityholders may not realize a benefit from the XTI Merger commensurate with the ownership dilution they experienced in connection with the XTI Merger.

- The historical unaudited pro forma condensed combined financial information may not be representative of the combined company's results after the merger.
- The XTI Merger is expected to cause the Enterprise Apps Spin-off to become taxable to the Company.

Risks Related to the Separation and Distribution of Grafiti Holding and the Damon Business Combination

- The distribution of Grafiti Holding Common Shares to participating security holders 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.
- Certain members of our management and directors are anticipated to hold stock in both XTI Aerospace and Grafiti Holding, and as a result may face actual or potential conflicts of interest.
- The distribution is a taxable event and shareholders may need to use cash from other sources to cover your tax liability.
- 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.
- XTI Aerospace, Grafiti Holding 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.
- The announcement of the proposed Damon Business Combination could disrupt XTI Aerospace's, Grafiti Holding's and Damon's relationships with their respective customers, suppliers, business partners and others, as well as their operating results and business generally.
- The exercise of the XTI Aerospace or Grafiti Holding'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 Holding shareholders' best interest.

Risks Related to Our Business and Industry

We have a limited operating history and have not yet manufactured any non-prototype aircraft, delivered any aircraft to customers or generated any revenues from our aircraft business, and we may never develop or manufacture any VTOL aircraft.

We have a limited operating history in the VTOL aircraft industry. Our primary VTOL aircraft product is the TriFan 600 (the "aircraft", "Aircraft" or the "TriFan 600"), which is currently in the developmental stage. If we are successful in commercially producing the Aircraft, we do not expect to be able to obtain approval from the FAA and regulatory bodies in other countries, and commence deliveries until 2028 at the earliest, if at all. We have no experience as an organization in high volume manufacturing of the Aircraft or any other type of aircraft. We cannot assure you that we or our partners will be able to develop efficient, automated, cost-efficient manufacturing capabilities and processes and reliable sources of component supplies that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes, required to successfully mass market our aircraft. You should consider our business and prospects in light of the risks and significant challenges we face as a new entrant into our industry, including, among other things, with respect to our ability to:

- design and produce safe, reliable and quality aircraft on an ongoing basis;
- obtain the necessary regulatory approvals in a timely manner;
- build a well-recognized and respected brand;
- establish and expand our customer base;
- successfully service our aircraft after sales and maintain a good flow of spare parts and customer goodwill;
- improve and maintain our operational efficiency;
- predict our future revenues and appropriately budget for our expenses;
- attract, retain and motivate talented employees;
- anticipate trends that may emerge and affect our business;
- anticipate and adapt to changing market conditions, including technological developments and changes in our competitive landscape; and
- navigate an evolving and complex regulatory environment.

If we fail to adequately address any or all of these risks and challenges, our business, financial condition and results of operations may be materially and adversely affected. There is no assurance that we will ever be profitable or generate sufficient

revenue to pay dividends to the holders of our common stock. We do not believe we will be able to generate revenues from the sale of aircraft without successfully securing FAA certification of the TriFan 600 aircraft, which involves substantial risk. As a result, we are dependent upon raising sufficient financing to fund the Company until the TriFan 600's first flight, including building the first test aircraft. At the time of this filing and based on Legacy XTI's conclusion of its Preliminary Design Review ("PDR") in 2022, we estimate this amount to be approximately $300 million in capital, net of anticipated aircraft deposits. If planned operating levels are changed, higher operating costs encountered, lower sales revenue received, more time is needed to implement the plan, or less funding is received from customer deposits or sales, more investor funds than currently anticipated may be required. Additional difficulties may be encountered prior to FAA certification, such as unanticipated problems relating to development, testing, and initial and continuing regulatory compliance, vendor manufacturing costs, production and assembly, and the competitive and regulatory environments in which we intend to operate. If additional capital is not available when required, or is not available on acceptable terms, we may be forced to modify or abandon our business plan.

There is a possibility that we may not be able to continue as a "going concern".

We have adopted ASU No. 2014-15, "Disclosure of Uncertainties about the Entity's Ability to Continue as a Going Concern." We have concluded that there is an uncertainty about our ability to continue as a going concern and our independent auditors have incorporated this into their opinion of our 2023 audited financial statements, accordingly. This opinion could materially limit our ability to raise additional funds by issuing new debt or equity securities or otherwise. If we fail to raise sufficient capital when needed, we will not be able to complete our proposed business plan. As a result, we may have to liquidate our business and investors may lose their investments. Our ability to continue as a going concern is dependent on our ability to successfully accomplish our plan of operations described herein, obtain financing and eventually attain profitable operations.

Operating aircrafts carry a degree of inherent risk. Accidents or incidents involving VTOL aircrafts, us or our competitors could have a material adverse effect on our business, financial condition and results of operations.

Test flying a prototype aircraft is inherently risky, and accidents or incidents involving our aircraft are possible. Any such occurrence would negatively impact our development, testing and certification efforts, and could result in re-design, certification delay and/or postponements or delays to the sales of our aircraft.

The operation of an aircraft is subject to various risks, and we expect demand for our aircraft to be impacted by accidents or other safety issues regardless of whether such accidents or issues involve our aircraft. Such accidents or incidents could also have a material impact on our ability to obtain certification from the FAA and/or international regulators for our aircraft, or to obtain such certification in a timely manner. Such events could impact confidence in a particular aircraft type or the air transportation services industry as a whole, particularly if such accidents or disasters were due to a safety fault. We believe that regulators and the general public are still forming opinions about the safety and utility of various new types of VTOL aircraft, particularly "air taxis", which are also known as "eVTOLs." An accident or incident involving either our VTOL aircraft or an eVTOL aircraft during these early stages of opinion formation could have a disproportionate impact on the longer-term view of the advanced VTOL aircraft market generally.

There may be heightened public skepticism of new types of VTOL aircraft and its adopters. In particular, there could be negative public perception surrounding air taxis, including the overall safety and the potential for injuries or death occurring as a result of accidents involving them, regardless of whether any such safety incidents involve our aircraft. Any of the foregoing risks and challenges could adversely affect the combined company's prospects, business, financial condition and results of operations.

We are at risk of adverse publicity stemming from any public incident involving our company, our people, our brand or other companies in our industry. Such an incident could involve the actual or alleged behavior of any of our employees or third-party contractors. Further, if our personnel, our aircraft or other types of aircraft are involved in a public incident, accident, catastrophe or regulatory enforcement action, we could be exposed to significant reputational harm and potential legal liability. The insurance we carry may be inapplicable or inadequate to cover any such incident, accident, catastrophe or action. In the event that our insurance is inapplicable or inadequate, we may be forced to bear substantial losses from an incident or accident. In addition, any such incident, accident, catastrophe or action involving our employees, our aircraft or other types of aircraft could create an adverse public perception, which could harm our reputation, result in passengers being reluctant to use our services and adversely impact our business, results of operations and financial condition.

The remainder of the development period for the TriFan 600 may take longer than anticipated.

Even if it meets its development schedule, we do not expect to deliver certified aircraft to customers until 2028 at the earliest. As a result, the receipt of significant revenues is not anticipated until that time and may occur later than projected, as our previous development schedule has been delayed. We depend on receiving large amounts of capital and other financing to complete our development work, with no assurance that we will be successful in completing our development work or becoming profitable.

We operate in highly competitive markets and we may be required to reduce the prices for some of our products and services to remain competitive, which could adversely affect our results of operations.

The TriFan 600 potentially competes with a variety of aircraft manufacturers in the United States and abroad. Further, we could face competition from competitors of whom we are not aware that have developed or are developing technologies that will offer alternatives to the TriFan 600. Competitors could develop an aircraft that renders the TriFan 600 less competitive than we believe it will become. Many existing potential competitors are well-established, have or may have longer-standing relationships with customers and potential business partners, have or may have greater name recognition, and have or may have access to significantly greater financial, technical and marketing resources. Other manufacturers may be developing a light, fixed-wing, VTOL aircraft with performance similar to that of the TriFan 600.

The RTLS industry is developing rapidly and related technology trends are constantly evolving. In this environment, we face, among other things, significant price competition from our competitors. As a result, we may be forced to reduce the prices of the products and services we sell in response to offerings made by our competitors and may not be able to maintain the level of bargaining power that we have enjoyed in the past when negotiating the prices of our products and services.

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

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

If we are not able to maintain favorable pricing for our products and services, our results of operations could be adversely affected.

The market for a civilian long-range fixed-wing VTOL aircraft is new and untested. If such market does not respond at the level we expect or if it fails to grow as large as we expect, our business, financial condition and results of operations could be harmed.

The market for a civilian long-range fixed-wing VTOL aircraft is completely new and untested. Our success in this market is dependent upon our ability to effectively market and sell travel and other applications by the TriFan 600 as a substitute for conventional methods of air transportation (i.e., helicopters and/or light and mid-size business aircraft) and the effectiveness of our other marketing and growth efforts. If the public does not respond as expected as a result of concerns regarding safety, affordability or for other reasons, then the market for our offerings may not develop, may develop more slowly than we expect or may not achieve the growth potential we expect, any of which could harm our business, financial condition and results of operations.

Developing new products and technologies entails significant risks and uncertainties.

Delays or cost overruns in the development or certification of the TriFan 600 and failure of the product to meet its performance estimates is likely to affect our financial performance. Delays and increased costs may be caused by unanticipated technological hurdles, changes to design or failure on the part of our suppliers to deliver components as agreed. This may further delay the development and/or certification of the TriFan 600.

Additionally, the TriFan 600 may not perform at the level we expect or may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. It is not possible to fully replicate every operating condition and validate the long-term durability of every aspect of our aircraft in testing prior to its use in service. In some instances, we may need to continue to rely upon projections and models to validate the projected performance of our aircraft over their lifetime. Therefore, similar to most aerospace products, there is a risk that our aircraft may suffer unforeseen faults, defect or other issues in service. Such faults, defects and other issues may require significant additional research and development to rectify and could involve suspension of operation of our aircraft until any such defects can be cured. There can be no assurance that such research and development efforts would result in viable products or cure any such defects. Obtaining the necessary data and results may take longer than planned or may not be obtained at all. Any such delays or setbacks could have a material adverse effect on our reputation and our ability to achieve our projected timelines and financial goals.

Our aircraft may require maintenance at frequencies or at costs that are greater than expected.

The TriFan 600, when produced, is anticipated to require regular maintenance and support. We are still developing our understanding of the long-term maintenance profile of the aircraft, and if useful lifetimes are shorter than expected, this may lead to greater maintenance costs than previously anticipated. If the TriFan 600 and related equipment require maintenance more frequently than we plan for or at costs that exceed our estimates, that would have an impact on the sales of our aircraft and have a material adverse effect on our business, financial condition and results of operations.

There may be a shortage of pilots and mechanics who meet the training standards required, which could reduce our ability to sell our aircraft at scale and on our expected timelines.

There is a shortage of pilots that is expected to exacerbate over time as more pilots in the industry approach mandatory retirement age. Similarly, trained and qualified aircraft and aviation mechanics are also in short supply. If these shortages continue, the aviation industry as a whole and our business may face challenges.

The pre-orders we have received for our aircraft are non-binding, conditional or written expressions of interest and may be terminated at any time prior to execution of a definitive purchase agreement. If these pre-orders are cancelled, modified, delayed or not placed in accordance with the terms agreed with each party, our business, results of operations, liquidity and cash flow will be materially adversely affected.

We have a pre-sales program which includes refundable deposits for TriFan 600 aircraft. Most pre-orders do not include deposits. The deposits we have received do not create an obligation on the part of the customer to purchase an aircraft, and a customer may request the full return of its refundable deposit. Most pre-orders are subject to the execution of a definitive purchase agreement between us and each party that contains the final terms for the purchase of our aircraft, including, but not limited to, the final number of aircraft to be purchased and the timing for delivery of the aircraft. Some or most customers might not transition to non-refundable purchase contracts until prior to aircraft delivery, if at all. Aircraft customers might respond to weak economic conditions or competitive alternatives in the market by canceling orders, resulting in lower demand for our aircraft and other materials, such as parts, services, and training, from which we expect to generate additional revenue. Such events would have a material adverse effect on our financial results and/or liquidity. For more detailed information regarding our material pre-orders, see "*Key Agreement*" under Part I, Item 1 herein.

Operations could be adversely affected by interruptions of production that are beyond our control.

We intend to produce the TriFan 600 and its derivatives using systems, components and parts developed and manufactured by third-party suppliers. This supply chain exposes us to multiple potential sources of delivery failure or component shortages for our aircraft, most of which are out of our control, including shortages of, or disruptions in the supply of, the raw materials used by our partners in the manufacture of components, disruptions to our partners' workforce (such as strikes or labor shortfalls) and disruptions to, or capacity constraints affecting, shipping and logistics. Such suppliers may be subject to additional risks such as financial problems that limit their ability to conduct their operations. If any of these third parties experience difficulties, it may have a direct negative impact on us.

While we believe that we may be able to establish alternate supply relationships and can obtain replacement components, we may be unable to do so in the short term or at all at prices that are acceptable to us or may need to recertify components. We may experience source disruptions in our or our partners' supply chains, which may cause delays in our overall production process for both prototype and commercial production aircraft.

If we needed to find alternative suppliers for any of the key components of our aircraft, then this could increase our costs and adversely affect our ability to receive such components on a timely basis, or at all, which could cause significant delays in our overall projected timelines for the delivery of our aircraft and adversely affect our relationships with our customers.

In addition, if we experience a significant increase in demand, or need to replace our existing suppliers, there can be no assurance that additional suppliers of component parts will be available when required on terms that are acceptable to us, or at all, or that any supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner. Further, if we are unable to manage successfully our relationships with all of our suppliers and partners, the quality and availability of our aircraft may be harmed. Our suppliers or partners could, under some circumstances, decline to accept new purchase orders from, or otherwise reduce their business with, us. Any disruptions in the supply of components from our suppliers and partners could lead to delays in aircraft production, which would materially adversely affect our business, financial condition and operating results.

Further, if any conflicts arise between our suppliers or partners and us, the other party may act in a manner adverse to us and could limit our ability to implement our business strategies, which could impact our projected production timelines and number of aircraft produced. Our suppliers or partners may also develop, either alone or with others, products in related fields that are competitive with our products as a result of any conflicts or disagreements. Any disagreements or conflicts with our suppliers or partners could have an adverse effect on our reputation, which could also negatively impact our ability to source new suppliers or partners.

Any changes in business conditions, wars, governmental changes, political intervention and other factors beyond our control or which we do not presently anticipate, could also affect our partners' and suppliers' abilities to deliver components to us on a timely basis, which could have a material adverse effect on our overall timelines to produce our aircraft. We do not control our suppliers or partners or such parties' labor and other legal compliance practices, including their environmental, health and safety practices. If our current suppliers or partners, or any other suppliers or partners which we may use in the future, violates any specific laws or regulations, we may be subjected to extra duties, significant monetary penalties, adverse publicity, the seizure and forfeiture of products that we are attempting to import or the loss of our import privileges. The effects of these factors could render the conduct of our business in a particular country undesirable or impractical and have a negative impact on our business, financial condition and results of operations.

We will require FAA certification, and a delay in receiving such certification could adversely affect our prospects, business, financial condition and results of operations.

The TriFan 600 is still in the development stage, and we are still working to obtain FAA type certification of the TriFan 600. Certification by the FAA will be required for the sale of the TriFan 600 in the civil or commercial market in the United States. The process to obtain such certification is expensive and time consuming and has inherent engineering risks. These include (but are not limited to) ground test risks such as structural strength and fatigue resistance, and structural flutter modes. Flight test risks include (but are not limited to) stability and handling over the desired center-of-gravity range, performance extremes (stalls, balked-landing climb, single-engine climb), and flutter control effectiveness (aircraft roll effectiveness, controllability, various control failure safety). Delays in FAA certification can be expected to result in us incurring increased costs in attempting to correct any issues causing such delays. Also, the impact of new or changed laws or regulations on the TriFan 600's certification or the costs of complying with such laws and regulations cannot be predicted.

Our estimates of market demand may be inaccurate.

We have projected the market for the TriFan 600 based upon a variety of internal and external market data. The estimates involve assumptions, which may not be realized in fact. There can be no assurance that our estimates for the number of TriFan 600 aircraft that may be sold in the market will be as anticipated. In the event that we have not accurately estimated the market size for and the number of TriFan 600 aircraft that we can sell, it could have a material adverse effect upon us and our results from operations.

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

We have not registered copyrights on any of the software we have developed, and while we may register copyrights in the software if needed before bringing suit for copyright infringement, such registration can introduce delays before suit of over three years and can constrain damages for infringement. We rely upon confidentiality agreements signed by our employees, consultants and third parties to protect our intellectual property. We cannot assure you that we can adequately protect our intellectual property or successfully prosecute actual or potential infringement of our intellectual property rights. In addition, we cannot assure you that others will not copy or reproduce aspects of our intellectual property and our products, or that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. Our failure to protect our intellectual property rights may result in a loss of revenue and could materially adversely affect our operations and financial condition.

Although we have received patents issued by the US Patent and Trademark Office (USPTO) (design patent D741247 and utility patent US 9,676,479) and various foreign patents for the TriFan 600, there is no guarantee that we will receive one or more additional patents for which we will apply to the USPTO or for which we have applied or will apply in foreign jurisdictions. If one or more of any of our existing or future patents are challenged by a third party (such as a claim of invalidity of our patents or a claim of infringement against us), the federal courts would determine whether we are entitled to patent protection. If we fail to successfully enforce our proprietary technology or otherwise maintain the proprietary nature of our intellectual property used in the TriFan 600 aircraft, our competitive position could suffer. Notwithstanding our efforts to protect our intellectual property, our competitors may independently develop similar or alternative technologies or products that are equal to or superior to our TriFan 600 technology without infringing on any of our intellectual property rights or design around our proprietary technologies. There is no guarantee that the USPTO will issue one or more additional patents to us or that any court will rule in our favor in the event of a dispute related to our intellectual property. In the absence of further patent protection, it may be more difficult for us to achieve commercial production of the TriFan 600.

In addition, any patents issued in the future may not provide us with any competitive advantages, and our patent applications may never be granted. The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are complex and often uncertain and are subject to change that can affect validity of patents issued under previous legal standards, particularly with respect to the law of subject matter eligibility. Our inability to protect our property rights could adversely affect our financial condition, operating results and growth prospects.

Our proprietary software is protected by common law copyright laws, as opposed to registration under copyright statutes. We have not registered copyrights on any of the proprietary software we have developed. Our performance and ability to compete are dependent to a significant degree on our proprietary technology. Common law protection may be narrower than that which we could obtain under registered copyrights. As a result, we may experience difficulty in enforcing our copyrights against certain third party infringements. As part of our confidentiality-protection procedures, we generally enter into agreements with our employees and consultants and limit access to, and distribution of, our software, documentation and other proprietary information. There can be no assurance that the steps we have taken will prevent misappropriation of our technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford us little or no protection of our intellectual property. We also rely on a variety of technology that we license from third parties. There can be no assurance that these third party technology licenses will continue to be available to us on commercially reasonable terms, if at all. The loss of or inability to maintain or obtain upgrades to any of these technology licenses could result in delays in completing software enhancements and new development until equivalent technology could be identified, licensed or developed and integrated. Any such delays would materially and adversely affect our business.

Our ability to use net operating loss carryforwards and certain other tax attributes from the Legacy XTI business may be limited.

As of December 31, 2023, Legacy XTI estimates that it has federal net operating loss carryforwards (“NOLs”) in excess of $10 million, of which approximately $1.4 million will begin to expire in 2036 and the remainder do not expire. Under the Tax Cuts and Jobs Act, federal NOLs generated by us in tax years through December 31, 2017 may be carried forward for 20 years and may fully offset taxable income in the year utilized and federal NOLs generated by us in tax years beginning after

December 31, 2017 may be carried forward indefinitely but may only be used to offset 80% of our taxable income annually. Under Sections 382 and 383 of the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change federal NOLs and other tax attributes (such as research and development tax credits) to offset its post-change income and taxes may be limited. In general, an "ownership change" occurs if there is a greater than 50 percentage point change (by value) in a corporation's equity ownership by certain stockholders over a rolling three-year period. We may have experienced ownership changes in the past and may experience ownership changes in the future as a result of subsequent shifts in our stock ownership (some of which shifts are outside our control). As a result, our ability to use Legacy XTI's pre-change federal NOLs and other tax attributes to offset future taxable income and taxes could be subject to limitations. Similar provisions of state tax law may also apply. For these reasons, even if we achieve profitability, we may be unable to use a material portion of Legacy XTI's NOLs and other tax attributes which may have an adverse impact on our business, financial condition and results of operations.

We may enter into joint venture, teaming and other arrangements, and these activities involve risks and uncertainties. A failure of any such relationship could have material adverse results on our business and results of operations.

We may enter into joint venture, teaming and other arrangements. These activities involve risks and uncertainties, including the risk of the joint venture or applicable entity failing to satisfy its obligations, which may result in certain liabilities to us for guarantees and other commitments, the challenges in achieving strategic objectives and expected benefits of the business arrangement, the risk of conflicts arising between us and our partners and the difficulty of managing and resolving such conflicts, and the difficulty of managing or otherwise monitoring such business arrangements. In addition, we do not currently have arrangements in place that will allow us to fully execute our business plan, including, without limitation, final supply and manufacturing agreements. Moreover, existing or future arrangements may contain limitations on our ability to enter into arrangements with other partners. A failure of our business relationships could have a material adverse effect on our business and results of operations.

If we are unable to obtain and maintain adequate facilities and infrastructure, we may be unable to develop and manufacture the aircraft as expected.

In order to develop and manufacture our aircraft, we must be able to obtain and maintain adequate facilities and infrastructure. We may be unsuccessful in obtaining, developing and/or maintaining these facilities in a commercially viable manner. Even if we are able to begin assembly operations in these facilities, maintenance of these facilities will require considerable capital expenditure as we expand operations. We cannot provide any assurance that we will be successful in obtaining and maintaining adequate facilities and infrastructure, and any failure to do so may result in our inability to develop and manufacture our aircraft as expected or on the timelines projected, which would adversely affect our business, financial condition and results of operations.

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

While the unprecedented challenges posed by the COVID-19 pandemic over the last few years have mostly subsided, there continue to be residual effects such as remote and hybrid work that may continue to impact our business and the business of our customers. We continue to operate all of our services, but the extent to which the remaining effects of the pandemic will impact our business, operations, financial condition and results of operations is uncertain, and hard to predict and will depend on numerous evolving factors that we may not be able to control or predict including:

- the impact of recurring variants of the COVID-19 virus and their impact on our employees and key personnel, our operations and our customers and partners;
- any disruption of our supply chain and the impact of such disruptions on our suppliers or our ability to deliver products and services to our customers;
- our continued ability to execute on business continuity plans for the maintenance of our critical internet infrastructure, while most of our employees continue to work remotely; and

- any negative impact on the demand for our services and products resulting from the economic disruption caused by the pandemic and responses thereto such as remote and hybrid work styles that can negatively impact our indoor intelligence solutions.

We are subject to risks associated with climate change, including the potential increased impacts of severe weather events on our operations and infrastructure.

The potential physical effects of climate change, such as increased frequency and severity of high wind conditions, storms, floods, fires, fog, mist, freezing conditions, sea-level rise and other climate-related events, could affect our operations, infrastructure and financial results. Climate change risks could result in but are not limited to operational risk from the physical effect of climate events on our terminal facilities, production facilities and other assets, as well as transitional risks, including new or more stringent regulatory requirements, increased monitoring and disclosure requirements, and potential effects on our reputation and/or changes in our business. We could incur significant costs to improve the climate resiliency of our aircraft or infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to accurately predict the materiality of any potential losses or costs associated with the physical effects of climate change.

Market and regulatory trends to reduce climate change may not evolve in the direction and within the timing expected, which could have a negative impact in our business plan.

A number of governments globally have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels and energy efficiency is becoming more stringent and is gaining more widespread market approval, as consumers expect companies to play a role in addressing climate change. Our business plan is predicated in part on the idea that market and regulatory trends favoring such "clean" energy and addressing climate change will continue to evolve in our favor. However, any change or reversal in such market and regulatory trends, such as less focus on climate-friendly solutions or less stringent legislation with respect to emissions, could result in lower demand for our aircraft and have an adverse effect on our business.

Investors' expectations of our performance relating to environmental, social and governance ("ESG") factors may impose additional costs and expose us to new risks.

There is an increasing focus from investors, employees, customers and other stakeholders concerning corporate responsibility, specifically related to ESG matters. Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to corporate responsibility are inadequate. The growing investor demand for measurement of non-financial performance is addressed by third-party providers of sustainability assessments and ratings with respect to public companies. The criteria by which our corporate responsibility practices are assessed may change due to changes in the sustainability landscape, which could cause us to undertake costly initiatives to satisfy such new criteria. If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies and/or actions with respect to corporate social responsibility are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

We may not be able to secure adequate insurance policies, or secure insurance policies at reasonable prices.

We maintain a variety of insurance policies, and we believe our level of coverage is customary in our stage of development and industry and adequate to protect against claims. However, there can be no assurance that it will be sufficient to cover potential claims or that present levels of coverage will be available in the future at reasonable cost. Insurers may be unwilling to cover the risks associated with the TriFan 600 technology, either partially or at all. Further, we expect our insurance needs and costs to increase as we build production facilities, manufacture aircraft, establish commercial operations and expand into new markets.

We have historically had a strategic acquisition strategy and since 2014 have completed several strategic transactions including acquisitions and dispositions. We completed the spin-off of our VAR business in August 2018, which included our legacy value added reseller business, the Enterprise Apps Spin-off in March 2023 and the divestiture of our SAVES and Shoom businesses in two separate transactions in December 2023 and February 2024, which may make it difficult for potential investors to evaluate our future business. Our RTLS business has developed through multiple acquisition transactions. Furthermore, due to the risks and uncertainties related to the acquisition of new businesses, any such acquisition does not guarantee that we will be able to attain profitability.

We have a strategic acquisition strategy and since 2014 we completed several strategic transactions and spin-offs. In August 2018, we completed the spin-off of our VAR business, and in 2019 we completed several other acquisition transactions to expand our product portfolio. In 2020, we acquired the Nanotron business, an exclusive license for the distribution and marketing of the SAVES software expanding our operations in the United Kingdom and Germany. In 2021, we acquired 100% of the outstanding capital stock of IntraNav GmbH, an industrial IoT (IIoT), real-time location system (RTLS), and sensor data services provider and 100% of the outstanding capital stock of Design Reactor, Inc. In 2023, we completed the spin-off of our enterprise apps business. In December 2023, we transferred the UK division of our SAVES business to Grafiti Holding in connection with spin-off and planned distributions of all of the shares of Grafiti Holding to our shareholders pending the effectiveness of a registration statement. In February 2024, we divested the remainder of the SAVES and Shoom business in a stock purchase transaction. Our limited operating history after such acquisitions and divestitures makes it difficult for potential investors to evaluate our business or prospective operations or the merits of an investment in our securities. With respect to acquisitions, we are subject to the risks inherent in the financing, expenditures, complications and delays characteristic of a newly combined business. These risks are described below under the risk factor titled *"Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results."* In addition, while the Company has received indemnification protections in connection with these acquisitions from undisclosed liabilities, there may not be adequate resources to cover such indemnity. Furthermore, there are risks that the vendors, suppliers and customers of any of the businesses we have acquired may not renew their relationships for which there is no indemnification. Accordingly, our business and success faces risks from uncertainties inherent to developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

We may not be able to successfully integrate the business and operations of entities that we have acquired, been acquired by or may acquire in the future into our ongoing business operations, which may result in our inability to fully realize the intended benefits of these acquisitions, or may disrupt our current operations, which could have a material adverse effect on our business, financial position and/or results of operations.

We continue to integrate the technology and operations acquired in connection with our recent acquisitions, including but not limited to Legacy XTI and the Nanotron and Intranav technology and operations. This process involves complex operational, technological and personnel-related challenges, which are time-consuming and expensive and may disrupt our ongoing business operations. Furthermore, integration involves a number of risks, including, but not limited to:

- difficulties or complications in combining the companies' operations;
- differences in controls, procedures and policies, regulatory standards and business cultures among the combined companies;
- the diversion of management's attention from our ongoing core business operations;
- increased exposure to certain governmental regulations and compliance requirements;
- the potential increase in operating costs;
- the potential loss of key personnel;
- the potential loss of key customers or suppliers who choose not to do business with the combined business;
- difficulties or delays in consolidating the acquired companies' technology platforms, including implementing systems designed to maintain effective disclosure controls and procedures and internal control over financial reporting for the combined company and enable the Company to continue to comply with U.S. GAAP and applicable U.S. securities laws and regulations;
- unanticipated costs to successfully integrate operations, technologies, personnel of acquired businesses and other assumed contingent liabilities;
- difficulty comparing financial reports due to differing financial and/or internal reporting systems;

- making any necessary modifications to internal financial control standards to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder; and/or

- possible tax costs or inefficiencies associated with integrating the operations of the combined company.

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

Even if we are able to successfully operate the acquired businesses, we may not be able to realize the revenue and other synergies and growth that we anticipated from these acquisitions in the time frame that we currently expect, and the costs of achieving these benefits may be higher than what we currently expect, because of a number of risks, including, but not limited to:

- the possibility that the acquisition may not further our business strategy as we expected;

- the possibility that we may not be able to expand the reach and customer base for the acquired companies' current and future products as expected;

- the possibility that we may have entered a market with no prior experience and may not succeed in the manner expected; and

- the possibility that the carrying amounts of goodwill and other purchased intangible assets may not be recoverable.

As a result of these risks, the acquisitions and integration may not contribute to our earnings as expected, we may not achieve expected revenue synergies or our return on invested capital targets when expected, or at all, and we may not achieve the other anticipated strategic and financial benefits of the acquisitions and the reorganization.

The risks arising with respect to the historic business and operations of our recent acquisition targets may be different from what we anticipate, which could significantly increase the costs and decrease the benefits of the acquisition and materially and adversely affect our operations going forward.

Although we performed significant financial, legal, technological and business due diligence with respect to our recent acquisition targets, we may not have appreciated, understood or fully anticipated the extent of the risks associated with the acquisitions. We have secured indemnification for certain matters in connection with our recent acquisitions in order to mitigate the consequences of breaches of representations, warranties and covenants under the applicable merger or acquisition agreements and the risks associated with historic operations, including those with respect to compliance with laws, accuracy of financial statements, financial reporting controls and procedures, tax matters and undisclosed liabilities, and certain matters known to us. We believe that the indemnification provisions of the merger agreements, together with any applicable holdback escrows and insurance policies that we have in place will limit the economic consequences of the issues we have identified in our due diligence to acceptable levels. Notwithstanding our exercise of due diligence and risk mitigation strategies, the risks of acquiring target companies with historic businesses and operations may expose us to unknown or contingent liabilities and the costs associated with these risks may be greater than we anticipate causing material and adverse impact on our business, liquidity, capital resources or results of operations.

The consummation of the XTI Merger is expected to cause the Enterprise Apps Spin-off to become taxable to the Company.

Although the Enterprise Apps Spin-off was expected to qualify as a tax-free transaction under Section 355 of the Code for our shareholders, the consummation of the XTI Merger and the issuance of Company common stock pursuant to the XTI Merger Agreement is expected to cause the Enterprise Apps Spin-off to become taxable to the Company pursuant to the application of Section 355(e) of the Code. Although the Enterprise Apps Spin-off is expected to be taxable to the Company, the Company does not expect to recognize any material taxable income as a result of the transaction being taxable to it.

The ongoing impact of the military conflict between Russia and Ukraine and the Israel/Hamas conflict may result in an increase in the likelihood of supply chain constraints, contribute to inflation driving up the cost of material and labor required to make our products, the effects of which remains uncertain and may have a material adverse impact on our business, operations and financial conditions.

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

A significant portion of the purchase price related to our strategic acquisitions prior to the XTI Merger was allocated to goodwill and intangible assets that are subject to periodic impairment evaluations. An impairment loss could have a material adverse impact on our financial condition and results of operations.

A significant portion of the purchase price related to our strategic acquisitions prior to the XTI Merger was allocated to goodwill and intangible assets that are subject to periodic impairment evaluations. As of December 31, 2023 our previously recorded goodwill (prior to taking into account any goodwill resulting from the XTI Merger) was fully impaired and the net book value of our intangible assets is approximately $2.2 million in connection with the various acquisitions that we have consummated. A future impairment loss could have a material adverse impact on our financial condition and results of operations.

As required by current accounting standards, we review intangible assets for impairment either annually or whenever changes in circumstances indicate that the carrying value may not be recoverable. The risk of impairment to goodwill is higher during the early years following an acquisition. This is because the fair values of these assets align very closely with what we paid to acquire the reporting units to which these assets are assigned. As a result, the difference between the carrying value of the reporting unit and its fair value (typically referred to as “headroom”) is smaller at the time of acquisition. Until this headroom grows over time, due to business growth or lower carrying value of the reporting unit, a relatively small decrease in reporting unit fair value can trigger impairment charges. When impairment charges are triggered, they tend to be material due to the size of the assets involved. Our business could be adversely affected, and impairment of goodwill could be triggered, if any of the following were to occur: higher attrition rates than planned as a result of the competitive environment or our inability to provide products and services that are competitive in the marketplace, lower-than-planned adoption rates by customers, higher-than-expected expense levels to provide services to customers, sustained declines in our stock price and related market capitalization and changes in our business model that may impact one or more of these variables. During the years ended December 31, 2023 and 2022 (prior to taking into account the impact of the XTI Merger), we recorded a goodwill and intangibles impairment charge from continuing operations of $0.0 million and $1.2 million, respectively. As of December 31, 2023 and 2022, our goodwill was fully impaired.

Our ability to successfully execute our business plan will require additional debt or equity financing, which may otherwise not be available on reasonable terms or at all.

Based on our current business plan, we will need additional capital to support our operations, which may be satisfied with additional debt or equity financings. To the extent that we raise additional capital by issuing equity securities, such an issuance may cause significant dilution to our stockholders’ ownership and the terms of any new equity securities may have preferences over our common stock. Any debt financing that we enter into may involve covenants that restrict our operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of our assets, as well as prohibitions on our ability to create liens, pay dividends, redeem its stock or make investments. For example, our Series 9 Preferred Stock contains a number of restrictive covenants, as described under “– *The terms of the Series 9 Preferred Stock impose additional challenges on our ability to raise capital*.” These restrictive covenants could deter or prevent us from raising additional capital as and when needed. In addition, if we raise additional funds through licensing, partnering or other strategic arrangements, it may be necessary to relinquish rights to some of our technologies and proprietary rights, or grant licenses on

terms that are not favorable to us. We may also issue incentive awards under our equity incentive plans, which may have additional dilutive effects. We may also be required to recognize non-cash expenses in connection with certain securities we may issue in the future such as convertible notes and warrants, which would adversely impact our financial condition and results of operations.

Our ability to obtain needed financing may be impaired by factors, including the condition of the economy and capital markets, both generally and specifically in our industry, and the fact that we are not profitable, which could affect the availability or cost of future financing. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, we may need to reduce our operations by, for example, selling certain assets or business segments.

The terms of the Series 9 Preferred Stock impose additional challenges on our ability to raise capital.

The terms of our Series 9 Preferred Stock contain a number of restrictive covenants that may impose significant operating and financial restrictions on us while the Series 9 Preferred Stock remains outstanding, unless the restrictions are waived by the consent of at least a majority of the outstanding Series 9 Preferred Stock. These restrictions include, but are not limited to, restrictions on our ability to (i) issue or sell any equity securities which result in net proceeds to the Company in excess of an aggregate of $10,000,000, (ii) issue, incur or guaranty any debt (excluding any intercompany debt) or issue any debt or equity securities in any variable rate transaction (which does not include the issuance of shares of common stock in an at-the-market offering, subject to the limitations set forth in the Series 9 Preferred Stock Certificate of Designation), and (iii) create, authorize, or issue, or enter into any agreement to create, authorize, or issue, any class of preferred stock (including additional issuances of Series 9 Preferred Stock).

A breach of the restrictive covenants under the Series 9 Preferred Stock Certificate of Designation could result in an event of default under the Series 9 Preferred Stock Certificate of Designation which may require redemption of the Series 9 Preferred Stock. As a result of these restrictions, we may be limited in how we conduct our business, unable to finance our operations through additional debt or equity financings and/or unable to compete effectively or to take advantage of new business opportunities.

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

Since formation, our Company has grown significantly with increases in employee headcounts, product lines, physical locations across several countries, and managing of multiple relationships as well as interactions with users, distributors, vendors and other third parties. Our acquisitions may require substantial expansion of our systems, workforce and facilities and our corporate strategy includes plans for continued acquisitions of complementary technologies and businesses in furtherance of our growth plans. We may fail to adequately manage our anticipated future growth. The substantial growth in our operations as a result of our acquisitions has, and is expected to continue to, place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. There can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems.

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

terminations and significant liability, and prompt the Company to restructure the organization or abandon the business of an acquired business. Any such result would adversely affect the Company's business and financial condition.

Prior to the XTI Merger, we have had a history of operating losses and working capital deficiency and there is no assurance that we will be able to achieve profitability or raise additional financing.

Prior to the XTI Merger, we had a history of operating losses and working capital deficiency. We incurred net losses from continuing operations of approximately $34.4 million and $19.7 million for the fiscal years ended December 31, 2023 and 2022, respectively. This increase in loss of approximately $14.7 million was primarily attributable to the acquisition costs inclusive of the XTI and Damon transactions in the year ended December 31, 2023 of approximately $4.2 million, the transaction costs in the year ended December 31, 2023 inclusive of the CXApp transaction of approximately $3.1 million, the warrant inducement expense of approximately $3.4 million, the higher interest expense and higher tax provision. The continuation of our Company is dependent upon attaining and maintaining profitable operations in our RTLS business and executing timely on our design, FAA certification and eventual production of the XTI Trifan600 and raising additional capital as needed, but there can be no assurance that we will be able to raise any further financing.

Our ability to generate positive cash flow from operations was dependent upon sustaining certain cost reductions and generating sufficient revenues. Our revenues decreased by 25% as compared to the same period for 2022 as a result of longer sales cycles, economic uncertainty for our customers and our transition to a recurring revenue model. We will need to grow our revenues to sufficiently fund our operations and cover our operating losses.

Our management is evaluating options and strategic transactions and continuing to market and promote our new products and technologies, however, there is no guarantee that these efforts will be successful or that we will be able to achieve or sustain profitability. Even if we are able to successfully develop and sell our aircraft, there can be no assurance that the aircraft will be commercially successful and achieve or sustain profitability. We expect the rate at which we will incur losses to be significantly higher in future periods as we, among other things, certify and assemble our aircraft, deploy our facilities, build up inventories of parts and components for our aircraft, increase our sales and marketing activities, develop our manufacturing infrastructure and increase our general and administrative functions to support our growing operations. These efforts may not result in the Company reaching profitability, which would further increase our losses. We have funded our operations primarily with proceeds from public and private offerings of our common stock and secured and unsecured debt instruments. Our history of operating losses and cash uses, our projections of the level of cash that will be required for our operations to reach profitability, and the terms of the financing transactions that we completed in the past, may impair our ability to raise capital on terms that we consider reasonable and at the levels that we will require over the coming months. In addition, to the extent that we are unable to pay our obligations under our secured promissory note with the U.S. Small Business Administration, or any other future secured debt, the creditor could proceed against any or all of the collateral securing our indebtedness to it. We cannot provide any assurances that we will be able to secure additional funding from public or private offerings or debt financings on terms acceptable to us, if at all. If we are unable to obtain the requisite amount of financing needed to fund our planned operations, it would have a material adverse effect on our business and ability to continue as a going concern, and we may have to curtail, or even to cease, certain operations. If additional funds are raised through the issuance of equity securities or convertible debt securities, it will be dilutive to our stockholders and could result in a decrease in our stock price.

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

The success of our business depends on the skill of our personnel. Accordingly, it is critical that we maintain, and continue to build, a highly experienced management team and specialized workforce, including those who create software programs and sales professionals. Competition for personnel with skill sets specific to our industry is high, and identifying candidates with the appropriate qualifications can be costly and difficult. We may not be able to hire the necessary personnel to implement our business strategy given our anticipated hiring needs, or we may need to provide higher compensation or more training to our personnel than we currently anticipate.

Our business is labor intensive and our success depends on our ability to attract, retain, train, educate, and motivate highly skilled employees, including employees who may become part of our organization in connection with our acquisitions. The increase in demand for consulting, technology integration and managed services has further increased the need for employees with specialized skills or significant experience in these areas. Our ability to expand our operations will be highly dependent on our ability to attract a sufficient number of highly skilled employees and to retain our employees and the

employees of companies that we have acquired. We may not be successful in attracting and retaining enough employees to achieve our desired expansion or staffing plans. Furthermore, the industry turnover rates for these types of employees are high and we may not be successful in retaining, training or motivating our employees. Any inability to attract, retain, train and motivate employees could impair our ability to adequately manage and complete existing projects and to accept new customer engagements. Such inability may also force us to increase our hiring of independent contractors, which may increase our costs and reduce our profitability on customer engagements. We must also devote substantial managerial and financial resources to monitoring and managing our workforce. Our future success will depend on our ability to manage the levels and related costs of our workforce.

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

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

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

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

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

Any future disposition of assets and business could have material and adverse effect on business, financial conditions, and operations, if not consummated in a timely manner.

As part of our corporate strategy, our management considers and evaluates opportunities involving dispositions of assets and business. Such transactions may expose us to unknown or unforeseeable challenges resulting in disruption of business operations, loss of key personnel and ongoing tax benefits treatment, failure to obtain necessary statutory and regulatory approvals, provide ongoing indemnity, and compliance with post-closing obligations, which may affect or prevent us from consummating the transactions, and have a material and adverse effect on our business, financial conditions, and operations.

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

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

If we were deemed to be an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition and results of operations.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (1) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (2) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. In the past, we have made strategic investments in certain securities, including the purchase of certain interests in Cardinal Venture Holdings LLC, a Delaware limited liability company ("CVH"), which owns certain interests in the sponsor entity to KINS Technology Group Inc., a former special purpose acquisition company with which the Company entered into a business combination, as well as our holdings in Sysorex and Foxo Technologies Inc. Although we have made these strategic investments, we do not currently believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act.

We intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition and results of operations.

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

We may be subject to claims that the Company or our employees may have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of former employers or competitors. Litigation may be necessary to defend against these claims. We may be subject to unexpected claims of infringement of third party intellectual property rights, either for intellectual property rights of which we are not aware, or for which we believe are invalid or narrower in scope than the accusing party. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel or be enjoined from selling certain products or providing certain services. A loss of key research personnel or their work product could hamper or prevent our ability to commercialize certain products, which could severely harm our business.

We have been subject to regulatory and other government or regulatory investigations or inquiries under national, regional and local laws, as amended from time to time, and may be required to comply with data requests, or requests for information

by government authorities and regulators in the United States or other jurisdictions in which we operate and any resulting enforcement action could have a materially adverse effect on us.

As a publicly trading reporting company with operations in the United States and internationally, we interact regularly with regulatory and self-regulatory agencies in the United States or other jurisdictions in which we operate, including the SEC and the Nasdaq Stock Market. We have been and may in the future be the subject of SEC and other regulatory investigations and may be required to comply with informal or formal orders or other requests for information or documentation from such government authorities and regulators regarding our compliance with national, regional and local laws and regulations, including the rules and regulations under the Securities Act and the Exchange Act. Such laws and regulations and their interpretation and applications may also change from time to time. Responding to requests for information from regulators in connection with any such investigations or inquiries could have a materially adverse effect on our business through, among other things, significantly increased legal fees and the time and attention required of the Company's management and employees to be diverted from our normal business operations and growth plans. Moreover, if a regulator were to initiate an enforcement action against us, such any action could further consume our resources, require us to change our business practices and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adverse judgments or settlements in legal proceedings could materially harm our business, financial condition, operating results and cash flows.

We may be a party to claims that arise from time to time in the ordinary course of our business, which may include those related to, for example, contracts, sub-contracts, protection of confidential information or trade secrets, adversary proceedings arising from customer bankruptcies, employment of our workforce and immigration requirements or compliance with any of a wide array of state and federal statutes, rules and regulations that pertain to different aspects of our business.

Additionally, we are and we may be made a party to future claims resulting from our proposed business combinations. For example, two lawsuits were previously filed against us and our directors alleging that we filed a purportedly misleading Form S-4 on August 14, 2023 that omitted material information regarding the process leading to the XTI Merger and the analysis performed by our financial advisor in connection with such transaction. The suits asserted claims under Section 14(a) and Section 20 of the Exchange Act and sought injunctive relief, damages, costs, attorneys' fees, and other relief. Those suits were later voluntarily dismissed. We have also received demand letters from multiple purported Company shareholders alleging that the Form S-4 omits or misstates material information regarding similar topics as alleged in the dismissed lawsuits, as well as material information pertaining to other topics, including information pertaining to the compensation and business or financial relationships of our financial advisor for the proposed transaction. The letters demand that we make supplemental disclosures to correct the alleged misstatements and omissions. It is possible that we may be named in additional suits or receive additional demand letters containing similar allegations or asserting additional allegations or claims regarding the XTI Merger.

Moreover, on December 6, 2023, Xeriant, Inc. ("Xeriant") filed a complaint against Legacy XTI, along with two unnamed companies and five unnamed persons, in the United States District Court for the Southern District of New York. On January 31, 2024, Xeriant filed an amended complaint, which added us as a defendant. On February 2, 2024, the Court ordered Xeriant to show cause as to why the amended complaint should not be dismissed without prejudice for lack of subject matter jurisdiction. On February 29, 2024, Xeriant filed a second amended complaint, which removed us and one of the unnamed companies as defendants. The second amended complaint alleges that Legacy XTI, through multiple breaches and fraudulent actions, has caused substantial harm to Xeriant and has prevented it from obtaining compensation owed to it under various agreements entered into between Xeriant and Legacy XTI, including but not limited to a joint venture agreement, a cross-patent license agreement, an operating agreement, and a letter agreement. In particular, Xeriant contends that Legacy XTI gained substantial advantages from the intellectual property, expertise, and capital deployed by Xeriant in the design and development of Legacy XTI's TriFan 600 aircraft yet has excluded Xeriant from the transaction involving the TriFan 600 technology in its merger with us, which has resulted in a breach of the Letter Agreement, in addition to the other aforementioned agreements. Xeriant, in the second amended complaint, asserts the following causes of action: (1) breach of contract; (2) intentional fraud; (3) fraudulent concealment; (4) quantum meruit; (5) unjust enrichment; (6) unfair competition/deceptive business practices; and (7) misappropriation of confidential information, and seeks damages in excess of $500 million, injunctive relief enjoining us from engaging in any further misconduct, the imposition of a royalty obligation, and such other relief as deemed appropriate by the court. On March 13, 2024, Legacy XTI moved for partial dismissal of the second amended complaint, Counts 2 through 7 in particular. Legacy XTI argued that Counts 2 through 7 are (1) impermissible attempts to repackage claims arising from contractual dispute as quasi-contractual or tort claims; and (2) expressly refuted by the clear and unequivocal terms of the aforementioned agreements. The case is in its early stages, no discovery with respect to the Company has occurred, and we are unable to estimate the likelihood or magnitude of a potential adverse judgment. The Court has neither scheduled Legacy XTI's

motion for hearing nor otherwise ruled upon it. Legacy XTI nevertheless denies the allegations of wrongdoing contained in the second amended complaint and is vigorously defending against the lawsuit.

Regardless of the merits of any particular claim, responding to such actions could divert time, resources and management's attention away from our business operations, and we may incur significant expenses in defending these lawsuits or other similar lawsuits. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us, which could have a material adverse effect on our financial condition, operating results and cash flows. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

Furthermore, while we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as deductibles and caps on amounts of coverage. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to coverage for a variety of potential reasons, which may affect the timing and, if the insurers prevail, the amount of our available insurance coverage for a particular claim.

We may also be required to initiate expensive litigation or other proceedings to protect our business interests. There is a risk that we will not be successful or otherwise be able to satisfactorily resolve such claims or litigation. Litigation and other legal claims are subject to inherent uncertainties. Those uncertainties include, but are not limited to, litigation costs and attorneys' fees, unpredictable judicial or jury decisions and the differing laws and judicial proclivities regarding damage awards among the states in which we operate. Unexpected outcomes in such legal proceedings, or changes in management's evaluation or predictions of the likely outcomes of such proceedings, could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our current financial status may increase our default and litigation risks and may make us more financially vulnerable in the face of threatened litigation.

The loss of key personnel may adversely affect our operations.

Our success depends to a significant extent upon the operation, experience, and continued services of our key personnel. While our key personnel are employed under employment contracts, there is no assurance we will be able to retain their services. The loss of several of our key personnel could have an adverse effect on the Company. The changes to the senior management in connection with the XTI Merger, including the departure of our former CEO and our former CFO, and the transition to the new senior management team could result in us experiencing a loss in productivity while the successors obtain the necessary training and experience. To mitigate any adverse impact of such transition, our former CEO and our former CFO will continue to provide services based on their experience and knowledge on a consulting basis pursuant to consulting agreements.

Furthermore, we do not maintain "key person" life insurance on the lives of any executive officer and their death or incapacity would have a material adverse effect on us. The competition for qualified personnel is intense, and the loss of services of certain key personnel could adversely affect our business. There can be no assurance that we will be successful in attracting and retaining the personnel we require to develop and market the proposed TriFan 600 aircraft and conduct our proposed operations.

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

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

Systems failures could damage our reputation and adversely affect our revenues and profitability.

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

We rely on information systems and outages or disruptions of such systems may disrupt our business, prospects, financial condition, and results of operations.

We are highly dependent on information technology systems, many of which are operated by third parties (e.g., cloud services) and a result we have limited ability to ensure their availability and operation. We do not have complete redundancy for all of our systems, and we do not maintain real-time off-site backups of all of our data. In the event of a significant system outages or failures, including those related to force majeure, telecommunications outages, criminal acts, or cybersecurity incidents we may have limited ability to control the timing and success of system restorations. Any resulting interruption may harm our business operations and impact our ability to provide products and services to our customers.

The cybersecurity systems we use may be breached or circumvented by bad actors, which may result in the of sensitive or proprietary information or cause business interruptions that could damage our reputation.

We rely on both internal and external information technology systems. The measures we put in place, in coordination with our third-party vendors, may not prevent all security breaches. Such breaches may disrupt our business, damage our reputation, or expose us to litigation and liability. If bad actors obtain sensitive information or sabotage the functionality of our third-party vendor systems, we may receive negative publicity or lose the confidence of our customers. Our insurance coverage may not be sufficient to cover losses and liabilities that may result from these events.

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

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

The growth of our RTLS business is dependent on increasing sales to our existing customers and obtaining new customers, which, if unsuccessful, could limit our financial performance.

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

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

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

Through our acquisitions, we have attempted to diversify our product offerings and increase our presence in new market verticals. There can be no assurances that consumer or commercial demand for our future products will meet, or even approach, our expectations. In addition, our pricing and marketing strategies may not be successful. Lack of customer demand, a change in marketing strategy and changes to our pricing models could dramatically alter our financial results. Unless we are able to release location based products that meet a significant market demand, we will not be able to improve our financial condition or the results of our future operations.

If we are unable to sell additional products and services to our customers and increase our overall customer base, our future revenue and operating results may suffer.

Our future success depends, in part, on our ability to expand the deployment of newly acquired technologies with existing customers and finding new customers to sell our products and services to. This may require increasingly sophisticated and costly sales efforts and may not result in additional sales. In addition, the rate at which our customers purchase additional products and services, and our ability to attract new customers, depends on a number of factors, including the perceived need for indoor mapping products and services, sustaining pricing of our product and services as well as general economic conditions. If our efforts to sell additional products and services are not successful, our business may suffer.

A delay in the completion of our customers' budget processes could delay purchases of our products and services and have an adverse effect on our business, operating results and financial condition.

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

Digital threats such as cyber-attacks, data protection breaches, computer viruses or malware may disrupt our operations, harm our operating results and damage our reputation, and cyber-attacks or data protection breaches on our customers' networks, or in cloud-based services provided by or enabled by us, could result in liability for us, damage our reputation or otherwise harm our business.

Despite our implementation of network security measures, the products and services we sell to customers, and our servers, data centers and the cloud-based solutions on which our data, and data of our customers, suppliers and business partners are stored, are vulnerable to cyber-attacks, data protection breaches, computer viruses, malicious acts, and similar disruptions from unauthorized tampering or human error. Use of our products and services in our customers' environments may have the possibility of being breached as a result of acts other than our customers exposing confidential and sensitive information. Despite our security controls and measures, any such event could compromise our networks or those of our customers, and the information stored on our networks or those of our customers could be accessed, publicly disclosed, lost or stolen, which could subject us to liability to our customers, business partners and others, and could have a material adverse effect on our business, operating results, and financial condition and may cause damage to our reputation. Efforts to limit the ability of malicious third parties to disrupt the operations of the Internet or undermine our own security efforts may be costly to implement and meet with resistance, and may not be successful. Breaches of network security in our customers' networks, or in cloud-based services provided by or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, could result in liability for us, damage our reputation or otherwise harm our business.

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

Our success depends in part on our ability to provide reliable remote services, technology integration and managed services to our customers. The operations of our Cloud based applications and analytics are susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failure, terrorist attacks and similar events. We could also experience failures or interruptions of our systems and services, or other problems in connection with our operations, as a result of:

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

Any production interruptions for any reason, such as a natural disaster, epidemic, capacity shortages, or quality problems, at one of our manufacturing partners would negatively affect sales of product lines manufactured by that manufacturing partner and adversely affect our business and operating results.

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

We may be subject to product liability due to manufacturing or design defects for which product liability insurance may not be sufficient.

We may be a party to product liability claims that arises from time to time in the ordinary course of our business, which may include those related to, for example, the development or marketing of the products, or adverse events known or reported to be associated with, or manufacturing defects in, the products sold by us or through third parties. Product liability claims may be time-consuming, cost-intensive, and may result in awarding of substantial damages to the plaintiff or demands for a product recall. Certain of our contract obligations with vendors, suppliers, or manufacturers require us to provide warranties against such claims. We cannot assure you that protections are sufficient against any product liability claim filed by or against us. In a few countries, strict liability is imposed even if an injury to the end user of a defective product was not caused by an act of the supplier, manufacturer, or seller. A successful claim or claims brought against us in an amount exceeding available insurance coverage or protections under our contractual relationships could subject us to significant liabilities and could have a material adverse effect on our business, financial condition, results of operations, and growth prospects.

The RTLS business currently has a limited number of customers, the importance of which may vary dramatically from year to year, and a loss of one or more of these key customers may adversely affect our operating results.

During the year ended December 31, 2023, two customers accounted for over 10% of revenue with one customer with 17% of revenue and one customer that accounted for 10% of revenue. During the year ended December 31, 2022, only one customer accounted for over 10% of revenue with 23% of revenue for the year; however, each of these customers may or may not continue to be a significant contributor to revenue in 2023. The loss of a significant amount of business from one of our major customers would materially and adversely affect our results of operations until such time, if ever, as we are able to replace the lost business. Significant customers or projects in any one period may not continue to be significant customers or

projects in other periods. To the extent that we are dependent on any single customer, we are subject to the risks faced by that customer to the extent that such risks impede the customer's ability to stay in business and make timely payments to us.

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

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

If our RTLS products fail to satisfy customer demands or to achieve increased market acceptance, our results of operations, financial condition and growth prospects could be materially adversely affected.

The market acceptance of our RTLS products are critical to our continued success. Demand for our RTLS products is affected by a number of factors beyond our control, including continued market acceptance, the timing of development and release of new products by competitors, technological change, and growth or decline in the mobile device management market. We expect the proliferation of mobile devices to lead to an increase in the data security demands of our customers, and our products may not be able to scale and perform to meet those demands. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of these products, our business operations, financial results and growth prospects will be materially and adversely affected.

Defects, errors, or vulnerabilities in our products or services or the failure of such products or services to prevent a security breach, could harm our reputation and adversely affect our results of operations.

Because our location based security products and services are complex, they have contained and may contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by customers. Defects may cause such products to be vulnerable to advanced persistent threats ("APTs") or security attacks, cause them to fail to help secure information or temporarily interrupt customers' networking traffic. Because the techniques used by hackers to access sensitive information change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques and provide a solution in time to protect customers' data. In addition, defects or errors in our subscription updates or products could result in a failure to effectively update customers' hardware products and thereby leave customers vulnerable to APTs or security attacks.

Any defects, errors or vulnerabilities in our products could result in:

- expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate, or work-around errors or defects or to address and eliminate vulnerabilities;
- delayed or lost revenue;
- loss of existing or potential customers or partners;
- increased warranty claims compared with historical experience, or increased cost of servicing warranty claims, either of which would adversely affect gross margins; and
- litigation, regulatory inquiries, or investigations that may be costly and harm our reputation

Our current research and development efforts may not produce successful products or features that result in significant revenue, cost savings or other benefits in the near future. If we do not realize significant revenue from our research and development efforts, our business and operating results could be adversely affected.

Developing products and related enhancements in our field is expensive. Investments in research and development may not result in significant design improvements, marketable products or features or may result in products that are more expensive than anticipated. We may not achieve the cost savings or the anticipated performance improvements expected, and we may take longer to generate revenue from products in development, or generate less revenue than expected.

Our future plans include significant investments in research and development and related product opportunities. Our management believes that we must continue to dedicate a significant amount of resources to research and development efforts to maintain a competitive position. However, we may not receive significant revenue from these investments in the near future, or these investments may not yield the expected benefits, either of which could adversely affect our business and operating results.

Misuse of our products could harm our reputation.

Our products, particularly our location based security and detection products, may be misused by customers or third parties that obtain access to such products. For example, location information combined with other information about the same users in the hands of criminals could result in misuse of the data and privacy law violations and result in negative press coverage and negatively affect our reputation.

If the general level of advanced attacks declines, or is perceived by current or potential customers to have declined, this could harm our location based security and detection operating segment, and our financial condition, operating results and growth prospects.

Our location based security and detection-operating segment is substantially dependent upon enterprises and governments recognizing that APTs and other security attacks are pervasive and are not effectively prevented by legacy security solutions. High visibility attacks on prominent enterprises and governments have increased market awareness of the problem of APTs and security attacks and help to provide an impetus for enterprises and governments to devote resources to protecting against attacks, such as testing our platform, purchasing it, and broadly deploying it within their organizations. If APTs and other security attacks were to decline, or enterprises or governments perceived that the general level of attacks has declined, our ability to attract new customers and expand its offerings for existing customers could be materially and adversely affected, which would, in turn, have a material adverse effect on our financial condition, results of operations and growth prospects.

If our location based security and detection products do not effectively interoperate with our customers' IT infrastructure, installations could be delayed or cancelled, which would harm our financial condition, operating results and growth prospects.

Our products must effectively interoperate with our customers' existing or future IT infrastructure, which often has different specifications, utilizes multiple protocol standards, deploys products from multiple vendors, and contains multiple generations of products that have been added over time. As a result, when problems occur in a company's infrastructure, it may be difficult to identify the sources of these problems. If we find errors in the existing software or defects in the hardware used in our customers' infrastructure, we may have to modify its software or hardware so that our products will interoperate with the infrastructure of our customers. In such cases, our products may be unable to provide significant performance improvements for applications deployed in the infrastructure of our customers. These issues could cause longer installation times for our products and could cause order cancellations, either of which would adversely affect our business, results of operations and financial condition. In addition, other customers may require products to comply with certain security or other certifications and standards. If our products are late in achieving or fail to achieve compliance with these certifications and standards, or competitors sooner achieve compliance with these certifications and standards, we may be disqualified from selling our products to such customers, or may otherwise be at a competitive disadvantage, either of which would harm our business, results of operations, and financial condition.

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

We provide our products and services to customers worldwide. These risks differ from and potentially may be greater than those associated with our domestic business.

Our international business is sensitive to changes in the priorities and budgets of international customers and geo-political uncertainties, which may be driven by changes in threat environments and potentially volatile worldwide economic conditions, various regional and local economic and political factors, risks and uncertainties, as well as U.S. foreign policy.

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

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

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

In addition, our international operations (or those of our business partners) could be subject to natural disasters such as earthquakes, tsunamis, flooding, typhoons and volcanic eruptions that disrupt manufacturing or other operations. There may be conflict or uncertainty in the countries in which we operate, including public health issues (for example, an outbreak of a contagious disease such as 2019-Novel Coronavirus (2019-nCoV), avian influenza, measles or Ebola), safety issues, natural disasters, fire, disruptions of service from utilities, nuclear power plant accidents or general economic or political factors. For example, as a result of the Coronavirus outbreak, our ability to source internal connection cables for certain of our sensors has been delayed, which will require us to source these components from other vendors at a higher price that may result in an increase in our costs to produce our products In the event our customers are materially impacted by these events, it may impact anticipated orders and planned shipments for our products. Also, the European Union's General Data Protection Regulation imposes significant new requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. Any of the above risks, should they occur, could result in an increase in the cost of components, production delays, general business interruptions, delays from difficulties in obtaining export licenses for certain technology, tariffs and other barriers and restrictions, longer payment cycles, increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on our business.

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

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

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

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. Weak economic conditions generally, sustained uncertainty about global economic conditions, or a prolonged or further tightening of credit markets could cause our customers and potential customers to postpone or reduce spending on technology products or services or put downward pressure on prices, which could have an adverse effect on our business, results of operations or cash flows. Concerns over inflation, energy costs, geopolitical issues and the availability of credit, in the U.S. have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices and wavering business and consumer confidence, have precipitated an economic slowdown and uncertain global outlook. Domestic and international equity markets have been experiencing heightened volatility and turmoil. These events and the continuing market upheavals may have an adverse effect on our business. In the event of extreme prolonged market events, such as the global economic recovery, we could incur significant losses.

The existence of inflation in certain economies has resulted in, and may continue to result in, rising interest rates and capital costs, supply shortages, increased costs of labor, components, manufacturing and shipping, as well as weakening exchange rates and other similar effects. As a result, we have experienced and may continue to experience cost increases. Although we take measures to mitigate the effects of inflation and rising interest rates, if these measures are not effective, our business, financial condition, results of operations and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when those beneficial actions impact our results or operations and when the cost of inflation is incurred.

Changes in U.S. administrative policy, including changes to existing trade agreements and any resulting changes in international relations, could adversely affect our financial performance and supply chain economics.

As a result of changes to U.S. administrative policy, among other possible changes, there may be (i) changes to existing trade agreements; (ii) greater restrictions on free trade generally; and (iii) significant increases in tariffs on goods imported into the United States, particularly those manufactured in China. China is currently a leading global source of hardware products, including the hardware products that we use. In January 2020, the U.S. and China entered into Phase One of the Economic and Trade Agreement Between the United States of America and the People's Republic of China (the "Phase One Trade Agreement"). The Phase One Trade Agreement takes steps to ease certain trade tensions between the U.S. and China, including tensions involving intellectual property theft and forced intellectual property transfers by China. Although the Phase One Trade Agreement is an encouraging sign of progress in the trade negotiations between the U.S. and China, questions still remain as to the enforcement of its terms, the resolution of a number of other points of dispute between the parties, and the prevention of further tensions. If the U.S.-China trade dispute re-escalates or relations between the United States and China deteriorate, these conditions could adversely affect our ability to source our hardware products and therefore our ability to manufacture our products. Our ability to manufacture our products could also be affected by economic uncertainty, in China or by our failure to establish a positive reputation and relationships in China. The occurrence of any of these events could have an adverse effect on our ability to source the components necessary to manufacture our products, which, in turn, could cause our long-term business, financial condition and operating results to be materially adversely affected.

There is also a possibility of future tariffs, trade protection measures, import or export regulations or other restrictions imposed on our products or on our customers by the United States, China or other countries that could have a material adverse effect on our business. A significant trade disruption or the establishment or increase of any tariffs, trade protection measures or restrictions could result in lost sales adversely impacting our reputation and business. A trade war, other governmental action related to tariffs or international trade agreements, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently do business or any resulting negative sentiments towards the United States could adversely affect our supply chain economics, consolidated revenue, earnings and cash flow.

We intend to use and leverage open source technology which may create risks of security weaknesses.

Some parts of our technology may be based on open-source technology, including, but not limited to the technology that we may use in our Indoor Intelligence products. There is a risk that the development team or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructure elements of our technology solutions interfering with the use of such technology or causing loss to the Company.

We may not be able to develop new products or enhance our product to keep pace with the RTLS business's rapidly changing technology and customer requirements.

The RTLS industry in which we operate is characterized by rapid technological changes, new product introductions, enhancements, and evolving industry standards. Our RTLS business prospects depend on our ability to develop new products and applications for our technology in new markets that develop as a result of technological and scientific advances, while improving performance and cost-effectiveness. New technologies, techniques or products could emerge that might offer better combinations of price and performance than the blockchain technology solutions that are being developed by the Company. It is important that we anticipate changes in technology and market demand. If we do not successfully innovate and introduce new technology into our anticipated technology solutions or effectively manage the transitions of our technology to new RTLS product offerings, our business, financial condition and results of operations could be harmed.

Privacy concerns in the territories in which we operate could result in additional costs and liabilities to us or inhibit sales of our aircraft. Domestic and foreign government regulation and enforcement of data practices and data tracking technologies is expansive, broadly defined and rapidly evolving. Such regulation could result in additional costs and liabilities to us, directly restrict portions of our business or indirectly affect our business by constraining our customers' use of our technology and services or limiting the growth of our markets.

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

In the United States, these privacy rules and regulations include promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the California Consumer Privacy Act of 2018 (the "CCPA") and other state and federal laws relating to privacy and data security. By way of example, the CCPA requires covered businesses to provide new disclosures to California residents, provide them new ways to opt-out of certain disclosures of personal information, and allows for a cause of action for data breaches. It includes a framework that includes potential statutory damages and private rights of action. Multiple states have enacted, or are expected to enact, similar or more stringent laws. Additionally, in 2020, Nevada passed SB 220 which restricts the "selling" of personal information and Virginia's Consumer Data Protection Act (the "CDPA"), which took effect on January 1, 2023 and grants new privacy rights for Virginia residents. There is also discussion in Congress of a new comprehensive federal data protection and privacy law to which we likely would be subject if it is enacted. Such new laws and proposed legislation, if passed, could have conflicting requirements that could make compliance challenging, require us to expend significant resources to come into compliance, and restrict our ability to process certain personal information. There is some uncertainty as to how the CCPA, CDPA and similar

privacy laws emerging in other states, could impact our business as it depends on how such laws will be interpreted. As we expand our operations, compliance with privacy laws may increase our operating costs.

Some features of our services may trigger the data protection requirements of certain foreign jurisdictions, such as the EU General Data Protection Regulation (the "GDPR"), and the EU ePrivacy Directive. In addition, our services may be subject to regulation under current or future laws or regulations. For instance, as the EU ePrivacy Directive transitions in its entirety to the ePrivacy Regulation, it will bring an updated set of rules relevant to many aspects of our business. If our treatment of data, privacy practices or data security measures fail to comply with these current or future laws and regulations in any of the jurisdictions in which we collect and/or process information, we may be subject to litigation, regulatory investigations, civil or criminal enforcement, financial penalties, audits or other liabilities in such jurisdictions, or our customers may terminate their relationships with us. In addition, data protection laws, such as the GDPR, foreign court judgments or regulatory actions could affect our ability to transfer, process and/or receive transnational data that is critical to our operations, including data relating to users, customers, or partners outside the United States. For instance, the GDPR restricts transfers of personal data outside of the European Economic Area, including to the United States, subject to certain requirements. Such data protection laws, judgments or actions could affect the manner in which we provide our services or adversely affect our financial results if foreign customers and partners are not able to lawfully transfer data to us.

In addition, ongoing legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the European Economic Area to the United States could result in further limitations on the ability to transfer data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that support cross-border data transfers, such as the EU-U.S. and Swiss-U.S. Privacy Shield frameworks and the European Commission's Model Contractual Clauses, each of which are currently under particular scrutiny. Additionally, certain countries have passed or are considering passing laws requiring local data residency. The costs of compliance with, and other burdens imposed by, privacy laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, make it more difficult to meet expectations from or commitments to customers, lead to significant fines, penalties or liabilities for noncompliance, impact our reputation, or slow the pace at which we close sales transactions, any of which could harm our business.

Furthermore, the uncertain and shifting regulatory environment and trust climate may cause concerns regarding data privacy and may cause our customers or our customers' customers to resist providing the data necessary to allow our customers to use our services effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services and could limit adoption of our cloud-based solutions.

If our RTLS customers fail to abide by applicable privacy laws or to provide adequate notice and/or obtain any required consent from end users, we could be subject to litigation or enforcement action or reduced demand for our services.

Our RTLS customers utilize our services and technologies to track connected devices anonymously and we must rely on our customers to implement and administer notice and choice mechanisms required under applicable laws. If we or our customers fail to abide by these laws, it could result in litigation or regulatory or enforcement action against our customers or against us directly.

Any actual or perceived failure by us to comply with our privacy policy or legal or regulatory requirements in one or multiple jurisdictions could result in proceedings, actions or penalties against us.

Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personal data or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business.

Evolving and changing definitions of what constitutes "Personal Information" and "Personal Data" within the EU, the United States and elsewhere, may limit or inhibit our ability to operate or expand our business, including limiting technology alliance partners that may involve the sharing of data.

If we are perceived to cause, or are otherwise unfavorably associated with, violations of privacy or data security requirements, it may subject us or our customers to public criticism, financial penalties and potential legal liability. Existing and potential privacy laws and regulations concerning privacy and data security and increasing sensitivity of consumers to unauthorized processing of personal data may create negative public reactions to technologies, products and services such as ours. Public concerns regarding personal data processing, privacy and security may cause some of our customers' end users to be less likely to visit their venues or otherwise interact with them. If enough end users choose not to visit our customers' venues or otherwise interact with them, our customers could stop using our platform. This, in turn, may reduce the value of our service, and slow or eliminate the growth of our business, or cause our business to contract.

Around the world, there are numerous lawsuits in process against various technology companies that process personal information and personal data. If those lawsuits are successful, it could increase the likelihood that our company may be exposed to liability for our own policies and practices concerning the processing of personal data and could hurt our business. Furthermore, the costs of compliance with, and other burdens imposed by laws, regulations and policies concerning privacy and data security that are applicable to the businesses of our customers may limit the use and adoption of our technologies and reduce overall demand for it. Privacy concerns, whether or not valid, may inhibit market adoption of our technologies. Additionally, concerns about security or privacy may result in the adoption of new legislation that restricts the implementation of technologies like ours or require us to make modifications to our existing services and technology, which could significantly limit the adoption and deployment of our technologies or result in significant expense.

Risks Related to Our Securities

Our failure to maintain compliance with the continued listing requirements of the Nasdaq Capital Market may result in our common stock being 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 ("Nasdaq") under the symbol "XTIA." The listing standards of Nasdaq 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 stockholder's equity, minimum market value of publicly held shares and various additional requirements. If 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 Nasdaq 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 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 which hearing was held on February 6, 2024. On March 1, 2024, the Panel notified us that it had granted our request for continued listing subject to the company evidencing a closing bid price of $1 or more per share for a minimum of ten consecutive trading days on or before May 7, 2024 which is the full extent of the Panel's discretion.

In order to cure the bid price deficiency and satisfy the bid price requirements applicable for initial listing applications in connection with the closing of the XTI Merger, we effected a 1-for-100 reverse split of our outstanding shares of common stock shortly prior to the Effective Time of the XTI Merger. On March 26, 2024, we were informed by Nasdaq that we had regained compliance with the minimum bid price requirement and that we were back in compliance with the applicable Nasdaq continued listing criteria. Notwithstanding the reverse stock split and our compliance with Nasdaq requirements, we cannot be certain that our share price will comply with the requirements for continued listing of our common stock on Nasdaq in the future.

Leonard Oppenheim, a former independent director and the former Chairman of the Audit Committee, resigned from the Board effective as of March 31, 2024. On April 4, 2024, we received a notification letter from the Listing Qualifications Department of Nasdaq that due to Mr. Oppenheim's resignation, we no longer comply with Nasdaq's independent director and audit committee requirements as set forth in Listing Rule 5605 as the Board is not comprised of a majority of "independent directors" (as that term is defined in Nasdaq Listing Rule 5605(a)(2)) as required by Nasdaq Listing Rule 5605(b)(1) and the Audit Committee is not comprised of at least three independent directors as required by Nasdaq Listing Rule 5605(c)(2)(A). Consistent with Nasdaq Listing Rules 5605(b)(1)(A) and 5605(c)(4), Nasdaq has provided us a cure period in order to regain compliance (i) until the earlier of our next annual shareholders' meeting or March 31, 2025, or (ii) if the next annual shareholders' meeting is held before September 27, 2024, then we must evidence compliance no later than September 27, 2024.

We intend to appoint an additional independent director to the Board and the Audit Committee prior to the end of the cure period. However, there can be no assurance that we will be able to regain compliance with Nasdaq Listing Rule 5605 or will otherwise be in compliance with other Nasdaq continued listing requirements.

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

Our stock price may be volatile.

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

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

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

Your investment may suffer a decline in value as a result of the volatility of our stock.

The closing market price for our common stock has varied between a high of $95.00 on April 14, 2023, and a low of $1.72 on March 27, 2024, in the twelve-month period ended April 12, 2024. During this time, the price per share of common stock has ranged from an intra-day low of $1.71 per share to an intra-day high of $165.46 per share. As a result of fluctuations in the price of our common stock, you may be unable to sell your shares at or above the price you paid for them. The market price of our common stock is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market, industry and other factors, including the other risk factors described in this section. The market price of our common stock may also be dependent upon the valuations and recommendations of the analysts who cover our business. If the results of our business do not meet these analysts' forecasts, the expectations of investors or the financial guidance we provide to investors in any period, the market price of our common stock could decline.

In addition, the stock markets in general, and the markets for technology stocks in particular, have experienced significant volatility that has often been unrelated to the financial condition or results of operations of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock and, consequently, adversely affect the price at which you could sell the shares that you purchase in this offering. In the past, following periods of volatility in the market or significant price declines, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

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

If our stockholders sell substantial amounts of our common stock in the public market upon the expiration of any statutory holding period under Rule 144, or shares issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an "overhang" and, in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult

our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

In general, a non-affiliated person who has held restricted shares for a period of six months, under Rule 144, may sell into the market our common stock all of their shares, subject to the Company being current in its periodic reports filed with the SEC. As of the date of this filing, a significant portion of our outstanding shares of common stock outstanding are free trading.

Sales of our common stock or other securities, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well.

Sales of our common stock or other securities, or the perception that future sales may occur, may cause the market price of our common stock to decline, even if our business is doing well. Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. For example, in June 2021, the SEC declared effective a shelf registration statement filed by us. This shelf registration statement allows us to issue any combination of our common stock, preferred stock, warrants, units, debt securities and subscription rights from time to time until expiry in June 2024 for an aggregate initial offering price of up to $350 million, subject to certain limitations.

During the year ended December 31, 2023, the Company sold 703,756 shares of common stock at share prices between $13.96 and $186.00 per share under the Sales Agreement for gross proceeds of approximately $27.4 million or net proceeds of $26.5 million after deducting the sales agency fees and other offering expenses. As of March 15, 2024, we had an aggregate remaining amount of approximately $61.2 million available for the issuance of securities in offerings under the shelf registration statement. However, our ability to raise capital under the shelf registration statement may be limited by, among other things, SEC rules and regulations impacting the eligibility of smaller companies to use Form S-3 for primary offerings of securities. Based on our public float, as of the date hereof, we are only permitted to utilize the shelf registration statement subject to Instruction I.B.6. to Form S-3, which is referred to as the "baby shelf" rule. For so long as our public float is less than $75.0 million, we may not sell more than the equivalent of one-third of our public float during any 12 consecutive months pursuant to the baby shelf rules. These rules may limit future issuances of shares by us in connection with the ATM Offering Program or other offerings pursuant to the Company's effective shelf registration statement on Form S-3. Although alternative public and private transaction structures may be available, these may require additional time and cost, may impose operational restrictions on us, and may not be available on attractive terms. The specific terms of future offerings, if any, under the shelf registration statement would be established at the time of such offering. Depending on a variety of factors, including market liquidity of our common stock, the sale of shares under the shelf registration statement may cause the trading price of our common stock to decline. The sale of a substantial number of shares of our common stock under the shelf registration statement, or anticipation of such sales, could cause the trading price of our common stock to decline or make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise desire.

As of April 3, 2024, we had 9,919,411 shares of common stock outstanding. In addition, as of April 3, 2024, there were 1 share issuable upon conversion of 1 share of Series 4 Convertible Preferred Stock, 1 shares of common stock issuable upon conversion of 126 shares of Series 5 Convertible Preferred Stock, 1,831,699 shares subject to outstanding warrants, 4,611 common shares underlying convertible debt payable, 1,069,401 shares subject to outstanding options under the Company's equity incentive plans, and up to an additional 64,146,695 shares of common stock which may be issued under the Company's 2018 Employee Stock Incentive Plan that will become, or have already become, eligible for sale in the public market to the extent permitted by any applicable vesting requirements, lock-up agreements, if any, Rule 144 under the Securities Act or in connection with their registration under the Securities Act.

The issuance or sale of such shares could depress the market price of our common stock. In the future, we also may issue our securities if we need to raise additional capital. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of the then-outstanding shares of our common stock.

Historically, we have used our shares of common stock to satisfy our outstanding debt obligations, and, in the future, we expect to continue to issue our securities to raise additional capital or satisfy outstanding debt obligations. The number of new shares of our common stock issued in connection with raising additional capital or satisfying our outstanding debt obligations could constitute a material portion of the then-outstanding shares of our common stock.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

Our articles of incorporation allows us to issue up to 500,000,000 shares of our common stock, par value $0.001 per share, and to issue and designate the rights of, without stockholder approval, up to 5,000,000 shares of preferred stock, par value $0.001 per share. To raise additional capital, we may in the future sell additional shares of our common stock or other securities convertible into or exchangeable for our common stock at prices that are lower than the prices paid by existing stockholders, and investors purchasing shares or other securities in the future could have rights superior to existing stockholders, which could result in substantial dilution to the interests of existing stockholders. The market price of our common stock could decline as a result of sales of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive common stock or the perception that such sales could occur.

In addition, to the extent that outstanding stock options or warrants have been or may be exercised or preferred stock converted or other shares issued, you may experience further dilution.

We may issue debt and equity securities or securities convertible into equity securities, any of which may be senior to our common stock as to distributions and in liquidation, which could negatively affect the value of our common stock.

In the future, we may attempt to increase our capital resources by entering into debt or debt-like financing that is unsecured or secured by up to all of our assets, or by issuing additional debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, guarantees, preferred stock, hybrid securities, or securities convertible into or exchangeable for equity securities. In the event of our liquidation, our lenders and holders of our debt and preferred securities would receive distributions of our available assets before distributions to the holders of our common stock. Because our decision to incur debt and issue securities in future offerings may be influenced by market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future.

If our common stock is delisted, market liquidity for our common stock could be severely affected and our stockholders' ability to sell their shares of our common stock could be limited. A delisting of our common stock from Nasdaq would negatively affect the value of our common stock. A delisting of our common stock could also adversely affect our ability to obtain financing for our operations and could result in the loss of confidence in our company.

If our common stock becomes subject to the penny stock rules, it would become more difficult to trade our shares.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on Nasdaq, and if the price of our common stock is less than $5.00, our common stock will be deemed a penny stock. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and therefore stockholders may have difficulty selling their shares.

We do not intend to pay cash dividends to our stockholders, so it is unlikely that stockholders will receive any return on their investment in our Company prior to selling our stock.

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

Some provisions of our Articles of Incorporation and bylaws may deter takeover attempts, which may inhibit a takeover that stockholders consider favorable and limit the opportunity of our stockholders to sell their shares at a favorable price.

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

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

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

We are subject to the provisions of Sections 78.411 to 78.444, inclusive, of the Nevada Revised Statutes, known as the "business combination" statute. This statute prevents many Nevada corporations from engaging in a business combination with any interested stockholder, under specified circumstances. For these purposes, a business combination includes a merger or sale of more than 5% of our assets, and an interested stockholder includes a stockholder who owns 10% or more of our outstanding voting stock, as well as affiliates and associates of these persons that, within two years prior to the combination, beneficially owned such percentage of the voting power. Under these provisions, this type of business combination is prohibited for up to four years following the date that the stockholder became an interested stockholder unless the transaction in which the stockholder became an interested stockholder is approved by the board of directors prior to the date the interested stockholder attained that status. Where the person becoming an interested stockholder was not approved in advance by the board of directors, the Nevada business combination statute imposes a basic moratorium of two years on business combinations unless they are approved by the board of directors and stockholders owning at least 60% of the outstanding voting power not beneficially owned by the interested stockholder and its affiliates and associates. After the two-year period, but before four years, combinations remain prohibited but may also be permitted if the interested stockholder satisfies certain requirements with respect to the aggregate consideration to be received by holders of outstanding shares in the combination.

We are also subject to the "acquisition of controlling interest" provisions of Sections 78.378 through 78.3793, inclusive, of the Nevada Revised Statutes, also known as the "control share" statute, which apply to "issuing corporations" that are Nevada corporations doing business, directly or through an affiliate, in Nevada, and having at least 200 stockholders of record, including at least 100 of whom have addresses in Nevada appearing on the stock ledger of the corporation. Under that statute, any person who acquires a controlling interest in a corporation may not exercise voting rights of any control shares unless such voting rights are conferred by a majority vote of the disinterested stockholders of the issuing corporation at a special meeting of such stockholders held upon the request and at the expense of the acquiring person. The statute applies to acquisition of a "controlling interest" in ownership of outstanding voting shares of an issuing corporation sufficient to enable the acquiring person, individually or in association with others, directly or indirectly, to exercise (i) one fifth or more but less than one third, (ii) one third or more but less than a majority or (iii) a majority or more of the voting power of the issuing corporation in the election of directors, and voting rights must be conferred by a majority of the disinterested stockholders as each threshold is reached and/or exceeded. In the event that the control shares are accorded full voting rights and the acquiring person acquires control shares with a majority or more of all the voting power, any stockholder, other than the acquiring person, who does not vote in favor of authorizing voting rights for the control shares is entitled to demand payment for the fair value of such person's shares, and the corporation must comply with the demand. The Nevada control share statute does not apply to any acquisition of a controlling interest in an issuing corporation if the articles of incorporation or bylaws of the corporation in effect on the 10th day following the acquisition of a controlling interest by the acquiring person provide that the provisions of those sections do not apply to the corporation or to an acquisition of a controlling interest specifically by types of existing or future stockholders, whether or not identified. Therefore, the board of directors of a Nevada corporation usually may unilaterally avoid the

imposition of burdens imposed by the control share statute by amending the bylaws of the corporation in connection with a transaction. A Nevada corporation may impose stricter requirements if it so desires.

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

The limitation of liability, or our indemnification, of our officers and directors may cause us to use corporate resources in a manner that conflicts with the interests of our stockholders.

Nevada law eliminates the personal liability of our directors and officers for damages as a result of an act or failure to act in that capacity unless a statutory presumption that such person acted in good faith, on an informed basis and with a view to the interests of the corporation has been rebutted. In addition, it must be proven both that the act or failure to act constituted a breach of a fiduciary duty as a director or officer and that such breach involved intentional misconduct, fraud or a knowing violation of law. This limitation may not affect the availability of equitable remedies, such as injunctive relief or rescission. Our Articles of Incorporation require us to indemnify our directors and officers to the fullest extent permitted by Nevada law, including in circumstances in which indemnification is otherwise discretionary under Nevada law.

Nevada law generally permits indemnification of our directors, officers and others if the person either (i) acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the Company's best interests, and, if the action is not by or in the right of the corporation and is with respect to any criminal proceeding, the person had no reasonable cause to believe that their conduct was unlawful, or (ii) is not liable under the Nevada statutory provision eliminating the liability of certain persons as described in the preceding paragraph.

These persons may be indemnified against expenses, including attorneys' fees, judgments, fines, penalties, including excise taxes, and amounts paid in settlement and costs, actually and reasonably incurred by the person in connection with the proceeding. If the person is adjudged by a court to be liable to the corporation, no indemnification will be made unless that or another court determines that the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

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

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

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

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies. Additionally, in the event we are no longer a smaller reporting company, as defined under the Exchange Act, and we are unable to comply with the internal controls requirements of

the Sarbanes-Oxley Act of 2002, then we may not be able to obtain the independent registered public accountants' certifications required by that act, which may preclude us from keeping our filings with the SEC current, and interfere with the ability of investors to trade our securities and our shares to continue to be listed on the Nasdaq Capital Market.

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

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. With each prospective acquisition we may make we will conduct whatever due diligence is necessary or prudent to assure us that the acquisition target can comply with the internal controls requirements of the Sarbanes-Oxley Act. Notwithstanding our diligence, certain internal controls deficiencies may not be detected. As a result, any internal control deficiencies may adversely affect our financial condition, results of operations and access to capital. We have not performed an in-depth analysis to determine if historical undiscovered failures of internal controls exist, and may in the future discover areas of our internal controls that need improvement.

If we are unable to maintain effective internal controls, we may not have adequate, accurate or timely financial information, and we may be unable to meet our reporting obligations as a public company, including the requirements of the Sarbanes-Oxley Act , we may be unable to accurately report our financial results in future periods, or report them within the timeframes required by the requirements of the SEC, Nasdaq or the Sarbanes-Oxley Act . Failure to comply with the Sarbanes-Oxley Act, when and as applicable, could also potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in identification of additional material weaknesses or significant deficiencies, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Furthermore, if we cannot provide reliable financial reports or prevent fraud, our business and results of operations could be harmed and investors could lose confidence in our reported financial information.

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

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

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our common stock could decline if one or more equity research analysts downgrade our common stock or if they issue other unfavorable commentary or cease publishing reports about us or our business.

We may be or may become the target of securities litigation, which is costly and time-consuming to defend.

Following periods of market volatility in the price of a company's securities or the reporting of unfavorable news, security holders may institute class action litigation. If the market value of our securities experience adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management's attention could be diverted from the operation of our business, causing our business to suffer.

Risks Related to the XTI Merger

Our equityholders may not realize a benefit from the XTI Merger commensurate with the ownership dilution they experienced in connection with the XTI Merger.

We may not be able to achieve the full strategic and financial benefits expected to result from the XTI Merger. Further, such benefits, if ultimately achieved, may be delayed. If we are unable to realize the full strategic and financial benefits currently anticipated from the XTI Merger, our 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 we are able to realize only part of the strategic and financial benefits currently anticipated from the XTI Merger.

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

- if investors react negatively to the prospects of our product candidates and services, business and financial condition post-Closing;
- the effect of the XTI Merger on our business and prospects is not consistent with the expectations of financial or industry analysts; or
- we do not achieve the perceived benefits of the XTI Merger as rapidly or to the extent anticipated by financial or industry analysts.

The historical unaudited pro forma condensed combined financial information previously filed may not be representative of the combined company's results after the XTI Merger.

The historical unaudited pro forma condensed combined financial information for Legacy XTI and the Company has been previously filed and presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the XTI Merger been completed as of the date indicated, nor is it indicative of future operating results or financial position.

The market price of our common stock following the XTI Merger may decline as a result of the merger.

The market price of our common stock may decline as a result of the XTI Merger for a number of reasons, including:

- if investors react negatively to the prospects of our products and services, business and financial condition post-Closing;
- the effect of the XTI Merger on our business and prospects is not consistent with the expectations of financial or industry analysts; or
- we do not achieve the perceived benefits of the XTI Merger as rapidly or to the extent anticipated by financial or industry analysts.

Our security holders will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the Company following the closing of the XTI Merger.

Following the issuance of shares under the Merger Agreement, Company security holders immediately prior to the Effective Time retained beneficial ownership of approximately 25% of the outstanding common stock of the Company on a fully-diluted basis and Legacy XTI security holders immediately prior to the Effective Time acquired beneficial ownership of shares of common stock amounting to approximately 75% of the outstanding common stock of the Company on a fully-diluted basis. Accordingly, the issuance of shares of Company common stock to Legacy XTI equity holders in the XTI Merger significantly reduced the relative voting power of each share of our common stock held by our stockholders and also reduced the relative voting power of each share of Legacy XTI common stock held by its former stockholders. Consequently, Company

stockholders as a group and Legacy XTI stockholders as a group will each have less influence over the management and policies of the Company after the XTI Merger.

Risks Related to the Separation and Distribution of Grafiti Holding and the Damon Business Combination

The distribution of Grafiti Holding shares to stockholders is subject to the effectiveness of a registration statement and may not be completed on the currently contemplated timeline, or at all, and may not achieve the intended benefits.

The shares of Grafiti Holding have been transferred to a trust for the benefit of shareholders as of December 27, 2023, the record date, and the distribution of such shares from the trust is subject to the effectiveness of a registration statement. There can be no assurance as to when the distribution of shares from the trust will occur or whether the shares will ever be distributed to shareholders.

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 stock.

After the distribution of Grafiti Holding shares from the trust, certain members of management and directors will hold stock in both the Company and Grafiti Holding, and as a result may face actual or potential conflicts of interest.

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

The distribution is a taxable event and you may need to use cash from other sources to cover your tax liability.

The distribution will be a taxable event for U.S. federal income tax purposes. For U.S. federal income tax purposes, when we transferred the Grafiti Holding common shares to the trust, our shareholders as of December 27, 2023, the record date for determining those shareholders entitled to participate in the distribution, were deemed to receive Grafiti Holding common shares as a taxable dividend distribution from the Company in an amount equal to the fair market value of the Grafiti common shares deemed received by each shareholder. If the deemed distribution causes you to recognize taxable income, you may need to use cash from other sources to pay your tax liability.

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

It is anticipated that, upon the consummation of the Damon Business Combination, holders of Grafiti Holding common shares, including the participating XTI Aerospace security holders and management that hold Grafiti Holding 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 XTI Aerospace and Grafiti Holding 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 security holders and the applicable British Columbia court, other specified conditions such as Nasdaq Stock Market approval of the initial listing of the Grafiti Holding common shares must be satisfied or waived before the parties to the Business Combination Agreement are obligated to complete the Damon Business Combination. Grafiti Holding 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 XTI Aerospace, Grafiti Holding 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 Holding 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 Holding or Damon.

The Business Combination Agreement provides that either Grafiti Holding 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 Holding 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 Holding (which will include holders of XTI Aerospace securities that are entitled to participate in the spinoff), Damon or both.

XTI Aerospace, Grafiti Holding 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 XTI Aerospace or Grafiti Holding board of directors ("XTI Aerospace or Grafiti Holding Board") breached their fiduciary duties to their shareholders by entering into the Business Combination Agreement or otherwise. XTI Aerospace, Grafiti Holding and 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. 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 XTI Aerospace, Grafiti Holding 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 XTI Aerospace, Grafiti Holding'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 XTI Aerospace's, Grafiti Holding'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 XTI Aerospace or Grafiti Holding'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 XTI Aerospace or Grafiti Holding's shareholders' best interest.

In the period leading up to the closing, events may occur that, pursuant to the Business Combination Agreement, may require XTI Aerospace or Grafiti Holding to agree to amend the Business Combination Agreement, consent to certain actions taken by Damon or waive rights that XTI Aerospace or Grafiti Holding are entitled to under the Business Combination Agreement. Such events could arise because of changes in the course of Grafiti Holding'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 Holding to terminate the Business Combination Agreement. In any of such circumstances, it would be at XTI Aerospace's or Grafiti Holding's discretion, acting through the Grafiti Holding 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 "- *After the spin-off, certain members of management and directors will hold stock in both XTI Aerospace and Grafiti Holding, 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 XTI Aerospace, Grafiti Holding and the XTI Aerospace or Grafiti Holding's 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 Holding 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 an independent reporting company following the consummation of the Damon Business Combination. Grafiti Holding and Damon may also incur additional costs to retain key employees. Grafiti Holding 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 Holding 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 Holding 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. XTI Aerospace is responsible for paying any such costs that may be required to be paid by Grafiti Holding.

If the Damon Business Combination is terminated, XTI Aerospace 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, XTI Aerospace 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, XTI Aerospace 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, XTI Aerospace shall continue to hold the Bridge Note until its maturity in accordance with the terms thereof.

ITEM 1B: UNRESOLVED STAFF COMMENTS

As a smaller reporting company, we are not required to provide this information.

ITEM 1C: CYBERSECURITY

XTI Aerospace maintains a cyber risk management program designed to identify, assess, manage, mitigate, and respond to cybersecurity threats. This program, in conjunction with the Company's enterprise risk management assessment processes, addresses cybersecurity risks to the corporate information technology ("IT") environment including systems, hardware, software, data, people, and processes.

The underlying processes and controls of the XTI Aerospace's cyber risk management program incorporate recognized best practices and standards for cybersecurity and IT, including the National Institute of Standards and Technology ("NIST") Cybersecurity Framework ("CSF") and processes and controls supporting EU general data protection regulation requirements. XTI Aerospace has an annual assessment performed by a third-party specialist of the Company's cyber risk management program against the NIST CSF. The annual risk assessment identifies, quantifies, and categorizes material cyber risks. In addition, the Company, in conjunction with the third-party cyber risk management specialists develop a risk mitigation plan to address such risks, and where necessary, remediate potential vulnerabilities identified through the annual assessment process.

In addition, XTI Aerospace maintains policies and procedures over areas such as information security, IT change and configuration management, acceptable use, access on/offboarding, accounts management, and data backup and recovery to help govern the processes put in place by management designed to protect XTI Aerospace's IT assets, data, and services from threats and vulnerabilities. XTI Aerospace partners with industry recognized cybersecurity providers leveraging third-party technology and expertise. These cybersecurity partners to the Company, including consultants and other third-party service providers, are a key part of XTI Aerospace's cybersecurity risk management strategy and infrastructure and provide services including, maintenance of an IT assets inventory, periodic vulnerability testing, identity access management controls including restricted access of privileged accounts, physical security measures at Company facilities, information protection/detection systems including maintenance of firewalls and anti-malware tools, network and traffic monitoring and automated alerting, ongoing cybersecurity user awareness training, industry-standard encryption protocols, capacity management, formalized processes over asset and data destruction, formalized change management processes, data backups management, infrastructure maintenance, incident response, cybersecurity strategy, and cyber risk advisory, assessment and remediation.

XTI Aerospace's management team, with the Executive Vice President of IT Operations in charge of primary oversight, in conjunction with third-party IT and cybersecurity service providers is responsible for oversight and administration of XTI Aerospace's cyber risk management program, and for informing senior management and other relevant stakeholders regarding the prevention, detection, mitigation, and remediation of cybersecurity incidents. The Company's management team has prior experience selecting, deploying, and overseeing cybersecurity technologies, initiatives, and processes directly or via selection of strategic third-party partners, and also relies on threat intelligence as well as other information obtained from governmental, public or private sources, including external consultants engaged by XTI Aerospace for strategic cyber risk management, advisory and decision making. Our Executive Vice President of IT Operations has over 25 years of experience serving in various roles in information technology and information security and has relevant experience in designing,

deploying, and maintaining operations for critical IT systems, cloud infrastructure, virtualization technology, corporate networks, data protection, privacy, and governance.

XTI Aerospace has implemented third-party risk management processes to manage the risks associated with reliance on vendors, critical service providers, and other third-parties that may lead to a service disruption or an adverse cybersecurity incident. This includes a third-party risk management policy which outlines required risk management processes, including assessment of vendors during the selection/onboarding process, review of SOC 1 reports on an annual basis, and a regular review of vendor contracts and compliance with service level agreements.

The Audit Committee of the Board of Directors oversees XTI Aerospace's cybersecurity risk exposures and the steps taken by management to monitor and mitigate cybersecurity risks. The cybersecurity stakeholders, including member(s) of management assigned with cybersecurity oversight responsibility and/or third-party consultants providing cyber risk services brief the Audit Committee on cyber vulnerabilities identified through the risk management process, the effectiveness of XTI Aerospace's cyber risk management program, and the emerging threat landscape and new cyber risks on at least an annual basis. This includes updates on XTI Aerospace's processes to prevent, detect, and mitigate cybersecurity incidents. In addition, cybersecurity risks are reviewed by XTI Aerospace's Board of Directors at least annually, as part of the Company's corporate risk oversight processes.

XTI Aerospace faces risks from cybersecurity threats that could have a material adverse effect on its business, financial condition, results of operations, cash flows or reputation. XTI Aerospace acknowledges that the risk of cyber incidents is prevalent in the current threat landscape and that a future cyber incident may occur in the normal course of its business. However, prior cybersecurity incidents have not had a material adverse effect on XTI Aerospace's business, financial condition, results of operations, or cash flows. The Company proactively seeks to detect and investigate unauthorized attempts and attacks against IT assets, data, and services, and to prevent their occurrence and recurrence where practicable through changes or updates to internal processes and tools and changes or updates to service delivery; however, potential vulnerabilities to known or unknown threats will remain. Further, there is increasing regulation regarding responses to cybersecurity incidents, including reporting to regulators, investors, and additional stakeholders, which could subject the Company to additional liability and reputational harm. In response to such risks, the Company has implemented initiatives such as implementation of the cybersecurity risk assessment process and development of an incident response plan. See Item 1A. "Risk Factors" for more information on cybersecurity risks.

ITEM 2: PROPERTIES

We lease office space in several locations in the United States, including Englewood, Colorado and Palo Alto, California, where we house our principal headquarters, research and development, sales and marketing and certain administrative functions. We also lease certain property Berlin, Germany through our subsidiary Inpixon GmbH for research and development, sales, marketing and administrative activities. The Company also has offices in Eschborn, Germany through our subsidiary IntraNav. We believe our facilities are adequate for our current and reasonably anticipated future needs.

ITEM 3: LEGAL PROCEEDINGS

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

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

On December 6, 2023, Xeriant, Inc. ("Xeriant") filed a complaint against Legacy XTI, along with two unnamed companies and five unnamed persons, in the United States District Court for the Southern District of New York. On January 31, 2024, Xeriant filed an amended complaint, which added us as a defendant. On February 2, 2024, the Court ordered Xeriant to show cause as to why the amended complaint should not be dismissed without prejudice for lack of subject matter jurisdiction. On February 29, 2024, Xeriant filed a second amended complaint, which removed us and one of the unnamed companies as defendants. The second amended complaint alleges that Legacy XTI, through multiple breaches and fraudulent actions, has caused substantial harm to Xeriant and has prevented it from obtaining compensation owed to it under various agreements entered into between Xeriant and Legacy XTI, including but not limited to a joint venture agreement, a cross-patent license

agreement, an operating agreement, and a letter agreement. In particular, Xeriant contends that Legacy XTI gained substantial advantages from the intellectual property, expertise, and capital deployed by Xeriant in the design and development of Legacy XTI's TriFan 600 aircraft yet has excluded Xeriant from the transaction involving the TriFan 600 technology in its merger with us, which has resulted in a breach of the Letter Agreement, in addition to the other aforementioned agreements. Xeriant, in the second amended complaint, asserts the following causes of action: (1) breach of contract; (2) intentional fraud; (3) fraudulent concealment; (4) quantum meruit; (5) unjust enrichment; (6) unfair competition/deceptive business practices; and (7) misappropriation of confidential information, and seeks damages in excess of $500 million, injunctive relief enjoining us from engaging in any further misconduct, the imposition of a royalty obligation, and such other relief as deemed appropriate by the court. On March 13, 2024, Legacy XTI moved for partial dismissal of the second amended complaint, Counts 2 through 7 in particular. Legacy XTI argued that Counts 2 through 7 are (1) impermissible attempts to repackage claims arising from contractual dispute as quasi-contractual or tort claims; and (2) expressly refuted by the clear and unequivocal terms of the aforementioned agreements. The case is in its early stages, no discovery with respect to the Company has occurred, and we are unable to estimate the likelihood or magnitude of a potential adverse judgment. The Court has neither scheduled Legacy XTI's motion for hearing nor otherwise ruled upon it. Legacy XTI nevertheless denies the allegations of wrongdoing contained in the second amended complaint and is vigorously defending against the lawsuit.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock currently trades under the symbol "XTIA" on the Nasdaq Capital Market. Prior to the XTI Merger, our common stock traded under the symbol "INPX" on the Nasdaq Capital Market.

Holders of Record

According to our transfer agent, as of April 3, 2024, we had approximately 1,960 shareholders of record of our common stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name. Our stock transfer agent is Computershare Trust Company, N.A., 150 Royall Street, Suite 101, Canton, MA 02021.

Dividends

We have not declared or paid any cash dividends on our common stock, and we currently intend to retain future earnings, if any, to finance the expansion of our business, therefore, we do not expect to pay any cash dividends in the foreseeable future. The decision whether to pay cash dividends on our common stock will be made by our Board, in their discretion, and will depend on our financial condition, results of operations, capital requirements and other factors that our Board considers significant. Holders of Series 4 Convertible Preferred Stock and Series 5 Convertible Preferred Stock will not be entitled to receive any dividends, unless and until specifically declared by our Board.

Securities Authorized for Issuance under Equity Compensation Plans

For information required by this item with respect to our equity compensation plans, please see Item 11 of this report.

Recent Sales of Unregistered Equity Securities

Except as disclosed below, during the period covered by this Annual Report on Form 10-K, we have not sold any equity securities that were not registered under the Securities Act that were not previously reported in a quarterly report on Form 10-Q or in a current report on Form 8-K.

We issued 19,822 shares of common stock (the "Exchange Common Shares") to the holder of the then outstanding promissory note of the Company issued on July 22, 2022 (the "July 2022 Note"), at a price equal to $10.09 per share, which is the Minimum Price as defined in Nasdaq Listing Rule 5635(d), in connection with the terms and conditions of an Exchange Agreement, dated October 6, 2023, pursuant to which we and the holder agreed to (i) partition a new promissory note in the form of the July 2022 Note in the original principal amount of $200,000 and then cause the outstanding balance of the July 2022 Note to be reduced by $200,000; and (ii) exchange the partitioned note for the delivery of the Note 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 were other outstanding securities of the Company; (b) there was no additional consideration of value delivered by the holder in connection with the exchange; and (c) there were no commissions or other remuneration paid by the Company in connection with the exchange.

ITEM 6: [RESERVED]

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In

addition to historical information, this discussion and analysis here and throughout this Annual Report on Form 10-K contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements, due to a number of factors, including but not limited to, risks described in the section entitled "Risk Factors." In addition, we will file as an amendment to the Current Report on Form 8-K filed with the SEC on March 15, 2024 (i) the audited consolidated financial statements of Legacy XTI as of and for the years ended December 31, 2023 and 2022, (ii) Legacy XTI's Management's Financial Discussion and Analysis of Financial Condition and Results of Operations for the years ended December 31, 2023 and 2022 and (iii) the unaudited pro forma condensed combined financial information of Inpixon and Legacy XTI as of and for the year ended December 31, 2023, in accordance with Item 9.01 of Form 8-K.

Overview of Our Business

Following the effective time of the XTI Merger (the "Effective Time") on the Closing Date, we amended our articles of incorporation to change our name from "Inpixon" to "XTI Aerospace, Inc." and the combined company opened for trading on the Nasdaq Capital Market on March 13, 2024 under the new ticker symbol "XTIA". The financial information included in the Management's Discussion and Analysis of Financial Condition and Results from Operations section below include only the financial results of Inpixon, as the merger occurred after December 31, 2023. Therefore, all references to the "Company" in the Management's Discussion and Analysis of Financial Condition and Results from Operations refer to Inpixon.

Following the closing of the XTI Merger, we are primarily an aircraft development and manufacturing company. We also provide real-time location systems ("RTLS") for the industrial sector, which was our focus prior to the closing of the XTI Merger. Headquartered in Englewood, Colorado, the Company is developing a vertical takeoff and landing aircraft that takes off and lands like a helicopter and cruises like a fixed-wing business aircraft. Our initial model, the TriFan 600, is a six-seat aircraft which is intended to provide point-to-point air travel over distances of up to 700 miles, fly at twice the speed of a helicopter and cruise at altitudes up to 25,000 feet.

We believe the TriFan 600 will be one of the first VTOL aircraft that offers the speed and comfort of a business aircraft and the range and versatility of VTOL for a wide range of customer applications, including private aviation for business and high net worth individuals, emergency medical services, and commuter and regional air travel.

Since 2012, we have been engaged primarily in developing the design and engineering concepts for the TriFan 600, building and testing a two-thirds scale unmanned version of the TriFan 600, generating pre-orders for the TriFan 600, and seeking funds from investors to enable the Company to build full-scale piloted prototypes of the TriFan 600, and to eventually engage in commercial development of the TriFan 600.

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.

Our full-stack industrial IoT solution provides end-to-end visibility and control over a wide range of assets and devices. It is 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, our RTLS provides scalability and flexibility, allowing organizations to easily integrate it with their existing systems and add new capabilities as their needs evolve.

The Company notes that during the fourth quarter and as of December 31, 2023, the Grafiti LLC and Grafiti Holding Inc. divestitures, which represent both the Shoom and SAVES operating segments and a portion of the Indoor Intelligence segment, have been disposed of or met the held for sale criteria and represent a strategic shift in the Company's operations, and therefore are presented as discontinued operations. As such, these disposal groups have been excluded from both continuing operations and segment results for all periods presented. In addition, the Company also notes that as of December 31, 2023, the

Enterprise Apps divesiture, which was completed in the first quarter of 2023, is presented as discontinued operations and as such, have been excluded from both continuing operations and segment results for all periods presented. This divestiture represents a portion of the Indoor Intelligence operating segment. Therefore, apart from our aircraft and development and manufacturing business, only the Indoor Intelligence operating segment remains as of December 31, 2023.

Revenues decreased in the year ended December 31, 2023 over the same period in 2022 by approximately $1.5 million which is primarily attributable to longer sales cycles and delayed purchasing decisions by customers due to economic certainties for our real time location based technologies. This decrease was also a result of our transition to a location-as-a-service ("LaaS") model which impacts short term non-recurring revenue recognition but will increase our recurring revenue over time. As a result of our shift to recurring revenue with the LaaS business model we are seeing a stronger sales pipeline than the prior year as customers have less upfront expenditure. We expect to grow our Indoor Intelligence product revenues in 2024. The Indoor Intelligence product line does have long sales cycles, which result from customer-related issues such as budget and procurement processes but also because of the early stages of indoor-positioning technology and the learning curve required for customers to implement such solutions. Customers also often engage in a pilot program first which prolongs sales cycles and is typical of most emerging technology adoption curves. We anticipate sales cycles to improve in 2024 as our customer base moves from early adopters to mainstream customers. The sales cycle is also improving with the increased presence and awareness of beacon and Wi-Fi locationing technologies in the market. Indoor Intelligence sales can be licensed-based with government customers but commercial customers typically prefer a SaaS or subscription model.

We experienced a net loss from continuing operations of approximately $34.4 million and $19.7 million for the years ended December 31, 2023 and 2022, respectively. This increase in loss of approximately $14.7 million was primarily attributable to the acquisition costs during the year ended December 31, 2023 inclusive of the XTI and Damon transactions of approximately $4.2 million, the transaction costs during the year ended December 31, 2023 inclusive of the CXApp transaction of $3.1 million, the warrant inducement expense of approximately $3.4 million, the higher interest expense and higher tax provision. 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.

Recent Events

March 2020 Note Exchanges

During the year ended December 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 Note with Illiad 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 6,113 shares of the Company's common stock at effective prices between $109.00 and $168.00 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 year ended December 31, 2023.

July 2022 Note Exchanges and Amendment

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.

During the year ended December 31, 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 $7.6 million and then cause the outstanding balance of the July 2022 Note to be reduced by approximately $7.6 million; and (ii) exchange the partitioned notes for the delivery of 469,046 shares of the Company’s common stock, at effective prices between $5.56 and $91.50 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 consolidated statement of operations. The July 2022 Note was satisfied in full during the year ended December 31, 2023.

December 2022 Note Exchanges and Amendment

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 year ended December 31, 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 Dec 2022 Note equal to approximately $0.7 million and then cause the outstanding balance of the July 2022 Note to be reduced by approximately $0.7 million; and (ii) exchange the partitioned notes for the delivery of 130,000 shares of the Company's common stock, at effective price of $5.56 per share. The Company analyzed the exchange of the principal under the Dec 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 and there was no loss on the exchange for debt for equity.

At-The-Market (ATM) Program

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 year ended December 31, 2023, the Company sold 703,756 shares of common stock at share prices between $13.96 and $186.00 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.

On December 29, 2023, the Company entered into Amendment No. 2 to Sales Agreement pursuant to which the parties extended the term of the Sales Agreement until the earliest of (i) December 31, 2024, (ii) the sale of shares of the Company's common stock having an aggregate offering price equal to the Offering Size (as defined in the Sales Agreement), and (iii) the termination by either Maxim or the Company upon the provision of 15 days written notice or otherwise pursuant to the terms of the Sales Agreement.

CVH Class A Unit Transfers

On February 27, 2023, the Company entered into Limited Liability Company Unit Transfer and Joinder Agreements with certain of the Company's employees (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.

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 "Warrant Holder" and collectively, the "Warrant 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).

Pursuant to the Warrant Amendments, the Company and the Warrant 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 0.0033 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 for all of the then outstanding September 2021 Warrants and March 2022 Warrants as of the effective date of the Warrant Amendments, the Company issued 3,249 Exchange Shares in the aggregate.

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 1,500,000 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 $26.00, 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 $10.00; 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 1,500,000 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 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 $0.9 million as of December 31, 2023. The fair value of the Warrants are reflected within Warrant Liability on the 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 year ended December 31, 2023 was reported as other expense on the

Consolidated Statement of Operations. The interest cost of $20,000 for the year ended December 31, 2023 was included in interest expense, net on the Consolidated Statement of Operations.

During July 2023, the Company issued 90,000 shares of common stock in connection with the exercise of 90,000 warrants with an exercise price of $26.00 per share in connection with the May 2023 offering for which the Company received gross proceeds of approximately $2.3 million.

Warrant Inducement

On December 15, 2023, the Company entered into an warrant inducement letter agreements (the "Inducement Agreements") with certain holders (including their respective successors and assigns, the "Holders") of the Common Stock Purchase Warrants issued by the Company on May 17, 2023 ("May 2023 Warrants") and reissued on December 15, 2023, as applicable (as amended on June 20, 2023, the "Existing Warrants") in order to induce the Holders to exercise 491,310 Existing Warrants for cash, pursuant to the terms of and subject to beneficial ownership limitations contained in the Existing Warrants, the Company agreed to issue to the Holders, New Warrants to purchase 1 share of common stock for each share of common stock issued upon such exercise of the remaining Existing Warrants pursuant to the Inducement Agreements for an aggregate of 491,314 New Warrants. Pursuant to the Inducement Agreements the Existing Warrants exercise price was from $10.00 to $5.13 per share, which is equal to a 30% discount to the average closing price of the Common Stock for the five trading days prior to the execution of the Inducement Agreements, such that the Exercised Shares will be exercised at the New Exercise Price. The Inducement Agreements was a limited time offer that had to be accepted by December 18, 2023. The terms of the New Warrants had an initial exercise price of $7.324, which was subsequently reduced by the Company to $5.13, are immediately exercisable, and will expire 5 years from the date of the Exercise Agreement. The Holder paid an aggregate of approximately $2.5 million to the Company for the exercise of the Existing Warrants. The Company recognized approximately $3.4 million of non-cash warrant inducement expense during year ended December 31, 2023, which is displayed in other expense on the accounting statement of operations. The warrant inducement expense represents the fair value of the New Warrants issued to induce the exercise. The fair values were calculated using the Black-Scholes option pricing model.

Compliance with Nasdaq Continued Listing Requirements

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 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 which hearing was held on February 6, 2024. On March 1, 2024, the Panel notified us that it had granted our request for continued listing subject to the company evidencing a closing bid price of $1 or more per share for a minimum of ten consecutive trading days on or before May 7, 2024 which is the full extent of the Panel's discretion.

In order to cure the bid price deficiency and satisfy the bid price requirements applicable for initial listing applications in connection with the closing of the XTI Merger, on March 12, 2024, we effected a 1-for-100 reverse stock split of our outstanding shares of common stock shortly prior to the Effective Time of the XTI Merger. On March 26, 2024, we were informed by Nasdaq that we had regained compliance with the minimum bid price requirement and that we were back in compliance with the applicable Nasdaq continued listing criteria.

Leonard Oppenheim, a former independent director and the former Chairman of the Audit Committee, resigned from the Board effective as of March 31, 2024. On April 4, 2024, we received a notification letter from the Listing Qualifications Department of Nasdaq that due to Mr. Oppenheim's resignation, we no longer comply with Nasdaq's independent director and audit committee requirements as set forth in Listing Rule 5605 as the Board is not comprised of a majority of "independent directors" (as that term is defined in Nasdaq Listing Rule 5605(a)(2)) as required by Nasdaq Listing Rule 5605(b)(1) and the Audit Committee is not comprised of at least three independent directors as required by Nasdaq Listing Rule 5605(c)(2)(A). Consistent with Nasdaq Listing Rules 5605(b)(1)(A) and 5605(c)(4), Nasdaq has provided us a cure period in order to regain compliance (i) until the earlier of our next annual shareholders' meeting or March 31, 2025, or (ii) if the next annual shareholders' meeting is held before September 27, 2024, then we must evidence compliance no later than September 27, 2024.

We intend to appoint an additional independent director to the Board and the Audit Committee prior to the end of the cure period. However, there can be no assurance that we will be able to regain compliance with Nasdaq Listing Rule 5605 or will otherwise be in compliance with other Nasdaq continued listing requirements.

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).

On March 12, 2024, the Board adopted by resolution an amendment to the By-Laws that classifies the members of the Board into three classes (Class I, Class II and Class III) with staggered terms. Pursuant to the By-Laws amendment, the current term of the Class I directors will expire at the annual meeting of the stockholders of the Company for the year 2024, the current term of the Class II directors will expire at the annual meeting of the stockholders of the Company for the year 2025, and the current term of the Class III directors will expire at the annual meeting of the stockholders of the Company for the year 2026. At each succeeding annual meeting of stockholders of the Company successors of the class of directors whose term expires at that meeting shall be elected to hold office in accordance with the By-Laws.

Enterprise Apps Spin-off and Business Combination

On March 14, 2023, Inpixon completed (the "Closing") of the separation (the "Separation") of its enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the "Enterprise Apps Business") through a spin-off of CXApp Holding Corp., a Delaware corporation ("CXApp"), to certain holders of Inpixon securities as of March 6, 2023 (the "Record Date") on a pro rata basis (the "Distribution" or "Enterprise Apps Spin-off") and merger (the "Merger") of CXApp with a wholly owned subsidiary of KINS Technology Group Inc., a Delaware corporation ("KINS"), in a Reverse Morris Trust transaction (collectively, the "Transactions") pursuant to (i) an Agreement and Plan of Merger, dated as of September 25, 2022, by and among Inpixon, KINS, CXApp, and KINS Merger Sub Inc. (the "Merger Agreement") and (ii) a Separation and Distribution Agreement, dated as of September 25, 2022, among KINS, Inpixon, CXApp and Design Reactor, Inc. (the "Separation Agreement", and collectively with the Merger Agreement and the other related transaction documents, the "Transaction Agreements").

In connection with the Closing, KINS was renamed CXApp Inc. ("New CXApp"). Pursuant to the Transaction Agreements, Inpixon contributed cash sufficient to ensure CXApp had $10 million in cash and cash equivalents prior to the deduction of transaction expenses at closing 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.

Employee Matters Agreement

On March 14, 2023, in connection with the consummation of the Business Combination and as contemplated by the Separation Agreement, CXApp, Legacy CXApp, Inpixon and Merger Sub entered into the Employee Matters Agreement (the "Employee Matters Agreement"). The Employee Matters Agreement sets forth the terms and conditions of certain employee related matters in connection with the transaction, including, but not limited to the participation in benefits for each of the respective companies as relevant, and the assumption and retention of benefit plan assets and liabilities, worker's compensation, payroll taxes, regulatory filings, and the sharing of employee information.

Tax Matters Agreement

On March 14, 2023, in connection with the consummation of the Business Combination and as contemplated by the Separation Agreement, CXApp, Legacy CXApp and Inpixon entered into the Tax Matters Agreement (the "Tax Matters Agreement") which governs each party's respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and certain other matters regarding taxes.

Allocation of Taxes

In general, KINS and CXApp will be liable for all U.S. federal, state, local and foreign taxes (and any related interest, penalties or audit adjustments) that are (i) imposed with respect to tax returns that include both CXApp and Inpixon, to the extent such taxes are attributable to CXApp or the Enterprise Apps Business, or (ii) imposed with respect to tax returns that include CXApp but not Inpixon, in each case, for tax periods (or portions thereof) beginning after the Distribution. Inpixon will generally be liable for taxes described in clauses (i) and (ii) above for tax periods (or portions thereof) ending on the date of or prior to the Distribution, and any and all Distribution Taxes, as defined in the Tax Matters Agreement (generally, taxes imposed with respect to the Separation, Contribution, and Distribution). However, CXApp and KINS may be liable for certain taxes pursuant to indemnity obligations described below.

Indemnification Obligations

The Tax Matters Agreement generally provides for indemnification obligations between New CXApp and KINS, on the one hand, and Inpixon, on the other hand. In particular, CXApp and KINS must indemnify Inpixon for taxes allocated to CXApp or KINS, as described above, and Inpixon must indemnify New CXApp and KINS for taxes as allocated to Inpixon as described above, which would generally include Distribution Taxes. The Tax Matters Agreements, however, provides that KINS and CXApp may be liable for certain taxes to the extent such taxes result from a breach of certain representations or restrictive covenants made by KINS and CXApp, as described below.
Transition Services Agreement

On March 14, 2023, in connection with the consummation of the Business Combination and as contemplated by the Separation Agreement, Legacy CXApp and Inpixon entered into a Transition Services Agreement (the "Transition Services Agreement") pursuant to which Inpixon and certain employees and representatives and CXApp and certain employees and representatives will provide services to each other primarily related to payroll and benefits administration, IT support, finance and accounting services, contract administration and management services, and other administrative support services that may be required on an as needed basis, which services are of the type that CXApp and Inpixon provided to, and received from, each

other prior to the Separation. The fees for each of the transition services are set forth in the Transition Services Agreement. The Transition Services Agreement will terminate on the expiration of the term of the last service provided under it, and if no expiration date is provided for any transition service, then such transition service will terminate twelve months after the date of the Transition Services Agreement, provided that the receiving party shall have the right to an extension of each or any transition service for up to six months by providing written notice to providing party in advance of the original termination date for such transition service if, prior to such request for extension, the receiving party has used commercially reasonable efforts to establish analogous capabilities of its own.

On March 15, 2023, New CXApp began regular-way trading on NASDAQ under the ticker symbol “CXAI.”

XTI Merger and Leadership Changes

On July 24, 2023, we entered into an Agreement and Plan of Merger (amended on December 30, 2023 and March 12, 2024, the “XTI Merger Agreement”) by and among us, Superfly Merger Sub Inc., a Delaware corporation and our then wholly-owned subsidiary (“Merger Sub”), and XTI Aircraft Company, a Delaware corporation (“Legacy XTI”). Pursuant to the XTI Merger Agreement, on March 12, 2024 (the “Closing Date”), Merger Sub merged with and into Legacy XTI (the “XTI Merger”), with Legacy XTI surviving the XTI Merger as our wholly-owned subsidiary. Following the effective time of the XTI Merger (the “Effective Time”) on the Closing Date, we amended our articles of incorporation to change our name from "Inpixon" to "XTI Aerospace, Inc." and the combined company opened for trading on the Nasdaq Capital Market on March 13, 2024 under the new ticker symbol “XTIA”.

Shortly prior to the Effective Time, we effected a 1-for-100 reverse split of our outstanding shares of common stock (the "Reverse Stock Split").

At the Effective Time, pursuant to the XTI Merger Agreement, the shares of Legacy XTI common stock outstanding immediately prior to the Effective Time became the right to receive 7,843,668 shares of XTI Aerospace common stock, and the options and warrants to purchase shares of Legacy XTI common stock outstanding immediately prior to the Effective Time were assumed by the Company and became exercisable for approximately 1,068,959 and 382,610 shares of XTI Aerospace common stock, respectively, based on an exchange ratio of 0.0892598 shares of XTI Aerospace common stock for each share of Legacy XTI common stock in accordance with the XTI Merger Agreement. Prior to the Effective Time, Legacy XTI received the consents of certain of its convertible note holders to convert the outstanding balance under their convertible notes, equal to an aggregate outstanding amount of $7,535,701, into shares of Legacy XTI common stock immediately prior to the Effective Time, enabling them to participate in the XTI Merger on the same basis as the other shares of Legacy XTI common stock. Legacy XTI convertible notes in the aggregate remaining principal and interest amount of $51,658, were assumed by the Company at the Effective Time and became convertible into approximately 4,611 shares of XTI Aerospace common stock.

Immediately prior to the Effective Time, all but $175,000 of the total principal and accrued interest balance of the convertible note issued by Legacy XTI to Dave Brody on October 1, 2023, as amended on March 12, 2024, was converted into shares of Legacy XTI common stock immediately prior to the Effective Time, enabling him to participate in the XTI Merger on the same basis as the other shares of XTI common stock. The remaining $175,000 became payable in cash by Legacy XTI upon consummation of the XTI Merger.

Immediately following the Effective Time, XTI Aerospace had 9,786,801 shares of common stock issued and outstanding, subject to adjustment in connection with rounding associated with the Reverse Stock Split.

On March 12, 2024, the Company, Merger Sub and Legacy XTI entered into a Second Amendment to Merger Agreement (the “Merger Agreement Amendment”). The Merger Agreement Amendment amended the original XTI Merger Agreement, as amended by the First Amendment to Merger Agreement dated December 30, 2023, to provide, among other things, (i) adjustments for the issuance of shares of the Company’s newly designated non-convertible Series 9 preferred stock (“Series 9 Preferred Stock”) to Streeterville Capital, LLC in the exchange ratio calculation and (ii) the extension of the deadline to file a resale registration statement covering the shares issued in the XTI Merger that were not registered on the Company’s registration statement on Form S-4 filed in connection with the Merger to ten business days after the filing of this Annual Report on Form 10-K.

Following the issuance of shares under the Merger Agreement, Company security holders immediately prior to the Effective Time retained beneficial ownership of approximately 25% of the outstanding common stock of the Company on a fully-diluted basis and Legacy XTI security holders immediately prior to the Effective Time acquired beneficial ownership of

shares of common stock amounting to approximately 75% of the outstanding common stock of the Company on a fully-diluted basis.

In connection with the consummation of the XTI Merger and as contemplated by the XTI Merger Agreement, as of the Effective Time, Mr. Nadir Ali and Ms. Wendy Loundermon resigned as Chief Executive Officer and Chief Financial Officer of the Company, respectively. Following their resignation, the board of directors of the Company (the "Board") appointed Mr. Scott Pomeroy as Chief Executive Officer of the Company and Ms. Brooke Turk as Chief Financial Officer of the Company.

Also at the Effective Time, Messrs. Nadir Ali and Tanveer Khader and Ms. Wendy Loundermon resigned as directors of the Company. Following the foregoing resignations, the Board appointed Messrs. Scott Pomeroy, Soumya Das and David Brody as directors to the Board.

Mr. Leonard Oppenheim resigned from the Board, effective as of March 31, 2024. Mr. Kareem Irfan continues to serve on the Board.

As contemplated by the terms of the XTI Merger Agreement, as of the Effective Time, the Company determined that the post-closing Board would consist of a total of five directors, and therefore, two of the directors are required to have been nominated by the Company, at least one of whom is an independent director. Accordingly, the Board is currently comprised of two directors nominated by the Company prior to the Effective Time (Messrs. Kareem Irfan and Soumya Das) and two directors nominated by Legacy XTI prior to the Effective Time (Messrs. Scott Pomeroy and David Brody).

Due to Mr. Oppenheim's resignation, the Company received a notification letter from Nasdaq that the Company no longer complies with Nasdaq's independent director and audit committee requirements as set forth in Listing Rule 5605. The Company has been granted a cure period in order to regain compliance and the Company intends to appoint an additional independent director to the Board and the Audit Committee prior to the end of the cure period. See "- *Recent Events - Compliance with Nasdaq Continued Listing Requirements*" for more information.

Financial Advisory Fees in connection with the XTI Merger

Pursuant to the terms of an amended advisory fees agreement among Legacy XTI, the Company and Maxim and in accordance with the XTI Merger Agreement, the Company issued 385,359 registered shares of XTI Aerospace common stock in exchange for shares of Legacy XTI common stock issued to Maxim based on the exchange ratio under the XTI Merger Agreement. Additionally, Maxim will receive $200,000 payable upon the closing of one or more debt or equity financings for which Maxim serves as placement agent or underwriter and in which the Company raises minimum aggregate gross proceeds of $10 million following the Effective Time.

Pursuant to its engagement letter with Legacy XTI, dated as of June 7, 2022, as amended (the "Chardan Engagement Letter") and the XTI Merger Agreement, Chardan Capital Markets ("Chardan") received a cash payment of $200,000 and 189,037 registered shares of XTI Aerospace common stock (the "Chardan Closing Shares") in exchange for shares of Legacy XTI common stock issued to Chardan based on the exchange ratio under the XTI Merger Agreement. If within 120 days following the Effective Time, the Company consummates a public offering of securities in which the price per share of XTI Aerospace common stock ("Chardan Qualified Offering price") is less than the per share price of Inpixon common stock utilized to calculate the number of Chardan Closing Shares, the Company will be required, subject to applicable securities laws, to issue additional shares of XTI Aerospace common stock to Chardan in an amount equal to (i) $1,000,000 minus the product of the number of Chardan Closing Shares and Chardan Qualified Offering Price, divided by (ii) the Chardan Qualified Offeing Price.

XTI Promissory Note & Security Agreement

Pursuant to the XTI Merger Agreement, on the first calendar day of the month following the date of the XTI Merger Agreement and on the first calendar day of each month thereafter until the earlier of (i) four months following the date of the XTI 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 $0.5 million, 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 "XTI Promissory Note") and a Security and Pledge Agreement (the "Security Agreement").

The XTI Promissory Note provides an aggregate principal amount up to approximately $2.3 million, which amount includes the principal sum of approximately $0.5 million 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. On November 14, 2023, the principal amount under the XTI Promissory Note was increased to approximately $3.1 million and further increased to approximately $4.0 million effective as of January 30, 2024. The XTI Promissory Note balance and accrued interest as of December 31, 2023 is approximately $3.1 million and $0.04 million, respectively, and is included in the Company's consolidated balance sheet in Notes Receivable.

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) March 31, 2024, (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 Company's 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 the Company a first priority security interest in and lien upon all of XTI's property to secure the repayment of the XTI Promissory Note. The Company intends to amend the XTI Promissory Note to extend the term thereof.

Amendments to Articles of Incorporation for Reverse Stock Split and Name Change

On March 11, 2024, the Company filed a Certificate of Amendment to its articles of incorporation with the Secretary of State of Nevada to effect a 1-for-100 reverse split of our outstanding shares of common stock (the "Reverse Stock Split"), which was approved by the Company's stockholders at a special meeting in lieu of annual meeting held on December 8, 2023. Any fractional shares resulting from the Reverse Stock Split will be rounded up to the nearest whole share. The Company's authorized number of shares of common stock was not reduced by the Reverse Stock Split. The Reverse Stock Split became effective shortly before the Effective Time. The exercise price per share and number of shares issuable under all of the Company's outstanding securities convertible into or exercisable for common stock have been proportionately adjusted to account for the Reverse Stock Split.

On March 11, 2024, the Company also filed a Certificate of Amendment to its articles of incorporation with the Secretary of State of Nevada to change the name of the Company from "Inpixon" to "XTI Aerospace, Inc.", which became effective shortly after the Effective Time.

As of March 13, 2024, the trading symbol for the Company's common stock has changed to "XTIA." The new CUSIP number for the Company's common stock following the Reverse Stock Split, the Merger and the name change is 98423K108.

Series 9 Preferred Stock

On March 12, 2024, the Company filed the Certificate of Designations of Preferences and Rights of Series 9 Preferred Stock (the "Certificate of Designation"), with the Secretary of State of Nevada, designating 20,000 shares of preferred stock, par value $0.001 of the Company, as Series 9 Preferred Stock. Each share of Series 9 Preferred Stock has a stated face value of $1,050.00 ("Stated Value"). The Series 9 Preferred Stock is not convertible into shares of common stock of the Company.

Each share of Series 9 Preferred Stock will accrue a rate of return on the Stated Value in the amount of 10% per year, compounded annually to the extent not paid, and pro rata for any fractional year periods (the "Preferred Return"). The Preferred Return will accrue on each share of Series 9 Preferred Stock from the date of issuance and shall be payable on a quarterly basis,

either in cash or through the issuance of an additional number of shares of Series 9 Preferred Stock equal to (i) the Preferred Return then accrued and unpaid, divided by (ii) the Stated Value, at the Company's discretion.

Commencing on the one-year anniversary of the respective issuance date of each share of Series 9 Preferred Stock, each such share of Series 9 Preferred Stock shall accrue an automatic quarterly dividend, based on three quarters of 91 days each and the last quarter of 92 days (or 93 days for leap years), which shall be calculated on the Stated Value of such share of Series 9 Preferred Stock, and which shall be payable in additional shares of Series 9 Preferred Stock, based on the Stated Value, or in cash as set forth in the Certificate of Designation (each, as applicable, the "Quarterly Dividend"). For the period beginning on the one-year anniversary of the issuance date of a share of Series 9 Preferred Stock to the two-year anniversary of the issuance date of each share of Series 9 Preferred Stock, the Quarterly Dividend shall be 2% per quarter in respect of such share, and for all periods following the two-year anniversary of the issuance date of each share of Series 9 Preferred Stock, the Quarterly Dividend shall be 3% per quarter in respect of such share.

If at any time while any share of Series 9 Preferred Stock is outstanding, the Company undergoes or enters into a Fundamental Transaction (as defined in the Certificate of Designation), the Company shall cause any successor entity in any such Fundamental Transaction in which the Company is not the surviving company, to assume in writing all of the obligations of the Company under the Certificate of Designation. Subject to the terms and conditions in the Certificate of Designation, the Company may, at any time, elect to redeem all, but not less than all, of the shares of Series 9 Preferred Stock issued and outstanding from all of the Series 9 Preferred Stock holders by paying an amount in cash equal to the Series 9 Preferred Liquidation Amount (as defined below) applicable to such shares of Series 9 Preferred Stock being redeemed. The Series 9 Preferred Liquidation Amount per share is determined as the Stated Value per share plus any accrued but unpaid Preferred Return, and any accrued and unpaid Quarterly Dividend at that time.

The Series 9 Preferred Stock confers no voting rights on its holders, except with respect to matters that materially and adversely affect the rights or preferences of the Series 9 Preferred Stock or such matters specified in the Certificate of Designation that require the consent of holders of at least a majority of the outstanding shares of Series 9 Preferred Stock.

The Certificate of Designation contains certain obligations of the Company, such that until such time as no shares of Series 9 Preferred Stock remain outstanding, the Company and its subsidiaries are required to comply with certain covenants with respect to Fundamental Transactions, the Company's indebtedness, the Company's status as a publicly-traded company and an SEC reporting company, and other matters set forth in the Certificate of Designation, unless otherwise consented to by holders of at least a majority of the outstanding Series 9 Preferred Stock.

Exchange Agreement

On March 12, 2024, the Company and Streeterville Capital, LLC (the "Note Holder"), the holder of an outstanding promissory note issued on December 30, 2023 (as amended, the "December 2023 Note"), entered into an Exchange Agreement, pursuant to which the Note Holder exchanged the remaining balance of principal and accrued interest under the December 2023 Note in the aggregate amount of $9,801,521 for 9,801.521 shares of Series 9 Preferred Stock, based on an exchange price of $1,000 per share of Series 9 Preferred Stock. Following such exchange and the surrender of the December 2023 Note to the Company, the December 2023 Note is deemed paid in full, automatically canceled, and will not be reissued.

Securities Purchase Agreement

On March 12, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with an entity controlled by the Company's director and Chief Executive Officer, Mr. Nadir Ali (the "Purchaser"). Pursuant to the Securities Purchase Agreement, the Purchaser purchased 1,500 shares of Series 9 Preferred Stock for a total purchase price of $1,500,000, based on a purchase price of $1,000 per share of Series 9 Preferred Stock. The Company agreed that the Purchaser will be deemed a "Required Holder" as defined in the Certificate of Designation (as defined under Item 5.03 below) as long as the Purchaser holds any shares of Series 9 Preferred Stock.

The Securities Purchase Agreement sets forth certain restrictions on the Company's use of the proceeds from the sale of the Series 9 Preferred Stock pursuant thereto, including that the proceeds must be used in connection with the redemption of the Series 9 Preferred Stock pursuant to the Certificate of Designation or working capital purposes, and may not, without the consent of the required holders of Series 9 Preferred Stock, be used for, among other things, (i) the redemption of any XTIA

common stock or common stock equivalents, (ii) the settlement of any outstanding litigation, or (d) for the repayment of debt for borrowed money to any officer or director, or Merger-transaction related bonuses to any employee or vendor except for such non-merger transaction related bonuses as may be payable to participants pursuant to the Company's existing employee bonus plan.

The foregoing description of the Securities Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Securities Purchase Agreement and the Certificate of Designation, which are filed as Exhibits 10.77 and 3.14, respectively, to this Annual Report on Form 10-K and are incorporated by reference herein.

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Transaction Bonus Plan in connection with Completed Transaction

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.

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 December 31, 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.

Transaction Bonus Plan in connection with Future Strategic Transactions

On July 24, 2023, the Committee adopted a Transaction Bonus Plan, which was amended on March 11, 2024 (the "Plan"), and is intended to provide incentives to certain employees and other service providers to remain with the Company 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. The Plan was amended on

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 Merger qualifies 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 Nadir Ali, Wendy Loundermon, Soumya Das and certain other employees, are eligible for a cash bonus equal to 100% of their aggregate annual base salary and target bonus amount, provided that the participants must execute a customary release of claims and confidentiality agreement.

- Participants listed on Schedule 2 of the Plan, including 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). Mr. Ali is eligible for 3.5% of such Transaction Value less $6 million. Ms. Loundermon is eligible for 0.5% of such Transaction Value less $500,000. "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. The Transaction Value applicable to the XTI Merger was assessed at $225 million which was determined by the Committee in part based on the enterprise value of XTI following a valuation analysis performed by an independent financial advisory firm.

- Schedule 3 of the Plan provides that:

  (i) Nadir Ali shall receive an award (the "Award") of fully vested shares of Company common stock ("Shares") issued under the Inpixon 2018 Employee Stock Incentive Plan or any successor equity incentive plan adopted by the Company (the "Equity Plan") on the date that is three (3) months following the Closing of the XTI Merger (the "Grant Date") covering a number of shares having a fair market value (based on the closing price per Share on the Grant Date) equal to $1,023,600. Notwithstanding the foregoing, Nadir Ali shall not be eligible to receive the Award if his Consulting Agreement with the Company dated as of March 12, 2024 (the "Consulting Agreement"), terminates before the Grant Date due to (a) Company Good Reason (as defined in the Consulting Agreement) or (b) termination by Nadir Ali for any reason other than Consultant Good Reason (as defined in the Consulting Agreement).

  (ii) Any amounts payable to any Participant in cash pursuant to the Plan, may be paid in Shares under the Equity Plan upon written agreement of the Company and such Participant. i

- 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.

- Pursuant to the terms of the Plan:

  (1) The first fifty percent (50%) of any amounts payable in connection with the XTI Merger pursuant to Schedule 1 and Schedule 2 of the Plan for each Participant, as applicable (the "*First Fifty Percent*"), shall become earned upon the earlier of closing of a financing (whether a registered offering or private unregistered offering) in which the Company sells Qualifying Securities (as defined below) and receives an amount of gross proceeds that when added to the proceeds of previous sales of Qualifying Securities following the closing of the XTI Merger equals $5 million (the "*First Financing*") or June 30, 2024 (the "*Earned Date*"). "Qualifying Securities" means any debt or equity securities other than debt or equity securities having a maturity date or a redemption right at the option of the holder of fewer than six (6) months following the issuance of that security.

(2) The remaining fifty percent (50%) of any amounts payable pursuant to Schedule 1 and Schedule 2 of the Plan (the "*Remaining Fifty Percent*") will be earned upon the earlier of the closing of a subsequent financing in which the Company receives an amount of gross proceeds that when added to the proceeds of previous sales of Qualifying Securities following the First Financing aggregates to at least $5 million ("*Subsequent Financing*") or the Earned Date.

(3) Following the Earned Date, the First Fifty Percent will be paid in three (3) equal monthly installments, beginning on July 1, 2024, and on the first day of each month thereafter until the First Fifty Percent is paid in full. The Remaining Fifty Percent will be paid in three (3) equal monthly installments, beginning October 1, 2024 and on the first day of each month thereafter until the Remaining Fifty Percent is paid in full.

(4) A Participant's right to receive payment of the First Fifty Percent or the Second Fifty Percent is subject to the Participant's continuing employment or other service with the Company or any of its subsidiaries or affiliates until the date on which the payment is earned (as specified in clause (1) or (2) above); provided, however, that if a Participant's employment or service with the Company or any of its subsidiaries or affiliates terminates before the applicable payment is earned due to the involuntary termination of the Participant other than for Cause, such Participant will be deemed for this purpose to continue in employment or service with the Company and its subsidiaries and affiliates following the Participant's termination date until the date the applicable payment is earned.

(5) In the event the Company is unable to raise a minimum of $5 million from the sale of Qualifying Securities as of June 30, 2024, the Participants hereby designate and appoint Nadir Ali, as the Participant Representative (defined below) to work with the Company as necessary to amend the payment schedule set forth above to ensure that the Company will have sufficient cash to support its operations. If Nadir Ali cannot or refuses to serve the Participant Representative, then the Participant Representative shall be selected by the Company from among the other Participants entitled to receive any payment pursuant to Schedule 1 or Schedule 2 of the Plan.

(6) If the Company or XTI pays cash bonuses related to the closing of the XTI Merger to the Company's or XTI's employees or individual service providers who are not Participants ("*Non-Plan Transaction Bonuses*"), any then-unpaid payments to Participants pursuant to the Plan shall be paid on an accelerated basis pursuant to a payment schedule that is substantially similar to the bonus payment schedule for the Non-Plan Transaction Bonuses. Conversely, if the Company agrees to an accelerated payment or more favorable payment terms of amounts payable pursuant to the Plan, all recipients of Non-Plan Transaction Bonuses shall receive similar treatment.

During the year ended December 31, 2023, the Company did not pay or accrue any bonuses under the Plan in connection with future strategic transactions.

Solutions Divestiture - Grafiti Holding Inc.

On October 23, 2023, the Company entered into a Separation and Distribution Agreement (the "Separation Agreement") with Grafiti Holding Inc. ("Grafiti Holding"). pursuant to which it contributed the assets and liabilities of Inpixon Limited, a then wholly owned subsidiary of the Company, to another then wholly owned subsidiary Grafiti Holding in accordance with the separation and distribution agreement. The Company transferred the Grafiti Holding common shares to a newly-created liquidating trust, titled the Grafiti Holding Inc. Liquidating Trust (the "Trust"), which holds the Grafiti Holding common shares for the benefit of the participating Company security holders of record as of December 27, 2023 (the "Record Date Holders"). Following the effectiveness of a registration statement (the "Spin-off Registration Statement") related to the spin-off distribution, the Grafiti Holding common shares will be delivered to the Record Date Holders, as beneficiaries of the Trust, pro rata in accordance with their ownership of shares or underlying shares of Inpixon common stock as of the record date. Upon distribution of the Grafiti Holding shares, it is expected that Record Date Holders will receive one (1) common share of Grafiti Holding for every fifty (50) shares of common stock of the Company held on the Record Date.

Damon Business Combination

On October 23, 2023, the Company also entered into a Business Combination Agreement (the "Business Combination Agreement"), with Damon Motors Inc., a British Columbia corporation ("Damon"), Grafiti Holding, and 1444842 B.C. Ltd., a British Columbia corporation and a newly formed wholly-owned subsidiary of Grafiti Holding ("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 Holding (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 Holding 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 Holding 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 "Damon Closing"), both Inpixon UK and the Damon Surviving Corporation will be wholly-owned subsidiaries of Grafiti Holding, which will adopt a new name as determined by Damon. Grafiti Holding, after the Damon 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 Grafiti Holding.

Holders of Grafiti Holding Common Shares, including Participating Security holders and management that hold Grafiti Holding 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 certain members of the Company's current and former management team.

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 of $3.0 million. The Bridge Note has a 12% annual interest rate with a term of 12 months. 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. In addition, Damon issued a five-year warrant to purchase 1,096,321 shares of Damon common stock in connection with the note. The exercise price per Common Share is equal to the quotient of the valuation cap and the diluted capitalization, as defined in the agreement.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 Holding Common Shares and the Bridge Note Warrant will become exercisable for Grafiti Holding Common Shares.

Solutions Divestiture - Grafiti LLC

On February 21, 2024, the Company completed the disposition of the remaining portion of the Shoom, SAVES, and GYG business lines and assets that were excluded from the Grafiti Holding Transaction in accordance with the terms and conditions of an Equity Purchase Agreement, dated February 16, 2024, by and among Inpixon ("Seller"), Grafiti LLC, and Grafiti Group LLC (a newly formed entity controlled by Nadir Ali, the Company's CEO and a director) ("Buyer"). Pursuant to the terms of the Equity Purchase Agreement, Buyer acquired from 100% of the equity interest in Grafiti LLC, including the assets and liabilities primarily relating to Inpixon's Saves, Shoom and Game Your Game business, including 100% of the equity interests of Inpixon India, Grafiti GmbH (previously Inpixon Gmbh) and Game Your Game, Inc. from the Company for a minimum purchase price of $1.0 million paid in two annual cash installments of $0.5 million due within 60 days after December 31, 2024 and 2025. The purchase price and annual cash installment payments will be (i) increased for 50% of net income after taxes, if any, from the operations of Grafiti LLC for the years ended December 31, 2024 and 2025; (ii) decreased for the amount of transaction expenses assumed; (iii) increased or decreased by the amount working capital of Grafiti LLC on the closing balance sheet is greater or less than $1.0 million.

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 2 of the audited consolidated financial statements for the years ended December 31, 2023 and 2022 which are included elsewhere in this Annual Report on Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. There have been no changes to estimates during the periods presented in the filing. Historically changes in management estimates have not been material.

Revenue Recognition

The Company 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.

Our contracts with customers often include promises to transfer multiple distinct products and services. Our licenses are sold as perpetual or term licenses and the arrangements typically contain various combinations of maintenance and professional services, which are accounted for as separate performance obligations. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. The most critical judgements required in applying ASC 606 *Revenue Recognition from Customers*, and our revenue recognition policy relate to the determination of distinct performance obligations.

- We receive fixed consideration for sales of hardware and software products. Revenue is recognized at point in time when the customer has title to the product and risks and rewards of ownership have transferred.

- Revenue related to software as a service contract is recognized over time using the output method (days of software provided) because we are providing continuous access to its service.

- Design and implementation revenue is accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the consolidated statement of operations in proportion to the stage of completion of the contract. Accounting for these contracts involves the use of estimates to determine total contract costs to be incurred.

- Professional services revenue under fixed fee contracts is recognized over time using the input method (direct labor hours) to recognize revenue over the term of the contract. We have elected the practical expedient to recognize revenue for the right to invoice because our right to consideration corresponds directly with the value to the customer of the performance completed to date.

- We recognize revenue related to Maintenance Services evenly over time using the output method (days of software provided) because we provide continuous service, and the customer simultaneously receives and consumes the benefits provided by our performance as the services are performed.

We also consider whether an arrangement has any discounts, material rights, or specified future upgrades that may represent additional performance obligations. We offer discounts in the form of prompt payment discounts and rebates for a decrease in service level percentages. We have determined that the most likely amount method is most useful for contracts that provides

these discounts and rebates as the contracts have two potential outcomes and a significant reversal in the amount of cumulative revenue recognized is not expected to occur. Discounts have not historically been significant, but we continue to monitor and evaluate these estimates based on historical experience, anticipated performance, and our best judgment. 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. If any of these judgments were to change it could cause a material increase or decrease in the amount of revenue we report in a particular period.

Acquired Intangible Assets and Other Long-Lived Assets - Impairment Assessments

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

When assessing the recoverability of our long-lived assets, which include property and equipment and finite-lived intangible assets, we make assumptions regarding estimated future cash flows and other factors. Some of these assumptions involve a high degree of judgment and bear a significant impact on the assessment conclusions. Included among these assumptions are estimating undiscounted future cash flows, including the projection of comparable sales, operating expenses, capital requirements for maintaining property and equipment and residual value of asset groups. We formulate estimates from historical experience and assumptions of future performance, based on business plans and forecasts, recent economic and business trends, and competitive conditions. In the event that our estimates or related assumptions change in the future, we may be required to record an impairment charge.

We evaluate the remaining useful lives of long-lived assets and identifiable intangible assets whenever events or circumstances indicate that a revision to the remaining period of amortization is warranted. Such events or circumstances may include (but are not limited to): the effects of obsolescence, demand, competition, and/or other economic factors including the stability of the industry in which we operate, known technological advances, legislative actions, or changes in the regulatory environment. If the estimated remaining useful lives change, the remaining carrying amount of the long-lived assets and identifiable intangible assets would be amortized prospectively over that revised remaining useful life. We have determined that there were no events or circumstances during the years ended December 31, 2023 and 2022, which would indicate a revision to the remaining amortization period related to any of our long-lived assets. Accordingly, we believe that the current estimated useful lives of long-lived assets reflect the period over which they are expected to contribute to future cash flows and are therefore deemed appropriate.

The Company recorded an impairment of intangibles of zero and approximately $4.6 million during the years December 31, 2023 and 2022, respectively, all of which pertains to discontinued operations.

Deferred Income Taxes

In accordance with ASC 740 “Income Taxes” (“ASC 740”), management routinely evaluates the likelihood of the realization of its income tax benefits and the recognition of its deferred tax assets. In evaluating the need for any valuation allowance, management will assess whether it is more likely than not that some portion, or all, of the deferred tax asset may not be realized on a jurisdictional basis. Ultimately, the realization of deferred tax assets is dependent upon the generation of future taxable income during those periods in which temporary differences become deductible and/or tax credits and tax loss carry-forwards can be utilized. In performing its analyses, management considers both positive and negative evidence including historical financial performance, previous earnings patterns, future earnings forecasts, tax planning strategies, economic and business trends and the potential realization of net operating loss carry-forwards within a reasonable timeframe. To this end, management considered (i) that we have had historical losses in the prior years and cannot anticipate generating a sufficient level of future profits in order to realize the benefits of our deferred tax asset; (ii) tax planning strategies; and (iii) the adequacy of future income as of and for the year ended December 31, 2023, based upon certain economic conditions and historical losses through December 31, 2023. After consideration of these factors, management deemed it appropriate to establish a full valuation allowance with respect to the deferred tax assets for Inpixon, Nanotron GmbH, and Intranav GmbH.

A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax filings that do not meet these recognition and measurement standards. As of December 31, 2023 and 2022, no liability for unrecognized tax benefits was required to be reported. The guidance also discusses the classification of related interest and penalties on income taxes. The Company's policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. No interest or penalties were recorded during the years ended December 31, 2023 and 2022.

Business Combinations

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

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

Results of Operations

During the fourth quarter and as of December 31, 2023, both the Shoom and SAVES operating segments and a portion of the Indoor Intelligence segment, were disposed of or met the held for sale criteria and represented a strategic shift in the Company's operations. As a result, these segments have been presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. In addition, the Company also notes that as of December 31, 2023, the divesiture of our Enterprise Apps line, which was completed in the first quarter of 2023, is presented as discontinued operations and as such, has been excluded from both continuing operations and segment results for all periods presented. This divestiture represented a portion of the Indoor Intelligence operating segment. Following these divestitures, only the Indoor Intelligence operating segment remained as of December 31, 2023.

Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

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

	For the Years Ended					
	2023		2022			
(in thousands, except percentages)	Amount	% of Revenues	Amount	% of Revenues	$ Change	% Change*
Revenues	$ 4,562	100 %	$ 6,109	100 %	$ (1,547)	(25)%
Cost of revenues	$ 1,458	32 %	$ 2,121	35 %	$ (663)	(31)%
Gross profit	$ 3,104	68 %	$ 3,988	65 %	$ (884)	(22)%
Operating expenses	$ 30,033	658 %	$ 23,232	380 %	$ 6,801	29 %
Loss from operations	$ (26,929)	(590)%	$ (19,244)	(315)%	$ (7,685)	(40)%
Other (expense)/income	$ (7,397)	(162)%	$ (619)	(10)%	$ (6,778)	(1,095)%
Income tax (provision)/benefit	$ (24)	(1)%	$ 181	3 %	$ (205)	(113)%
Net loss from continuing operations	$ (34,350)	(753)%	$ (19,682)	(322)%	$ (14,668)	(75)%
Loss from discontinued operations, net of tax	$ (12,750)	(279)%	$ (46,622)	(763)%	$ 33,872	73 %
Net loss attributable to stockholders of XTI Aerospace, Inc.	$ (45,947)	(1,007)%	$ (63,394)	(1,038)%	$ 17,447	28 %

* 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 year ended December 31, 2023 were $4.6 million compared to $6.1 million for the comparable period in the prior year for an decrease of approximately $1.5 million, or approximately 25%. This decrease is primarily due to longer sales cycles of the IIOT business and the transition to recurring revenue streams.

Gross Margin

Cost of revenues for the year ended December 31, 2023 were $1.46 million compared to $2.12 million for the comparable period in the prior year. This decrease in cost of revenues of approximately $0.7 million, or approximately 31%, was primarily attributable to the decreased sales during the year.

The gross profit margin for the year ended December 31, 2023 was 68% compared to 65% for the year ended December 31, 2022. This higher margin is primarily due to a large higher than average margin Aware product sale in the year ended December 31, 2023.

Operating Expenses

Operating expenses for the year ended December 31, 2023 were $30.0 million and $23.2 million for the comparable period ended December 31, 2022. This increase of $6.8 million is primarily attributable to the acquisition costs of the XTI and Damon transactions of approximately $4.2 million and the transaction costs of the CXApp transaction of $3.1 million in the year ended December 31, 2023 offset by the $1.2 million impairment of goodwill in the year ended December 31, 2022.

Loss From Operations

Loss from operations for the year ended December 31, 2023 was $26.9 million as compared to $19.2 million for the comparable period in the prior year. This increase in loss of $7.7 million is primarily attributable to increased operating expenses of $6.8 million as detailed above and the decreased gross profit of approximately $0.9 million.

Other Income/(Expense)

Other income/expense for the year ended December 31, 2023 was an expense of $7.4 million compared to expense of $0.6 million for the comparable period in the prior year. This increase in other expense of approximately $6.8 million is primarily attributable to higher interest expense of approximately $4.1 million, a warrant inducement expense of $3.4 million offset by a benefit from the change in fair value of warrants of approximately$0.8 million .

Provision for Income Taxes

There was an income tax provision of approximately $0.02 million for the year ended December 31, 2023 compared to an income tax benefit of $0.2 million for the comparable period in the prior year. The income tax provision for the year ended December 31, 2023 is attributable to minimum state income taxes. Whereas, the income tax benefit for the year ended December 31, 2022 was attributable to favorable adjustments from the year ended December 31, 2021 when the Company reported taxable income.

Loss from Discontinued Operations, Net of Tax

Loss from discontinued operations, net of tax for the year ended December 31, 2023 was $12.75 million compared to a loss of $46.62 million for the year ended December 31, 2022. This decrease in loss of $33.9 million was primarily due to the enterprise apps spin off which occured in March 2023, therefore there are only 3 months of discontinued operations in the year ended December 31, 2023 and 12 months of discontinued operations in the year ended December 31, 2022. Additionally, the year ended December 31, 2022 includes $11.0 million of impairment of goodwill and intangibles, a $7.9 million unrealized loss on equity securities and a $1.8 million unrealized loss on equity method investment.

Net Loss Attributable To Stockholders of XTI Aerospace, Inc.

Net loss attributable to stockholders for the year ended December 31, 2023 was $45.95 million compared to $63.39 million for the comparable period in the prior year. This decrease in loss of approximately $17.4 million was primarily attributable to the lower loss from discontinued operations of $33.9 million, offset by higher operating expenses of $6.8 million , higher other expense of $6.8 million and higher tax provision of $0.2 million.

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 year ended December 31, 2023 was a loss of $15.9 million compared to a loss of $11.3 million for the prior year period.

The following table presents a reconciliation of net income/loss attributable to stockholders of XTI Aerospace, Inc., which is our GAAP operating performance measure, to Adjusted EBITDA for the years ended December 31, 2023 and 2022 (in thousands):

	For the Years Ended December 31,	
	2023	2022
Net loss attributable to common stockholders	$ (45,947)	$ (79,570)
Loss from discontinued operations, net of tax	12,750	46,622
Interest expense/(income), net	4,730	600
Income tax provision/(benefit)	24	(181)
Depreciation and amortization	1,366	1,296
EBITDA	(27,077)	(31,233)
Adjusted for:		
Non-recurring one-time charges:		
Unrealized loss on note	—	159
Acquisition transaction/financing costs	4,170	410
Professional service fees	—	4
Impairment of goodwill	—	1,183
Transaction costs	3,059	—
Change in fair value of warrants and derivatives	(792)	—
Warrant inducement expense	3,361	—
Accretion of series 7 preferred stock	—	4,555
Accretion of series 8 preferred stock	—	13,090
Deemed dividend modification Series 8 Preferred Stock	—	2,627
Deemed Contribution modification of warrants	—	(1,469)
Amortization premium modification of Series 8 Preferred Stock	—	(2,627)
Distribution of equity method investment shares to employees for compensation	666	—
Loss on exchange of debt for equity	124	—
Unrealized foreign exchange (gains)/losses	(293)	74
Bad debts expense/provision	(196)	(37)
Reserve for inventory obsolescense	85	—
Stock-based compensation - compensation and related benefits	805	1,707
Severance costs	226	135
Restructuring costs	—	169
Adjusted EBITDA	$ (15,862)	$ (11,253)

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

- To review and assess the operating performance of our Company as permitted by ASC Topic 280, Segment Reporting;
- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a basis for allocating resources to various projects;

- As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- To evaluate internally the performance of our personnel.

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

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

Basic and diluted net loss per share from continuing operations for the year ended December 31, 2023 was a loss of $55.22 compared to a loss of $1,412.86 for the prior year period. Basic and diluted net loss per share from discontinued operations for the year ended December 31, 2023 was a loss of $21.21 compared to a loss of $1,999.23 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 loss from discontinued operations, 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 year ended December 31, 2023 was a loss of $35.16 per share compared to a loss of $518.06 per share for the prior year period.

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

	For the Years Ended December 31,	
(thousands, except per share data)	2023	2022
Net loss attributable to common stockholders	$ (45,947)	$ (79,570)
Adjustments:		
Non-recurring one-time charges:		
Loss from discontinued operations, net of tax	12,750	46,622
Unrealized loss on note	—	159
Acquisition transaction/financing costs	4,170	410
Professional service fees	—	4
Impairment of goodwill	—	1,183
Transaction costs	3,059	—
Change in fair value of warrants and derivatives	(792)	—
Warrant inducement expense	3,361	—
Accretion of series 7 preferred stock	—	4,555
Accretion of series 8 preferred stock	—	13,090
Deemed dividend modification Series 8 Preferred Stock	—	2,627
Deemed Contribution modification of warrants	—	(1,469)
Amortization premium modification of Series 8 Preferred Stock	—	(2,627)
Distribution of equity method investment shares to employees as compensation	666	—
Loss on exchange of debt for equity	124	—
Unrealized foreign exchange (gains)/losses	(293)	74
Bad debts expense/provision	(196)	(37)
Reserve for inventory obsolescense	85	—
Stock-based compensation - compensation and related benefits	805	1,707
Severance costs	226	135
Restructuring costs	—	169
Amortization of intangibles	843	887
Proforma non-GAAP net loss	$ (21,139)	$ (12,081)
Proforma non-GAAP net loss per basic and diluted common share	$ (35.16)	$ (518.06)
Weighted average basic and diluted common shares outstanding	601,211	23,320

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

- To review and assess the operating performance of our Company as permitted by ASC Topic 280, Segment Reporting;

- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a measure to evaluate potential economic outcomes of acquisitions, operational alternatives and strategic decisions; and
- To evaluate internally the performance of our personnel.

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

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

Liquidity and Capital Resources as of December 31, 2023

Our current capital resources and operating results as of and through December 31, 2023, consist of:

1) an overall working capital surplus of approximately $3.6 million;

2) cash of approximately $6.3 million;

3) net cash used by operating activities for the year ended December 31, 2023 of $29.2 million.

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

Working Capital	Assets	Liabilities	Net
Cash and cash equivalents	$ 6,254	$ —	$ 6,254
Accounts receivable, net / accounts payable	568	2,449	(1,881)
Inventory	2,415	—	2,415
Accrued liabilities	—	2,007	(2,007)
Operating lease obligation	—	201	(201)
Deferred revenue	—	625	(625)
Notes and other receivables / Short-term debt	6,206	8,738	(2,532)
Warrant asset/liability	1,858	919	939
Other	430	—	430
Current assets/liabilities of discontinued operations	2,768	1,960	808
Total	$ 20,499	$ 16,899	$ 3,600

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 December 31, 2023, the total obligation for operating leases is approximately $0.3 million, of which approximately $0.2 million is expected to be paid in the next twelve months.

As of December 31, 2023, we owed approximately $8.7 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 11** of the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K. In addition, as of December 31, 2023, we have accrued a liability for outstanding warrants, of $0.9 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 17** of the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K.

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 December 31, 2023, the Company has provided approximately $3.1 million in principal of that balance. On February 2, 2024, Inpixon and XTI executed a further amendment to the XTI Note, dated effective as of January 30, 2024, to increase the Maximum Principal Amount from approximately $3.1 million to approximately $4.0 million.In addition, the Company agreed to make a best effort to have $10 million cash on hand at closing, inclusive of the $4.0 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 year ended December 31, 2023 of $29.2 million consists of net loss of $47.1 million offset by non-cash adjustments of approximately $14.4 million and net cash changes in operating assets and liabilities of approximately $3.5 million. Although the Company has sustained significant losses during 2023, in addition to the cash we had on hand, we raised gross proceeds of approximately $27.4 million in connection with an ATM Offering and received net proceeds of approximately $5.9 million from warrants issued and warrants exercised in the year ended December 31, 2023. 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.

The Company's recurring losses and utilization of cash in its operations are indicators of going concern. The Company’s consolidated financial statements as of December 31, 2023 have been prepared under the assumption that the Company will continue as a going concern for the next twelve months from the date the financial statements are issued. Management’s plans and assessment of the probability that such plans will mitigate and alleviate any substantial doubt about the Company’s ability to continue as a going concern is dependent upon the ability to obtain additional equity or debt financing, and attain further operating efficiency, which together represent the principal conditions that raise substantial doubt about our ability to continue as a going concern. The Company’s consolidated financial statements as of December 31, 2023 do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and Capital Resources as of December 31, 2023 Compared With December 31, 2022

The Company’s net cash flows used in operating, investing and financing activities for the years ended December 31, 2023 and 2022 and certain balances as of the end of those periods are as follows (in thousands):

	For the Years Ended December 31,	
	2023	2022
Net cash used in operating activities	$ (29,213)	$ (33,963)
Net cash used in investing activities	(5,887)	36,387
Net cash provided by financing activities	22,208	(34,586)
Effect of foreign exchange rate changes on cash	32	(83)
Net decrease in cash and cash equivalents	$ (12,860)	$ (32,245)

	As of December 31, 2023	As of December 31, 2022
Cash and cash equivalents	$ 6,254	$ 9,284
Working capital surplus	$ 3,600	$ 5,152

Operating Activities for the year ended December 31, 2023

Net cash used in operating activities during the year ended December 31, 2023 was approximately $29.2 million. The cash flows related to the year ended December 31, 2023 consisted of the following (in thousands):

Net loss	$ (47,100)
Non-cash income and expenses	14,360
Net change in operating assets and liabilities	3,527
Net cash used in operating activities	$ (29,213)

The non-cash income and expense of approximately $14.4 million consisted primarily of the following (in thousands):

$ 2,697	Depreciation and amortization expenses
254	Amortization of right of use asset
1,003	Stock-based compensation expense attributable to warrants and options issued as part of Company operations
124	Loss on exchange of debt for equity
2,627	Amortization of debt issuance costs
3,361	Warrant inducement expense
2,303	Loss on discontinued operations
(1,142)	Gain on settlement with FOXO
(427)	Unrealized gain on foreign currency transactions
666	Distribution of equity method investment shares to employees as compensation
2,593	Deferred income tax
(5,609)	Unrealized gain on equity securities
6,692	Realized loss on sale of equity securities
(782)	Other
$ 14,360	Total non-cash expenses

The net cash used in the change in operating assets and liabilities aggregated approximately $3.5 million and consisted primarily of the following (in thousands):

$	(532)	Increase in accounts receivable and other receivables
	1,109	Decrease in inventory, other current assets and other assets
	873	Increase in accounts payable
	1,703	Increase in accrued liabilities and other liabilities
	(257)	Decrease in operating lease liabilities
	631	Increase in deferred revenue
$	3,527	Net cash used in the changes in operating assets and liabilities

Operating Activities for the year ended December 31, 2022

Net cash used in operating activities during the years ended December 31, 2022 was approximately $34.0 million. The cash flows related to the year ended December 31, 2022 consisted of the following (in thousands):

Net loss	$	(66,304)
Non-cash income and expenses		32,345
Net change in operating assets and liabilities		(4)
Net cash used in operating activities	$	(33,963)

The non-cash income and expense of approximately $32.3 million consisted primarily of the following (in thousands):

$	7,456	Depreciation and amortization expenses
	706	Amortization of right of use asset
	(278)	Accrued interest income, related party
	3,656	Stock-based compensation expense attributable to warrants and options issued as part of Company operations
	489	Amortization of debt issuance costs
	(2,827)	Earnout payment expense benefit
	151	Realized loss on sale of equity securities
	1,784	Unrealized loss on equity method investment
	1,707	Unrealized gain on foreign currency transactions
	(1)	Deferred income tax
	7,904	Unrealized loss on equity securities
	12,199	Impairment of goodwill and intangibles
	(791)	Gain on conversion of note receivable
	190	Other
$	32,345	Total non-cash expenses

The net use of cash in the change in operating assets and liabilities aggregated approximately $0.004 million and consisted primarily of the following (in thousands):

$	(115)	Increase in accounts receivable and other receivables
	843	Decrease in inventory, other current assets and other assets
	182	Increase in accounts payable
	977	Increase in accrued liabilities and other liabilities
	(677)	Decrease in operating lease liabilities
	(1,214)	Decrease in deferred revenue
$	(4)	Net use of cash in the changes in operating assets and liabilities

Cash Flows from Investing Activities as of December 31, 2023 and 2022

Net cash flows used in investing activities during 2023 was approximately $5.9 million compared to net cash flows provided by investing activities during 2022 of approximately $36.4 million. Cash flows related to investing activities during the year ended December 31, 2023 include $0.2 million for the purchase of property and equipment, $0.2 million for investment in capitalized software, $0.2 million proceeds from repayment of note receivable, $0.3 million sales of equity securities, $3.0 million for issuance of convertible note receivable and $3.0 million for issuance of note receivable.

Cash flows related to investing activities during the year ended December 31, 2022 include $0.2 million for the purchase of property and equipment, $0.9 million for investment in capitalized software, $43.0 million for the sales of treasury bills, $0.2 million for sales of equity securities, $5.5 million for the purchase of a convertible note, and $0.2 million for the issuance of a note receivable.

Cash Flows from Financing Activities as of December 31, 2023 and 2022

Net cash flows provided by financing activities during the year ended December 31, 2023 was $22.2 million. Net cash flows used in financing activities during the year ended December 31, 2022 was $34.6 million. During the year ended December 31, 2023, the Company received incoming cash flows of $26.5 million from an ATM stock offering, received $1.4 million of net proceeds from the issuance of warrants, received $4.5 million from the exercise of warrants, received $0.4 million of net proceeds from a promissory note, paid a $0.2 million liability related to the CXApp acquisition, distributed $10.0 million to shareholders related to the spin-off of CXApp, and distributed $0.4 million to a trust related to the spin-off of Grafiti Holding.

During the year ended December 31, 2022, the Company received incoming cash flows of $46.9 million for the issuance of common stock, preferred stock and warrants, received $12.3 million of net proceeds from a promissory note, received $14.1 million in net proceeds from ATM stock offerings, paid $0.3 million of taxes related to the net share settlement of restricted stock units, paid $5.1 million liability related to the CXApp acquisition, paid $49.3 million for the redemption of preferred stock series 7, and paid $53.2 million for the redemption of preferred stock series 8,

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 2 to our financial statements, which are included in this report beginning on page F-1.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide this information.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOW AS INPIXON AND SUBSIDIARIES)

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
XTI Aerospace, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of XTI Aerospace, Inc. and Subsidiaries (f/k/a Inpixon) (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits **s** to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.
/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2012.

New York, NY April 16, 2024

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED BALANCE SHEETS

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

	As of December 31, 2023	As of December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	$ 6,254	$ 9,284
Accounts receivable, net of credit losses of $26 and $231, respectively	568	1,187
Other receivables	61	83
Inventory, net	2,415	1,997
Notes receivable	6,145	150
Warrant asset	1,858	—
Prepaid expenses and other current assets	430	2,691
Current assets of discontinued operations	2,768	14,474
Total Current Assets	20,499	29,866
Property and equipment, net	277	342
Operating lease right-of-use asset, net	335	527
Software development costs, net	305	524
Long-term investments	—	666
Intangible assets, net	2,208	2,994
Other assets	145	143
Non-current assets of discontinued operations	—	22,573
Total Assets	$ 23,769	$ 57,635

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

	As of December 31, 2023	As of December 31, 2022
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	2,449	720
Accrued liabilities	2,007	1,836
Operating lease obligation, current	201	207
Deferred revenue	625	546
Short-term debt	8,738	12,565
Acquisition liability	—	197
Warrant liability	919	—
Current liabilities of discontinued operations	1,960	8,643
Total Current Liabilities	16,899	24,714
Long Term Liabilities		
Operating lease obligation, noncurrent	141	334
Non-current liabilities of discontinued operations	—	472
Total Liabilities	17,040	25,520
Commitments and Contingencies (Note 26)		
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 December 31, 2023 and December 31, 2022, respectively.	—	—
Series 5 Convertible Preferred Stock - 12,000 shares authorized; 126 issued, and 126 outstanding as of December 31, 2023 and December 31, 2022, respectively.	—	—
Common Stock - $0.001 par value; 500,000,000 shares authorized; 1,942,985 and 35,710 issued and 1,942,984 and 35,709 outstanding as of December 31, 2023 and December 31, 2022, respectively.	3	—
Additional paid-in capital	366,099	346,672
Treasury stock, at cost, 1 share	(695)	(695)
Accumulated other comprehensive income	630	1,061
Accumulated deficit	(359,698)	(313,739)
Stockholders' Equity Attributable to XTI Aerospace, Inc.	6,339	33,299
Non-controlling Interest	390	(1,184)
Total Stockholders' Equity	6,729	32,115
Total Liabilities and Stockholders' Equity	$ 23,769	$ 57,635

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

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	For the Years Ended December 31,	
	2023	**2022**
Revenues	$ 4,562	$ 6,109
Cost of Revenues	1,458	2,121
Gross Profit	3,104	3,988
Operating Expenses		
Research and development	4,355	4,484
Sales and marketing	2,636	2,214
General and administrative	14,970	14,054
Acquisition-related costs	4,170	410
Transaction costs	3,059	—
Impairment of goodwill and intangibles	—	1,183
Amortization of intangibles	843	887
Total Operating Expenses	30,033	23,232
Loss from Operations	(26,929)	(19,244)
Other Income (Expense)		
Interest expense, net	(4,730)	(600)
Other income/(expense), net	694	(19)
Warrant inducement expense	(3,361)	—
Total Other Income (Expense)	(7,397)	(619)
Net Loss from Continuing Operations, before tax	(34,326)	(19,863)
Income tax (provision)/benefit	(24)	181
Net Loss from Continuing Operations	(34,350)	(19,682)
Net Loss from Discontinued Operations, Net of Tax	(12,750)	(46,622)
Net Loss	(47,100)	(66,304)
Net Expense Attributable to Non-controlling Interest	(1,153)	(2,910)
Net Loss Attributable to Stockholders of XTI Aerospace, Inc.	(45,947)	(63,394)
Accretion of Series 7 preferred Stock	—	(4,555)
Accretion of Series 8 Preferred Stock	—	(13,090)
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	—	2,627
Net Loss Attributable to Common Stockholders	$ (45,947)	$ (79,570)

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

Net Loss Per Share - Basic and Diluted		
Continuing Operations	$ (55.22)	$ (1,412.86)
Discontinued Operations	$ (21.21)	$ (1,999.23)
Net Loss Per Share - Basic and Diluted	$ (76.42)	$ (3,412.09)
Weighted Average Shares Outstanding		
Basic and Diluted	601,211	23,320

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

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	For the Years Ended December 31,	
	2023	**2022**
Net Loss	$ (47,100)	$ (66,304)
Unrealized foreign exchange (loss)/gain from cumulative translation adjustments	(431)	1,017
Comprehensive Loss	$ (47,531)	$ (65,287)

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

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands, except 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' Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount				
Balance - January 1, 2023	1	—	126	—	35,710	—	346,672	(1)	(695)	1,061	(313,739)	(1,184)	32,115
Stock options and restricted stock awards granted to employees and consultants for services	—	—	—	—	—	—	1,003	—	—	—	—	—	1,003
Common shares issued for extinguishment of debt	—	—	—	—	605,159	1	9,192	—	—	—	—	—	9,193
Deconsolidation of CXApp as a result of spin off	—	—	—	—	—	—	(24,230)	—	—	—	—	—	(24,230)
Deconsolidation of Grafiti Holding as result of spin off	—	—	—	—	—	—	(237)	—	—	—	—	—	(237)
Common shares issued for net proceeds from warrants	—	—	—	—	13,800	—	1	—	—	—	—	—	1
Common shares issued for exchange of warrants	—	—	—	—	3,249	—	—	—	—	—	—	—	—
Warrant inducement expense			—	—	—	—	3,361	—	—	—	—	—	3,361
Common shares issued for exercise of warrants	—	—	—	—	581,311	1	5,075	—	—	—	—	—	5,076
Common shares issued for ATM stock offerings	—	—	—	—	703,756	1	26,507	—	—	—	—	—	26,508
Changes in non-controlling interest due to capital contribution	—	—	—	—	—	—	(1,245)	—	—	—	—	2,706	1,461
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	(431)	(12)	21	(422)
Net loss	—	—	—	—	—	—	—	—	—	—	(45,947)	(1,153)	(47,100)
Balance - December 31, 2023	1	—	126	—	1,942,985	$ 3	$ 366,099	(1)	$ (695)	$ 630	$ (359,698)	$ 390	$ 6,729

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

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands, except share data)

	Series 7 Preferred Stock		Series 8 Preferred Stock		Series 4 Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount				
Balance - January 1, 2022	49,250	44,695	—	—	1	—	17,302	—	332,763	(1)	(695)	44	(250,309)	1,688	83,491
Stock options and restricted stock awards granted to employees and consultants for services	—	—	—	—	—	—	—	—	3,656	—	—	—	—	—	3,656
Common shares issued for extinguishment of debt	—	—	—	—	—	—	2,878	—	3,650	—	—	—	—	—	3,650
Series 8 Preferred Stock issued for cash	—	—	53,198	41,577	—	—	—	—	5,329	—	—	—	—	—	5,329
Accrete Discount - Series 7 Preferred Shares	—	4,555	—	—	—	—	—	—	(4,555)	—	—	—	—	—	(4,555)
Accrete Discount - Series 8 Preferred Shares	—	—	—	13,090	—	—	—	—	(13,090)	—	—	—	—	—	(13,090)
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	—	—	—	(2,627)	—	—	—	—	2,627	—	—	—	—	—	2,627
Series 7 Preferred Stock redeemed for cash	(49,250)	(49,250)	—	—	—	—	—	—	—	—	—	—	—	—	—
Series 8 Preferred Stock redeemed for cash	—	—	(53,198)	(53,198)	—	—	—	—	—	—	—	—	—	—	—
Restricted stock grants withheld for taxes	—	—	—	—	—	—	(128)	—	(336)		—	—	—	—	—
Common shares issued for CXApp earnout	—	—	—	—	—	—	1,450	—	3,697	—	—	—	—	—	3,697
Common shares issued for exchange of warrants	—	—	—	—	—	—	1,842	—	—	—	—	—	—	—	—

Common shares issued for net proceeds from warrants	—	—	—	—	—	—	9,310	—	1	—	—	—	—	—	1
Common shares issued for share rights	—	—	—	—	—	—	525	—	—	—	—	—	—		—
Common shares issued for registered direct offering	—	—	—	—	—	—	2,531	—	14,088	—	—	—	—	—	14,088
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	—	—	1,017	(36)	38	1,019
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(63,394)	(2,910)	(66,304)
Balance - December 31, 2022	—	—	—	—	1	—	35,710	$ —	$ 346,672	(1)	$ (695)	$ 1,061	$ (313,739)	$ (1,184)	$ 32,115

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

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	For the Years Ended December 31,	
	2023	**2022**
Cash Flows Used in Operating Activities		
Net loss	$ (47,100)	$ (66,304)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,048	1,374
Amortization of intangible assets	1,649	6,082
Amortization of right-of-use asset	254	706
Stock based compensation	1,003	3,656
Amortization of warrant liability to redemption value	20	—
Gain on fair value of warrant liability	71	—
Change in fair value of derivative asset	4	—
Change in fair value of warrant asset	(796)	—
Amortization of debt discount	(32)	—
Warrant inducement expense	3,361	—
Loss on discontinued operations	2,303	—
Unrealized (gain)/loss on foreign currency transactions	(427)	1,707
Gain on settlement with FOXO	(1,142)	—
Amortization of debt issuance costs	2,627	489
Earnout payment expense benefit	—	(2,827)
Accrued interest income, related party	—	(278)
Deferred income tax	2,593	(1)
Unrealized (gain)/loss on equity securities	(5,609)	7,904
Impairment of goodwill and intangibles	—	12,199
Distribution of equity method investment shares to employees as compensation	666	—
Loss on exchange of debt for equity	124	—
Realized loss on sale of equity securities	6,692	151
Unrealized loss on equity method investment	—	1,784
Gain on conversion of note receivable	—	(791)
Other	(49)	190
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	(532)	(115)
Inventory	(1,277)	(565)
Prepaid expenses and other current assets	2,383	1,375
Other assets	3	33
Accounts payable	873	182
Accrued liabilities	1,818	858
Income tax liabilities	(115)	119
Deferred revenue	631	(1,214)
Operating lease obligation	(257)	(677)
Net Cash Used in Operating Activities	$ (29,213)	$ (33,963)

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

Cash Flows Used in Investing Activities		
Purchase of property and equipment	$ (172)	$ (245)
Investment in capitalized software	(185)	(948)
Sales of treasury bills	—	43,001
Sales of equity securities	323	229
Purchases of convertible note	—	(5,500)
Issuance of note receivable	(3,003)	(150)
Proceeds from repayment of note receivable	150	—
Issuance of Convertible Note Receivable and Warrants	(3,000)	—
Net Cash (Used in) Provided by Investing Activities	$ (5,887)	$ 36,387
Cash From Financing Activities		
Net proceeds from issuance of preferred stock and warrants	—	46,906
Net proceeds from promissory note	364	12,339
Taxes paid related to net share settlement of restricted stock units	—	(336)
Net proceeds from issuance of warrants	1,409	—
Distribution to shareholders related to Spin-off of CXApp	(10,003)	—
Distribution to trust related to spin off of Grafiti Holding	(369)	—
Net proceeds from ATM stock offerings	26,508	14,088
Common shares issued for exercise of warrants	4,496	—
Common shares issued for net proceeds from warrants	—	1
Cash paid for redemption of preferred stock series 7	—	(49,250)
Cash paid for redemption of preferred stock series 8	—	(53,198)
Repayment of CXApp acquisition liability	(197)	(5,136)
Net Cash Provided By (Used in) Financing Activities	$ 22,208	$ (34,586)
Effect of Foreign Exchange Rate on Changes on Cash	32	(83)
Net Decrease in Cash and Cash Equivalents	(12,860)	(32,245)
Cash and Cash Equivalents - Beginning of year	20,235	52,480
Cash and Cash Equivalents - End of year	$ 7,375	$ 20,235
Balances included in the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 6,254	$ 9,284
Cash included in current assets of discontinued operations	$ 1,121	$ 10,951
Cash and Cash Equivalents - End of Year	$ 7,375	$ 20,235
Supplemental Disclosure of cash flow information:		
Cash paid for:		
Interest	$ —	$ 2
Income Taxes	$ 17	$ 125

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

Non-cash investing and financing activities				
Common shares issued for extinguishment of debt	$	9,193	$	3,650
Right-of-use asset obtained in exchange for lease liability	$	—	$	284
Noncash net assets distribution to shareholders related to Spin-off of CXApp	$	14,227	$	—
Noncash net assets distribution to shareholders related to Spin-off of Grafiti Holding Inc.	$	131	$	—
Investment in equity securities through conversion of note receivable	$	—	$	6,776
Common shares issued for CXApp acquisition	$	—	$	3,697
Noncash debt modification fees	$	144	$	—
Marketable securities received for settlement of FOXO	$	1,142	$	—
Noncash exercise of liability classified warrants to common shares	$	581	$	—
Changes in non-controlling interest due to capital contribution	$	1,461	$	—
Common shares issued in exchange for warrants	$	—	$	14

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

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 1 - Organization and Nature of Business

Following the effective time of the XTI Merger (the "Effective Time") on the Closing Date, we amended our articles of incorporation to change our name from "Inpixon" to "XTI Aerospace, Inc." and the combined company opened for trading on the Nasdaq Capital Market on March 13, 2024 under the new ticker symbol "XTIA". The consolidated financial statements for the years ended December 31, 2023 and 2022 include the financial results of Inpixon, as the merger occurred after December 31, 2023. Therefore, all references to the "Company" in the consolidated financial statements refer to Inpixon.

Inpixon is the Indoor Intelligence™ company. Our solutions and technologies help organizations create and redefine exceptional experiences that 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, improve worker and employee satisfaction rates and drive a more connected work environment. We have focused our corporate strategy on being the primary provider of the full range of foundational technologies needed to form a comprehensive suite of solutions that make indoor data available and actionable to organizations and their employees. Together, our technologies allow organization to create and utilize the digital twin of a physical location and to deliver enhanced experiences in their current environment and in the metaverse.

Inpixon specializes 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 organizations'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 previously offered:

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

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

During the fourth quarter and as of December 31, 2023, both the Shoom and SAVES operating segments and a portion of the Indoor Intelligence segment, were disposed of or met the held for sale criteria and represented a strategic shift in the Company's operations. As a result, these segments have been presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented except for the Consolidated Statements of Cash Flows, which are presented on a consolidated basis for both continuing operations and discontinued operations. In addition, the Company also notes that as of December 31, 2023, the divesiture of our Enterprise Apps line, which was completed in the first quarter of 2023, is presented as discontinued operations and as such, has been excluded from both continuing operations and segment results for all periods presented. This divestiture represented a portion of the Indoor Intelligence operating segment. Following these divestitures, only the Indoor Intelligence operating segment remains as of December 31, 2023.

The operating segments included in discontinued operations are related to the Grafiti Holding Inc., Grafiti LLC, and Enterprise Apps divestitures. See Note 4 and Note 6 for more information on the Enterprise Apps divestiture and the Grafiti Holding Inc. and Grafiti LLC divestitures, respectively.

Note 2 - Summary of Significant Accounting Policies

Liquidity and Going Concern

As of December 31, 2023, the Company has working capital of approximately $3.6 million and cash of approximately $6.3 million. For the year ended December 31, 2023, the Company incurred a net loss attributable to common stockholders of approximately $45.9 million and net cash used in operating activities during the year ended December 31, 2023 was $29.2 million.

On May 15, 2023, the Company entered into a warrant purchase agreement with multiple purchasers for the purchase and sale of up to an aggregate of 1,500,000 of warrants (the "May 2023 Warrants"). The 1,500,000 May 2023 Warrants were issued 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.

During July 2023, the Company issued 90,000 shares of common stock in connection with the exercise of 90,000 May 2023 Warrants with an exercise price of $26.00 per share for which the Company received gross proceeds of approximately $2.3 million.

On December 15, 2023, the Company entered into warrant inducement letter agreements with certain holders of the May 2023 Warrants in order to induce the holders to exercise 491,310 existing warrants. The holders paid an aggregate of approximately $2.5 million to the Company for the exercise of the warrant and after deducting offering expenses the net proceeds to the Company were approximately $2.2 million.

During the year ended December 31, 2023, the Company sold 703,756 shares of common stock at share prices between $13.96 and $186.00 per share under an Equity Distribution 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 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. The Company's consolidated financial statements as of December 31, 2023 have been prepared under the assumption that the Company will continue as a going concern for the next twelve months from the date the financial statements are issued. Management's plans and assessment of the probability that such plans will mitigate and alleviate any substantial doubt about the Company's ability to continue as a going concern is dependent upon the ability to obtain additional equity or debt financing, and attain further operating efficiency, which together represent the principal conditions that raise substantial doubt about our ability to continue as a going concern. The Company's consolidated financial statements as of December 31, 2023 do not include any adjustments that might result from the outcome of this uncertainty.

Consolidations

The consolidated financial statements have been prepared using the accounting records of Inpixon, Grafiti LLC, Grafiti GmbH, formerly known as Inpixon GmbH, Inpixon Holding UK Limited, Inpixon GmbH, formerly known as Nanotron Technologies, GmBh, Intranav GmbH, Inpixon India Limited, Game Your Game, Inc. and Active Mind Technology Limited. 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 in Note 4. The consolidated financial statements also include the financial data of Grafiti Holding Inc. and Inpixon Limited through December 27, 2023, which is the date those entities were spun off in the Solutions Divestiture- Grafiti Holding Inc. transaction discussed in Note 6. All material inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each of the reporting periods. Actual results could differ from those estimates. The Company's significant estimates consist of:

- the valuation of stock-based compensation;
- the valuation of the Company's common stock issues in transactions, including acquisitions;
- the allowance for credit losses;
- the valuation of loans receivable;
- the valuation of equity securities;
- the valuation of warrant liabilities;
- the valuation allowance for deferred tax assets;
- impairment of long-lived assets; and
- useful lives of property, plant and equipment, intangible assets and software development costs.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking accounts, money market accounts and temporary investments with maturities of three months or less when purchased. As of December 31, 2023 and 2022, the Company had no cash equivalents.

Accounts Receivable, net of Allowance for Credit Losses

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for credit losses to ensure accounts receivables are not overstated due to un-collectability. Reserves for credit losses are maintained for various customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in such customer's operating results or financial position. If circumstances related to a customer change, estimates of the recoverability of receivables would be further adjusted.

Inventory

Finished goods are measured at the cost of manufactured products including direct materials and subcontracted services. Nanotron, states finished goods at the lower of cost and net realizable value on an average cost basis. As the inventory held by

Nanotron is typically small dollar value items with small variances in price, an estimate or average is used to determine the balance of inventory. All other subsidiaries of the Company state inventory utilizing the first-in, first-out method. The Company continually analyzes its slow-moving, excess and obsolete inventories. Based on historical and projected sales volumes and anticipated selling prices, the Company establishes reserves. If the Company does not meet its sales expectations, these reserves are increased. Products that are determined to be obsolete are written down to net realizable value. As of December 31, 2023 and 2022, the Company had recorded an inventory obsolescence of approximately $0.4 million.

Short-term investments

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

Our short-term investments are considered available for use in current operations, are classified as available-for-sale securities. Available for sale securities are carried at fair value, with unrealized gains and losses included in the other income (expense) line of the Consolidated Statements of Operations. There were no short-term investments outstanding as of December 31, 2023 or 2022 and no unrealized gain or loss was recorded on available for sale securities for the year ended December 31, 2023 or 2022.

Property and Equipment, net

Property and equipment are recorded at cost less accumulated depreciation and amortization. The Company depreciates its property and equipment for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the initial lease term. Expenditures for maintenance and repairs, which do not extend the economic useful life of the related assets, are charged to operations as incurred, and expenditures, which extend the economic life, are capitalized. When assets are retired, or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized.

Intangible Assets

Intangible assets primarily consist of developed technology, customer lists/relationships, non-compete agreements, intellectual property agreements, and trade names/trademarks. They are amortized ratably over a range of 1 to 15 years, which approximates customer attrition rate and technology obsolescence. The Company assesses the carrying value of its intangible assets for impairment each year. Based on its assessments, the Company has recorded no impairment during the years ended December 31, 2023 and 2022, respectively.

Goodwill

The Company tests goodwill for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that the reporting unit is the entire company, due to the integration of all of the Company's activities. In evaluating goodwill for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company performs a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

The Company calculates the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, the Company uses internally developed discounted cash flow models that include the following assumptions, among others: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, the Company uses internal analyses based primarily on market comparables. The Company bases these assumptions on its

historical data and experience, third party appraisals, industry projections, micro and macro general economic condition projections, and its expectations.

The Company has recorded impairment of goodwill from continuing operations of zero and $1.2 million during the years ended December 31, 2023 and 2022, respectively. Goodwill was fully impaired as of December 31, 2023 and December 31, 2022.

Software Development Costs

The Company develops and utilizes internal software for the processing of data provided by its customers. Costs incurred in this effort are accounted for under the provisions of ASC 350-40, "Internal Use Software" and ASC 985-20, "Software – Cost of Software to be Sold, Leased or Marketed", whereby direct costs related to development and enhancement of internal use software is capitalized, and costs related to maintenance are expensed as incurred. The Company capitalizes its direct internal costs of labor and associated employee benefits that qualify as development or enhancement. These software development costs are amortized over the estimated useful life which management has determined ranges from 1 to 5 years.

Leases and Right-of-Use Assets

The Company determines if an arrangement is a lease at its inception. Operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company generally uses their incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments, because the implicit rate of the lease is generally not known. Right-of-use assets related to the Company's operating lease liabilities are measured at lease inception based on the initial measurement of the lease liability, plus any prepaid lease payments and less any lease incentives. The Company's lease terms that are used in determining their operating lease liabilities at lease inception may include options to extend or terminate the leases when it is reasonably certain that the Company will exercise such options. The Company amortizes their right-of-use assets as operating lease expense generally on a straight-line basis over the lease term and classify both the lease amortization and imputed interest as operating expenses. The Company does not recognize lease assets and lease liabilities for any lease with an original lease term of less than one year.

Research and Development

Research and development costs consist primarily of professional fees and compensation expense. All research and development costs are expensed as incurred. Research and development costs as of December 31, 2023 and 2022 were $4.4 million and $4.5 million, respectively.

Loans and Notes Receivable

The Company evaluates loans and notes receivable that don’t qualify as securities pursuant to ASC 310 – "Receivables", wherein such loans would first be classified as either “held for investment” or ‘held for sale”. Loans would be classified as “held for investment”, if the Company has the intent and ability to hold the loan for the foreseeable future, or to maturity or pay-off. Loans would be classified as “held for sale”, if the Company intends to sell the loan. Loan receivables classified as “held for investment” are carried on the balance sheet at their amortized cost and are periodically evaluated for impairment. Loan receivables classified as “held for sale” are carried on the balance sheet at the lower of their amortized cost or fair value, with a valuation allowance being recorded (with a corresponding income statement charge) if the amortized cost exceeds the fair value. For loans carried on the balance sheet at fair value, changes to the fair value amount that relate solely to the passage of time will be recorded as interest income.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Income tax benefits are recognized when it is probable that the deduction will be sustained. A valuation

allowance is established when it is more likely than not that all or a portion of a deferred tax asset will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain.

Non-Controlling Interest

The Company has an 82.5% equity interest in Inpixon India, and a 79.54% equity interest in Game Your Game as of December 31, 2023. The portion of the Company's equity attributable to this third party non-controlling interest was approximately $0.4 million and $(1.2) million as of December 31, 2023 and 2022, respectively. The Company's ownership in Game Your Game increased from 55.4% to 79.54% due to the conversion of convertible notes held by the Company during the year ended December 31, 2023. Inpixon India and Game Your Game are included in discontinued operations as they are part of the Solutions Divestiture. See Note 6. The Company disposed of its 99.97% equity interest in Inpixon Philippines in connection with the Closing of the Transactions disclosed under Note 4 herein, which includes the Enterprise Apps Spin-off and the Merger.

Foreign Currency Translation

Assets and liabilities related to the Company's foreign operations are calculated using the Indian Rupee, Canadian Dollar, British Pound, Philippine Peso and Euro, and are translated at end-of-period exchange rates, while the related revenues and expenses are translated at average exchange rates prevailing during the period. Translation adjustments are recorded as a separate component of consolidated stockholders' equity, totaling a gain/(loss) of approximately $(0.4) million and $1.0 million for the years ended December 31, 2023 and 2022, respectively. Gains or losses resulting from transactions denominated in foreign currencies are included in general and administrative expenses in the consolidated statements of operations. The Company engages in foreign currency denominated transactions with customers that operate in functional currencies other than the U.S. dollar. Aggregate foreign currency net transaction losses were not material for the years ended December 31, 2023 and 2022.

Comprehensive Income (Loss)

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

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.

Revenue Recognition

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

Hardware and Software Revenue Recognition

For sales of hardware and software products, the Company's performance obligation is satisfied at a point in time when they are shipped to the customer. This is when the customer has title to the product and the risks and rewards of ownership. The delivery of products to the Company'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. The Company notes that this revenue stream is part of the Shoom operating segment which is presented as discontinued operations as of December 31, 2023.

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 years ended December 31, 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 for students with the option to upgrade to a perpetual license at the end of the term. The contracts may also provide for yearly on-going maintenance services for a specified price, which includes maintenance services, designated support, and enhancements, upgrades and improvements to the software (the "Maintenance Services"), depending on the contract. Licenses for on-premises software provide the customer with a right to use the software as it exists when made available to the customer. All software provides customers with the same functionality and differ mainly in the duration over which the customer benefits from the software.

The timing of the Company's revenue recognition related to the licensing revenue stream is dependent on whether the software licensing agreement entered into represents a good or service. Software that relies on an entity's IP and is delivered only through a hosting arrangement, where the customer cannot take possession of the software, is a service. A software arrangement that is provided through an access code or key represents the transfer of a good. Licenses for on-premises software represents a

good and provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premises licenses is recognized upfront at the point in time when the software is made available to the customer.

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

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

Contract Balances

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company recognized $0.5 million and $0.8 million of previously deferred revenue as revenue from continuing operations during the years ended December 31, 2023 and 2022, respectively. The Company had deferred revenue of approximately $0.6 million and $0.5 million as of December 31, 2023 and 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.

Costs to Obtain a Contract

The Company recognizes eligible sales commissions as an asset as the commissions are an incremental cost of obtaining a contract with the customer and the Company expects to recover these costs. The capitalized costs are amortized over the expected contract term.

Cost to Fulfill a Contract

The Company incurs costs to fulfill their obligations under a contract once it has obtained, but before transferring goods or services to the customer. These costs are recorded as an asset as these costs are an incremental cost of fulfilling the contract with the customer and the Company expects to recover these costs. The capitalized costs are amortized over the expected remaining contract term.

Multiple Performance Obligations

The Company enters into contracts with customers for its technology that include multiple performance obligations. Each distinct performance obligation was determined by whether the customer could benefit from the good or service on its own or together with readily available resources. The Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company's process for determining standalone selling price considers multiple factors including the Company's internal pricing model and market trends that may vary depending upon the facts and circumstances related to each performance obligation.

Sales and Use Taxes

The Company presents transactional taxes such as sales and use tax collected from customers and remitted to government authorities on a net basis.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred as part of cost of revenues. These costs were deemed to be nominal during each of the reporting periods.

Advertising Costs

Advertising costs are expensed as incurred. The Company incurred advertising costs, which are included in selling, general and administrative expenses of approximately $0.3 million and $0.2 million during the years ended December 31, 2023 and 2022, respectively.

Stock-Based Compensation

The Company accounts for options granted to employees, consultants and other non-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. Forfeitures of unvested stock options are recorded when they occur.

The Company incurred stock-based compensation charges of approximately $1.0 million and $3.7 million for each of the years ended December 31, 2023 and 2022, respectively, which are included in general and administrative expenses, of which approximately $0.2 million and approximately $1.9 million pertain to discontinued operations.

Acquisition-Related Costs

The Company recognized acquisition-related costs of approximately $4.2 million for the year ended December 31, 2023, primarily related to the XTI transaction outlined in Note 5. These acquisition-related costs include professional fees incurred by the Company. The Company recognized acquisition-related costs of approximately $0.4 million for the year ended December 31, 2022 related to various other acquisitions.

Transaction Costs

The Company recognized transaction costs of approximately $3.1 million for the year ended December 31, 2023 related to the Enterprise Apps Spin-off in the form of bonuses paid to the Company's management, former management and professional fees that were incurred by the Company.

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 years ended December 31, 2023 and 2022:

	For the Years Ended December 31,	
	2023	**2022**
Options	1,058	3,516
Warrants	941,239	62,120
Convertible preferred stock	2	2
Earnout reserve	—	—
Totals	942,299	65,638

Preferred Stock

The Company relies on the guidance provided by ASC 480, "Distinguishing Liabilities from Equity", to classify certain redeemable and/or convertible instruments. Preferred shares subject to mandatory redemption are classified as liability instruments and are measured at fair value. Conditionally redeemable preferred shares (including preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain 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", which states that contracts that are both, (1) indexed to its own stock and (2) classified in stockholders' equity in its statement of financial position, are not classified as derivative instruments, and to be recorded under stockholder's equity on the balance sheet of the financial statements. Management assessed the preferred stock and determined that it did meet the scope exception under ASC 815, and would be recorded as equity, and not a derivative instrument, on the balance sheet of the Company's financial statements.

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

Fair Value Measurements

ASC 820, Fair Value Measurements, provides guidance on the development and disclosure of fair value measurements. The Company follows this authoritative guidance for fair value measurements, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles in the United States, and expands disclosures about fair value measurements. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs which are supported by little or no market activity and values determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

Fair value measurements discussed herein are based upon certain market assumptions and pertinent information available to management as of and during the years ended December 31, 2023 and 2022.

Fair value measurements are applied, when applicable, to determine the fair value of our long-lived assets and goodwill. We recorded non-cash impairment charges as discussed further in Note 13. The fair value measurement of these assets is categorized as a Level 3 measurement as the valuation techniques require the use of significant unobservable inputs.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, 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 are stated at their respective historical carrying amounts, which approximate fair value due to their short-term nature. Short-term debt approximates market value based on similar terms available to the Company in the market place.

Carrying Value, Recoverability and Impairment of Long-Lived Assets

The Company has adopted Section 360-10-35 of the FASB ASC for its long-lived assets. Pursuant to ASC Paragraph 360-10-35-17, an impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment shall be based on the carrying amount of the asset (asset group) at the date it is tested for recoverability. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. Pursuant to ASC Paragraph 360-10-35-20 if an impairment loss is recognized, the adjusted carrying amount of a long-lived asset shall be its new cost basis. For a depreciable long-lived asset, the new cost basis shall be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited.

Pursuant to ASC Paragraph 360-10-35-21, the Company's long-lived asset (asset group) is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company considers the following to be some examples of such events or changes in circumstances that may trigger an impairment review: (a) significant decrease in the market price of a long-lived asset (asset group); (b) a significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition; (c) a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator; (d) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group); (e) a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group); and (f) a current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The Company tests its long-lived assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

Based on its assessments, the Company has recorded impairment of goodwill and intangibles from continuing operations of zero and $1.2 million and zero and $11.0 million from discontinued operations during the years ended December 31, 2023 and 2022, respectively. Goodwill was fully impaired as of December 31, 2023 and December 31, 2022.

Recently Issued Accounting Standards Not Yet Adopted

The Company reviewed recently issued accounting pronouncements and concluded that they were not applicable to the 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 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 consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which amends the disclosure to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses on an annual and interim basis for to enable investors to develop more decision-useful financial analyses. All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023. 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 consolidated financial statements and disclosures.
In December 2023, the FASB issued ASU 2023-09, " Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which amends the disclosure to address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information and includes certain other amendments to improve the effectiveness of income tax disclosures. For entities other than public business entities, the requirements will be effective for annual periods beginning after December 15, 2025. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The Company is currently assessing potential impacts of ASU 2023-09 and does not expect the adoption of this guidance will have a material impact on its 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 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. Additionally, certain amounts in prior periods have been reclassified to include the separate presentation and reporting of discontinued operations to conform to the current year presentation. The reclassification of discontinued operations did not have any effect on our financial condition or results of operations as previously reported.

Note 3 - Disaggregation of Revenue

Disaggregation of Revenue

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

Revenues consisted of the following (in thousands):

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	For the Years Ended December 31, 2023	2022
Recurring revenue		
Software	$ 907	$ 655
Total recurring revenue	**$ 907**	**$ 655**
Non-recurring revenue		
Hardware	$ 2,968	$ 3,882
Software	371	129
Professional services	316	1,443
Total non-recurring revenue	**$ 3,655**	**$ 5,454**
Total Revenue	**$ 4,562**	**$ 6,109**

	For the Years Ended December 31, 2023	2022
Revenue recognized at a point in time		
Indoor Intelligence (1)	$ 3,338	$ 4,011
Total	**$ 3,338**	**$ 4,011**
Revenue recognized over time		
Indoor Intelligence (2) (3)	$ 1,224	$ 2,098
Total	**$ 1,224**	**$ 2,098**
Total Revenue	**$ 4,562**	**$ 6,109**

(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.

Note 4 - XTI Merger Agreement

On July 24, 2023, Inpixon entered into an Agreement and Plan of Merger by and among Inpixon, Superfly Merger Sub Inc., and XTI Aircraft Company. Pursuant to the XTI Merger Agreement, on March 12, 2024 (the "Closing Date"), Merger Sub merged with and into Legacy XTI, with Legacy XTI surviving the XTI Merger as Inpixon's wholly-owned subsidiary. Following the effective time of the XTI Merger on the Closing Date, we amended our articles of incorporation to change our name from "Inpixon" to "XTI Aerospace, Inc." and the combined company opened for trading on the Nasdaq Capital Market on March 13, 2024 under the new ticker symbol "XTIA".

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).

Immediately prior to the Effective Time, all but $175,000 of the total principal and accrued interest balance of the convertible note issued by Legacy XTI to Dave Brody on October 1, 2023, as amended on March 12, 2024, was converted into shares of Legacy XTI common stock immediately prior to the Effective Time, enabling him to participate in the XTI Merger on the same basis as the other shares of XTI common stock. The remaining $175,000 became payable in cash by Legacy XTI upon consummation of the XTI Merger.

(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 retained approximately 25% of the issued and outstanding capital stock of the combined company and XTI security holders retained approximately 75% of the issued and outstanding capital stock of the combined company, in each case on a fully diluted basis.

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 $0.5 million, 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 "XTI Promissory Note") and a Security and Pledge Agreement (the "Security Agreement").

The XTI Promissory Note provides an aggregate principal amount up to approximately $2.3 million, which amount includes the principal sum of approximately $0.5 million 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. On November 14, 2023, the principal amount under this note

was increased to approximately $3.1 million. The Promissory Note balance and accrued interest as of December 31, 2023 is approximately $3.1 million and $0.04 million, respectively, and is included in the Company's consolidated balance sheet in Notes Receivable.

On December 30, 2023, the Company and XTI amended the XTI Promissory Note to revise the date "December 31, 2023" in the definition of Maturity Date to "January 30, 2024". Effective as of January 30, 2024, the maximum principal amount under the XTI Promissory Note was increased to $4 million and the Maturity Date was extended to March 31, 2024. (See Note 28.) The Company intends to amend the XTI Promissory Note to extend the term thereof.

Transaction Bonus Plan

On July 24, 2023, the Company's Compensation Committee adopted a Transaction Bonus Plan (the "Plan"), which was amended on March 11, 2024, which is intended to provide incentives to certain employees and other service providers to remain with the Company 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 qualifies 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 up to an aggregate amount of 4% of the applicable transaction value less $6.5 million, and an equity-based bonus, payable in restricted stock.

Note 5 - Inventory

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

	As of December 31,	
	2023	**2022**
Raw materials	$ 353	$ 351
Work-in-process	128	124
Finished goods	1,934	1,522
Inventory	**$ 2,415**	**$ 1,997**

Note 6 - Property and Equipment, net

Property and equipment as of December 31, 2023 and 2022 consisted of the following (in thousands):

	As of December 31,	
	2023	**2022**
Computer and office equipment	$ 881	$ 826
Furniture and fixtures	103	226
Leasehold improvements	18	19
Software	25	38
Total	1,027	1,109
Less: accumulated depreciation and amortization	(750)	(767)
Total Property and Equipment, Net	**$ 277**	**$ 342**

Depreciation and amortization expense was approximately $0.3 million and $0.4 million for the years ended December 31, 2023 and 2022, respectively, of which $0.1 million and $0.3 million pertain to discontinued operations.

Note 7 - Software Development Costs, net

Capitalized software development costs as of December 31, 2023 and 2022 consisted of the following (in thousands):

	As of December 31,	
	2023	**2022**
Capitalized software development costs	$ 1,857	$ 1,767
Accumulated amortization	(1,552)	(1,243)
Software development costs, net	**$ 305**	**$ 524**

The Company tests its long lived assets for potential impairment at least annually, or more frequently if an event or other circumstance indicates that the Company may not be able to recover the carrying amount of the net assets of the asset group. There was no impairment recorded for the years ended December 31, 2023 and 2022.

The weighted average remaining amortization period for the Company's software development costs is 1.0 year.

Amortization expense for capitalized software development costs was approximately $0.7 million and $0.94 million for the years ended December 31, 2023 and 2022, respectively, of which $0.4 million and $0.7 million pertains to discontinued operations.

Software development costs, net, will be fully amortized in the year ending December 31, 2024.

Note 8 - 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, projected revenue, the weighted average cost of capital, the terminal growth rate, derived multiples from comparable market transactions and other market data.

Goodwill impairment expense was approximately $7.6 million for the year ended December 31, 2022, of which $6.4 million pertains to discontinued operations. As of December 31, 2023, the Company's cumulative goodwill impairment charges were approximately $31.0 million of which approximately $19.4 million pertains to discontinued operations and approximately $11.6 million relates to continuing operations of the Indoor Intelligence reporting unit. As of December 31, 2023 and December 31, 2022, the Company's previously recorded goodwill is fully impaired.

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

	December 31,									
	2023				2022					
	Gross Amount	Accumulated Amortization	Spin-off	Net Carrying Amount	Gross Amount	Accumulated Amortization	Impairment	Spin-off	Net Carrying Amount	Remaining Weighted Average Useful Life as of December 31, 2023
IP Agreement	$ 167	$ (136)	$ —	$ 31	$ 162	$ (91)	—	$ —	$ 71	0.75
Trade Name/Trademarks	2,012	(332)	(1,584)	96	$ 3,808	$ (1,414)	(594)	$ (1,675)	$ 125	3.00
Webstores & Websites	—	—	—	—	404	(258)	(146)	—	—	0.00
Customer Relationships	6,523	(1,035)	(4,746)	742	9,413	(2,776)	(748)	(4,928)	961	1.80
Developed Technology	15,494	(1,993)	(12,162)	1,339	22,472	(5,385)	(2,921)	(12,477)	1,689	4.34
Non-compete Agreements	1,777	(573)	(1,204)	—	4,270	(2,488)	(220)	(1,414)	148	0.00
Totals	$ 25,973	$ (4,069)	$ (19,696)	$ 2,208	$ 40,529	$ (12,412)	(4,629)	$ (20,494)	$ 2,994	

The Company reviews intangible and other long-lived assets for impairment on an asset group basis on December 31 of each year and whenever events or changes in circumstances indicate the carrying value of intangibles and other long-lived assets may not be recoverable.

During the years ended December 31, 2023 and 2022, the Company assessed its long-lived asset groups for impairment due to qualitative triggering events that consisted of missing operating projections, a sustained decrease in stock price, and planned divestitures to sell and/or dispose of long-lived assets before the end of their useful lives. Therefore, the Company calculated the fair value of each asset group's long-lived assets by utilizing fair value methodologies that are most applicable to each specific asset group. These fair value methodologies included an income based approach, a market based approach and a cost based approach. The Company compared the fair value of each asset group's long-lived assets to their carrying value as of December 31, 2023 and 2022. The Company determined that the fair value of the long-lived assets included in each asset group were greater than their carrying values as of December 31, 2023. As of December 31, 2022, the Company determined that the carrying value of the long-lived assets included in the SAVES and Indoor Intelligence segments were greater than their fair values as of December 31, 2022. Therefore, an impairment loss of $1.5 million for the SAVES segment and $3.1 million for the Game Your Game product line which is part of the Indoor Intelligence segment was recorded for a total of $4.6 million as of December 31, 2022. The Company notes that as of December 31, 2023, the Grafiti LLC and Grafiti Holding Inc. divesiture, which includes the SAVES operating segment and the Game Your Game portion of the Indoor Intelligence segment, are presented as discontinued operations and, as such, the 2022 impairment losses have been excluded from both continuing operations and segment results for all periods presented.

Aggregate Amortization Expense:

Aggregate amortization expense was approximately $1.6 million and $6.1 million for the years ended December 31, 2023 and 2022, respectively, of which $0.8 million and $5.2 million pertain to discontinued operations.

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

For the Years Ending December 31,	Amount
2024	$ 697
2025	613
2026	417
2027	329
2028	152
Total	$ 2,208

Note 9 - Deferred Revenue

Deferred revenue as of December 31, 2023 and 2022 consisted of the following (in thousands):

	As of December 31,	
	2023	2022
Deferred Revenue		
Maintenance agreements	$ 608	$ 520
Service agreements	17	26
Total Deferred Revenue	**$ 625**	**$ 546**

The fair value of the deferred revenue approximates the services to be rendered. The Company recognized $0.5 million and $0.8 million of previously deferred revenue as revenue from continuing operations during the years ended December 31, 2023 and 2022, respectively. The Company expects to satisfy its remaining performance obligations for these maintenance and service agreements, and recognize the deferred revenue over the next twelve months.

Note 10 - Accrued Liabilities

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

	As of December 31,	
	2023	2022
Accrued Interest Expense	$ 951	$ 1,197
Accrued Compensation and Benefits	482	134
Accrued Other	292	19
Accrued Bonus and Commissions	276	369
Accrued sales and other indirect taxes payable	6	117
Total Accrued Liabilities	**$ 2,007**	**$ 1,836**

Note 11 - Debt

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

Short-Term Debt	**Maturity**	**2023**	**2022**
July 2022 Promissory Note (net of $760 debt discount)	5/17/2024	$ —	$ 6,045
Dec 2022 Promissory Note (net of $33 and $1,880 debt discount)	5/17/2024	8,624	6,520
Third party note payable	12/31/2024	114	—
Total Short-Term Debt		**$ 8,738**	**$ 12,565**

Interest expense on the short-term debt totaled approximately $4.9 million and $1.0 million which is inclusive of approximately $2.5 million and $0.5 million that was amortized to interest expense from the combined amortization of deferred financing costs and note discounts recorded at issuance for the Short Term Debt for the periods ending December 31, 2023 and 2022, respectively.

Notes Payable

March 2020 Note Purchase Agreement and Promissory Note

On March 18, 2020, the Company entered into a note purchase agreement with Iliad, pursuant to which the Company agreed to issue and sell to the holder an unsecured promissory note (the "March 2020 Note"). During the year ended December 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 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 6,113 shares of the Company's common stock at effective prices between $109.00 and $168.00 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 year ended December 31, 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”), 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 or before the date that is 12 months from the issuance date (the “Maturity Date”). The Initial Principal Amount includes an original issue discount of $1.5 million and $0.02 million that the Company agreed to pay to the Holder to cover the Holder’s legal fees, accounting costs, due diligence, monitoring and other transaction costs. In exchange for the Note, the Holder paid an aggregate purchase price of $5.0 million (the “Transaction”). Interest on the Note accrued at a rate of 10% per annum, which is payable on the maturity date. 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%.

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 the Holder 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.

During the year ended December 31, 2023, the Company entered into exchange agreements with the Holder, pursuant to which the Company and the Holder agreed to: (i) partition new promissory notes in the form of the July 2022 Note equal to approximately $7.6 million and then cause the outstanding balance of the July 2022 Note to be reduced by approximately $7.6 million; and (ii) exchange the partitioned notes for the delivery of 469,046 shares of the Company’s common stock, at effective prices between $5.56 and $91.50 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 consolidated statement of operations.

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.

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 year ended December 31, 2023 which is included in the other income/expense section of the 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.

During the year ended December 31, 2023, the Company entered into exchange agreements with the Holder, pursuant to which the Company and the Holder agreed to: (i) partition new promissory notes in the form of the Dec 2022 Note equal to approximately $0.7 million and then cause the outstanding balance of the July 2022 Note to be reduced by approximately $0.7 million; and (ii) exchange the partitioned notes for the delivery of 130,000 shares of the Company’s common stock, at effective price of $5.56 per share. The Company analyzed the exchange of the principal under the Dec 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 and there was no loss on the exchange for debt for equity.

Third Party Note Payable - Game Your Game

Game Your Game, Inc. entered into promissory notes with an individual whereby it received approximately $1.2 million from October 2021 to March 2023 for funding of outside liabilities and working capital needs. The promissory notes incurred a 8% interest rate and had accrued approximately $0.3 million of interest as of October 31, 2023. On October 31, 2023, Game Your Game entered into a Note Conversion Agreement with the individual pursuant to which the approximate $1.5 million outstanding principal and interest balance was converted to 1,461,640 shares of Game Your Game, Inc. common stock, par value $0.001 per share. After the conversion the notes were satisfied in full.

Related Party Note Payable - Game Your Game

Game Your Game, Inc. entered into promissory notes with the Company whereby it received approximately $4.9 million from October 2021 to October 2023 for funding of outside liabilities and working capital needs. The promissory notes incurred a 8% interest rate and had accrued approximately $0.3 million of interest as of October 31, 2023. On October 31, 2023, the Company entered into a Note Conversion Agreement with Game Your Game, Inc. pursuant to which approximately $5.2 million of the outstanding principal and interest balance of the related party notes held by the Company was converted to 5,207,595 shares of

Game Your Game, Inc. common stock, par value $0.001 per share. During November and December 2023, the Company issued an additional $0.2 million of promissory notes to Game Your Game which incurred a 8% interest rate and accrued approximately $0.001 million of interest. On December 29, 2023,the Company entered into a Note Conversion Agreement with Game Your Game, Inc. pursuant to which approximately $0.2 million of the outstanding principal and interest balance of the related party notes held by the Company was converted to 1,586,274 shares of Game Your Game, Inc. common stock, par value $0.001 per share. After the conversions, the Company owns 79.54% of Game Your Game, Inc.

Third Party Note Payable - financing agreement

The Company entered into a financing agreement whereby the lender paid a Company vendor approximately $0.1 million for a service contract. The terms of the agreement are for a 12 months period with a 18.6% interest rate whereby there is no payment due for the first 4 months, and then the Company is to pay approximately $0.01 million a month over 8 months until the debt is repaid in full.

Note 12 - Capital Raises

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 15,045 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 $3,538.00 per share. Each share of Series 8 Convertible Preferred Stock is entitled to receive cumulative dividends, payable in the same form as dividends paid on shares of the Company's common stock. At any time beginning on October 1, 2022 and ending ninety 90 days thereafter, the holders of the Series 8 Convertible Preferred Stock have the right to redeem all or part of the shares held by such holder in cash for the redemption price equal to the stated value of such share, plus all accrued but unpaid dividends thereon and all liquidated damages and other costs, expenses or amounts due. Upon redemption, the holder of the Series 8 Convertible Preferred Stock will forfeit 50% of the warrants issued in connection therewith. The holders of the Series 8 Convertible Preferred Stock shall vote together with all other classes and series of stock of the Company as a single class on all actions to be taken by the stockholders of the Company. The Series 8 Convertible Preferred Stock and related warrants subject to forfeiture are recorded as Mezzanine Equity in the accompanying balance sheets as the holder has the option to redeem these shares for cash and the warrants are an embedded feature for the Series 8 Convertible Preferred Stock. The remaining warrants that are not subject to forfeiture are recorded within Stockholders' Equity as the remaining warrants are classified as freestanding instruments containing a total value of $5.6 million. The aggregate net proceeds from the offering, after deducting the placement agent fees and other estimated offering expenses, were approximately $46.9 million. See Note 14 for Preferred Stock and Note 17 for Warrant details. During the year 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 thereafter fully redeemed. In conjunction with the redemption, 7,521 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 3,940 related warrants were forfeited. The Company noted about 71% of the Series 7 Preferred Stock holders that redeemed shares also participated as Series 8 Convertible Preferred Stock holders ("shared holders"). The Company accounted for proceeds of the shared holders as a modification to the Series 7 and Series 8 Convertible Preferred Stock, as well as the related embedded warrants. The total change in fair value as a result of modification related to the Preferred Stock amounted to $2.6 million which were recognized as a deemed dividend at the date of the modification, upon which will be amortized until the redemption period begins on October 1, 2022. The total change in fair value as a result of modification related to the embedded warrants

Note 12 - Capital Raises (continued)

amounted to $1.5 million which was recognized as a deemed contribution at the date of the modification, upon which will be accreted until the redemption period begins on October 1, 2022.

On October 18, 2022, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with an institutional investor named therein (the "Purchaser"), pursuant to which the Company agreed to issue and sell, in a registered direct offering, 2,531 shares of the Company's common stock and warrants to purchase up to 38,462 shares of common stock (the "Purchase Warrants") at a combined offering price of $585.00 per share. The Purchase Warrants have an exercise price of $585.00 per share. Each Purchase Warrant is exercisable for one share of common stock and will be immediately exercisable and will expire five years from the issuance date. The Company also offered and sold to the Purchaser pre-funded warrants to purchase up to 23,110 shares of common stock, in lieu of shares of common stock at the Purchaser's election. Each pre-funded warrant is exercisable for one share of common stock. The purchase price of each pre-funded warrant was $584.90, and the exercise price of each pre-funded warrant is $0.10 per share. The pre-funded warrants are immediately exercisable and may be exercised at any time until all of the pre-funded warrants are exercised in full. The Company raised net proceeds of $14.1 million after deduction of sales commissions and other offering expenses. In October 2022, the Company issued 9,310 shares of common stock in connection with the exercise of 9,310 pre-funded warrants at $0.10 per share.

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 year ended December 31, 2023, the Company sold 703,756 shares of common stock at share prices between $13.96 and $186.00 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.

On December 29, 2023, the Company entered into Amendment No. 2 to Sales Agreement pursuant to which the parties extended the term of the Sales Agreement until the earliest of (i) December 31, 2024, (ii) the sale of shares of the Company's common stock having an aggregate offering price equal to the Offering Size (as defined in the Sales Agreement), and (iii) the termination by either Maxim or the Company upon the provision of 15 days written notice or otherwise pursuant to the terms of the Sales Agreement.

Note 13 - Common Stock

On January 28, 2022, the Company entered into an exchange agreement with the holder of certain existing warrants which were exercisable for an aggregate of 6,574 shares of the Company's common stock. Pursuant to the exchange agreement, the Company agreed to issue to the warrant holder an aggregate of 1,842 shares of common stock and rights to receive an aggregate of 525 shares of common stock in exchange for the existing warrants (the "Warrant Exchange").See **Note 17.**

On February 19, 2022, 128 shares of common stock issued in connection with restricted stock grants were withheld for employee taxes.

On March 3, 2022, the Company issued 1,450 shares of common stock to the sellers of the CXApp in connection with the satisfaction of an earnout payment.

On October 12, 2022, the Company issued 525 shares of common stock in connection with the exercise of a right to shares of common stock granted as part of warrant exchange agreement entered into on January 28, 2022. See **Note 17.**

Note 13 - Common Stock (continued)

During the year ended December 31, 2022, the Company issued 2,878 shares of the Company's common stock under an exchange agreement to settle outstanding balances totaling approximately $3.7 million under partitioned notes.

On October 18, 2022, the Company entered into a Securities Purchase Agreement with an institutional investor, pursuant to which the Company agreed to issue and sell, in a registered direct offering, 2,531 shares of the Company's common stock and warrants to purchase up to 38,462 shares of common stock at a combined offering price of 585.00 per share.

During the year ended December 31, 2022, the Company issued 9,310 shares of common stock in connection with the exercise of 9,310 pre-funded warrants at $0.10 per share.

During the year ended December 31, 2023, the Company issued 13,800 shares of common stock in connection with the exercise of 13,800 pre-funded warrants at $0.10 per share in connection with the October 2022 registered direct offering.

During the year ended December 31, 2023, the Company issued 3,249 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 17.**

During the year ended December 31, 2023, the Company issued 605,159 shares of common stock under exchange agreements to settle outstanding balance and interest of the March 2020 Note, July 2022 Note and December 2022 Note totaling approximately $9.2 million under partitioned notes. See **Note 11 .**

During year ended December 31, 2023, the Company issued 581,311 shares of common stock in connection with the exercise of 581,311 warrants for which the Company received gross proceeds of approximately $4.8 million.

During the year ended December 31, 2023, the Company issued 703,756 shares of common stock in connection with the ATM Offering at per share prices between $13.96 and $186.00, resulting in gross proceeds to the Company of approximately $27.4 million and net proceeds of $26.5 million after subtracting sales commissions and other offering expenses. S**ee Note 12 .**

Note 14 - 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 $1,674,000.00.

As of December 31, 2023 and 2022, there was 1 share of Series 4 Preferred outstanding.

Series 5 Convertible Preferred Stock

On January 14, 2019, the Company filed with the Secretary of State of the State of Nevada the Certificate of Designation that created the Series 5 Convertible Preferred Stock, authorized 12,000 shares of Series 5 Convertible Preferred Stock and designated the preferences, rights and limitations of the Series 5 Convertible Preferred Stock. The Series 5 Convertible Preferred Stock is non-voting (except to the extent required by law). The Series 5 Convertible Preferred Stock is convertible into the number of shares of Common Stock, determined by dividing the aggregate stated value of the Series 5 Convertible Preferred Stock of $1,000 per share to be converted by $1,123,875.00.

As of December 31, 2023 and 2022, there were 126 shares of Series 5 Convertible Preferred Stock outstanding.

Series 7 Convertible Preferred Stock

Note 14 - Preferred Stock (continued)

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 December 31, 2023 and 2022 there were zero shares of Series 7 Convertible Preferred stock outstanding.

Series 8 Convertible Preferred Stock

On March 22, 2022, the Company filed a Certificate of Designation with the Secretary of State of the State of Nevada, amending the Company's Articles of Incorporation, as amended, by establishing the Series 8 Convertible Preferred Stock, consisting of 53,197.7234 authorized shares, $0.001 par value per share and $1,000 stated value per share. The Series 8 Convertible Preferred Stock is convertible into the number of shares of common stock, determined by dividing the aggregate stated value of the Series 8 Convertible Preferred Stock of $1,000 per share to be converted by $3,538.00.

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 15,045 shares of common stock (the "Warrants"). Each share of Series 8 Convertible Preferred Stock and the related Warrants (see Note 18) were sold at a subscription amount of $940, representing an original issue discount of 6% of the stated value for an aggregate subscription amount of $50.0 million. The shares of Series 8 Convertible Preferred Stocks are recorded as Mezzanine Equity in the accompanying balance sheets as the holder has the option to redeem these shares for cash. The aggregate net proceeds from the offering, after deducting the placement agent fees and other estimated offering expenses, was approximately $46.9 million. The Company has elected to accrete the issuance costs, discount, and freestanding warrants through the date shares can be first be redeemed at the option of the holders, which is the sixth month anniversary of the original issuance date using the effective interest method.

During three months 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 required to be paid of approximately $53.2 million.

As of December 31, 2023, there were zero shares of Series 8 Convertible Preferred Stock outstanding.

Note 15 - Authorized Share Increase and Reverse Stock Split

On October 4, 2022, the Company filed a certificate of change with the Secretary of State of the State of Nevada to effect a reverse stock split of the Company's authorized and issued and outstanding shares of common stock, at a ratio of one (1) share of common stock for every seventy five (75) shares of common stock effective as of October 7, 2022 (the "Reverse Stock Split"). The Reverse Stock Split did not alter the par value of the Company's common stock or modify any voting rights or other terms of the common stock. The Reverse Stock Split was primarily intended to bring the Company into compliance with the minimum bid price requirements for maintaining its listing on the Nasdaq Capital Market. The Company has reflected the Reverse Stock Split on a retroactive basis herein, unless otherwise indicated.

The Company filed a certificate of amendment to the Company's articles of incorporation, as amended, with the Secretary of State of the State of Nevada to increase the number of authorized shares of Common Stock from 26,666,667 to 500,000,000 shares effective as of November 29, 2022.

The Company effected a reverse stock split of its outstanding common stock at a ratio of 1-for-100, effective as of March 12, 2024, for the purpose of complying with Nasdaq Listing Rule 5550(a)(2) and satisfying the bid price requirements applicable for initial listing applications in connection with the closing of the XTI Merger. The Company has reflected the Reverse Stock Split on a retroactive basis herein, unless otherwise indicated.

Note 16 - 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 will be utilized with the 2011 Plan for employees, corporate officers, directors, consultants and other key persons employed. The 2018 Plan will provide for the granting of incentive stock options, NQSOs, stock grants and other stock-based awards, including Restricted Stock and Restricted Stock Units (as defined in the 2018 Plan).

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

The aggregate number of shares that may be awarded under the 2018 Plan as of December 31, 2023 is 62,164,297. As of December 31, 2023, 1,496 of options and restricted stock were granted to employees, directors and consultants of the Company (including 9 shares under our 2011 Plan), and 62,162,810 options were available for future grant under the Option Plans.

Employee Stock Options

During the year ended December 31, 2022, the Company granted options under the 2018 Plan for the purchase of 1,327 shares of common stock to employees and consultants of the Company. These options are 100% vested or vest pro-rata over 12, 24 or 36 months, have a life of 10 years and an exercise price of $3,974.00 per share. The Company valued the stock options using the Black-Scholes option valuation model and the fair value of the awards was determined to be approximately $1.8 million. The fair value of the common stock as of the grant date was determined to be between $3,974.00 per share.

During the year ended December 31, 2023 and 2022, the Company recorded a charge of approximately $1.0 million and $2.9 million, respectively, for the amortization of employee stock options (not including restricted stock awards), which is included in the general and administrative section of the consolidated statement of operations, of which approximately $0.2 million and approximately $1.9 million pertain to discontinued operations.

As of December 31, 2023, the fair value of non-vested options totaled approximately $0.8 million, which will be amortized to expense over the weighted average remaining term of 0.98 years.

The fair value of each employee option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Key weighted-average assumptions used to apply this pricing model during the year ended December 31, 2022 were as follows:

	For the Year Ended December 31,
	2022
Risk-free interest rate	1.50% - 1.76%
Expected life of option grants	5 years
Expected volatility of underlying stock	37.24% - 37.45%
Dividends assumption	$ —

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

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

	2011 Plan	2018 Plan	Non Plan	Total	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2022	73	2,519	1	2,593	$ 2,335,830.00	$ —
Granted	—	1,327	—	1,327	3,974.00	—
Exercised	—	—	—	—	—	—
Expired	(16)	(145)	—	(161)	8,071,398.00	—
Forfeitures	—	(186)	—	(186)	7,497.00	—
Outstanding at December 31, 2022	57	3,515	1	3,573	$ 1,701,544.00	$ —
Granted	—	—	—	—	—	—
Exercised	—	—	—	—	—	—
Expired	(48)	(2,254)	(1)	(2,303)	2,310,676.00	—
Forfeitures	—	(207)	—	(207)	7,437.00	—
Outstanding at December 31, 2023	9	1,054	—	1,063	$ 730,081.00	$ —
Exercisable at December 31, 2023	9	620	—	629	$ 1,241,985.00	$ —

Restricted Stock Awards

On February 19, 2022, 128 restricted stock grants were forfeited for employee taxes.

During the years ended December 31, 2023 and 2022 the Company recorded a charge of approximately $0.03 million and $0.8 million, respectively, for the amortization of vested restricted stock awards.

The following table summarizes restricted stock-based award activity granted:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2022	558	$ 13,500.00
Granted	—	$ —
Forfeited	(128)	$ 13,725.00
Balance, December 31, 2022	430	$ 13,426.00
Granted	—	$ —
Forfeited	—	$ —
Balance, December 31, 2023	430	$ 13,426.00

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.

Note 17 - 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 6,574 shares of the Company's common stock. Pursuant to the exchange agreement, the Company agreed to issue to the warrant holder an aggregate of 1,842 shares of common stock and rights to receive an aggregate of 525 shares of common stock in exchange for the existing warrants and therefore, 4,733 warrants were forfeited as a result of the exchange. 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 $1,200.00 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"). 3,941 corresponding warrants issued in connection with the issuance of the Series 7 Convertible Preferred Stock been forfeited and 2,335 related warrants remain outstanding.

On March 22, 2022, the Company entered into a securities purchase agreement with certain investors pursuant to which the Company agreed to issue and sell, in a registered direct offering sold an aggregate of 53,197.7234 shares of the Company’s Series 8 Convertible Preferred Shares, par value $0.001 per share, and warrants to purchase up to 15,045 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.

On October 12, 2022, the Company issued 525 shares of common stock in connection with the exercise of a right to shares of common stock granted as part of warrant exchange agreement entered into on January 28, 2022.

On October 18, 2022, the Company entered into a Securities Purchase Agreement, pursuant to which the Company agreed to issue and sell, in a registered direct offering, 2,531 shares of the Company’s common stock and warrants to purchase up to 38,462 shares of common stock at a combined offering price of $585.00 per share. The Purchase Warrants have an exercise price of $585.00 per share. Each Purchase Warrant is exercisable for 1 share of common stock and will be immediately exercisable and will expire 5 years from the issuance date.

The Company also offered and sold to the Purchaser pre-funded warrants to purchase up to 23,110 shares of common stock, in lieu of shares of common stock at the Purchaser’s election. Each pre-funded warrant is exercisable for 1 share of common stock. The purchase price of each pre-funded warrant was $584.90, and the exercise price of each pre-funded warrant is $0.10 per share. The pre-funded warrants are immediately exercisable and may be exercised at any time until all of the pre-funded warrants are exercised in full.

During the year ended December 31, 2022, the Company issued 9,310 shares of common stock in connection with the exercise of 9,310 pre-funded warrants from the October 2022 capital raise at $0.10 per share.

During the year 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 thereafter fully redeemed. In conjunction with the redemption, 7,521 warrants were forfeited.

During the year ended December 31, 2023, the Company issued 13,800 shares of common stock in connection with the exercise of 13,800 pre-funded warrants at $0.10 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).

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 0.0033 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 2,335 September 2021 Warrants and 7,524 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 768 Exchange Shares and 2,481 Exchange Shares, respectively, resulting in the issuance of 3,249 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 1,500,000 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 $1.00 (the "Per Warrant Purchase Price"). The May 2023 Warrants have an initial exercise price $26.00, 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 $10.00; 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 1,500,000 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 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 $0.9 million as of December 31, 2023. The fair value of the Warrants are reflected within Warrant Liability on the 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 year ended December 31, 2023 was reported as other expense on the Consolidated Statement of Operations. The interest cost of $20,000 for the year ended December 31, 2023 was included in interest expense, net on the Consolidated Statement of Operations.

During July 2023, the Company issued 90,000 shares of common stock in connection with the exercise of 90,000 warrants with an exercise price of $26.00 per share in connection with the May 2023 offering for which the Company received gross proceeds of approximately $2.3 million.

Warrant Inducement

On December 15, 2023, the Company entered into an warrant inducement letter agreements (the "Inducement Agreements") with certain holders (including their respective successors and assigns, the "Holders") of the Common Stock Purchase Warrants issued by the Company on May 17, 2023 ("May 2023 Warrants") and reissued on December 15, 2023, as applicable (as amended on June 20, 2023, the "Existing Warrants") in order to induce the Holders to exercise 491,310 Existing Warrants for cash, pursuant to the terms of and subject to beneficial ownership limitations contained in the Existing Warrants, the Company agreed to issue to the Holders, New Warrants to purchase 1 share of common stock for each share of common stock issued upon such exercise of the remaining Existing Warrants pursuant to the Inducement Agreements for an aggregate of 491,314 New Warrants. Pursuant to the Inducement Agreements the Existing Warrants exercise price was from $10.00 to $5.13 per share, which is equal to a 30% discount to the average closing price of the Common Stock for the five trading days prior to the execution of the Inducement Agreements, such that the Exercised Shares will be exercised at the New Exercise Price. The Inducement Agreements was a limited time offer that had to be accepted by December 18, 2023. The terms of the New Warrants had an initial exercise price of $7.324, which was subsequently reduced by the Company to $5.13, are immediately exercisable, and will expire 5 years from the date of the Exercise Agreement. The Holder paid an aggregate of approximately $2.5 million to the Company for the exercise of the Existing Warrants. The Company recognized approximately $3.4 million of non-cash warrant inducement expense during year ended December 31, 2023, which is displayed in other expense on the accounting statement of operations. The warrant inducement expense represents the fair value of the New Warrants issued to induce the exercise. The fair values were calculated using the Black-Scholes option pricing model.

The following inputs into the Black-Scholes option pricing model were utilized:

Factor	Rate
Risk Free Rate	3.9%
Term	5 years
Volatility	148%
Dividend	0%
Exercise price	$7.32

The following table summarizes the changes in warrants outstanding during the years ended December 31, 2023 and 2022:

	Number of Warrants	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding at Outstanding at January 1, 2022	13,007	$ 14,775.00	$ —
Granted	76,617	988.00	—
Exercised	(11,152)	15,000.00	—
Expired	(12)	189,000,000.00	—
Cancelled	(16,195)	7,545.00	—
Outstanding at December 31, 2022	62,265	$ 1,956.00	$ —
Granted	1,991,314	$ 21.39	—
Exercised	(595,110)	8.16	—
Expired	(128)	8,326,125.00	—
Exchanged	(9,859)	4,920.24	—
Outstanding at December 31, 2023	1,448,482	$ 24.41	$ —
Exercisable at December 31, 2022	62,265	$ 1,956.00	—
Exercisable at December 31, 2023	1,448,482	$ 24.41	—

Note 18 - Income Taxes

The domestic and foreign components of loss from continuing operations before income taxes for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	For the Years Ended December 31,	
	2023	2022
Domestic	$ (30,679)	$ (13,797)
Foreign	(3,647)	(6,066)
Net Loss, before tax	$ (34,326)	$ (19,863)

The income tax provision (benefit) for the years ended December 31, 2023 and 2022 consists of the following (in thousands):

	For the Years Ended December 31,	
	2023	2022
Foreign		
Current	$ —	$ —
Deferred	(1,168)	(1,456)
U.S. federal		
Current	—	(268)
Deferred	(4,544)	(2,123)
State and local		
Current	24	86
Deferred	(254)	(123)
	(5,942)	(3,884)
Change in valuation allowance	5,966	3,703
Income Tax Provision (Benefit)	$ 24	$ (181)

The reconciliation between the U.S. statutory federal income tax rate and the Company's effective rate for the years ended December 31, 2023 and 2022 is as follows:

	For the Years Ended December 31,	
	2023	2022
U.S. federal statutory rate	21.0 %	21.0 %
State income taxes, net of federal benefit	0.6 %	0.5 %
Incentive stock options	(0.1)%	(0.2)%
162(m) Compensation Limit	(1.6)%	— %
US-Foreign income tax rate difference	0.8 %	1.6 %
Other permanent items	(2.3)%	(1.6)%
Provision to return adjustments	0.2 %	1.9 %
Deferred only adjustment	(1.3)%	(3.7)%
Change in valuation allowance	(17.4)%	(18.6)%
Effective Rate	(0.1)%	0.9 %

As of December 31, 2023 and 2022, the Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

	As of December 31,	
(in 000s)	2023	2022
Deferred Tax Asset		
Net operating loss carryovers	$ 31,085	$ 26,052
Stock based compensation	1,350	1,259
Research credits	—	—
Accrued compensation	24	22
Reserves	263	279
Intangibles	1,750	1,980
Fixed assets	109	149
Unrealized gain	—	—
Capital Research	332	106
Other	2,210	360
Total Deferred Tax Asset	37,123	30,207
Less: valuation allowance	(36,096)	(29,205)
Deferred Tax Asset, Net of Valuation Allowance	$ 1,027	$ 1,002

	As of December 31,	
Deferred Tax Liabilities	2023	2022
Intangible assets	$ (532)	$ (715)
Fixed assets	(99)	(160)
Other	(396)	(127)
Capitalized research	—	—
Total deferred tax liabilities	(1,027)	(1,002)
Net Deferred Tax Asset (Liability)	$ —	$ —

At December 31, 2023, the Company did not have any undistributed earnings of our foreign subsidiaries. As a result, no additional income or withholding taxes have been provided for. The Company does not anticipate any impacts of the global intangible low taxed income ("GILTI") and base erosion anti-abuse tax ("BEAT") and as such, the Company has not recorded any impact associated with either GILTI or BEAT.

In accordance with Section 382 of the Internal Revenue Code, deductibility of the Company's NOL carryover is subject to an annual limitation in the event of a change of control, as defined by the regulations. The Company performed an analysis to determine the annual limitation as a result of the changes in ownership that occurred during 2022 and 2023. A change in ownership occurred on March 2022, April 2023, and July 2023. The NOL available to offset future taxable income after the 2023 ownership change and divestiture of CXApp is approximately $62.4 million. The NOL generated in 2017 of $1.5 million, will expire in December 31, 2037 if not utilized. The remaining NOLs generated after 2017 have an indefinite life and do not expire.

As of December 31, 2023 all Inpixon Canada NOLs were unavailable to the Company due to the CXApp divestiture. As of December 31, 2022, Inpixon Canada, which was acquired on April 18, 2014 as a part of the AirPatrol Merger Agreement, had approximately $24.6 million of Canadian NOL carryovers available to offset future taxable income. Those NOLs, if not for the divestiture, would have begun expiring in the year 2023.

As of December 31, 2023 and 2022, Nanotron GmbH, which was acquired on October 5, 2020, had approximately $49.4 million and $44.1 million, respectively, of German NOL carryovers available to offset future taxable income. Although these NOLs do not expire, minimum taxation restrictions apply such that only a percentage of taxable income may be offset by NOL carryovers. All of these NOLs are available to the Company as a part of the continuing activity.

As of December 31, 2023 and 2022 Intranav GmbH, which was acquired on December 8, 2021, had approximately $10.6 million and $8.7 million, respectively, of German NOL carryovers available to offset future taxable income. Although these NOLs do not expire, minimum taxation restrictions apply such that only a percentage of taxable income may be offset by NOL carryovers. All of these NOLs are available to the Company as a part of the continuing activity.

As of December 31, 2023 and 2022, Active Mind Technology LTD, which was acquired on April 9, 2021 as part of the acquisition of Game Your Game Inc., had approximately $12.8 million and $11.8 million, respectively, of Irish NOL carryovers available to offset future taxable income. These NOLs have an indefinite life and do not expire. As a result of the Grafiti LLC divestiture, there are no future NOLs available to the Company as a part of the continuing activity.

As of December 31, 2023 all Inpixon Philippines, Inc's NOLs were unavailable to the Company due to the CXApp divestiture. As of December 31, 2022 Inpixon Philippines, which was organized on April 12, 2022, had approximately $0.1 million of Philippine NOL carryovers available to offset future taxable income. Those NOLs, if not for the divestiture, would have begun expiring in the year 2026.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realization of deferred tax assets, management considers, whether it is "more likely than not", that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible.

ASC 740, "Income Taxes" requires that a valuation allowance be established when it is "more likely than not" that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. After consideration of all the information available, management believes that uncertainty exists with respect to future realization of its deferred tax assets with respect to Inpixon, Nanotron GmbH, Intranav GmbH, Inpixon Holding (UK) Limited and has, therefore, established a full valuation allowance as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, the change in valuation allowance for continuing activity was $6.0 million and $3.7 million, respectively.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is required to file income tax returns in the United States (federal), Canada, India, Germany, United Kingdom, Ireland, Philippines and in various state jurisdictions in the United States. These filings include discontinued activity periods. In the future, the Company will only be required to file tax returns in United States (federal), Germany, United Kingdom, and in various state jurisdictions in the United States. Based on the Company's evaluation, it has been concluded that there are no material uncertain tax positions requiring recognition in the Company's consolidated financial statements for the continuing activity in years ended December 31, 2023 and 2022.

The Company's policy for recording interest and penalties associated with unrecognized tax benefits is to record such interest and penalties as interest expense and as a component of income tax expense. There were no amounts accrued for interest or penalties for the years ended December 31, 2023 and 2022. Management does not expect any material changes in its unrecognized tax benefits in the next year.

The Company operates in multiple tax jurisdictions and, in the normal course of business, its tax returns are subject to examination by various taxing authorities. Such examinations may result in future assessments by these taxing authorities. The Company is subject to examination by U.S. tax authorities beginning with the year ended December 31, 2020. In general, the Canadian Revenue Authority may reassess taxes four years from the date the original notice of assessment was issued. The tax years that remain open and subject to Canadian reassessment are 2019 – 2023. The tax years that remain open and subject to India reassessment are tax years beginning March 31, 2021. The German tax authorities may reassess taxes generally four years from the end of the calendar year in which the return is filed. The tax years that remain open and subject to German reassessment are 2019 – 2023. In Ireland, assessments must generally be made within four years when returns are filed. The

tax years that remain open and subject to Irish reassessment are 2019 – 2023. In general, Philippine Tax Commissioner may reassess taxes three years from the date the original notice of assessment was issued. The tax years that remain open and subject to Philippine reassessment are 2022 and 2023.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 ("IRS 2022"). The IRA 2022, among other tax provisions, imposes a 15 percent corporate alternative minimum tax on corporations with book financial statement income in excess of $1.0 billion, effective for tax years beginning after December 31, 2022. The IRA 2022 also established a one percent excise tax on stock repurchases made by publicly traded U.S. corporations, effective for stock repurchases in excess of an annual limit of $1.0 million after December 31, 2022. The IRA 2022 did not impact the Company's current year tax provision or the Company's consolidated financial statements.

Note 19 - Credit Risk, Concentrations, and Segment Reporting

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 and German subsidiaries. Cash in foreign financial institutions as of December 31, 2023 and 2022 was immaterial. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

The Company is exposed to the following concentration risk:

The customers who account for 10% or more of the Company's revenue for the year ended December 31, 2023 or 10% or more of the Company's outstanding receivable balance as of December 31, 2023 are presented as follows:

	Year ended December 31, 2023		As of December 31, 2023	
Customer	**Revenues (millions)**	**Percentage of revenues**	**Accounts Receivable (millions)**	**Percentage of accounts receivable**
A	$ 0.8	17 %	$ —	— %
B	$ 0.2	4 %	$ 0.1	10 %
C	$ 0.4	10 %	$ —	— %
Total	**$ 1.4**	**31 %**	**$ 0.1**	**10 %**

The customers who account for 10% or more of the Company's revenue for the year ended December 31, 2022 or 10% or more of the Company's outstanding receivable balance as of December 31, 2022 are presented as follows:

	Year ended December 31, 2022		As of December 31, 2022	
Customer	**Revenues (millions)**	**Percentage of revenues**	**Accounts Receivable (millions)**	**Percentage of accounts receivable**
A	$ 0.6	9 %	$ 0.2	12 %
B	$ 0.2	4 %	$ 0.2	18 %
C	$ 1.4	23 %	$ 0.2	16 %
Total	**$ 2.2**	**36 %**	**$ 0.6**	**46 %**

Note 19 - Credit Risk and Concentration (continued)

The vendors who account for 10% or more of the Company's purchases for the year ended December 31, 2023 or 10% or more of the Company's outstanding payable balance as of December 31, 2023 are presented as follows:

	Year ended December 31, 2023		As of December 31, 2023	
Vendor	Purchases (millions)	Percentage of purchases	Accounts Payable (millions)	Percentage of accounts payable
A	$ 2.1	10 %	$ 0.4	15 %
B	$ 2.7	13 %	$ —	— %
C	$ 1.0	5 %	$ 0.5	20 %
Total	**$ 5.8**	**28 %**	**$ 0.9**	**35 %**

The vendors who account for 10% or more of the Company's purchases for the year ended December 31, 2022 or 10% or more of the Company's outstanding payable balance as of December 31, 2022 are presented as follows:

	Year ended December 31, 2022		As of December 31, 2022	
Vendor	Purchases (millions)	Percentage of purchases	Accounts Payable (millions)	Percentage of accounts payable
A	$ 0.2	1 %	$ 0.1	12 %
B	$ 7.3	31 %	$ —	— %
C	$ 1.4	6 %	$ 0.2	31 %
Total	**$ 8.9**	**38 %**	**$ 0.3**	**43 %**

Segments

The Company notes that as of December 31, 2023, the Grafiti Holding Inc., Grafiti LLC, and Enterprise Apps divestiture are presented as discontinued operations. The Company notes that Grafiti Holding Inc., Grafiti LLC, and the Enterprise Apps divestiture consist of the entirety of the Shoom and SAVES operating segments, along with a portion of the Indoor Intelligence operating segments. Therefore, only the Indoor Intelligence operating segment remains as of December 31, 2023. See Note 26 for more details.

The Company and its Chief Executive Officer (“CEO”), acting as the Chief Operating Decision Maker (“CODM”) determines its operating segments in accordance with FASB ASC 280, “Segment Reporting” (“ASC 280”). The Company has one operating segment in continuing operations, Indoor Intelligence. The Company is organized and operated as one business based on similar economic characteristics, the nature of products and production processes, end-use markets, channels of distribution, and regulatory environments. Management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate.

Note 20 - Foreign Operations

The Company's operations are located primarily in the United States, Germany, and the United Kingdom. Revenues by geographic area are attributed by country of domicile of our subsidiaries. The below table includes the continuing operations financial data. See Note 27 for the discontinued operations data. The financial data by geographic area are as follows (in thousands):

	United States	Germany	United Kingdom	Total
For the Year Ended December 31, 2023:				
Revenues by geographic area	$ 1,265	$ 3,297	$ —	$ 4,562
Operating income (loss) by geographic area	$ (23,785)	$ (3,139)	$ (5)	$ (26,929)
Net income (loss) by geographic area	$ (31,232)	$ (3,113)	$ (5)	$ (34,350)
For the Year Ended December 31, 2022:				
Revenues by geographic area	$ 1,959	$ 4,150	$ —	$ 6,109
Operating income (loss) by geographic area	$ (13,114)	$ (6,130)	$ —	$ (19,244)
Net income (loss) by geographic area	$ (13,622)	$ (6,060)	$ —	$ (19,682)
As of December 31, 2023:				
Identifiable assets by geographic area	$ 15,019	$ 5,972	$ 10	$ 21,001
Long lived assets by geographic area	$ 775	$ 2,350	$ —	$ 3,125
Goodwill by geographic area	$ —	$ —	$ —	$ —
As of December 31, 2022:				
Identifiable assets by geographic area	$ 13,623	$ 6,548	$ 417	$ 20,588
Long lived assets by geographic area	$ 1,089	$ 3,298	$ —	$ 4,387
Goodwill by geographic area	$ —	$ —	$ —	$ —

Note 21 - Related Party Transactions

Director Services Agreement

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

Reimbursable Expenses from New CXApp

During the year ended December 31, 2023, the Company incurred approximately $0.3 million 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. The balance was settled during the year ended December 31, 2023 and no amounts were owed under the agreement as of December 31, 2023.

Note 22 - Leases

The Company has operating leases for administrative offices in the United States 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 $9,506 per month.

As part of the acquisition of Nanotron on December 9, 2021, the Company acquired right-of-use assets and lease liabilities related to an operating lease for an office space (the Nanotron office) located in Berlin, Germany. This lease expires on May 31, 2026 and the current lease rate is approximately $8,057 per month.

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

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

	As of December 31, 2023	As of December 31, 2022
Palo Alto, CA Office	$ —	$ 630
Berlin, Germany Office	523	508
Frankfurt, Germany Office	304	294
Less accumulated amortization	(492)	(905)
Right-of-use asset, net	$ 335	$ 527

Lease expense for operating leases recorded in the balance sheet is included in operating costs and expenses and is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in our consolidated statements of operations for the years ended December 31, 2023 and 2022 was $0.6 million and $0.5 million, respectively.

During the years ended December 31, 2023 and 2022, the Company recorded $0.2 million and $0.3 million, respectively, as rent expense to the right-of-use assets.

During the years ended December 31, 2023 and 2022, the Company recorded short-term lease expenses of $0.2 million and $0.0 million, respectively. During the years ended December 31, 2023 and 2022, the Company recorded variable lease expenses of $0.1 million each year.

Lease liability is summarized below (in thousands):

	As of December 31, 2023	As of December 31, 2022
Total lease liability	$ 342	$ 541
Less: short term portion	(201)	(207)
Long term portion	$ 141	$ 334

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

Year ending December 31, 2024	$ 211
Year ending December 31, 2025	110
Year ending December 31, 2026	42
Total	$ 363
Less: Present value discount	(21)
Lease liability	$ 342

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of Topic 842. As of December 31, 2023, the weighted average remaining lease term is 1.96 and the weighted average discount rate used to determine the operating lease liabilities was 3.6%.

Note 23 - Restructuring Activities

On September 21, 2022, the Company informed its employees that it was taking steps to streamline its operations and conserve cash resources. These steps included layoffs which reduced the Company's global employee headcount by approximately 20%. The layoffs resulted in one-time expenses of approximately $0.8 million in the Indoor Intelligence segment which consisted of severance payouts to terminated employees and outplacement service expenses for the year ended December 31, 2022. These expenses were included in the Company's total operating expenses on the Consolidated Statements of Operations with the unpaid restructuring costs included in accrued liabilities in the Consolidated Balance Sheets.

The Company recorded a Restructuring costs payable for costs incurred related to the restructuring activities noted above for costs incurred but not yet paid as of December 31, 2022. A summary of the activity for the year ended December 31, 2022, is included below (in thousands):

Restructuring costs payable - January 1, 2022	$	—
Restructuring costs incurred		845
Restructuring costs paid		(793)
Restructuring costs payable - December 31, 2022	$	52
Restructuring costs incurred		—
Restructuring costs paid		(52)
Restructuring costs payable - December 31, 2023	$	—

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 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. However, the performance of our Company's business, financial position, and results of operations or cash flows may be affected by unfavorable resolution of any particular matter.

On December 6, 2023, Xeriant, Inc. (“Xeriant”) filed a complaint against Legacy XTI, along with two unnamed companies and five unnamed persons, in the United States District Court for the Southern District of New York. On January 31, 2024, Xeriant filed an amended complaint, which added us as a defendant. On February 2, 2024, the Court ordered Xeriant to show cause as to why the amended complaint should not be dismissed without prejudice for lack of subject matter jurisdiction. On February 29, 2024, Xeriant filed a second amended complaint, which removed us and one of the unnamed companies as defendants. The second amended complaint alleges that Legacy XTI, through multiple breaches and fraudulent actions, has caused substantial harm to Xeriant and has prevented it from obtaining compensation owed to it under various agreements entered into between Xeriant and Legacy XTI, including but not limited to a joint venture agreement, a cross-patent license agreement, an operating agreement, and a letter agreement. In particular, Xeriant contends that Legacy XTI gained substantial advantages from the

intellectual property, expertise, and capital deployed by Xeriant in the design and development of Legacy XTI's TriFan 600 aircraft yet has excluded Xeriant from the transaction involving the TriFan 600 technology in its merger with us, which has resulted in a breach of the Letter Agreement, in addition to the other aforementioned agreements. Xeriant, in the second amended complaint, asserts the following causes of action: (1) breach of contract; (2) intentional fraud; (3) fraudulent concealment; (4) quantum meruit; (5) unjust enrichment; (6) unfair competition/deceptive business practices; and (7) misappropriation of confidential information, and seeks damages in excess of $500 million, injunctive relief enjoining us from engaging in any further misconduct, the imposition of a royalty obligation, and such other relief as deemed appropriate by the court. On March 13, 2024, Legacy XTI moved for partial dismissal of the second amended complaint, Counts 2 through 7 in particular. Legacy XTI argued that Counts 2 through 7 are (1) impermissible attempts to repackage claims arising from contractual dispute as quasi-contractual or tort claims; and (2) expressly refuted by the clear and unequivocal terms of the aforementioned agreements. The case is in its early stages, no discovery with respect to the Company has occurred, and we are unable to estimate the likelihood or magnitude of a potential adverse judgment. The Court has neither scheduled Legacy XTI's motion for hearing nor otherwise ruled upon it. Legacy XTI nevertheless denies the allegations of wrongdoing contained in the second amended complaint and is vigorously defending against the lawsuit.

Note 25 - Damon Motors Convertible Note

On October 26, 2023, the Company purchased a 12% convertible note through a private placement in aggregate principal amount of $3.0 million for a purchase price of $3.0 million from Damon Motors Inc. and is included in Notes Receivable on the Consolidated Balance Sheets. Interest on the convertible note accrues at 12% per annum. The term of the convertible note is 12 months. The convertible note is subject to certain conversion features which include qualified financing, and/or qualified transaction, as defined in the securities purchase agreement. The note will be required to convert upon Damon Motors Inc. completing a public company event. In addition, Damon Motors Inc. issued a five-year warrant to purchase 1,096,321 shares of Damon Motors Inc. common stock in connection with the note. Management notes the Warrant is freestanding. The exercise price per Common Share is equal to the quotient of the valuation cap and the diluted capitalization, as defined in the agreement. The Warrant provides for cashless exercise after 180 days following the closing of the public company event should there be no effective registration statement. The convertible note receivable is not traded in active markets and fair value was determined using a present value technique. The convertible note receivable is accounted for as available-for-sale debt securities based on "Level 3" inputs, which consist of unobservable inputs and reflect management's estimates of assumptions that market participants would use in pricing the asset, with unrealized holding gains and losses excluded from earnings and reported in other comprehensive income (loss). The Warrant is accounted for an equity security based on "Level 3" inputs, which consist of unobservable inputs and reflect management's estimates of assumptions that market participants would use in pricing the asset, recorded at fair value with subsequent changes in fair value recorded in earnings.

Note 26 - Discontinued Operations

CXApp Divestiture

On March 14, 2023, Inpixon 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.

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 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.

Solutions Divestiture - Grafiti Holding Divestiture

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 Holding, and 1444842 B.C. Ltd., a British Columbia corporation and a newly formed wholly-owned subsidiary of Grafiti Holding ("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 Holding (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 Holding 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 Grafiti Holding 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 Holding.

Holders of Grafiti Holding Common Shares, including Participating Security holders and management that hold Grafiti Holding 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 entered into a Separation and Distribution Agreement (the "Separation Agreement") with Grafiti Holding Inc. ("Grafiti Holding"), a then wholly owned subsidiary of Inpixon. Inpixon contributed the assets and liabilities of Inpixon UK, a wholly owned subsidiary of Inpixon, to the then Inpixon wholly owned subsidiary Grafiti Holding in accordance with the Separation Agreement. On December 27, 2023, the Company entered into a Liquidating Trust Agreement (the "Liquidating Trust Agreement") by and among the Company, Grafiti Holding and the sole original trustee named therein, who is a current employee of the Company (collectively with any additional trustees duly appointed under the Liquidating Trust Agreement from time to time, the "Trustees"). The Liquidating Trust Agreement provided for the distribution by the Company of its Grafiti Holding Common Shares to a liquidating trust, titled the Grafiti Holding Inc. Liquidating Trust (the "Trust"), which will hold the Grafiti Holding Common Shares for the benefit of the Participating Security holders until the Registration Statement is declared effective by the SEC. Promptly following the effective time of the Registration Statement, the Trust will deliver the Grafiti Holding Common Shares to the Participating Security holders, as beneficiaries of the Trust, pro rata in accordance with their ownership of shares or underlying shares of Common Stock as of the Record Date. The Trustees will be empowered to liquidate the Grafiti Holding Common Shares and distribute the proceeds thereof to the Participating Security holders if the Registration Statement is not declared effective prior to the second anniversary of the date of the Liquidating Trust Agreement.

This transfer, along with the Grafiti LLC divestiture outlined below, were in the aggregate considered a strategic shift that has or will have a major effect on the Company's operations and financial results, and therefore met the criteria to be classified as discontinued operations. Accordingly, the results of its operations are recorded as a component of "Net loss from discontinued operations, net of tax" in the Consolidated Statements of Operations for all periods presented. The net assets distributed as a result of the Grafiti Holding Divestiture were $0.02 million.

Solutions Divestiture - Grafiti LLC Divestiture

On February 21, 2024, the Company completed the disposition of the remaining portion of the Shoom, SAVES, and GYG business lines and assets that were excluded from the Grafiti Holding Transaction in accordance with the terms and conditions of an Equity Purchase Agreement, dated February 16, 2024. This transaction was considered probable as of December 31, 2023, and along with the Grafiti Holding divestiture outlined above, represent a strategic shift that has a major impact on the Company's operations and financial results. Therefore, Grafiti LLC met the criteria to be classified as discontinued operations. Accordingly, the results of operations are recorded as a component of "Net loss from discontinued operations, net of tax" on the Consolidated Statements of Operations for all periods presented. In connection with the discontinued operations classification, the Company recognized a loss on discontinued operations of $2.3 million, which has been included in "Net loss from discontinued operations, net of tax" on the Consolidated Statements of Operations for the year ended December 31, 2023. The assets and liabilities of Grafiti LLC are included in the current assets and current liabilities of discontinued operations on the Consolidated Balance Sheet as of December 31, 2023.

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022		
	CXApp Divestiture	Grafiti Holding and Grafiti LLC Divestiture	Total Discontinued Operations	CXApp Divestiture	Grafiti Holding an Grafiti LLC Divestiture	Total Discontinued Operations
Revenues	$ 1,620	$ 4,840	$ 6,460	$ 8,470	$ 4,839	$ 13,309
Cost of Revenues	483	681	1,164	2,064	1,304	3,368
Gross Profit	1,137	4,159	5,296	6,406	3,535	9,941
Operating Expenses						
Research and development	1,514	4,081	5,595	9,323	3,854	13,177
Sales and marketing	988	1,896	2,884	4,996	1,662	6,658
General and administrative	1,644	1,325	2,969	10,540	1,466	12,006
Acquisition related costs	—	—	—	16	—	16
Transaction costs	1,043	—	1,043	—	—	—
Impairment of goodwill and intangibles	—	—	—	5,540	5,476	11,016
Amortization of intangibles	805	—	805	3,885	639	4,524
Total Operating Expenses	5,994	7,302	13,296	34,300	13,097	47,397
Loss from Operations	(4,857)	(3,143)	(8,000)	(27,894)	(9,562)	(37,456)
Interest income/(expense), net	1	3	4	4	(77)	(73)
Other income/(expense)	—	1,315	1,315	(1)	712	711
Unrealized gain (loss) on equity securities	—	5,609	5,609	—	(7,904)	(7,904)
Realized loss on investment	—	(6,692)	(6,692)	—	—	—
Unrealized loss on equity method investment	—	—	—	—	(1,784)	(1,784)
Loss on discontinued operations	—	(2,303)	(2,303)	—	—	—
Total Other Income (Expense)	1	(2,068)	(2,067)	3	(9,053)	(9,050)
Loss from discontinued operations, before tax	(4,856)	(5,211)	(10,067)	(27,891)	(18,615)	(46,506)
Income tax provision	(2,478)	(205)	(2,683)	(80)	(36)	(116)
Loss from discontinued operations, net of tax	$ (7,334)	$ (5,416)	$ (12,750)	$ (27,971)	$ (18,651)	$ (46,622)

The Consolidated Statements of Cash Flows are presented on a consolidated basis for both continuing operations and discontinued operations. Cash used in operating activities of discontinued operations totaled approximately 0.5 million and $24.1 million for the year ended December 31 2023 and 2022, respectively. Cash used in investing activities from discontinued operations totaled approximately $0.05 million and $0.3 million for the years ended December 31, 2023 and 2022, respectively.

XTI AEROSPACE, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS INPIXON AND SUBSIDIARIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022		
	CXApp Divestiture	Grafiti LLC Divestiture	Total Discontinued Operations	CXApp Divestiture	Grafiti LLC Divestiture	Total Discontinued Operations
Current Assets of Discontinued Operations						
Cash and cash equivalents	$ —	$ 1,121	$ 1,121	$ 10,000	$ 951	$ 10,951
Accounts receivable	—	1,036	1,036	1,338	702	2,040
Other receivables	—	2	2	273	3	276
Inventory	—	1,212	1,212	—	445	445
Prepaid expenses and other current assets	—	251	251	650	112	762
Property and equipment, net	—	700	700	—	—	—
Operating Lease Right-of-Use Asset, net	—	8	8	—	—	—
Software development costs, net	—	605	605	—	—	—
Investment in equity securities	—	65	65	—	—	—
Long term investments	—	50	50	—	—	—
Other Assets	—	21	21	—	—	—
Allowance on current assets classified as discontinued operations	—	(2,303)	(2,303)	—	—	—
Current Assets of Discontinued Operations	$ —	$ 2,768	$ 2,768	$ 12,261	$ 2,213	$ 14,474
Long Term Assets of Discontinued Operations						
Property and equipment, net	$ —	$ —	$ —	$ 202	$ 722	$ 924
Operating Lease Right-of-Use Asset, net	—	—	—	681	4	685
Software development costs, net	—	—	—	487	741	1,228
Investment in equity securities	—	—	—	—	330	330
Long term investments	—	—	—	—	50	50
Intangible assets, net	—	—	—	19,289	—	19,289
Other Assets	—	—	—	52	15	67
Long Term Assets of Discontinued Operations	$ —	$ —	$ —	$ 20,711	$ 1,862	$ 22,573
Current Liabilities of Discontinued Operations						
Accounts payable	$ —	$ 734	$ 734	$ 1,054	$ 783	$ 1,837

Accrued liabilities	—	520	520	1,736	783	2,519
Operating lease obligation, current	—	9	9	266	4	270
Deferred revenue	—	697	697	2,162	777	2,939
Short term debt	—	—	—	$ —	1,078	1,078
Current Liabilities of Discontinued Operations	$ —	$ 1,960	$ 1,960	$ 5,218	$ 3,425	$ 8,643
Long Term Liabilities of Discontinued Operations						
Operating lease obligation, noncurrent	$ —	$ —	$ —	$ 444	$ —	$ 444
Other Liabilities, noncurrent	—	—	—	28	—	28
Long Term Liabilities of Discontinued Operations	$ —	$ —	$ —	$ 472	$ —	$ 472

Investment in Equity Securities

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* ("ASC 321"). These securities are marked to market based on the respective publicly quoted market prices of the equity securities adjusted for liquidity, as necessary. These securities transactions are recorded on a trade date basis. Any unrealized appreciation or depreciation on investment securities is reported in the Consolidated Statement of Operations within Unrealized Loss on Equity Securities. The unrealized gain/loss on equity securities was a gain of $5.6 million, and loss of $7.9 million, for the years ended December 31, 2023 and 2022, respectively.

The Company notes that investment securities were a part of the Grafiti Holding Inc. and Grafiti LLC divestitures, which are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

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):

December 31, 2023	**Cost**	**Fair Value**
Investments in equity securities -fair value		
Equity shares	$ 54,237	$ 63
Equity rights	11,064	2
Total investments in equity securities - fair value	$ 65,301	$ 65

As of December 31, 2023 and 2022, the fair value of the Sysorex shares and rights to acquire shares acquired as part of the debt settlement that occurred in March 2021 were $0.01 million.

On April 27, 2022, the Company purchased a 10% convertible note in aggregate principal amount of $6,050,000 for a purchase price of $5,500,000 from FOXO Technologies Operating Company, formerly FOXO Technologies Inc. ("FOXO Legacy"), pursuant to the terms of a securities purchase agreement between FOXO Legacy and the Company (the "April 2022 Purchase Agreement").

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 December 31, 2023. As of December 31, 2023 and 2022 the fair value of the FOXO shares was $0.05 million and $0.3 million, respectively.

For the year ended December 31, 2023 and 2022, the Company recognized a net unrealized gain/loss on investments in equity securities of a gain of $5.6 million and loss of $7.9 million on the discontinued operations statement of operations.

Other Long Term Investments

The Company invests in certain equity-method investments: When the Company does not have a controlling financial interest in an entity but can exert significant influence over the entity's operating and financial policies, the investment is accounted for either (i) under the equity method of accounting or (ii) at fair value by electing the fair value option available under U.S. GAAP. The Company accounted for its equity investment under the equity method of accounting, as the Company is deemed to have significant influence. The Company generally recognizes its share of the equity method investee's earnings on a three-month lag in instances where the investee's financial information is not sufficiently timely from the Company's reporting period. The Company evaluates an equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable.

The Company notes that the other long term investments outlined below were a part of the Grafiti Holding Inc. and Grafiti LLC divestitures, which are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

In 2020, the Company paid $1.8 million for 599,999 Class A Units and 1,800,000 Class B Units of Cardinal Ventures Holdings LLC ("CVH"). The Company is a member of CVH. 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 December 31, 2023, CVH is a holding company that had no operating results.

The following component represents components of Other long-term investments as of December 31, 2023:

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

The Company's investment in equity method eligible entities are represented on the balance sheet as an asset of $0.1 million and $0.7 million as of December 31, 2023 and December 31, 2022, respectively.

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 consolidated statement of operations in the year ended December 31, 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.

Cardinal Health Ventures Investment

Nadir Ali, the Company's Chief Executive Officer and director prior to his resignation at the time of the XTI transaction, is also a member in CVH through 3AM, LLC ("3AM"), 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 our 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 approximately $0.15 million to CVH. The $0.15 million loan was repaid on March 15, 2023.

Fair Value of Financial Instruments

The Company notes that the financial instruments outlined below were a part of the Grafiti Holding Inc. and Grafiti LLC divestitures, which are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

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 December 31, 2023 and December 31, 2022:

	Fair Value at December 31, 2023			
	Total Fair Value	Level 1 - Quoted Prices in Active Markets for Identical Assets	Level 2 - Significant Other Observable Inputs	Level 3 - Significant Unobservable Inputs
Assets:				
Investments in equity securities	65	54	—	11
Total assets	$ 65	$ 54	$ —	$ 11

	Fair Value at December 31, 2022			
	Total Fair Value	Level 1 - Quoted Prices in Active Markets for Identical Assets	Level 2 - Significant Other Observable Inputs	Level 3 - Significant Unobservable Inputs
Assets:				
Investments in equity securities	330	319	—	11
Total assets	$ 330	$ 319	$ —	$ 11

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.

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 year ended December 31, 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 year ended December 31, 2023 (in thousands):

	Level 3
Level 3 Investments	
Balance at January 1, 2023	$ 11
Unrealized loss on equity securities	—
Balance at December 31, 2023	$ 11

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 year ended December 31, 2022 (in thousands):

	Level 3
Level 3 Investments	
Balance at January 1, 2022	$ 1,838
Transfers in - FOXO Technologies, Inc. convertible note	6,050
Transfers in - FOXO Technologies, Inc. original issue discount on convertible note	(550)
Amortization of original issue discount on convertible note	206
Change in fair value on debt securities	791
Transfers out - FOXO Technologies, Inc. conversion of note to marketable equity securities	(6,497)
Unrealized loss on equity securities	(1,827)
Balance at December 31, 2022	$ 11

Note 27 - Subsequent Events

Equity Purchase Agreement

On February 21, 2024, Inpixon completed the disposition of the remaining portion of the Shoom, SAVES, and GYG business lines and assets ("Grafiti Group Divestiture") that were excluded from the Grafiti Holding Transaction in accordance with the terms and conditions of an Equity Purchase Agreement, dated February 16, 2024, by and among Inpixon (“Seller”), Grafiti LLC, and Grafiti Group LLC (a newly formed entity controlled by Nadir Ali, the Company's CEO and a director) (“Buyer”). Pursuant to the terms of the Equity Purchase Agreement, Buyer acquired from 100% of the equity interest in Grafiti LLC, including the assets and liabilities primarily relating to Inpixon’s Saves, Shoom and Game Your Game business, including 100% of the equity interests of Inpixon India, Grafiti GmbH (previously Inpixon Gmbh) and Game Your Game, Inc. from the Company for a minimum purchase price of $1.0 million paid in two annual cash installments of $0.5 million due within 60 days after December 31, 2024 and 2025. The purchase price and annual cash installment payments will be (i) increased for 50% of net income after taxes, if any, from the operations of Grafiti LLC for the years ended December 31, 2024 and 2025; (ii) decreased for the amount of transaction expenses assumed; (iii) increased or decreased by the amount working capital of Grafiti LLC on the closing balance sheet is greater or less than $1.0 million.

Transition Services Agreement

On February 21, 2024, in connection with the closing of the Grafiti Group Divestiture, Grafiti LLC and the Company entered into a Transition Services Agreement with respect to services to be provided for a period of one year following closing. Pursuant to the agreement, the Company will provide contracted IT and accounting services to Grafiti LLC and Grafiti LLC will provide certain accounting and payroll services, in each case on an hourly as needed basis to ensure the orderly transition of the business.

Sublease Arrangement

The Company and Grafiti LLC arranged for the Company to sublease office space in Palo Alto, CA from Grafiti LLC at a cost of 50% of monthly rent and operating expenses as of February 1, 2024. The cost is estimated at approximately $5,800 per month.

XTI Promissory Note & Security Agreement

As discussed in Note 5, Inpixon is providing loans to XTI on a senior secured basis. On February 2, 2024, Inpixon and XTI executed a further amendment to the XTI Note, dated effective as of January 30, 2024, to increase the Maximum Principal Amount to approximately $4.0 million and to revise the date January 30,2024 in the definition of Maturity Date to March 31, 2024. The Company intends to amend the XTI Promissory Note to extend the term thereof.

XTI Merger

Pursuant to the XTI Merger Agreement, on March 12, 2024 (the "Closing Date"), Merger Sub merged with and into Legacy XTI (the "XTI Merger"), with Legacy XTI surviving the XTI Merger as our wholly-owned subsidiary. Following the effective time of the XTI Merger (the "Effective Time") on the Closing Date, we amended our articles of incorporation to change our name from "Inpixon" to "XTI Aerospace, Inc." and the combined company opened for trading on the Nasdaq Capital Market on March 13, 2024 under the new ticker symbol "XTIA".

Shortly prior to the Effective Time, we effected a 1-for-100 reverse split of our outstanding shares of common stock. See Note 15.

At the Effective Time, pursuant to the XTI Merger Agreement, the shares of Legacy XTI common stock outstanding immediately prior to the Effective Time became the right to receive 7,843,668 shares of XTI Aerospace common stock, and the options and warrants to purchase shares of Legacy XTI common stock outstanding immediately prior to the Effective Time were assumed by the Company and became exercisable for approximately 1,068,959 and 382,610 shares of XTI Aerospace common stock, respectively, based on an exchange ratio of 0.0892598 shares of XTI Aerospace common stock for each share of Legacy XTI common stock in accordance with the XTI Merger Agreement. Prior to the Effective Time, Legacy XTI received the consents of certain of its convertible note holders to convert the outstanding balance under their convertible notes, equal to an aggregate outstanding amount of $7,535,701, into shares of Legacy XTI common stock immediately prior to the Effective Time, enabling them to participate in the XTI Merger on the same basis as the other shares of Legacy XTI common stock. Legacy XTI convertible notes in the aggregate remaining principal and interest amount of $51,658, were assumed by the Company at the Effective Time and became convertible into approximately 4,611 shares of XTI Aerospace common stock.

Immediately following the Effective Time, XTI Aerospace had 9,786,801 shares of common stock issued and outstanding, subject to adjustment in connection with rounding associated with the Reverse Stock Split.

On March 12, 2024, the Company, Merger Sub and Legacy XTI entered into a Second Amendment to Merger Agreement (the "Merger Agreement Amendment"). The Merger Agreement Amendment provided, among other things, (i) adjustments for the issuance of shares of the Company's newly designated non-convertible Series 9 preferred stock ("Series 9 Preferred Stock") to Streeterville Capital, LLC in the exchange ratio calculation and (ii) the extension of the deadline to file a resale registration statement covering the shares issued in the XTI Merger that were not registered on the Company's registration statement on Form S-4 filed in connection with the Merger to ten business days after the filing of this Annual Report on Form 10-K.

Following the issuance of shares under the Merger Agreement, Company security holders immediately prior to the Effective Time retained beneficial ownership of approximately 25% of the outstanding common stock of the Company on a fully-diluted basis and Legacy XTI security holders immediately prior to the Effective Time acquired beneficial ownership of shares of common stock amounting to approximately 75% of the outstanding common stock of the Company on a fully-diluted basis.

Financial Advisory Fees in connection with the XTI Merger

Pursuant to the terms of an amended advisory fees agreement among Legacy XTI, the Company and Maxim and in accordance with the XTI Merger Agreement, the Company issued 385,359 registered shares of XTI Aerospace common stock in exchange for shares of Legacy XTI common stock issued to Maxim based on the exchange ratio under the XTI Merger Agreement. Additionally, Maxim will receive $200,000 payable upon the closing of one or more debt or equity financings for which Maxim

serves as placement agent or underwriter and in which the Company raises minimum aggregate gross proceeds of $10 million following the Effective Time.

Pursuant to its engagement letter with Legacy XTI, dated as of June 7, 2022, as amended (the "Chardan Engagement Letter") and the XTI Merger Agreement, Chardan Capital Markets ("Chardan") received a cash payment of $200,000 and 189,037 registered shares of XTI Aerospace common stock (the "Chardan Closing Shares") in exchange for shares of Legacy XTI common stock issued to Chardan based on the exchange ratio under the XTI Merger Agreement. If within 120 days following the Effective Time, the Company consummates a public offering of securities in which the price per share of XTI Aerospace common stock ("Chardan Qualified Offering price") is less than the per share price of Inpixon common stock utilized to calculate the number of Chardan Closing Shares, the Company will be required, subject to applicable securities laws, to issue additional shares of XTI Aerospace common stock to Chardan in an amount equal to (i) $1,000,000 minus the product of the number of Chardan Closing Shares and Chardan Qualified Offering Price, divided by (ii) the Chardan Qualified Offeing Price.

Consulting Agreements

On March 12, 2024, the Company entered into a Consulting Agreement with Mr. Nadir Ali (the "Ali Consulting Agreement"), the Company's former Chief Executive Officer. Pursuant to the Ali Consulting Agreement, following the Closing of the XTI Merger, Mr. Ali will provide consulting services to the Company for 15 months or until earlier termination in accordance with its terms. During the Ali Consulting Period, the Company will pay him a monthly fee of $20,000.

In addition, the Company shall pay Mr. Ali (a) the amount of $1,500,000 due three months following the Closing, and (b) the aggregate amount of $4,500,000, payable in 12 equal monthly installments of $375,000 each, starting four months after the Effective Date (the payments described in (a) and (b), each an "Equity Payment"). Each Equity Payment may be made, in Company's discretion, in (i) cash, (ii) fully vested shares of common stock under the Company's equity incentive plan , or a combination of cash and Registered Shares. Mr. Ali must continue to provide consulting services to the Company on the date of payment of an Equity Payment to receive the Equity Payment, unless the Company terminates the Ali Consulting Agreement without Company Good Reason or Mr. Ali terminates the Ali Consulting Agreement for Consulting Good Reason, in which case the Equity Payments would become due and payable in full. To the extent all or a portion of an Equity Payment is made in shares, such shares will be valued based on the closing price per share on the date on which the Equity Payment is made.

On March 12, 2024, the Company also entered into a Consulting Agreement with Ms. Wendy Loundermon (the "Loundermon Consulting Agreement"), the Company's former Chief Financial Officer. Pursuant to the Loundermon Consulting Agreement, following the Closing, Ms. Loundermon will provide consulting services to the Company for one year or until earlier termination in accordance with its terms (the "Loundermon Consulting Period"). As compensation for Ms. Loundermon's consulting services, the Company will pay her (i) $83,333 per month for the first six months of the Loundermon Consulting Period for services she performs on an as-needed basis during the Loundermon Consulting Period regarding the transition of the management of the Company's financial reporting function to ensure continuity of business operations , and (ii) $300 per hour for services performed on an as needed basis regarding the preparation and filing of Company's public company financial reporting and compliance matters including accounting, payroll, audit and tax compliance functions.

Series 9 Preferred Stock

On March 12, 2024, the Company filed the Certificate of Designations of Preferences and Rights of Series 9 Preferred Stock (the "Certificate of Designation"), with the Secretary of State of Nevada, designating 20,000 shares of preferred stock, par value $0.001 of the Company, as Series 9 Preferred Stock. Each share of Series 9 Preferred Stock has a stated face value of $1,050.00 ("Stated Value"). The Series 9 Preferred Stock is not convertible into shares of common stock of the Company.

Exchange Agreement

On March 12, 2024, the Company and Streeterville Capital, LLC (the "Note Holder"), the holder of an outstanding promissory note issued on December 30, 2023 (as amended, the "December 2023 Note"), entered into an Exchange Agreement, pursuant to which the Note Holder exchanged the remaining balance of principal and accrued interest under the December 2023 Note in the aggregate amount of $9,801,521 for 9,801.521 shares of Series 9 Preferred Stock, based on an exchange price of $1,000 per share of Series 9 Preferred Stock. Following such exchange and the surrender of the December 2023 Note to the Company, the December 2023 Note is deemed paid in full, automatically canceled, and will not be reissued.

Securities Purchase Agreement

On March 12, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with an entity controlled by the Company's director and Chief Executive Officer, Mr. Nadir Ali (the "Purchaser"). Pursuant to the Securities Purchase Agreement, the Purchaser purchased 1,500 shares of Series 9 Preferred Stock for a total purchase price of $1,500,000, based on a purchase price of $1,000 per share of Series 9 Preferred Stock.

Warrant Exercise Price Reduction

On March 21, 2024, the Company's Board of Directors authorized a reduction in the exercise price of the New Warrants issued as part of the warrant inducement (see Note 17) that occurred on December 15, 2023 from $7.324 to $5.13 per share in accordance with the existing terms of such New Warrants.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer (our principal executive officer) and our chief financial officer (our principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The evaluation was undertaken in consultation with our accounting personnel. Based on that evaluation, our chief executive officer and our chief financial officer concluded that as of December 31, 2023, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board, management and other personnel, 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over

financial reporting was effective as of December 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the fourth quarter of the last fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended December 31, 2023, as such terms are defined under Item 408(a) of Regulation S-K.

The information set forth below is included herein for the purpose of providing the disclosure required under "*Item 1.01 – Entry into a Material Definitive Agreement.*" of Form 8-K.

On April 15, 2024, we entered into an amendment (the "Warrant Amendment"), effective as of March 11, 2024, with a counterparty located in the southwest region of the United States ("Counterparty A") to a warrant to purchase 567,467 shares of our common stock (the "Counterparty A Warrant"), which was originally issued by Legacy XTI on February 2, 2022, amended on April 3, 2022 and assumed by us in connection with the closing of the XTI Merger on March 12, 2024.

The Warrant Amendment modifies the vesting criteria with respect to the shares of common stock underlying the Counterparty A Warrant. As amended by the Warrant Amendment, (i) one-third of the shares represented by the Counterparty A Warrant vested upon the execution and delivery of the conditional aircraft purchase contract (the "Aircraft Purchase Agreement"), dated February 2, 2022, by and between Legacy XTI and Counterparty A, relating to the purchase of 100 TriFan 600 aircraft, (ii) one-sixth of the shares vested on March 11, 2024 and (iii) one-third of the shares will vest upon the acceptance of delivery and final purchase of the first TriFan 600 aircraft by Counterparty A pursuant to the Aircraft Purchase Agreement. The Warrant Amendment requires the parties to agree on an initial strategic public and industry announcement within 90 days of March 11, 2024 or such other time as the parties may mutually agree.

The foregoing description of the Warrant Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Warrant Amendment, a copy of which is filed as Exhibit 4.31 hereto and is incorporated herein by reference.

ITEM 9C: DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names and ages of all of our current directors and executive officers. Our officers are appointed by, and serve at the pleasure of, the Company's Board of Directors (referred to herein as the "Board") and/or our Chief Executive Officer.

Name	Age	Position
Scott Pomeroy	62	Chief Executive Officer, Chairman and Director
Brooke Turk	58	Chief Financial Officer
Michael Hinderberger	62	Chief Executive Officer, XTI Aircraft Company
Soumya Das	51	Chief Executive Officer, Real Time Location System Division, and Director
David Brody	75	Director
Kareem Irfan	63	Director

Scott Pomeroy, Chairman and Chief Executive Officer. Mr. Pomeroy served as Legacy XTI's Chief Financial Officer under a consulting arrangement since July 1, 2022 and as a director of Legacy XTI since February 2023 and was appointed as our Chief Executive Officer and as Chair of the Board effective as of the effective time of the XTI Merger. Mr. Pomeroy has served on several boards of directors, including the board of directors of AVX Aircraft Company since 2009. Mr. Pomeroy was the CFO of Dex Media, overseeing equity and debt capital raises of more than $10 billion, and was CEO and founder of Local Insight Media. He also co-founded Gen3 Financial Services, a boutique merchant bank providing financial and business advisory services in connection with capital raising to clients in a variety of industries including aerospace. He led capital raising efforts for a $50 million fund in 2021-22. Mr. Pomeroy began his career at KPMG Peat Marwick. He has a BBA in Accounting from the University of New Mexico and is a Certified Public Accountant.

We believe that Mr. Pomeroy's over 35 years' experience in launching new businesses, raising capital, and serving as founder and CEO, President, and Chief Financial Officer of several companies qualifies him to serve on our Board.

Brooke Turk, Chief Financial Officer. Ms. Turk served as a consultant for Legacy XTI since August 2023 and was appointed as our Chief Financial Officer effective as of the effective time of the XTI Merger. Ms. Turk has provided CFO services to multiple companies as a member of Springboard Ventures since August 2011. Ms. Turk has acted as the chief financial officer or fractional chief financial officer of several businesses, including MADSKY from March 2017 to October 2018, The Champion Group from April 2020 to present, Catalyst Solutions from February 2022 to March 2023, and CB Scientific, Inc. from November 2021 to present. Over her 32-year career, Ms. Turk has played a key role in multiple corporate transactions — including mergers, acquisitions and divestitures; restructures and reorganizations; debt and equity capital raises, a Chapter 11 bankruptcy and an IPO. Ms. Turk began her career at Arthur Andersen. She received a Master of Science in Business Administration from Colorado State University and a Bachelor of Arts in Organizational Communication from Western Colorado University and is a Certified Public Accountant..

Michael Hinderberger, Chief Executive Officer of XTI Aircraft Company. Mr. Hinderberger was named Chief Executive Officer of Legacy XTI on July 1, 2022 after serving as Legacy XTI's SVP of Engineering and Technology since July 2021. He is responsible for all matters related to the development of the TriFan 600 aircraft and Legacy XTI's operations. Prior to joining Legacy XTI, from 2014 to 2021 he was Chief Engineer for Aerion Supersonic Corporation where he was instrumental in transitioning the Aerion AS-2 aircraft from an R&D project into a full-scale development program. Mr. Hinderberger has led major development projects at Gulfstream, Hawker Beechcraft, Rolls Royce, and Piper Aircraft. Mr. Hinderberger has a Bachelor of Science degree in Mechanical Engineering from the University of Cincinnati and a Master of Science degree in Technical Management from Embry Riddle Aeronautical University.

Soumya Das, Chief Executive Officer of Real Time Location System Division and Director. Mr. Das served as our Chief Operating Officer from February 2018 until the effective time of the XTI Merger, and was appointed as the Chief Executive Officer of Real Time Location System Division and a member of our Board effective as of the effective time of the XTI Merger. Mr. Das also currently serves as the Managing Director of our wholly owned subsidiary Inpixon GmbH and its wholly owned subsidiary IntraNav GmbH. He previously served as our Chief Marketing Officer from November 2016 until March 2021. Prior to joining the Company, from November 2013 until January 2016, Mr. Das was the Chief Marketing Officer

of Identiv, a security technology company. From January 2012 until October 2013, Mr. Das was the Chief Marketing Officer of SecureAuth, a provider of multi-factor authentication, single sign-on, adaptive authentication and self-services tools for different applications. Prior to joining SecureAuth, Mr. Das was the Vice President, Marketing and Strategy of CrownPeak, a provider of web content management solutions, from April 2010 until January 2012. Mr. Das has also served as a member of the board of Museum on Mile since January 4, 2019. Mr. Das earned an MBA from Richmond College, London, United Kingdom, and Bachelor of Business Management from Andhra University in India.

We believe that Mr. Das's experience in managing and operating high growth public companies qualifies him to serve on our Board.

Non-Executive Directors

David Brody, Director. Mr. Brody is the founder of Legacy XTI, previously served as its Chairman of its Board and was appointed as a member of our Board effective as of the effective time of the XTI Merger. He designed the initial TriFan 600 configuration, technology and performance objectives. He formed the initial leadership team, filed for patents and began development of the TriFan aircraft in 2014. Mr. Brody is also the founder of the advanced technology helicopter company, AVX Aircraft Company (an engineering design and U.S. defense contractor) and was its Chairman and Chief Executive Officer until 2013 and continues to serve on the AVX board. Mr. Brody, a lawyer, practiced law in Denver from 1974 to 2021, including with the international law firm, Hogan Lovells US LLP from 2013-2021. An inventor, he holds several patents for inventions in aircraft technology and other fields. He has a Bachelor of Arts degree in Political Science and Philosophy from the University of Colorado in Boulder, and a Juris Doctorate from American University Law School in Washington D.C.

We believe that Mr. Brody's experience in the legal field, in the aerospace industry and as a founder of XTI qualifies him to serve on the combined company's board of directors.

Kareem Irfan, Director. Mr. Irfan has served as a member of our Board since July 2014. Mr. Irfan has been Chicago-based CEO (Global Businesses) since 2013 of Cranes Software International Limited (Cranes), a group of multinational corporations providing IT, Big-Data Analytics, Business Intelligence & Tech-Education services. Mr. Irfan previously served as Chief Strategy Officer for Cranes; a General Counsel for Schneider Electric (a Paris-based global leader in energy management) from 2005 to 2011; a Chief Counsel for Square D (US), and practiced IP law at two international. law firms in the US. He also advises global corporate, NGOs, NPOs and ed-institutions on M&A strategies, CSG/SRI, strategic sustainability & governance, inter-faith bridge-building, diversity/cultural sensitivity, international collaborations, and industry-oriented management/Leadership programs. Mr. Irfan is a graduate of DePaul University College of Law, holds a MS in Computer Engineering from the University of Illinois, and a BS in Electronics Engineering from Bangalore University.

Mr. Irfan's extensive experience in advising information technology companies, managing corporate governance and regulatory management policies, including over 30 years as a business strategist and over fifteen years of executive management leadership give him strong qualifications and skills to serve on our Board.

Family Relationships

There are no family relationships between any of our directors and executive officers.

Our Board

Our Board may establish the authorized number of directors from time to time by resolution. The current authorized number of directors is five (5). In accordance with the terms of our bylaws, as amended, our Board is divided into three classes, Class I, Class II and Class III, with members of each class serving staggered three-year terms. Upon the expiration of the term of a class of directors, directors in that class will be eligible to be elected for a new three-year term at the annual meeting of stockholders in the year in which their term expires. The directors are divided among the three classes as follows:

- the Class I directors are Scott Pomeroy and Soumya Das, and their terms will expire at our annual meeting of stockholders to be held in 2024;
- the Class II director is Kareem Irfan, and his term will expire at our annual meeting of stockholders to be held in 2025; and
- the Class III director is David Brody and his term will expire at our annual meeting of stockholders to be held in 2026.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our Board into three classes with staggered three-year terms may delay or prevent a change of our's management or a change in control. We expect that in the first meeting of the newly comprised Board following the closing of the XTI Merger, the Board will reevaluate board committee chairs and composition.

We continue to review our corporate governance policies and practices by comparing our policies and practices with those suggested by various groups or authorities active in evaluating or setting best practices for corporate governance of public companies. Based on this review, we have adopted, and will continue to adopt, changes that the Board believes are the appropriate corporate governance policies and practices for our Company.

Our Board held four (4) meetings during 2023 and acted through twenty-one (21) written consents. No member of our Board attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board (held during the period for which he or she was a director) and (ii) the total number of meetings held by all committees of the Board on which such director served (held during the period that such director served). Members of our Board are invited and encouraged to attend our annual meeting of stockholders.

Independence of Directors

In determining the independence of our directors, we apply the definition of "independent director" provided under the listing rules of Nasdaq. Pursuant to these rules, the Board has determined that all of the directors currently serving on the Board are independent within the meaning of Nasdaq Listing Rule 5605 with the exception of Scott Pomeroy and Soumya Das, who are executive officers.

Committees of our Board

The Board has three standing committees: the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee. We expect that the newly comprised Board following the closing of the XTI Merger will reevaluate board committee chairs and composition.

Audit Committee

The Audit Committee consists of David Brody and Kareem Irfan, both of whom are "independent" as defined under section 5605(a)(2) of the Nasdaq Listing Rules. The Board has determined that Mr. Irfan qualifies as an "audit committee financial expert" as defined in the rules of the SEC. The Audit Committee operates pursuant to a charter, which can be viewed on our website at http://www.xtiaerospace.com (under "Investors"). The Inpixon Audit Committee met four (4) times during 2023. All members attended more than 75% of such committee meetings. The primary role of the Audit Committee is to:

- oversee management's preparation of our financial statements and management's conduct of the accounting and financial reporting processes;
- oversee management's maintenance of internal controls and procedures for financial reporting;
- oversee our compliance with applicable legal and regulatory requirements, including without limitation, those requirements relating to financial controls and reporting;
- oversee the independent auditor's qualifications and independence;
- oversee the performance of the independent auditors, including the annual independent audit of our financial statements;
- prepare the report required by the rules of the SEC to be included in our Proxy Statement; and

- discharge such duties and responsibilities as may be required of the Committee by the provisions of applicable law, rule or regulation.

The Audit Committee is authorized to establish procedures to receive, address, monitor, and retain complaints arising out of accounting and auditing matters. As it deems appropriate, the Audit Committee is authorized to engage outside auditors, counsel, or other experts. A copy of the charter of the Audit Committee is available on our website at http://www.xtiaerospace.com (under "Investors").

Leonard Oppenheim, a former independent director and the former Chairman of the Audit Committee, resigned from the Board effective as of March 31, 2024. On April 4, 2024, the Company received a notification letter from the Listing Qualifications Department of Nasdaq that due to Mr. Oppenheim's resignation, the Company no longer complies with Nasdaq's independent director and audit committee requirements as set forth in Listing Rule 5605 as the Board is not comprised of a majority of "independent directors" (as that term is defined in Nasdaq Listing Rule 5605(a)(2)) as required by Nasdaq Listing Rule 5605(b)(1) and the Audit Committee is not comprised of at least three independent directors as required by Nasdaq Listing Rule 5605(c)(2)(A). Consistent with Nasdaq Listing Rules 5605(b)(1)(A) and 5605(c)(4), Nasdaq has provided the Company a cure period in order to regain compliance (i) until the earlier of the Company's next annual shareholders' meeting or March 31, 2025, or (ii) if the next annual shareholders' meeting is held before September 27, 2024, then the Company must evidence compliance no later than September 27, 2024. The Company intends to appoint an additional independent director to the Board and the Audit Committee prior to the end of the cure period. In addition, the Company will appoint a new Chairman of the Audit Committee as expeditiously as possible.

Compensation Committee

The Compensation Committee consists of Kareem Irfan and David Brody each of whom are "independent" as defined in section 5605(a)(2) of the Nasdaq Listing Rules. Mr. Brody is the current Chairman of the Compensation Committee. The Inpixon Compensation Committee met four (4) times during 2023. All members attended 75% or more of such committee meetings. The primary role of the Compensation Committee is to:

- develop and recommend to the independent directors of the Board the annual compensation (base salary, bonus, stock options and other benefits) for our directors and officers;

- review, approve and recommend to the independent directors of the Board the annual compensation (base salary, bonus and other benefits) for all of our Executive Officers (as used in Section 16 of the Securities Exchange Act of 1934 and defined in Rule 16a-1 thereunder);

- review, approve and recommend to the Board the annual profit-sharing contribution, aggregate number of equity grants and other benefits to be granted to all other employees;

- review, the management's succession planning process in consultation with CEO, and provide report to the Board on Company's leadership succession planning for the CEO and other Executive Officers, on annual basis; and

- ensure that a significant portion of executive compensation is reasonably related to the long-term interest of our stockholders.

A copy of the charter of the Compensation Committee is available on our website at http://www.xtiaerospace.com (under "Investors").

The Compensation Committee may form and delegate a subcommittee consisting of one or more members to perform the functions of the Compensation Committee. The Compensation Committee may engage outside advisers, including outside auditors, attorneys and consultants, as it deems necessary to discharge its responsibilities. The Compensation Committee has sole authority to retain and terminate any compensation expert or consultant to be used to provide advice on compensation levels or assist in the evaluation of director, President/Chief Executive Officer or senior executive compensation, including sole authority to approve the fees of any expert or consultant and other retention terms. In addition, the Compensation Committee considers, but is not bound by, the recommendations of our Chief Executive Officer with respect to the compensation packages of our other executive officers.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, or the "Governance Committee," consists of David Brody, who is "independent" as defined in section 5605(a)(2) of the Nasdaq Listing Rules. Mr. Brody is the Chairman of the Governance Committee. The Nominating and Corporate Governance Committee did not meet in person during 2023 and acted by written consent one (1) time during 2023. The role of the Governance Committee is to:

- evaluate from time to time the appropriate size (number of members) of the Board and recommend any increase or decrease;
- determine the desired skills and attributes of members of the Board, taking into account the needs of the business and listing standards;
- establish criteria for prospective members, conduct candidate searches, interview prospective candidates, and oversee programs to introduce the candidate to us, our management, and operations;
- annually recommend to the Board persons to be nominated for election as directors;
- recommend to the Board the members of all standing Committees;
- periodically review the "independence" of each director;
- adopt or develop for Board consideration corporate governance principles and policies; and
- provide oversight to the strategic planning process conducted annually by our management.

A copy of the charter of the Governance Committee is available on our website at http://www.xtiaerospace.com (under "Investors").

Stockholder Communications

Two-way communication is important for maintaining transparency and resolving any grievances with stockholders. Stockholders may communicate with the members of the Board, either individually or collectively, by writing to the Board at 8123 InterPort Blvd., Suite C, Englewood, Colorado 80112. These communications will be reviewed by the Secretary as agent for the non-employee directors in facilitating direct communication to the Board. The Secretary will treat communications containing complaints relating to accounting, internal accounting controls, or auditing matters as reports under our Whistleblower Policy. Further, the Secretary will disregard communications that are bulk mail, solicitations to purchase products or services not directly related either to us or the non-employee directors' roles as members of the Board, sent other than by stockholders in their capacities as such or from particular authors or regarding particular subjects that the non-employee directors may specify from time to time, and all other communications which do not meet the applicable requirements or criteria described below, consistent with the instructions of the non-employee directors.

General Communications. The Secretary will summarize all stockholder communications directly relating to our business operations, the Board, our officers, our activities or other matters and opportunities closely related to us. This summary and copies of the actual stockholder communications will then be circulated to the Chairman of the Governance Committee.

Stockholder Proposals and Director Nominations and Recommendations. Stockholder proposals are reviewed by the Secretary for compliance with the requirements for such proposals set forth in our Bylaws and in Regulation 14a-8 promulgated under the Exchange Act. Stockholder proposals that meet these requirements will be summarized by the Secretary. Summaries and copies of the stockholder proposals are circulated to the Chairman of the Governance Committee.

Stockholder nominations for directors are reviewed and summarized by the Secretary.

The Governance Committee will consider director candidates recommended by stockholders. If a director candidate is recommended by a stockholder, the Governance Committee expects to evaluate such candidate in the same manner it evaluates

director candidates it identifies. Stockholders desiring to make a recommendation to the Governance Committee should follow the procedures set forth above regarding stockholder nominations for directors.

Retention of Stockholder Communications. Any stockholder communications which are not circulated to the Chairman of the Governance Committee because they do not meet the applicable requirements or criteria described above will be retained by the Secretary for at least ninety calendar days from the date on which they are received, so that these communications may be reviewed by the directors generally if such information relates to the Board as a whole, or by any individual to whom the communication was addressed, should any director elect to do so.

Distribution of Stockholder Communications. Except as otherwise required by law or upon the request of a non-employee director, the Chairman of the Governance Committee will determine when and whether a stockholder communication should be circulated among one or more members of the Board and/or Company management.

Director Qualifications and Diversity

The Board seeks independent directors who represent a diversity of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. The Board is particularly interested in maintaining a mix that includes individuals who are active or retired executive officers and senior executives, particularly those with experience in technology; research and development; finance, accounting and banking; or marketing and sales.

There is no difference in the manner in which the Governance Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder. In evaluating nominations to the Board, the Governance Committee also looks for depth and breadth of experience within the Company's industry and otherwise, outside time commitments, special areas of expertise, accounting and finance knowledge, business judgment, leadership ability, experience in developing and assessing business strategies, corporate governance expertise, and for incumbent members of the Board, the past performance of the incumbent director. Each of the candidates nominated for election to our Board at our last annual meeting of stockholders was recommended by the Governance Committee.

Code of Business Conduct and Ethics

The Board has adopted a code of business conduct and ethics (the "Code") designed, in part, to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with or submits to the SEC and in the Company's other public communications, compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of Code violations to an appropriate person or persons, as identified in the Code and accountability for adherence to the Code. The Code applies to all directors, executive officers and employees of the Company. The Code is periodically reviewed by the Board. A copy of the Code is available on our website at http://www.xtiaerospace.com (under "Investors"). In the event we determine to amend or waive certain provisions of the Code, we intend to disclose such amendments or waivers on our website within four (4) business days following such amendment or waiver or as otherwise required by the Nasdaq Listing Rules.

Policy against Hedging Stock

Our insider trading policy (which was adopted by the Board in November 2015 and updated as of August 2020) prohibits our directors, officers, and other employees, and their designees, from engaging in short sales or from hedging transactions of any nature that are designed to hedge or offset a decrease in market value of such person's ownership of the Company's equity securities.

Risk Oversight

Our Board provides risk oversight for our entire company by receiving management presentations, including risk assessments, and discussing these assessments with management. Our officers are responsible for overseeing the material risk faced by our Company as part of their day-to-day management responsibilities. Our Board's overall risk oversight, which focuses primarily on risks and exposures associated with current matters that may present material risk to our operations, plans, prospects or reputation, is supplemented by the various committees. Our Audit Committee discusses with management and our

independent registered public accounting firm our risk management guidelines and policies, our major financial risk exposures and the steps taken to monitor and control such exposures. Our Compensation Committee oversees risks related to our compensation programs and discusses with management its annual assessment of our employee compensation policies and programs. Our Governance Committee oversees risks related to corporate governance and management and director succession planning.

Board Leadership Structure

Our Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board, as our Board believes it is in the best interest of the Company to make that determination based on the position and direction of the Company and the membership of the Board.

Our Board has determined that having an employee director serve as Chairman is in the best interest of our stockholders at this time because of the efficiencies achieved in having the role of Chief Executive Officer and Chairman combined, and because the detailed knowledge of our day-to-day operations and business that the Chief Executive Officer possesses greatly enhances the decision-making processes of our board of directors as a whole.

The Chairman of the Board and the other members of the Board work in concert to provide oversight of our management and affairs. Our Board encourages communication among its members and between management and the Board to facilitate productive working relationships. Working with the other members of the Board, our Chairman also strives to ensure that there is an appropriate balance and focus among key board responsibilities such as strategic development, review of operations and risk oversight.

ITEM 11: EXECUTIVE COMPENSATION

Set forth below is information regarding the historical compensation of certain Inpixon executive officers prior to the completion of the XTI Merger. In addition, set forth below is information regarding the historical compensation of Legacy XTI executive officers prior to completion of the XTI Merger, and employment and compensatory arrangements we have made with our executive officers following the completion of the XTI Merger, both of which we are voluntarily providing.

Inpixon Executive Compensation

The table below sets forth, for the last two fiscal years, the compensation earned by (i) each individual who served as our principal executive officer and (ii) our two other most highly compensated executive officers, other than our principal executive officer, who were serving as an executive officer at the end of the last fiscal year. Together, these individuals are sometimes referred to as the “Named Executive Officers.”

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Nadir Ali,	2023	$ 280,000	$ 2,451,225 (5)	$ —	$ —	$ 754,399 (3)	$ 3,485,624
Former Chief Executive Officer	2022	$ 280,000	$ 220,000	$ —	$ 370,005 (1)	$ 294,610 (3)	$ 1,164,615
Soumya Das	2023	$ 312,000	$ 288,863	$ —	$ —	$ 106,897 (2)	$ 707,760
Former Chief Operating Officer	2022	$ 312,000	$ 280,838	$ —	$ 185,023 (1)	$ 12,000 (2)	$ 789,861
Wendy Loundermon	2023	$ 300,000	$ 530,175 (6)	$ —	$ —	$ 203,035 (4)	$ 1,033,210
Former Chief Financial Officer	2022	$ 300,000	$ 150,000	$ —	$ 185,023 (1)	$ 24,519 (4)	$ 659,542

(1) The fair value of employee option grants are estimated on the date of grant using the Black-Scholes option pricing model with key weighted average assumptions, expected stock volatility and risk free interest rates based on US Treasury rates from the applicable periods.
(2) The 2022 amount represents automobile allowance. The 2023 amount includes a $12,000 automobile allowance and CVH unit grants valued at $94,897, which is the fair market value at the date of grant.
(3) The 2022 amount includes $54,611 of accrued vacation paid as compensation, a $12,000 automobile allowance and a $227,999 housing allowance. The 2023 amount includes $51,970 of accrued vacation paid as compensation, a $12,000 automobile allowance, a $227,999 housing allowance, and CVH unit grants valued at $462,430, which is the fair market value at the date of grant.
(4) The 2022 amount represents accrued vacation paid as compensation. The 2023 amount includes $21,635 of accrued vacation paid as compensation and CVH unit grants valued at $181,400, which is the fair market value at the date of grant.
(5) Bonus earned under Completed Transaction Bonus Plan.
(6) Bonus earned under Completed Transaction Bonus Plan and employment agreement.

Outstanding Equity Awards at Fiscal Year-End

There were no outstanding unexercised options, unvested stock, and/or equity incentive plan awards issued to our Named Executive Officers as of December 31, 2023.

Employment Agreements and Arrangements

Nadir Ali

On July 1, 2010, Nadir Ali entered into an at-will Employment and Non-Compete Agreement, as subsequently amended, with Inpixon Federal, Inc., Inpixon Government Services and Inpixon Consulting prior to their acquisition by the Company. Under the terms of the Employment Agreement Mr. Ali serves as President. The employment agreement was assumed by the Company and Mr. Ali became CEO in September 2011. Mr. Ali's salary under the agreement was initially $240,000 per annum plus other benefits including a bonus plan, a housing allowance, health insurance, life insurance and other standard Inpixon employee benefits. If Mr. Ali's employment is terminated without Cause (as defined), he will receive his base salary for 12 months from the date of termination. Mr. Ali's employment agreement provides that he will not compete with the Company and will be subject to non-solicitation provisions relating to employees, consultants and customers, distributors,

partners, joint ventures or suppliers of the Company during the term of his employment or consulting relationship with the Company. On April 17, 2015, the compensation committee approved the increase of Mr. Ali's annual salary to $252,400, effective January 1, 2015. Effective May 16, 2018 the compensation committee approved an increase in Mr. Ali's annual salary to $280,000 and an auto allowance of $1,000 a month.

On February 27, 2023, the Company entered into a Limited Liability Company Unit Transfer and Joinder Agreement with Mr. Ali, pursuant to which (i) the Company transferred 219,999 Class A Units of Cardinal Venture Holdings LLC, a Delaware limited liability company ("CVH"), to Mr. Ali in connection with Mr. Ali's services performed for and on behalf of the Company as an employee and a director of the Company and (ii) Mr. Ali 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 "CVH LLC Agreement"). The fair market value of the Class A Units at the date of grant is $462,430. In addition, Mr. Ali beneficially owned membership interests in CVH through 3AM LLC, a Delaware limited liability company and a founding member of CVH. CVH was dissolved as of December 31, 2023.

On March 12, 2024, the Company and Mr. Ali entered into an amendment (the "Ali Employment Agreement Amendment") to Mr. Ali's Amended and Restated Employment Agreement dated May 15, 2018, to provide for payment of his cash severance thereunder on or as soon as practicable following the date that is 21 days following the XTI Merger.

Mr. Ali was also a participant of the Completed Transaction Bonus Plan pursuant to which he received a cash bonus in an aggregate amount of 3.5% of the $70,350,000 transaction value of the Enterprise Apps Spin-off.

Mr. Ali is a participant of the Contemplated Transaction Plan pursuant to which he is eligible for (a) a cash bonus in an aggregate amount of 3.5% of the transaction value attributed to a Contemplated Transaction less $6.5 million; (b) a cash bonus in an aggregate amount equal to 100% of his aggregate annual base salary and target bonus amount following the closing of a Contemplated Transaction and (c) an award (the "Award") of fully vested shares of Company common stock ("Shares") issued under the Inpixon 2018 Employee Stock Incentive Plan or any successor equity incentive plan adopted by the Company (the "Equity Plan") on the date that is three (3) months following the Closing of the XTI Merger (the "Grant Date") covering a number of shares having a fair market value (based on the closing price per Share on the Grant Date) equal to $1,023,600. Notwithstanding the foregoing, Nadir Ali shall not be eligible to receive the Award if his Consulting Agreement with the Company dated as of March 12, 2024 (the "Consulting Agreement"), terminates before the Grant Date due to (a) Company Good Reason (as defined in the Consulting Agreement) or (b) termination by Nadir Ali for any reason other than Consultant Good Reason (as defined in the Consulting Agreement). The XTI Merger is a Contemplated Transaction. (See Part II, Item 7, "*Recent Events - Transaction Bonus Plan in connection with Future Strategic Transactions"* for a description of the Contemplated Transaction Plan.)

Soumya Das

On November 4, 2016, and effective as of November 7, 2016, Mr. Das entered into an employment agreement to serve as Chief Marketing Officer of the Company. On February 2, 2018, he was promoted to Chief Operating Officer. In accordance with the terms of the agreement, Mr. Das will receive a base salary of $250,000 per annum. In addition, Mr. Das will receive a bonus up to $75,000 annually, provided that he completes the required tasks before their deadlines, and the tasks, their deadlines and the amount of corresponding bonuses shall be determined by the Company and the CEO. The agreement was effective for an initial term of twenty-four (24) months and was automatically renewed for one additional twelve (12) month period. The Company may terminate the services of Mr. Das with or without "just cause," (as defined). If the Company terminates Mr. Das' employment without just cause, or if Mr. Das resigns within twenty-four (24) months following a change of control (as defined) and as a result of a material diminution of his position or compensation, Mr. Das will receive (1) his base salary at the then current rate and levels for one (1) month if Mr. Das has been employed by the Company for at least six (6) months but not more than twelve (12) months as of the date of termination or resignation, for three (3) months if Mr. Das has been employed by the Company more than twelve (12) but not more than twenty-four (24) months as of the date of termination or resignation, or for six (6) months if Mr. Das has been employed by the Company for more than twenty-four (24) months as of the date of resignation or termination; (2) 50% of the value of any accrued but unpaid bonus that Mr. Das otherwise would have received; (3) the value of any accrued but unpaid vacation time; and (4) any unreimbursed business expenses and travel expenses that are reimbursable under the agreement. If the Company terminates Mr. Das' employment with just cause, Mr. Das will receive only the portion of his base salary and accrued but unused vacation pay that has been earned through the date of termination. On August 31, 2018, the Company amended Mr. Das' employment agreement to make the following changes to his compensation effective May 14, 2018: (1) increase in base salary to $275,000 per year, (2) have up to $50,000 in MBO's annually, (3) commissions equal to 2% of recognized revenue associated with the IPA product line paid quarterly and subject to

the Company policies in connection with commissions payable and (4) provide a transportation allowance of $1,000 per month. On May 10, 2019, the Company amended Mr. Das' commission plan to include a 1% commission on recognized revenue associated with the Shoom product line paid quarterly and subject to Company commission plan policies. Mr. Das's salary was increased to $275,000 effective May 31, 2018 and $312,000 effective January 1, 2021, Effective January 1, 2021, any entitlement to commissions payable to Mr. Das was superseded by adjusting his annual bonus target up to a maximum of $300,000 subject to the achievement of certain milestones, with tasks, deadlines and amounts determined by the Chief Executive Officer. Effective as of March 2021, Mr. Das resigned from his position as Chief Marketing Officer.

On February 27, 2023, the Company entered into a Limited Liability Company Unit Transfer and Joinder Agreement with Mr. Das, pursuant to which (i) the Company transferred 50,000 Class A Units of CVH to Mr. Das in connection with Mr. Das' services performed for and on behalf of the Company as an employee of the Company and (ii) Mr. Das became a member of CVH and a party to the CVH LLC Agreement. The fair market value of the Class A Units at the date of grant is $94,897. CVH was dissolved as of December 31, 2023.

Mr. Das is a participant of the Contemplated Transaction Plan pursuant to which he is eligible for a cash bonus in an aggregate amount equal to 100% of his aggregate annual base salary and target bonus amount following the closing of a Contemplated Transaction and any applicable Qualifying Transaction. The XTI Merger qualifies as a Contemplated Transaction. (See Part II, Item 7, "*Recent Events - Transaction Bonus Plan in connection with Future Strategic Transactions"* for a description of the Contemplated Transaction Plan.)

Wendy Loundermon

On October 21, 2014, and effective as of October 1, 2014, the Company entered into an at-will employment agreement with Wendy Loundermon. Ms. Loundermon currently serves as CFO, Director and Secretary of the Company and Secretary of Inpixon Canada, Inc. Pursuant to the agreement, Ms. Loundermon was compensated at an annual rate of $200,000 and is entitled to benefits customarily provided to senior management including equity awards and cash bonuses subject to the satisfaction of certain performance goals determined by the Company. The standards and goals and the bonus targets is set by the compensation committee, in its sole discretion. The Company may terminate the services of Ms. Loundermon with or without "cause" (as defined). If the Company terminates Ms. Loundermon's employment without cause or in connection with a change of control (as defined), Ms. Loundermon will receive (1) severance consisting of her base salary at the then current rate for twelve (12) months from the date of termination, and (2) her accrued but unpaid salary. If Ms. Loundermon's employment is terminated under any circumstances other than the above, Ms. Loundermon will receive her accrued but unpaid salary. Ms. Loundermon's salary was increased to $228,500 effective April 1, 2017, $250,000 effective March 1, 2018, $280,000 effective January 2021 and $300,000 effective January 2022.

On February 27, 2023, the Company entered into a Limited Liability Company Unit Transfer and Joinder Agreement with Ms. Loundermon, pursuant to which (i) the Company transferred 100,000 Class A Units of CVH to Ms. Loundermon in connection with Ms. Loundermon's services performed for and on behalf of the Company as an employee and a director of the Company and (ii) Ms. Loundermon became a member of CVH and a party to the CVH LLC Agreement. The fair market value of the Class A Units at the date of grant is $181,400. CVH was dissolved as of December 31, 2023.

On March 12, 2024, the Company and Ms. Loundermon entered into an amendment (the "Loundermon Employment Agreement Amendment") to Ms. Loundermon's Employment Agreement dated October 1, 2014 (as amended), to provide for payment of her cash severance thereunder on or as soon as practicable following the date that is 21 days following the XTI Merger.

Ms. Loundermon was also a participant of the Completed Transaction Bonus Plan pursuant to which she received a cash bonus in an aggregate amount of 0.5% of the $70,350,000 transaction value of the Enterprise Apps Spin-off.

Ms. Loundermon is a participant of the Contemplated Transaction Plan pursuant to which she is eligible for (a) a cash bonus in an aggregate amount of 0.5% of the transaction value attributed to a Contemplated Transaction and (b) a cash bonus in an aggregate amount equal to 100% of her aggregate annual base salary and target bonus amount following the closing of a Contemplated Transaction. The XTI Merger qualifies as a Contemplated Transaction. (See Part II, Item 7, "*Recent Events - Transaction Bonus Plan in connection with Future Strategic Transactions"* for a description of the Contemplated Transaction Plan.)

Employee Stock Incentive Plans

2018 Employee Stock Incentive Plan

The following is a summary of the material terms of our 2018 Employee Stock Incentive Plan, as amended to date (the "2018 Plan"). This description is not complete. For more information, we refer you to the full text of the 2018 Plan, and as amended from time to time.

The 2018 Plan is an important part of our compensation program. It promotes financial saving for the future by our employees, fosters good employee relations, and encourages employees to acquire shares of our common stock, thereby better aligning their interests with those of the other stockholders. Therefore, the Board believes it is essential to our ability to attract, retain, and motivate highly qualified employees in an extremely competitive environment both in the United States and internationally.

Amount of Shares of Common Stock. The number of shares of our common stock available for issuance under the 2018 Plan as of April 3, 2024 is 64,146,695, which number is automatically increased on the first day of each quarter through October 1, 2028, by a number of shares of common stock equal to the least of (i) 3,000,000 shares, (ii) twenty percent (20%) of the outstanding shares of common stock on the last day of the immediately preceding calendar quarter, or (iii) such number of shares that may be determined by the Board. The amount of shares available for issuance is not adjusted in connection with a change in the outstanding shares of common stock by reason of stock dividends, stock splits, reverse stock splits, recapitalizations, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations or liquidations; provided; however, that in no event will the Company issue more than 120,000,000 shares of common stock under the 2018 Plan, including the maximum amount of shares of common stock that may be added to the 2018 Plan in accordance with the automatic quarterly increases.

Types of Awards. The 2018 Plan provides for the granting of incentive stock options, non-qualified stock options ("NQSOs"), stock grants and other stock-based awards, including Restricted Stock and Restricted Stock Units (as defined in the 2018 Plan).

- Incentive and Nonqualified Stock Options. The plan administrator determines the exercise price of each stock option. The exercise price of an NQSO may not be less than the fair market value of our common stock on the date of grant. The exercise price of an incentive stock option may not be less than the fair market value of our common stock on the date of grant if the recipient holds 10% or less of the combined voting power of our securities, or 110% of the fair market value of a share of our common stock on the date of grant otherwise.

- Stock Grants. The plan administrator may grant or sell stock, including restricted stock, to any participant, which purchase price, if any, may not be less than the par value of shares of our common stock. The stock grant will be subject to the conditions and restrictions determined by the administrator. The recipient of a stock grant shall have the rights of a stockholder with respect to the shares of stock issued to the holder under the 2018 Plan.

- Stock-Based Awards. The plan administrator of the 2018 Plan may grant other stock-based awards, including stock appreciation rights, restricted stock and restricted stock units, with terms approved by the administrator, including restrictions related to the awards. The holder of a stock-based award shall not have the rights of a stockholder except to the extent permitted in the applicable agreement.

Plan Administration.Our Board is the administrator of the 2018 Plan, except to the extent it delegates its authority to a committee, in which case the committee shall be the administrator. Our Board has delegated this authority to our compensation committee. The administrator has the authority to determine the terms of awards, including exercise and purchase price, the number of shares subject to awards, the value of our common stock, the vesting schedule applicable to awards, the form of consideration, if any, payable upon exercise or settlement of an award and the terms of award agreements for use under the 2018 Plan.

Eligibility.The plan administrator will determine the participants in the 2018 Plan from among our employees, directors and consultants. A grant may be approved in advance with the effectiveness of the grant contingent and effective upon such person's commencement of service within a specified period.

Termination of Service.Unless otherwise provided by the administrator or in an award agreement, upon a termination of a participant's service, all unvested options then held by the participant will terminate and all other unvested awards will be forfeited.

Transferability.Awards under the 2018 Plan may not be transferred except by will or by the laws of descent and distribution, unless otherwise provided by the plan administrator in its discretion and set forth in the applicable agreement, provided that no award may be transferred for value.

Adjustment.In the event of a stock dividend, stock split, recapitalization or reorganization or other change in change in capital structure, the plan administrator will make appropriate adjustments to the number and kind of shares of stock or securities subject to awards.

Corporate Transaction.If we are acquired, the plan administrator will: (i) arrange for the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company) to assume or continue the award or to substitute a similar award for the award; (ii) cancel or arrange for cancellation of the award, to the extent not vested or not exercised prior to the effective time of the transaction, in exchange for such cash consideration, if any, as the plan administrator in its sole discretion, may consider appropriate; or (iii) make a payment, in such form as may be determined by the plan administrator equal to the excess, if any, of (A) the value of the property the holder would have received upon the exercise of the award immediately prior to the effective time of the transaction, over (B) any exercise price payable by such holder in connection with such exercise. In addition in connection with such transaction, the plan administrator may accelerate the vesting, in whole or in part, of the award (and, if applicable, the time at which the award may be exercised) to a date prior to the effective time of such transaction and may arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by us with respect to an award.

Amendment and Termination.The 2018 Plan will terminate on January 4, 2028 or at an earlier date by vote of our Board; provided, however, that any such earlier termination shall not affect any awards granted under the 2018 Plan prior to the date of such termination. The 2018 Plan may be amended by our Board, except that our Board may not alter the terms of the 2018 Plan if it would adversely affect a participant's rights under an outstanding stock right without the participant's consent.

The Board may at any time amend or terminate the 2018 Plan; provided that no amendment may be made without the approval of the stockholder if such amendment would increase either the maximum number of shares which may be granted under the 2018 Plan or any specified limit on any particular type or types of award, or change the class of employees to whom an award may be granted, or withdraw the authority to administer the 2018 Plan from a committee whose members satisfy the independence and other requirements of Section 162(m) and applicable SEC and Nasdaq requirements. Pursuant to the listing standards of the Nasdaq Stock Market, certain other material revisions to the 2018 Plan may also require stockholder approval.

Federal Income Tax Consequences of the 2018 Plan. The federal income tax consequences of grants under the 2018 Plan will depend on the type of grant. The following is a general summary of the principal United States federal income taxation consequences to participants and us under current law with respect to participation in the 2018 Plan. This summary is not intended to be exhaustive and does not discuss the income tax laws of any city, state or foreign jurisdiction in which a participant may reside or the rules applicable to deferred compensation under Section 409A of the Code. Our ability to realize the benefit of any tax deductions described below depends on our generation of taxable income as well as the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of our tax reporting obligations.

From the grantees' standpoint, as a general rule, ordinary income will be recognized at the time of delivery of shares of our common stock or payment of cash under the 2018 Plan. Future appreciation on shares of our common stock held beyond the ordinary income recognition event will be taxable as capital gain when the shares of our common stock are sold. The tax rate applicable to capital gain will depend upon how long the grantee holds the shares. We, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the grantee, and we will not be entitled to any tax deduction with respect to capital gain income recognized by the grantee.

Exceptions to these general rules arise under the following circumstances:

- If shares of our common stock, when delivered, are subject to a substantial risk of forfeiture by reason of any employment or performance-related condition, ordinary income taxation and our tax deduction will be delayed

until the risk of forfeiture lapses, unless the grantee makes a special election to accelerate taxation under section 83(b) of the Code.

- If an employee exercises a stock option that qualifies as an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares of our common stock acquired upon exercise of the stock option are held until the later of (A) one year from the date of exercise and (B) two years from the date of grant. However, if the employee disposes of the shares acquired upon exercise of an ISO before satisfying both holding period requirements, the employee will recognize ordinary income at the time of the disposition equal to the difference between the fair market value of the shares on the date of exercise (or the amount realized on the disposition, if less) and the exercise price, and we will be entitled to a tax deduction in that amount. The gain, if any, in excess of the amount recognized as ordinary income will be long-term or short-term capital gain, depending upon the length of time the employee held the shares before the disposition.

- A grant may be subject to a 20% tax, in addition to ordinary income tax, at the time the grant becomes vested, plus interest, if the grant constitutes deferred compensation under section 409A of the Code and the requirements of section 409A of the Code are not satisfied.

Section 162(m) of the Code generally disallows a publicly held corporation's tax deduction for compensation paid to its chief executive officer or certain other officers in excess of $1 million in any year. Qualified performance-based compensation is excluded from the $1 million deductibility limit, and therefore remains fully deductible by the corporation that pays it. We intend that options and SARs granted under the 2018 Plan will be qualified performance-based compensation. Stock units, stock awards, dividend equivalents, and other stock-based awards granted under the 2018 Plan may be designated as qualified performance-based compensation if the Committee conditions such grants on the achievement of specific performance goals in accordance with the requirements of section 162(m) of the Code.

We have the right to require that grantees pay to us an amount necessary for us to satisfy our federal, state or local tax withholding obligations with respect to grants. We may withhold from other amounts payable to a grantee an amount necessary to satisfy these obligations. The Committee may permit a grantee to satisfy our withholding obligation with respect to grants paid in shares of our common stock by having shares withheld, at the time the grants become taxable, provided that the number of shares withheld does not exceed the individual's minimum applicable withholding tax rate for federal, state and local tax liabilities.

2011 Employee Stock Incentive Plan

Except as set forth below, the material terms of our 2011 Employee Stock Incentive Plan, as amended to date (the "2011 Plan") are substantially similar to the material terms of the 2018 Plan. However, this description is not complete. For more information, we refer you to the full text of the 2011 Plan.

The 2011 Plan is intended to encourage ownership of common stock by our employees and directors and certain of our consultants in order to attract and retain such people, to induce them to work for the benefit of us and to provide additional incentive for them to promote our success. The 2011 Plan terminated in accordance with its terms on August 31, 2021 and no new awards will be issued under the 2011 Plan.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2023 regarding the shares of our common stock to be issued upon exercise of outstanding options or available for issuance under equity compensation plans and other compensation arrangements that were (i) adopted by our security holders and (ii) were not approved by our security holders.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)		Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)	
Equity compensation plans approved by security holders	1,063	(1)	$ 730,081.00	62,162,810	(2)
Equity compensation plans not approved by security holders	—		$ —	—	
Total	1,063		$ 730,081.00	62,162,810	

(1) Represents 9 shares of common stock that may be issued pursuant to outstanding stock options granted under the 2011 Plan and 1,054 shares of common stock that may be issued pursuant to outstanding stock options granted under the 2018 Plan.
(2) Represents 0 shares of common stock available for future issuance in connection with equity award grants under the 2011 Plan and 62,162,813 shares of common stock available for future issuance in connection with equity award grants under the 2018 Plan.

Legacy XTI Executive Compensation

Legacy XTI's named executive officers for 2023 are:

- **Scott Pomeroy** - Mr. Pomeroy is our current Chief Executive Officer. Mr. Pomeroy was appointed as Legacy XTI's Chief Financial Officer in July 2022.
- **Michael Hinderberger** - Mr. Hinderberger is Legacy XTI's current Chief Executive Officer. Mr. Hinderberger was Legacy XTI's "Principal Executive Officer" at the end of 2022. Mr. Hinderberger was serving as Legacy XTI's SVP of Engineering and Technology beginning August 2021 until he was named CEO on July 1, 2022.

We refer to these executives as the Legacy XTI named executive officers.

Legacy XTI Executive Compensation Program Overview

Legacy XTI's compensation program had two primary objectives: (1) to attract, motivate and retain our employees and (2) to align their interests with those of our stockholders.

Base Salary. Base salaries were intended to provide a level of compensation sufficient to attract and retain an effective management team, when considered in combination with the other components of the executive compensation program. In general, Legacy XTI provided a base salary level designed to reflect each executive officer's scope of responsibility and accountability. Please see the "Base Salary" column in the Summary Compensation Table for the base salary amounts received by each Legacy XTI named executive officer in 2023 and 2022.

Bonus. No Legacy XTI named executive officers received or earned cash or non-cash bonuses with respect to fiscal year 2023.

Alignment of interests. Each of Legacy XTI's named executive officers has received certain equity awards as a form of long-term incentive compensation, which Legacy XTI believed served to align the interests of its employees with those of iequity holders.

Summary Compensation Table

The following table sets forth information about the annual compensation of the Legacy XTI named executive officers during our last two completed fiscal years.

Name	Year	Base Salary ($)	Cash Bonus ($)	Option Awards[(1)] ($)	Total compensation ($)
Legacy XTI Named Executive Officers:					
Scott Pomeroy	2023	$ 210,000	$ —	$ —	$ 210,000
(Chief Financial Officer)[(2)]	2022	$ 105,000	$ —	$ 6,358	$ 111,358
Michael Hinderberger	2023	$ 350,000	$ —	$ 356,360	$ 706,360
(Chief Executive Officer)	2022	$ 337,500	$ —	$ 2,234,590	$ 2,572,090

(1) Stock option awards are reported at grant date fair value in the year granted, in accordance with FASB ASC Topic 718.

(2) Mr. Pomeroy was appointed as Legacy XTI's Chief Financial Officer in July 2022.

Legacy XTI Employment Agreements

Scott Pomeroy - Mr. Pomeroy entered into a consulting agreement dated July 1, 2022, as amended effective January 1, 2023, that provided for his engagement as Legacy XTI's Chief Financial Officer. The agreement provided that Mr. Pomeroy receive a monthly compensation of $17,500. Pursuant to the consulting agreement and in connection with the closing of the XTI Merger, Mr. Pomeroy received 4,000,000 shares of Legacy XTI common stock. Upon closing of the XTI Merger, these Legacy XTI shares were exchanged for 357,040 shares of XTI Aerospace common stock in accordance with the exchange ratio pursuant to the XTI Merger Agreement. Effective upon closing time of the XTI Merger, Mr. Pomeroy was appointed as XTI Aerospace's Chief Executive Officer. It is anticipated that the Company and Mr. Pomeroy will enter into an employment agreement on terms to be approved by the Board but which are expected to provide for an annual base salary of approximately $400,000 and a cash bonus target in an amount of up to 150% of base salary upon the satisfaction of certain performance criteria and milestones which shall be determined and approved by the Compensation Committee.

Michael Hinderberger - Mr. Hinderberger entered into an employment agreement dated July 1, 2022 that provides for his employment as Legacy XTI's Chief Executive Officer. The agreement provides that Mr. Hinderberger will receive an annual base salary of $350,000, which may be increased by the board of directors. Mr. Hinderberger is also entitled to receive an annual bonus up to $350,000 based on achieving financing goals (40%) and TriFan 600 aircraft development milestones (60%) as outlined in the agreement. The calculated annual bonus payout amount is subject to approval by Legacy XTI's board of directors. Mr. Hinderberger's employment agreement term ends on July 31, 2024 and automatically renews thereafter for one additional one-year period unless either party provides at least 60 days' prior notice of non-renewal. The agreement provides that if Mr. Hinderberger is terminated without cause (other than due to death or disability) or if he resigns for good reason (as such terms are defined in the agreement), then Mr. Hinderberger will be entitled to (i) a cash payment equal to 12 months of base salary in effect at the time of termination and (ii) a cash payment for any unused vacation at the time of termination. In addition, and if Mr. Hinderberger is terminated for good reason, he is entitled to receive reimbursements of COBRA premium cost applicable to Mr. Hinderberger (and any dependents) for a period of six months after termination of employment. The agreement contains customary confidentiality obligations, non-solicitation and non-competition restrictions.

401(k) Plan

Legacy XTI maintains a qualified 401(k) savings plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. For the year ending December 31, 2023, Legacy XTI did not make matching employer contributions to the 401(k) plan on behalf of Michael Hinderberger.

Option Awards

During fiscal years 2023 and 2022, the Legacy XTI named executive officers were awarded the following stock options:

Name	Grant Date	Number of Options	Option Exercise Price ($)	Date of Exercisability
Scott Pomeroy	12/31/2022	6,000	1.67	100% on Grant Date
Michael Hinderberger	03/10/2022	50,000	1.75	100% on Grant Date
Michael Hinderberger	07/01/2022	1,000,000	1.67	100% on Grant Date
Michael Hinderberger	07/01/2022	1,000,000	1.67	100% on Jan 1, 2023
Michael Hinderberger	03/22/2023	800,000	1.67	Performance Vesting

Outstanding Option Awards at Fiscal Year-End

The following table sets forth information about the outstanding stock options of the named executive officers as of our last completed fiscal year-end:

Name	Grant Date	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) un-exercisable	Option Exercise Price ($)	Option expiration date
Scott Pomeroy	12/31/2022	6,000	-	1.75	12/31/2032
Michael Hinderberger	12/28/2021	171,429	-	1.75	12/28/2031
Michael Hinderberger	03/10/2022	50,000	-	1.75	03/10/2032
Michael Hinderberger	07/01/2022	1,000,000	-	1.67	07/01/2032
Michael Hinderberger	07/01/2022	1,000,000	-	1.67	07/01/2032
Michael Hinderberger	03/22/2023	-	800,000	1.67	03/22/2033
Michael Hinderberger	08/01/2021	200,000	300,000	1.75	08/01/2031

Executive Compensation Arrangements - Post-Closing Arrangements

As of the Effective Time, the Board appointed Scott Pomeroy as our Chief Executive Officer of the Company, Brooke Turk as our Chief Financial Officer, and Soumya Das as the Chief Executive Officer of Real Time Location System Division. Michael Hinderberger continued in his role as Chief Executive Officer of XTI Aircraft Company.

We intend to develop an executive compensation program that is designed to align compensation with our business objectives and the creation of stockholder value, while enabling us to attract, motivate and retain individuals who contribute to the long-term success of the combined company. We intend to enter into employment agreements with our executive officers that are consistent with that program. Decisions on the executive compensation program will be made by the compensation committee of the board of directors. Our employment agreements with Messrs. Das and Hinderberger are still in effect as of the date of this report. Until we enter into a new employment agreement with Mr. Pomeroy, he will continue to receive compensation in accordance with the terms of his existing consulting agreement.

Incentive Plan

Under our 2018 Plan, we are authorized to grant cash and equity incentive awards to eligible employees, consultants, and non-employee directors in order to attract, motivate and retain the talent for which we compete.

Inpixon Director Compensation

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Directors in the year ended December 31, 2023 except Nadir Ali and Wendy Loundermon, whose aggregate compensation information has been disclosed above.

Name	Fees Earned or paid in cash ($)	Stock awards ($)	Option awards ($) (1)	Non-equity Incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Leonard Oppenheim (2)	$ 53,500	—	$ —	—	—	$ —	$ 53,500
Kareem Irfan	$ 170,500	—	$ —	—	—	$ —	$ 170,500
Tanveer Khader	$ 44,500	—	$ —	—	—	$ —	$ 44,500

(1) The fair value of the director option grants are estimated on the date of grant using the Black-Scholes option pricing model with key weighted average assumptions, expected stock volatility and risk free interest rates based on US Treasury rates from the applicable periods.

(2) Leonard Oppenheim resigned from the Board, effective as of March 31, 2024.

Directors are entitled to reimbursement of ordinary and reasonable expenses incurred in exercising their responsibilities and duties as a director.

Effective July 1, 2015, the Board approved the following compensation plan for the independent directors payable in accordance with each independent director's services agreement: $30,000 per year for their services rendered on the Board, $15,000 per year for service as the audit committee chair, $10,000 per year for service as the compensation committee chair, $6,000 per year for service on the audit committee, $4,000 per year for service on the compensation committee, $2,500 per year for service on the nominating committee, a one-time non-qualified stock option grant to purchase 20,000 shares (on a pre-Reverse Splits basis) of the Company's common stock under the 2011 Plan and restricted stock awards of 20,000 shares (on a pre-Reverse Splits basis) of common stock under the 2011 Plan, which are granted in four equal installments on a quarterly basis and are each 100% vested upon grant.

On January 25, 2019, each independent director entered into an amendment to his respective director services agreement pursuant to which the Company agreed to grant each independent director, so long as such director continues to fulfill his duties and provide services pursuant to their services agreement, an annual non-qualified stock option to purchase up to 20,000 shares of common stock in lieu of the above-mentioned equity awards. Each stock option grant will be subject to the approval of the Board, which shall determine the appropriate vesting schedule, if any, and the exercise price.

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

During the year ended December 31, 2023, no independent director was awarded any stock options or restricted stock awards.

Legacy XTI Director Compensation

Historically, Legacy XTI did not pay cash or equity compensation to any of its directors for their services as directors. Commencing on January 1, 2022, we agreed to pay David Brody $10,000 per month for providing legal and strategic consulting services to XTI. Legacy XTI reimbursed its directors for reasonable expenses incurred during the course of their performance.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information as of April 3, 2024, regarding the beneficial ownership of our common stock by the following persons:

- our Named Executive Officers;
- each director;
- all of our executive officers and directors as a group; and
- each person or entity who, to our knowledge, owns more than 5% of our common stock.

Except as indicated in the footnotes to the following table, subject to applicable community property laws, each stockholder named in the table has sole voting and investment power. Unless otherwise indicated, the address for each stockholder listed is c/o XTI Aerospace, Inc., 8123 InterPort Blvd., Suite C, Englewood, Colorado 80112. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of April 3, 2024, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the stockholder holding the options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other stockholder. The information provided in the following table is based on our records, information filed with the SEC, and information furnished by our stockholders.

Name of Beneficial Owner	Amount and nature of beneficial ownership		Percent of Class(1)
Named Executive Officers and Directors			
Dave Brody	2,497,799	(2)	25.18 %
Scott Pomeroy	357,574	(3)	3.60 %
Brooke Turk	—		*
Michael Hinderberger	216,136	(4)	2.13 %
Soumya Das	—		*
Kareem Irfan	1		*
Nadir Ali	643	(5)	*
Wendy Loundermon	70		*
All current executive officers and directors as a group (7 persons)	3,071,510	(6)	30.30 %
Greater than 5% shareholders			
Robert Denehy	812,025		8.19 %
NMV Aero Technologies LLC	667,099	(7)	6.71 %
Daniel Potter	1,020,564		10.29 %

* Represents beneficial ownership of less than 1%.

(1) Based on 9,919,411 shares outstanding as of April 3, 2024.

(2) Includes (i) 1,338,897 shares of common stock held indirectly through the Jason S. Brody 2019 Trust, of which Mr. Brody is the trustee, (ii) 843,505 shares of common stock held indirectly through the David E. Brody 2019 Spousal Trust, of which Susan R. Brody, Mr. Brody's spouse is the trustee, (iii) 49,093 shares held by Susan R. Brody, and (iv) 266,304 shares of common stock held directly by David Brody.

(3) Includes (i) 357,039 shares of common stock held of record by Mr. Pomeroy, and (ii) 535 shares of common stock issuable upon exercise of options exercisable within 60 days of April 3, 2024.

(4) Includes 216,136 shares of common stock issuable upon exercise of options exercisable within 60 days of April 3, 2024.

(5) Includes (i) 641 shares of common stock held of record by Nadir Ali, (ii) 1 share of common stock held of record by Lubna Qureishi, Mr. Ali’s wife, and (iii) 1 share of common stock held of record by the Qureishi Ali Grandchildren Trust, of which Mr. Ali is the joint-trustee (with his wife Lubna Qureishi) of the Qureishi Ali Grandchildren Trust and has shared voting and investment control over the shares held. Mr. Ali also indirectly owns 1,500 shares of Series 9 Preferred Stock

through 3AM Investments LLC that are not included in this table because they are not convertible into common stock, have no voting rights except as required by law, and are not registered under Section 12 of the Exchange Act.

(6) Excludes beneficial ownership of Mr. Ali, our former Chief Executive Officer, and Ms. Loundermon, our former Chief Financial Officer. Includes (i) 672,437 shares of common stock held directly, or by spouse or relative, (ii) 2,182,402 shares of common stock held of record by entities, and (iii) 216,671 shares of common stock issuable upon exercise of options exercisable within 60 days of April 3, 2024.

(7) Includes (i) 649,249 shares of common stock and (ii) 17,850 shares of common stock issuable upon exercise of warrants exercisable within 60 days of April 3, 2024.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Review, Approval or Ratification of Transactions with Related Persons.

The Board reviews issues involving potential conflicts of interest, and reviews and approves all related party transactions, including those required to be disclosed as a "related party" transaction under applicable federal securities laws. The Board has not adopted any specific procedures for conducting reviews of potential conflicts of interest and considers each transaction in light of the specific facts and circumstances presented. However, to the extent a potential related party transaction is presented to the Board, the Company expects that the Board would become fully informed regarding the potential transaction and the interests of the related party, and would have the opportunity to deliberate outside of the presence of the related party. The Company expects that the Board would only approve a related party transaction that was in the best interests of the Company, and further would seek to ensure that any completed related party transaction was on terms no less favorable to the Company than could be obtained in a transaction with an unaffiliated third party. Other than as described below, no transaction requiring disclosure under applicable federal securities laws occurred during fiscal year 2023 that was submitted to the Board for approval as a "related party" transaction.

Related Party Transactions

SEC regulations define the related person transactions that require disclosure to include any transaction, arrangement or relationship in which the amount involved exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years in which we were or are to be a participant and in which a related person had or will have a direct or indirect material interest. A related person is: (i) an executive officer, director or director nominee, (ii) a beneficial owner of more than 5% of our common stock, (iii) an immediate family member of an executive officer, director or director nominee or beneficial owner of more than 5% of our common stock, or (iv) any entity that is owned or controlled by any of the foregoing persons or in which any of the foregoing persons has a substantial ownership interest or control.

For the period from January 1, 2022, through the date of this report (the "Reporting Period"), described below are certain transactions or series of transactions between us and certain related persons.

Consulting Agreements

On March 12, 2024, the Company entered into a Consulting Agreement with Mr. Nadir Ali (the "Ali Consulting Agreement"), the Company's former Chief Executive Officer. Pursuant to the Ali Consulting Agreement, following the Closing of the XTI Merger, Mr. Ali will provide consulting services to the Company for 15 months or until earlier termination in accordance with its terms (the "Ali Consulting Period"). During the Ali Consulting Period, the Company will pay him a monthly fee of $20,000. If the Company terminates the Ali Consulting Agreement during the first six months of the Ali Consulting Period without Company Good Reason (as defined in the Ali Consulting Agreement), the Company will be required to pay all consulting fees that would be due for such six-month period. If Mr. Ali terminates the Ali Consulting Agreement during the Ali Consulting Period for Consultant Good Reason (as defined in the Ali Consulting Agreement), the Company will be required to pay all consulting fees that would be due for the remainder of the Ali Consulting Period, including the Equity Payment described below, including the Equity Payment described below.

In addition, the Company shall pay Mr. Ali (a) the amount of $1,500,000 due three months following the Closing, and (b) the aggregate amount of $4,500,000, payable in 12 equal monthly installments of $375,000 each, starting four months after the Effective Date (the payments described in (a) and (b), each an "Equity Payment"). Each Equity Payment may be made, in

Company's discretion, in (i) cash, (ii) fully vested shares of common stock under the Company's equity incentive plan and registered on a registration statement on Form S-8 or another appropriate form ("Registered Shares"), or a combination of cash and Registered Shares. Mr. Ali must continue to provide consulting services to the Company on the date of payment of an Equity Payment to receive the Equity Payment, unless the Company terminates the Ali Consulting Agreement without Company Good Reason or Mr. Ali terminates the Ali Consulting Agreement for Consulting Good Reason, in which case the Equity Payments would become due and payable in full. To the extent all or a portion of an Equity Payment is made in shares, such shares will be valued based on the closing price per share on the date on which the Equity Payment is made.

Subject to compliance with Section 15(b)(13) of the Exchange Act, if Mr. Ali provides services involving the identification of prospective merger or acquisition targets for the Company or its affiliates, it is intended that he be eligible for a bonus upon the successful delivery of services. The specifics of the bonus will be negotiated and mutually agreed upon by the Company and Mr. Ali.

On March 12, 2024, the Company also entered into a Consulting Agreement with Ms. Wendy Loundermon (the "Loundermon Consulting Agreement"), the Company's former Chief Financial Officer. Pursuant to the Loundermon Consulting Agreement, following the Closing, Ms. Loundermon will provide consulting services to the Company for one year or until earlier termination in accordance with its terms (the "Loundermon Consulting Period"). As compensation for Ms. Loundermon's consulting services, the Company will pay her (i) $83,333 per month for the first six months of the Loundermon Consulting Period for services she performs on an as-needed basis during the Loundermon Consulting Period regarding the transition of the management of the Company's financial reporting function to ensure continuity of business operations (with such advisory fees payable, subject to certain conditions, pursuant to the payment schedule set forth in the Loundermon Consulting Agreement), and (ii) $300 per hour for services performed on an as needed basis regarding the preparation and filing of Company's public company financial reporting and compliance matters including accounting, payroll, audit and tax compliance functions. If, during the first six months of the Loundermon Consulting Period, the Company terminates the Consulting Agreement without Company Good Reason (as defined in the Loundermon Consulting Agreement) or Ms. Loundermon terminates the Loundermon Consulting Agreement for Consultant Good Reason (as defined in the Consulting Agreement), the Company will be required to pay all advisory fees that would be due for such six month period.

Securities Purchase Agreement

On March 12, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with an entity controlled by the Company's former director and Chief Executive Officer, Mr. Nadir Ali (the "Purchaser"). Pursuant to the Securities Purchase Agreement, the Purchaser purchased 1,500 shares of Series 9 Preferred Stock for a total purchase price of $1,500,000, based on a purchase price of $1,000 per share of Series 9 Preferred Stock. The Company agreed that the Purchaser will be deemed a "Required Holder" as defined in the Certificate of Designations of Preferences and Rights of Series 9 Preferred Stock as long as the Purchaser holds any shares of Series 9 Preferred Stock.

The Securities Purchase Agreement sets forth certain restrictions on the Company's use of the proceeds from the sale of the Series 9 Preferred Stock pursuant thereto, including that the proceeds must be used in connection with the redemption of the Series 9 Preferred Stock pursuant to the Certificate of Designation or working capital purposes, and may not, without the consent of the required holders of Series 9 Preferred Stock, be used for, among other things, (i) the redemption of any XTI Aerospace common stock or common stock equivalents, (ii) the settlement of any outstanding litigation, or (iii) for the repayment of debt for borrowed money to any officer or director, or XTI Merger-transaction related bonuses to any employee or vendor except for such non-merger transaction related bonuses as may be payable to participants pursuant to the Company's existing employee bonus plan.

Subscription of Units of, and Loan to, Cardinal Venture Holdings

On September 30, 2020, we entered into a Subscription Agreement (the "Subscription Agreement") with Cardinal Venture Holdings LLC, a Delaware limited liability company ("CVH"), pursuant to which we agreed to (i) contribute up to $1,800,000 (the "Contribution") to CVH and (ii) purchase up to 599,999 Class A Units of CVH (the "Class A Units") and up to 1,800,000 Class B Units of CVH (the "Class B Units," and, together with the Class A Units, the "Units"). The aggregate purchase price of $1,800,000 for the Units is deemed to be satisfied in part through the Contribution. The Contribution was used by CVH to fund the Sponsor's purchase of securities in the KINS.

CVH owns certain interests in KINS Capital, LLC, a Delaware limited liability company, the sponsor entity (the “Sponsor”) to KINS Technology Group, Inc., a Delaware corporation and publicly traded former special purpose acquisition company ("KINS") with which the Company entered into the Business Combination.

Concurrently with our entry into the Subscription Agreement, we entered into the Amended and Restated Limited Liability Company Agreement of CVH (the “LLC Agreement”), dated as of September 30, 2020. Under the terms of the LLC Agreement, in the event the Managing Member can no longer manage CVH’s affairs due to his death, disability or incapacity, 3AM will serve as CVH’s replacement Managing Member. Except as may be required by law, we, as a non-managing member under the LLC Agreement, do not have any voting rights and generally cannot take part in the management or control of CVH’s business and affairs.

On December 16, 2020, the Company entered into a second subscription agreement with CVH, pursuant to which the Company agreed to (i) contribute $700,000 (the "Additional Contribution") to CVH and (ii) purchase 700,000 Class B Units. The aggregate purchase price of $700,000 for the Class B Units is deemed to be satisfied through the Additional Contribution. Following the closing of the Additional Contribution, the Company owned an aggregate of 599,999 Class A Units and 2,500,000 Class B Units.

Additionally, on July 1, 2022, we loaned $150,000 to CVH. The loan bears no interest and is due and payable in full on the earlier of (i) the date by which KINS has to complete a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (a "business combination"), and (ii) immediately prior to the date of consummation of the Business Combination of KINS, unless accelerated upon the occurrence of an event of default. As a result of the closing of the Business Combination, the loan was repaid on March 15, 2023.

On February 27, 2023, the Company entered into Limited Liability Company Unit Transfer and Joinder Agreements with certain of the Company’s employees (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.

Nadir Ali, the Company's former Chief Executive Officer and a former director, beneficially owned membership interests in CVH through 3AM LLC, a Delaware limited liability company and a founding member of CVH ("3AM"). Mr. Ali's relationship may create conflict of interest between Mr. Ali's obligation to our company and its shareholders and his economic interests and possible fiduciary obligation to 3AM. CVH was dissolved as of December 31, 2023.

Enterprise Apps Spin-off and Business Combination

On September 25, 2022, we entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among Inpixon, KINS Technology Group Inc., a Delaware corporation (renamed CXApp Inc., "KINS" or "New CXApp"), CXApp Holding Corp., a Delaware corporation and wholly-owned subsidiary of New CXApp (formerly a wholly-owned subsidiary of Inpixon, "CXApp"), and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS ("Merger Sub"), pursuant to which KINS would acquire Inpixon's enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the "Enterprise Apps Business") through the merger of Merger Sub with and into CXApp (the “Merger”), with CXApp continuing as the surviving company and as a wholly-owned subsidiary of KINS, in exchange for the issuance of shares of KINS capital stock valued at $69 million (the "Business Combination"). Immediately prior to the Merger and pursuant to a Separation and Distribution Agreement, dated as of September 25, 2022, among KINS, Inpixon, CXApp and Design Reactor, Inc., a California corporation ("Design Reactor") (the "Separation Agreement"), and other ancillary conveyance documents, Inpixon would, among other things and on the terms and subject to the conditions of the Separation Agreement, transfer the Enterprise Apps Business, including certain related subsidiaries of Inpixon, including Design Reactor, to CXApp (the "Reorganization"). Following the Reorganization, Inpixon would distribute 100% of the common stock of CXApp, par value $0.00001, to certain holders of Inpixon securities as of the record date of March 6, 2023 (the "Enterprise Apps Spin-Off"). The Merger closed on March 14, 2023. See “Recent Events - Enterprise Apps Spin-off and Business Combination” under Part II, Item 7 herein for more details.

Effective as of the closing of the Merger, Design Reactor, entered into a consulting agreement with 3AM, pursuant to which Mr. Ali provideed advisory services following the closing of the Business Combination in exchange for $180,000 in consulting fees.

CVH Class A Unit Transfers

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 following table sets forth the number of Class A Units awarded to each Transferee pursuant to the terms of their respective Transfer Agreement:

Name	Title	Number of Class A Units
Nadir Ali	Chief Executive Officer, Director	219,999
Wendy Loundermon	Chief Financial Officer, Director	100,000
Soumya Das	Chief Operating Officer	50,000

Solutions Divestiture

Grafiti Group Equity Purchase Agreement

On February 21, 2024, the Company completed the disposition of the remaining portion of the Shoom, SAVES, and GYG business lines and assets (the "Grafiti Group Divestiture") that were excluded from the Grafiti Holding Transaction in accordance with the terms and conditions of an Equity Purchase Agreement, dated February 16, 2024, by and among Inpixon ("Seller"), Grafiti LLC, and Grafiti Group LLC (a newly formed entity controlled by Nadir Ali, the Company's CEO and a director) ("Buyer"). Pursuant to the terms of the Equity Purchase Agreement, Buyer acquired from 100% of the equity interest in Grafiti LLC, including the assets and liabilities primarily relating to Inpixon's Saves, Shoom and Game Your Game business, including 100% of the equity interests of Inpixon India, Grafiti GmbH (previously Inpixon GmbH) and Game Your Game, Inc. from the Company for a minimum purchase price of $1.0 million paid in two annual cash installments of $0.5 million due within 60 days after December 31, 2024 and 2025. The purchase price and annual cash installment payments will be (i) increased for 50% of net income after taxes, if any, from the operations of Grafiti LLC for the years ended December 31, 2024 and 2025; (ii) decreased for the amount of transaction expenses assumed; (iii) increased or decreased by the amount working capital of Grafiti LLC on the closing balance sheet is greater or less than $1.0 million.

Transition Services Agreement

On February 21, 2024, in connection with the closing of the Grafiti Group Divestiture, Grafiti LLC and Inpixon entered into a Transition Services Agreement (the "Grafiti Transition Services Agreement") with respect to services to be provided for a period of one year following closing. Pursuant to the Grafiti Transition Services Agreement, the Company will provide contracted IT and accounting services to Grafiti LLC and Grafiti LLC will provide certain accounting and payroll services, in each case on an hourly as needed basis to ensure the orderly transition of the business.

Sublease Arrangement

The Company and Grafiti LLC have also arranged for the Company to sublease office space in Palo Alto, CA from Grafiti LLC at a cost of 50% of monthly rent and operating expenses as of February 1, 2024. The cost is estimated at approximately $5,800 per month.

Legacy XTI Transactions

During the years ended December 31, 2023 and 2022, Legacy XTI paid its Chief Operating Advisor consultant, Charlie Johnson, who was then a board member and stockholder of Legacy XTI, compensation of $60,000 and $30,000, respectively. As of December 31, 2023 and December 31, 2022, Legacy XTI owed Mr. Johnson accrued compensation of $120,000 and $60,000, respectively. Pursuant to an amendment to the consulting agreement in 2024, the Company paid $60,000 to Mr. Johnson in March 2024 and the remaining accrued compensation balance of $60,000 was waived.

Transactions with Mr. Brody

Replacement Note

Legacy XTI entered into an amended convertible note agreement with Mr. Brody, its founder, Chairman and majority shareholder, in 2021 that consolidated a number of his outstanding notes (the "2021 Note"). On October 1, 2023, the existing 2021 Note was replaced by a new convertible note with a principal balance of $1,079,044 (2021 Note principal of $1,007,323 plus accrued interest of $71,721) (the "Brody Note") and with a maturity date defined as the earlier of (i) a closing of a merger with a company whose shares are traded on a public stock exchange, or (ii) March 31, 2024 (as amended). The Brody Note accrued interest at a rate of 4% compounded annually, provided that on and after the maturity date interest the note shall accrue from and after such date on the unpaid principal and all accrued but unpaid interest of the note at a rate of 10% per annum. The Brody Note provided that at any time prior to the maturity date, Mr. Brody may convert all or a portion of the outstanding note balance into shares of Legacy XTI at a conversion price equal to $1.00.

Prior to Closing, Mr. Brody elected to convert all except $175,000 of the Brody Note. On March 11, 2024, Legacy XTI and Mr. Brody entered into an Amendment No. 1 (the "Brody Note Amendment") to the Brody Note pursuant to which Mr. Brody converted $922,957 principal amount of the Brody Note and accrued and unpaid interest thereon, into shares of Legacy XTI common stock at a rate of $0.3094 in principal amount per share, and Legacy XTI agreed to pay Mr. Brody the remaining $175,000 in principal amount at the time of Closing. The shares issued as consideration under the Brody Note Amendment converted into 266,273 shares of XTI Aerospace common stock in accordance with the exchange ratio pursuant to the XTI Merger Agreement. After the Closing of the Merger, the Company assumed the Brody Note as Maker, and the Company and Mr. Brody entered into Amendment No. 2 (the "Brody Note Second Amendment") to the Brody Note which extended the maturity date for the $175,000 payment to April 1, 2024.

January 2023 Note

In connection with the XTI Merger, the Company assumed a Promissory Note issued by XTI to Mr. Brody on January 5, 2023 (the "January 2023 Note"), with an outstanding principal balance of $125,000 along with an interest balance of $10,058 calculated as of April 30, 2024. On March 27, 2024, Mr. Brody and the Company entered into an amendment to the January 2023 Note which extended the Maturity Date to April 30, 2024.

Consulting Agreement

Mr. Brody provided legal and strategic consulting services to Legacy XTI under a consulting agreement. During the years ended December 31, 2023 and 2022, Legacy XTI paid Mr. Brody compensation of $60,000 and $100,000, respectively. As of December 31, 2023 and December 31, 2022, Legacy XTI had payable amounts owed to Mr. Brody of $320,000 and $260,000, respectively, under his consulting agreement. Pursuant to an amendment to the consulting agreement, these accrued amounts were waived by Mr. Brody and the consulting agreement terminated in connection with the closing of the XTI Merger.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Inpixon incurred the following fees for services rendered by Marcum LLP, Inpixon's independent registered public accounting firm, for the fiscal years ended December 31, 2023 and 2022.

	2023	2022
Audit Fees(1)	$ 318,554	$ 289,410
Audit Related Fees	$ 688,220	$ 542,693
Tax Fees	$ —	$ —
All Other Fees	$ —	$ —

(1) Audit fees represent fees for professional services provided in connection with the audit of our Company's 2023 and 2022 annual consolidated financial statements included in this Annual Report on Form 10-K and review of our quarterly financial statements included in the Company's Quarterly Reports on Form 10-Q and audit services provided in connection with other statutory or regulatory filings.

Audit Fees. The "Audit Fees" are the aggregate fees of Marcum attributable to professional services rendered in 2023 and 2022 for the audit of our annual financial statements in our annual reports on Form 10-K, for review of financial statements included in our quarterly reports on Form 10-Q or for services that are normally provided by Marcum in connection with statutory and regulatory filings or engagements for that fiscal year. These fees include fees billed for professional services rendered by Marcum for the review of registration statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-Related Fees. Marcum billed us for professional services that were reasonably related to the performance of the audit or review of financial statements for fiscal years ended 2023 and 2022, which are not included under Audit Fees above including the filing of our registration statements, including our Registration Statement on Form S-3. This amount also includes audit fees related to acquisitions and fees for special audits related to our transactions.

Tax Fees. Marcum did not perform any tax advice or planning services in 2023 or 2022.

All Other Fees. Marcum did not perform any services for us or charge any fees other than the services described above in 2023 and 2022.

Pre-approval Policies and Procedures

The Audit Committee is required to review and approve in advance the retention of the independent auditors for the performance of all audit and lawfully permitted non-audit services and the fees for such services. The Audit Committee may delegate to one or more of its members the authority to grant pre-approvals for the performance of certain non-audit services, and any such Audit Committee member who pre-approves a non-audit service must report the pre-approval to the full Audit Committee at its next scheduled meeting. The Audit Committee is required to periodically notify the Board of their approvals. The required pre-approval policies and procedures were complied with during 2023.

PART IV

Item 15. Exhibits, Financial Statement Schedules

15(a)(1) Financial Statements

The financial statements filed as part of this report are listed and indexed in the table of contents. Financial statement schedules have been omitted because they are not applicable or the required information has been included elsewhere in this report.

15(a)(2) Financial Statement Schedules

Not applicable.

15(a)(3) Exhibits

The exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding the exhibits. The Company has identified in the Exhibit Index each management contract and compensation plan filed as an exhibit to this Annual Report on Form 10-K in response to Item 15(a)(3) of Form 10-K.

ITEM 16. FORM 10-K SUMMARY.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

XTI AEROSPACE, INC.

Date: April 16, 2024

By: /s/ Scott Pomeroy
Scott Pomeroy
Chief Executive Officer

Each person whose signature appears below constitutes and appoints Scott Pomeroy and Brooke Turk, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Scott Pomeroy Scott Pomeroy	Chief Executive Officer, Chairman and Director (Principal Executive Officer)	April 16, 2024
/s/ Brooke Turk Brooke Turk	Chief Financial Officer (Principal Financial and Accounting Officer)	April 16, 2024
/s/ David Brody David Brody	Director	April 16, 2024
/s/ Soumya Das Soumya Das	Director	April 16, 2024
/s/ Kareem Irfan Kareem Irfan	Director	April 16, 2024

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger dated August 31, 2013 by and among Sysorex Global Holdings Corp., Sysorex Merger Sub, Inc., Shoom, Inc. and the Shareholder Representative.	S-1	333-191648	2.4	October 9, 2013	
2.2	Agreement and Plan of Merger dated as of December 20, 2013, by and among Sysorex Global Holdings Corp., AirPatrol Corporation, AirPatrol Acquisition Corp. I, AirPatrol Acquisition Corp. II, and Shareholders Representative Services LLC.	S-1/A	333-191648	2.6	January 21, 2014	
2.3	Amendment No. 1 to Agreement and Plan of Merger dated February 28, 2014 with AirPatrol Corporation.	S-1/A	333-191648	2.7	March 13, 2014	
2.4	Amendment No. 2 to Agreement and Plan of Merger dated April 18, 2014 with AirPatrol Corporation.	8-K	001-36404	2.8	April 24, 2014	
2.5	Waiver and Amendment No. 3 to Agreement and Plan of Merger dated May 30, 2014 with AirPatrol Corporation.	S-1	333-198502	12.9	August 29, 2014	
2.6†	Asset Purchase Agreement, dated as of April 24, 2015, between Sysorex Global Holdings Corp., LightMiner Systems, Inc. and Chris Baskett.	8-K	001-36404	2.1	April 30, 2015	
2.7	Separation and Distribution Agreement, dated August 7, 2018 between Inpixon and Sysorex, Inc.	10-Q	001-36404	2.1	August 13, 2018	
2.8	Amendment No. 1 to Separation and Distribution Agreement dated August 31, 2018 between Inpixon and Sysorex, Inc.	8-K	001-36404	10.5	September 4, 2018	
2.9†	Share Purchase Agreement, dated May 21, 2019, by and among Inpixon, Inpixon Canada, Inc., Locality Systems Inc., Kirk Moir, in his capacity as the Sellers' Representative, the Sellers and Garibaldi Capital Advisors Ltd.	8-K	001-36404	2.1	May 22, 2019	
2.10†	Asset Purchase Agreement, dated June 27, 2019, by and between Inpixon and GTX Corp.	8-K	001-36404	2.1	July 1, 2019	

2.11†	Share Purchase Agreement, dated July 9, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc., the Vendors, and Chris Wiegand, in his capacity as the Vendors' Representative.	8-K	001-36404	2.1	July 11, 2019
2.12†	Amendment to Share Purchase Agreement, dated as of August 8, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc., the Vendors, and Chris Wiegand, in his capacity as the Vendors' Representative.	8-K	001-36404	2.1	August 9, 2019
2.13	The Second Amendment to the Share Purchase Agreement, dated August 15, 2019, by and among Inpixon, Inpixon Canada, Inc., Jibestream Inc, and Chris Wiegand, in his capacity as the Vendors' representative.	8-K	001-36404	2.1	August 19, 2019
2.14†	Asset Purchase Agreement, dated as of August 19, 2020, by and among Inpixon, Ten Degrees Inc., Ten Degrees International Limited, mCube International Limited and mCube, Inc.	8-K	001-36404	2.1	August 20, 2020
2.15†	Share Sale and Purchase Agreement, dated as of October 5, 2020, among Inpixon GmbH, Sensera Limited and Nanotron Technologies GmbH.	8-K	001-36404	2.1	October 5, 2020
2.16	Amendment to the Share Sale and Purchase Agreement, dated as of February 24, 2021, among Inpixon GmbH, Sensera Limited and Nanotron Technologies GmbH.	8-K	001-36404	2.1	February 26, 2021
2.17†	Stock Purchase Agreement, dated as of March 25, 2021, among Inpixon, Game Your Game, Inc., Rick Clemmer, and Martin Manniche.	10-K	001-36404	2.23	March 31, 2021
2.18†	Stock Purchase Agreement, dated as of April 30, 2021, among Inpixon, Design Reactor, Inc., dba The CXApp, the sellers set forth on the signature page thereto and each other person who owns outstanding capital stock of The CXApp and executes a Joinder to Stock Purchase Agreement, and Leon Papkoff, as Sellers' Representative	8-K	001-36404	2.1	May 6, 2021
2.19†	Share Sale and Purchase Agreement, dated as of December 8, 2021, between Nanotron Technologies GmbH and the Shareholders of IntraNav GmbH.	8-K	001-36404	2.1	December 13, 2021

2.20	Amendment to Stock Purchase Agreement, dated as of December 30, 2021, by and between Inpixon and Leon Papkoff, in his capacity as the Sellers' Representative.	8-K	001-36404	2.1	December 30, 2021	
2.21	Second Amendment to Stock Purchase Agreement, dated as of March 3, 2022, by and between Inpixon and Leon Papkoff, in his capacity as Sellers' Representative	8-K	001-36404	2.1	March 9, 2022	
2.22†	Agreement and Plan of Merger, dated as of September 25, 2022, by and among KINS Technology Group Inc., Inpixon, CXApp Holding Corp. and KINS Merger Sub Inc.	8-K	001-36404	2.1	September 26, 2022	
2.23†	Separation and Distribution Agreement, dated as of September 25, 2022, by and among KINS Technology Group, Inc., Inpixon, CXApp Holding Corp. and Design Reactor Inc.	8-K	001-36404	2.2	September 26, 2022	
2.24	Sponsor Support Agreement, dated as of September 25, 2022, by and among KINS Capital LLC, KINS Technology Group Inc., Inpixon and CXApp Holding Corp	8-K	001-36404	2.3	September 26, 2022	
2.25†	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	
2.26	First Amendment to Merger Agreement, dated December 30, 2023, by and between Inpixon, Superfly Merger Sub Inc. and XTI Aircraft Company.					X
2.27†	Second Amendment to Merger Agreement, dated March 12, 2024, by and between Inpixon, Superfly Merger Sub Inc. and XTI Aircraft Company.	8-K	001-36404	10.1	March 15, 2024	
2.28†	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	
2.29†	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	
2.30†	Equity Purchase Agreement, dated as of February 16, 2024, by and among Inpixon, Grafiti LLC and Grafiti Group LLC.	8-K	001-36404	2.1	February 23, 2024	
3.1	Restated Articles of Incorporation.	S-1	333-190574	3.1	August 12, 2013	

3.2	Certificate of Amendment to Articles of Incorporation (Increase Authorized Shares).	S-1	333-218173	3.2	May 22, 2017
3.3	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	April 10, 2014
3.4	Articles of Merger (renamed Sysorex Global).	8-K	001-36404	3.1	December 18, 2015
3.5	Articles of Merger (renamed Inpixon).	8-K	001-36404	3.1	March 1, 2017
3.6	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.2	March 1, 2017
3.7	Certificate of Amendment to Articles of Incorporation (authorized share increase).	8-K	001-36404	3.1	February 5, 2018
3.8	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	February 6, 2018
3.9	Certificate of Amendment to Articles of Incorporation (Reverse Split).	8-K	001-36404	3.1	November 1, 2018
3.10	Certificate of Amendment to Articles of Incorporation, effective as of January 7, 2020 (Reverse Split).	8-K	001-36404	3.1	January 7, 2020
3.11	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	Certificate of Designations of Preferences and Rights of Series 9 Preferred Stock.	8-K	001-36404	3.1	March 15, 2024
3.15	Certificate of Amendment (Reverse Stock Split).	8-K	001-36404	3.2	March 15, 2024
3.16	Certificate of Amendment (Name Change).	8-K	001-36404	3.3	March 15, 2024
3.17	Bylaws, as amended.	S-1	333-190574	3.2	August 12, 2013
3.18	Bylaws Amendment	8-K	001-36404	3.2	September 13, 2021
3.19	By-Laws Amendment No. 3	8-K	001-36404	3.1	September 19, 2023
3.20	By-Laws Amendment No. 4	8-K	001-36404	3.2	September 19, 2023
3.21	Bylaws Amendment.	8-K	001-36404	3.4	March 15, 2024
4.1	Specimen Stock Certificate of the Company.	S-1	333-190574	4.1	August 12, 2013
4.2	Form of Certificate of Designation of Preferences, Rights and Limitations of Series 4 Convertible Preferred Stock.	8-K	001-36404	3.1	April 24, 2018
4.3	Certificate of Designation of Series 5 Convertible Preferred Stock, dated as of January 14, 2019.	8-K	001-36404	3.1	January 15, 2019
4.4	Promissory Note, dated as of December 21, 2018	8-K	001-36404	4.1	December 31, 2018
4.5	Form of Warrant	8-K	001-36404	4.1	January 15, 2019

4.6	Form of Warrant Agency Agreement	8-K	001-36404	4.2	January 15, 2019	
4.7	Promissory Note, dated as of May 3, 2019	8-K	001-36404	4.1	May 3, 2019	
4.8	Promissory Note, dated as of June 27, 2019.	8-K	001-36404	4.1	June 27, 2019	
4.9	Form of Series A warrants.	8-K	001-36404	4.2	August 14, 2019	
4.10	Series 6 Preferred Certificate of Designation, effective as of August 13, 2019.	8-K	001-36404	4.1	August 14, 2019	
4.11	Promissory Note, dated as of March 18, 2020.	8-K	001-36404	4.1	March 20, 2020	
4.12	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	
4.13	Description of Registrant's Securities					X
4.14	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	
4.15	Promissory Note, dated as of July 22, 2022	8-K	001-36404	4.1	July 22, 2022	
4.16	Form of Purchase Warrants	8-K	001-36404	4.1	October 20, 2022	
4.17	Promissory Note, dated as of December 30, 2022	8-K	001-36404	4.1	December 30, 2022	
4.18	Common Stock Purchase Warrant	10-Q	001-36404	4.7	May 16, 2023	

4.19	Form of New Warrant.	8-K	001-36404	4.1	December 15, 2023	
4.20	Promissory Note, dated effective as of January 5, 2023					X
4.21	Amendment No. 1 to Promissory Note, dated as of March 27, 2024, by and between XTI Aerospace, Inc. and David E. Brody.					X
4.22	Unsecured Convertible Promissory Note, dated as of October 1, 2023.					X
4.23	Amendment No. 1 to Unsecured Convertible Promissory Note, dated as of March 12, 2024, by and between XTI Aircraft Company and David E. Brody.					X
4.24	Amendment No. 2 to Unsecured Convertible Promissory Note, dated as of March 27, 2024, by and between XTI Aerospace, Inc. and David E. Brody.					X
4.25	Form of Warrant initially issued by XTI Aircraft Company and assumed by the Registrant.					X
4.26	Form of Warrant initially issued by XTI Aircraft Company and assumed by the Registrant.					X
4.27	Form of Warrant initially issued by XTI Aircraft Company and assumed by the Registrant.					X
4.28	Form of Warrant initially issued by XTI Aircraft Company and assumed by the Registrant.					X
4.29#	Form of Warrant initially issued by XTI Aircraft Company and assumed by the Registrant.					X
4.30	Form of Warrant initially issued by XTI Aircraft Company and assumed by the Registrant.					X
4.31#	Form of Amendment No. 2 to Warrant initially issued by XTI Aircraft Company and assumed by the Registrant.					X
10.1+	Amended and Restated 2011 Employee Stock Incentive Plan.	S-8	333-195655	10.22	May 2, 2014	

10.2+	Form of Incentive Stock Option Agreement.	8-K	001-36404	10.9	October 27, 2014
10.3+	Form of Non-Qualified Stock Option Agreement.	8-K	001-36404	10.5	October 27, 2014
10.4+	Form of Restricted Stock Award Agreement.	8-K	001-36404	10.6	October 27, 2014
10.5+	2018 Employee Stock Incentive Plan, as amended.	S-8	333-234458	99.1	November 1, 2019
10.6+	2018 Employee Stock Incentive Plan Form of Incentive Stock Option Agreement.	10-K	001-36404	10.8	March 31, 2021
10.7+	2018 Employee Stock Incentive Plan Form of Non-Qualified Stock Option Agreement.	10-K	001-36404	10.7	March 31, 2021
10.8+	2018 Employee Stock Incentive Plan Form of Restricted Stock Award Agreement.	10-K	001-36404	10.6	March 31, 2021
10.9+	Director Services Agreement with Leonard A. Oppenheim dated October 21, 2014.	8-K	001-36404	10.1	October 27, 2014
10.10+	Director Services Agreement with Kareem M. Irfan dated October 21, 2014.	8-K	001-36404	10.3	October 27, 2014
10.11+	Director Services Agreement with Tanveer A. Khader dated October 21, 2014.	8-K	001-36404	10.4	October 27, 2014
10.12+	Amended and Restated Employment Agreement by and between the Company and Nadir Ali	10-Q	001-36404	10.14	May 15, 2018
10.13+	Employment Agreement, effective as of October 1, 2014, between Wendy Loundermon and the Company.	8-K	001-36404	10.8	October 27, 2014

10.14+	Employment Agreement dated November 4, 2016, by and between Sysorex USA and Soumya Das.	10-K	001-36404	10.51	April 17, 2017
10.15+	Amendment to Employment Agreement dated August 31, 2018 among Inpixon, Sysorex, Inc. and Soumya Das	8-K	001-36404	10.8	September 4, 2018
10.16+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Leonard A. Oppenheim dated February 4, 2019.	10-K	001-36404	10.9	March 28, 2019
10.17+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Kareem M. Irfan dated February 4, 2019.	10-K	001-36404	10.11	March 28, 2019
10.18+	Waiver and Amendment No. 1 to Board of Directors Services Agreement with Tanveer A. Khader dated February 4, 2019.	10-K	001-36404	10.13	March 28, 2019
10.19	Second Amendment Agreement, dated as of April 2, 2019, between Inpixon and Sysorex, Inc.	8-K	001-36404	10.1	April 5, 2019
10.20†	Patent Assignment and License-Back Agreement, dated June 27, 2019, by and between Inpixon and GTX Corp.	8-K	001-36404	10.1	July 1, 2019
10.21†	Patent License Agreement, dated June 27, 2019, by and between Inpixon and Inventergy.	8-K	001-36404	10.4	July 1, 2019

10.22†	Patent License Agreement, dated June 27, 2019, by and between Inpixon and GTX Corp.	8-K	001-36404	10.2	July 1, 2019
10.23	Note Purchase Agreement, dated as of March 18, 2020.	8-K	001-36404	10.1	March 20, 2020
10.24†	Exclusive Software License and Distribution Agreement, dated as of June 19, 2020, by and among Inpixon, Cranes Software International Ltd., and Systat Software, Inc.	8-K	001-36404	10.1	June 22, 2020
10.25	Amendment and Waiver to Exclusive Software License & Distribution Agreement, dated as of June 30, 2020, by and among Inpixon, Cranes Software International Ltd., and Systat Software, Inc.	8-K	001-36404	10.1	July 2, 2020
10.26+	Amendment No. 4 to Inpixon 2018 Employee Stock Incentive Plan.	10-Q	001-36404	10.7	August 14, 2020
10.27	Form of Amended and Restated Limited Liability Company Agreement of Cardinal Venture Holdings LLC.	8-K	001-36404	10.2	October 5, 2020
10.28	Amendment #2 to Promissory Note, dated as of March 17, 2021, by and between Inpixon and Iliad Research and Trading, L.P.	8-K	001-36404	10.1	March 19, 2021
10.29	Securities Settlement Agreement, dated as of April 14, 2021, by and between Sysorex, Inc. and Inpixon.	8-K	001-36404	10.1	April 14, 2021

10.30	Right to Shares Letter Agreement, dated as of April 14, 2021, by and between Sysorex, Inc. and Inpixon.	8-K	001-36404	10.2	April 14, 2021
10.31	Form of Registration Rights Agreement, dated as of April 14, 2021 by and among Sysorex, Inc. and the parties to the Securities Subscription Agreement and certain other parties.	8-K	001-36404	10.3	April 14, 2021
10.32#	Stockholders' Agreement, dated as of April 9, 2021, among Inpixon, Game Your Game, Inc. and the Minority Stockholders.	8-K	001-36404	10.4	April 14, 2021
10.33	Amendment #3 to Promissory Note, dated as of March 16, 2022, by and between Inpixon and Iliad Research and Trading, L.P.	10-K	001-36404	10.40	March 16, 2022
10.34+	Amendment to the Inpixon 2018 Employee Stock Incentive Plan	8-K	001-36404	10.1	November 19, 2021
10.35†	Exchange Agreement, dated January 28, 2022, by and between Inpixon and Warrant Holder	8-K	001-36404	10.1	January 28, 2022
10.36†	Form of Securities Purchase Agreement	8-K	001-36404	10.1	March 22, 2022
10.37	Form of Lock-up Agreement	8-K	001-36404	10.2	March 22, 2022
10.38	Equity Distribution Agreement, dated as of July 22, 2022, between Inpixon and Maxim Group LLC	8-K	001-36404	10.1	July 22, 2022

10.39†	Note Purchase Agreement, dated as of July 22, 2022	8-K	001-36404	10.2	July 22, 2022
10.40	Securities Purchase Agreement, dated as of April 27, 2022, by and between Inpixon and FOXO Technologies, Inc.	10-Q	001-36404	10.1	August 15, 2022
10.41	10% Original Issue Discount Senior Convertible Debenture	10-Q	001-36404	10.2	August 15, 2022
10.42	Subsidiary Guarantee	10-Q	001-36404	10.3	August 15, 2022
10.43†	Form of Securities Purchase Agreement.	8-K	001-36404	10.1	October 20, 2022
10.44	Placement Agency Agreement, dated as of October 18, 2022, by and between Inpixon and Maxim Group LLC	8-K	001-36404	10.2	October 20, 2022
10.45	Amendment to the Inpixon 2018 Employee Stock Incentive Plan	8-K	001-36404	10.1	December 2, 2022
10.46	Amendment No. 2 to Board of Directors Services Agreement, dated as of May 16, 2022, between Inpixon and Kareem M. Irfan	10-Q	001-36404	10.1	November 14, 2022
10.47†	Note Purchase Agreement, dated as of December 30, 2022	8-K	001-36404	10.1	December 30, 2022
10.48	Form of Amendment No. 1 to Common Stock Purchase Warrants.	8-K	001-36404	10.1	February 28, 2023
10.49	Form of Limited Liability Company Unit Transfer and Joinder Agreement.	8-K	001-36404	10.2	February 28, 2023

10.50†	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
10.51	Tax Matters Agreement, dated March 14, 2023, by and among KINS, Inpixon, and Legacy CXApp.	8-K	001-36404	10.2	March 20, 2023
10.52†	Transition Services Agreement, dated March 14, 2023, by and between Inpixon and Legacy CXApp.	8-K	001-36404	10.3	March 20, 2023
10.53	Warrant Purchase Agreement	10-Q	001-36404	10.6	May 16, 2023
10.54	Placement Agency Agreement	10-Q	001-36404	10.7	May 16, 2023
10.55	Amendment #2 to Promissory Note, dated as of May 16, 2023.	8-K	001-36404	10.1	May 19, 2023
10.56	Amendment to Promissory Note, dated as of May 16, 2023.	8-K	001-36404	10.2	May 19, 2023
10.57	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
10.58	Form of Amendment Agreement.	8-K	001-36404	10.1	June 21, 2023
10.59	XTI Amended and Restated Senior Secured Note with Loan Schedule.	10-Q	001-36404	10.23	November 20, 2023
10.60	Form of Security and Pledge Agreement.	8-K	001-36404	10.2	July 25, 2023
10.61+	Inpixon Transaction Bonus Plan, dated July 24, 2023.	8-K	001-36404	10.3	July 25, 2023
10.62+	Inpixon Transaction Bonus Plan, dated July 24, 2023.	8-K	001-36404	10.4	July 25, 2023
10.63+	First Amendment to Employment Agreement, dated July 24, 2023, between Inpixon and Wendy Loundermon.	8-K	001-36404	10.5	July 25, 2023
10.64	Form of Securities Purchase Agreement by and between Damon Motors Inc. and Inpixon.	8-K	001-36404	10.1	October 23, 2023
10.65	Form of Convertible Promissory Note to be issued by Damon Motors Inc. to Inpixon.	8-K	001-36404	10.2	October 23, 2023

10.66	Form of Common Share Purchase Warrant to be issued by Damon Motors Inc. to Inpixon.	8-K	001-36404	10.3	October 23, 2023
10.67	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
10.68	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
10.69	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
10.70	Form of Inducement Agreement by and between Inpixon and the Holder.	8-K	001-36404	10.1	December 15, 2023
10.71	Amendment No. 2 to Equity Distribution Agreement, dated as of June 13, 2023, by and between Inpixon and Maxim Group LLC.	8-K	001-36404	10.1	January 3, 2024
10.72	Liquidating Trust Agreement, dated as of December 27, 2023, by and among Inpixon, Grafiti Holding Inc. and the sole original trustee named therein.	8-K	001-36404	10.2	January 3, 2024
10.73	First Amendment to Senior Secured Promissory Note, dated as of December 30, 2023, by and between Inpixon and XTI Aircraft Company.	8-K	001-36404	10.3	January 3, 2024
10.74	Second Amendment to Senior Secured Promissory Note, dated as of February 2, 2024, by and between Inpixon and XTI Aircraft Company.	8-K	001-36404	10.1	February 5, 2024
10.75	Exchange Agreement, dated March 12, 2024, by and between Inpixon and Streeterville Capital, LLC.	8-K	001-36404	10.2	March 15, 2024
10.76	Securities Purchase Agreement, dated March 12, 2024, by and between Inpixon and 3AM Investments LLC.	8-K	001-36404	10.3	March 15, 2024
10.77	Form of Indemnification Agreement.	8-K	001-36404	10.4	March 15, 2024
10.78	Consulting Agreement, dated March 12, 2024, by and between XTI Aerospace, Inc. and Nadir Ali.	8-K	001-36404	10.5	March 15, 2024

10.79	Consulting Agreement, dated March 12, 2024, by and between XTI Aerospace, Inc. and Wendy Loundermon.	8-K	001-36404	10.6	March 15, 2024	
10.80+	Amendment to Employment Agreement, dated March 12, 2024, by and between Inpixon and Nadir Ali.	8-K	001-36404	10.7	March 15, 2024	
10.81+	Amendment to Employment Agreement, dated March 12, 2024, by and between Inpixon and Wendy Loundermon.	8-K	001-36404	10.8	March 15, 2024	
10.82+	Amendment to Inpixon Transaction Bonus Plan, dated March 11, 2024.	8-K	001-36404	10.9	March 15, 2024	
10.83+	Form of Acknowledgement Agreement.	8-K	001-36404	10.10	March 15, 2024	
10.84†#	Aircraft Purchase Agreement, dated February 2, 2022, between XTI Aircraft Company and Counterparty A.	S-1	333-273964	10.62	October 6, 2023	
10.85+#	Consulting Services Agreement, dated July 5, 2022, by and between XTI Aircraft Company and Waymaker Capital, LLC.					X
10.86+	Consulting Agreement, dated August 16, 2023, by and between XTI Aircraft Company and Playa Property Management, LLC, d/b/a Springboard Ventures.					X
10.87+	Employment Agreement, dated July 28, 2022, but effective as of July 1, 2022, by and between XTI Aircraft Company and Michael Hinderberger.					X
21.1	List of Subsidiaries of the Company.					X
23.1	Consent of Marcum LLP.					X
24.1	Power of Attorney (included on signature page).					X

31.1	Certification of the Company's Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
31.2	Certification of the Company's Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1##	Certification of the Company's Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
97.1	XTI Aerospace, Inc. Clawback Policy.	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 and contained in Exhibit 101)	X

+ Indicates a management contract or compensatory plan.

† 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.

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

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.

FIRST AMENDMENT TO MERGER AGREEMENT

This FIRST AMENDMENT TO MERGER AGREEMENT (this "Amendment") is made and entered into as of December 30, 2023, by and among XTI Aircraft Company, a Delaware corporation (the "Company"), Superfly Merger Sub Inc., a Delaware corporation ("Merger Sub"), and Inpixon, a Nevada corporation ("Parent"). Parent, Merger Sub and the Company are sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the Parties entered into that certain Agreement and Plan of Merger, dated as of July 24, 2023 (the "Merger Agreement");

WHEREAS, Section 9.3 of the Merger Agreement provides that the Merger Agreement may be amended by an instrument signed by each of the Parties thereto; and

WHEREAS, the Parties desire to amend the Merger Agreement as set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

Section 1.01 Definitions. Except as otherwise indicated, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Merger Agreement.

Section 1.02 Amendment to Section 9.1(b)(i). Section 9.1(b)(i) of the Merger Agreement is hereby amended and replaced in its entirety to read as follows:

> (i) if the Effective Time shall not have occurred on or before December 31, 2023 (the "***Outside Date***"); *provided*, *however*, that if by the Outside Date, any of the conditions set forth in Section 8.1(b) (*Parent Required Vote*), Section 8.1(c) (*Government Consents*), Section 8.1(f) (*Nasdaq Listing Approval*) or Section 8.1(g) (*Nasdaq Change of Control Approval*) shall not have been satisfied, but the other conditions set forth in Sections 8.1 through 8.3 shall have been satisfied, the Outside Date may be extended for one or more periods of up to thirty days per extension by Parent or the Company, each in its sole discretion, up to an aggregate extension so that the Outside Date, as so extended, shall not be later than April 1, 2024 (in which case any references to the Outside Date herein shall mean the Outside Date as extended); and *provided*, *further*, that the right to terminate this Agreement under this Section 9.1(b)(i) shall not be available to a party whose breach of any representation, warranty, covenant, or agreement set forth in this Agreement has been the cause of, or resulted in, the failure of the Merger to be consummated on or before the Outside Date;

Section 1.03 Extension of Outside Date by Parent. The Parties agree and acknowledge that Parent is hereby exercising its right to extend the Outside Date for a thirty-day period in accordance with Section 9.1(b)(i) of the Merger Agreement, as amended hereby, and the Outside Date as extended is January 30, 2024.

Section 1.04 No Other Amendments. The Parties agree that all other provisions of the Merger Agreement shall, subject to the amendments expressly set forth herein, continue unmodified, in full force and effect and constitute legal and binding obligations of the Parties in accordance with their terms. This Amendment is limited precisely as written and shall not be deemed to be an amendment to any other term or condition of the Merger Agreement or any of the documents referred to therein. This Amendment forms an integral and inseparable part of the Merger Agreement.

Section 1.05 References. Each reference to "this Agreement," "hereof," "herein," "hereunder," "hereby" and each other similar reference contained in the Merger Agreement shall, effective from the date of this Amendment, refer to the Merger Agreement as amended by this Amendment. Notwithstanding the foregoing, references to the date of the Merger Agreement and references in the Merger Agreement, as amended hereby, to "the date hereof," "the date of this Agreement" and other similar references shall in all instances continue to refer to July 24, 2023, and references to the date of this Amendment and "as of the date of this Amendment" shall refer to December 30, 2023.

Section 1.06 Effect of Amendment. This Amendment shall form a part of the Merger Agreement for all purposes, and each Party thereto and hereto shall be bound hereby. This Amendment shall be deemed to be in full force and effect from and after the execution of this Amendment by the Parties.

Section 1.07 Incorporation by Reference. Each of the provisions under Section 10.7 (Governing Law; Venue), Section 10.11 (Waiver of Jury Trial) and Section 10.12 (Counterparts; Delivery) of the Merger Agreement shall be incorporated into this Amendment by reference as if set out in full herein, *mutatis mutandis*.

Section 1.08 Further Assurances. Each Party shall execute and deliver such documents and take such action, as may reasonably be considered within the scope of such Party's obligations hereunder, necessary to effectuate the transactions and matters contemplated by this Amendment. The Parties further agree that each Party shall cooperate in good faith in advancing the Transactions.

[Remainder of Page Left Intentionally Blank; Signature Page Follows]

IN WITNESS WHEREOF, Parent, Merger Sub and the Company have caused this Amendment to be executed by their respective officers hereunto duly authorized.

INPIXON

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

SUPERFLY MERGER SUB INC.

By: /s/ Nadir Ali
Name: Nadir Ali
Title: President

XTI AIRCRAFT COMPANY

By: /s/ Scott Pomeroy
Name: Scott Pomeroy
Title: Chief Financial Officer

[Signature Page to First Amendment to Merger Agreement]

Exhibit 4.13

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Inpixon's class of common stock is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our articles of incorporation, as amended, and our bylaws, as amended, each of which is incorporated herein by reference as an exhibit to the Annual Report on Form 10-K filed with the Securities and Exchange Commission, of which this Exhibit is a part. We encourage you to read our articles of incorporation, our bylaws and the applicable provisions of the Nevada Revised Statutes for additional information.

Authorized and Outstanding Capital Stock

We have 2,005,000,000 authorized shares of capital stock, par value $0.001 per share, of which 2,000,000,000 were shares of common stock and 5,000,000 were shares of "blank check" preferred stock.

Common Stock

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

Anti-Takeover Effects of Nevada Law and our Articles of Incorporation and Bylaws

Our articles of incorporation, our bylaws and the Nevada Revised Statutes contain provisions that could delay or make more difficult an acquisition of control of our company not approved by our board of directors, whether by means of a tender offer, open market purchases, proxy contests or otherwise. These provisions have been implemented to enable us to develop our business in a manner that will foster our long-term growth without disruption caused by the threat of a takeover not deemed by our board of directors to be in the best interest of our company and our stockholders. These provisions could have the effect of discouraging third parties from making proposals involving an acquisition or change of control of our company even if such a proposal, if made, might be considered desirable by a majority of our stockholders. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of our board of directors.

Set forth below is a description of the provisions contained in our articles of incorporation, bylaws and Nevada Revised Statutes that could impede or delay an acquisition of control of our company that our board of directors has not approved. This description is intended as a summary only and is qualified in its entirety by reference to our articles of incorporation and bylaws, forms of each of which are included as exhibits to the registration statement of which this prospectus forms a part.

Authorized But Unissued Preferred Stock

We are currently authorized to issue a total of 5,000,000 shares of preferred stock. Our articles of incorporation provide that the board of directors may issue preferred stock by resolutions, without any action of the stockholders. In the event of a hostile takeover, the board of directors could potentially use this preferred stock to preserve control.

Filling Vacancies

Our bylaws establish that the board shall be authorized to fill any vacancies on the board arising due to the death, resignation or removal of any director. The board is also authorized to fill vacancies if the stockholders fail to elect the full authorized number of directors to be elected at any annual or special meeting of stockholders. Vacancies in the board may be filled by a majority of the remaining directors then in office, even though less than a quorum of the board, or by a sole remaining director.

Removal of Directors

The provisions of our bylaws may make it difficult for our stockholders to remove one or more of our directors. Our bylaws provide that the entire board of directors, or any individual director, may be removed from office at any special meeting of stockholders called for such purpose by vote of the holders of two-thirds of the voting power entitling the stockholders to elect directors in place of those to be removed. Furthermore, according to our bylaws, no director may be removed (unless the entire board is removed) when the votes cast against removal or not consenting in writing to such removal would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written consent, all shares entitled to vote, were voted) and the entire number of directors authorized at the time of the directors' most recent election were then being elected. Our bylaws also provide that when, by the provisions of our articles of incorporation, the holders of the shares of any class or series voting as a class or series are entitled to elect one or more directors, any director so elected may be removed only by the applicable vote of the holders of the shares of that class or series.

Board Action Without Meeting

Our bylaws provide that the board may take action without a meeting if all the members of the board consent to the action in writing. Board action through consent allows the board to make swift decisions, including in the event that a hostile takeover threatens current management.

No Cumulative Voting

Our bylaws and articles of incorporation do not provide the right to cumulate votes in the election of directors. This provision means that the holders of a plurality of the shares voting for the election of directors can elect all of the directors. Non-cumulative voting makes it more difficult for an insurgent minority stockholder to elect a person to the board of directors.

Stockholder Proposals

Except to the extent required under applicable laws, we are not required to include on our proxy card, or describe in our proxy statement, any information relating to any stockholder proposal and disseminated in connection with any meeting of stockholders.

Amendments to Articles of Incorporation and Bylaws

Our articles of incorporation give both the directors and the stockholders the power to adopt, alter or repeal the bylaws of the corporation. Any adoption, alteration, amendment, change or repeal of the bylaws by the stockholders requires an affirmative vote by a majority of the outstanding stock of the company. Any bylaw that has been adopted, amended, or repealed by the stockholders may be amended or repealed by the board, except that the board shall have no power to change the quorum for meetings of stockholders or of the board or to change any provisions of the bylaws with respect to the removal of directors or the filling of vacancies in the board resulting from the removal by the stockholders. Any proposal to amend, alter, change or repeal any provision of our articles of incorporation requires approval by the affirmative vote of a majority of the voting power of all of the classes of our capital stock entitled to vote on such amendment or repeal, voting together as a single class, at a duly constituted meeting of stockholders called expressly for that purpose.

Nevada Statutory Provisions

We are subject to the provisions of NRS 78.378 to 78.3793, inclusive, an anti-takeover law, which applies to any acquisition of a controlling interest in an "issuing corporation." In general, such anti-takeover laws permit the articles of incorporation, bylaws or a resolution adopted by the directors of an "issuing corporation" (as defined in NRS 78.3788) to impose stricter requirements on the acquisition of a controlling interest in such corporation than the provisions of NRS 78.378 to 78.3793, inclusive, as well as permit the directors of an issuing corporation to take action to protect the interests of the corporation and its stockholders, including, but not limited to, adopting plans, arrangements or other instruments that grant or deny rights, privileges, power or authority to holder(s) of certain percentages of ownership and/or voting power. Further, an "acquiring person" (and those acting in association) only obtains such voting rights in the control shares as are conferred by resolution of the stockholders at either a special meeting requested by the acquiring person, provided it delivers an offeror's statement pursuant to NRS 78.3789 and undertakes to pay the expenses thereof, or at the next special or annual meeting of stockholders. In addition, the anti-takeover law generally provides for (i) the redemption by the issuing corporation of not less than all of the "control shares" (as defined) in accordance with NRS 78.3792, if so provided in the articles of incorporation or bylaws in effect on the 10th day following the acquisition of a controlling interest in an "issuing corporation", and (ii)

dissenter's rights pursuant to NRS 92A.300 to 92A.500, inclusive, for stockholders that voted against authorizing voting rights for the control shares.

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

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

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Nasdaq Capital Market Listing

Our common stock is currently traded on the Nasdaq Capital Market under the symbol "INPX."

XTI AIRCRAFT COMPANY
PROMISSORY NOTE

$125,000

Issue Date: June 9, 2023
Effective Date: January 5, 2023

XTI Aircraft Company, a Delaware corporation (the "***Company***"), for value received, hereby promises to pay David E. Brody (the "***Holder***"), up to an aggregate sum of One Hundred and Twenty-Five Thousand Dollars ($125,000) or such other lesser amount as shall then equal the outstanding principal amount hereof (the "***Principal Amount***"), plus all accrued unpaid interest, as set forth under this promissory note (this "***Note***"), on the earlier to occur of (i) thirty (30) days after the closing of the merger with Inpixon or (ii) January 5, 2024 or (iii) when declared due and payable by the Holder upon the occurrence of an Event of Default (as defined below) (the "***Maturity Date***").

The following is a statement of the rights of the Holder of this Note and the conditions to which this Note is subject, and to which the Holder hereof, by the acceptance of this Note, agrees:

1. *Definitions*. As used in this Note, the following terms, unless the context otherwise requires, shall have the following meanings:

(i) "***Company***" shall also include any corporation that, to the extent permitted by this Note, succeeds to, or assumes the obligations of, the Company under this Note.

(ii) "***Holder***", when the context refers to a holder of this Note, shall mean any person who shall at the time be the holder of this Note.

2. *Payments.* All payments for amounts due under this Note shall be made by wire transfer of immediately available funds, in lawful tender of the United States, to an account designated in writing by the Holder, and all payments in cash shall be applied first to the Interest Amount (as defined below) and thereafter to the Principal Amount.

3. *Interest*. Interest on the Principal Amount will accrue at the rate of five percent (5%) per annum (the "***Interest Rate***"). All accrued unpaid interest (the "***Interest Amount***") shall be due and payable to the Holder on the Maturity Date. Upon the occurrence of an Event of Default (as defined below), interest shall accrue on the outstanding Principal Amount of this Note at the lesser of the rate of ten percent (10%) per annum or the maximum rate permitted by applicable law. All interest calculations hereunder shall be computed on the basis of a 360-day year comprised of twelve (12) thirty (30) day months, shall compound annually, and shall be payable in accordance with the terms of this Note. Interest payments shall be payable in cash via wire transfer as set forth in Section 2.

4. *Events of Default*. If any of the events specified in this Section 4 shall occur (herein individually referred to as an "***Event of Default***"), the Holder of this Note may, provided such condition exists, declare the entire Principal Amount and Interest Amount hereon immediately due and payable, by written notice to the Company:

(i) Any failure by the Company to pay any of the Principal Amount or Interest Amount on this Note when due hereunder, and such failure continues for ten (10) days after written notice to the Company thereof; or

(ii) The institution by the Company of proceedings to adjudicate the Company as bankrupt or insolvent, or the consent by the Company to the institution of such proceedings; the filing by the Company of a petition, answer or consent seeking reorganization or release under the federal Bankruptcy Act or any other applicable federal or state law, or the consent by the Company to the filing of any such petition; the appointment of a receiver, liquidator, assignee, trustee or other similar official of the Company, or of any substantial part of its property; or the making of an assignment by the Company for the benefit of creditors, or the taking of any corporate action by the Company in furtherance of any such action; or

(iii) The commencement of an action against the Company seeking any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar relief under any present or future statute, law or regulation; *unless*, (a) within sixty (60) days after such commencement, the action has been resolved in favor of the Company, or all orders or proceedings thereunder affecting the operations or the business of the Company have been stayed; *provided*, however, that the stay of any such order or proceeding has not thereafter been set aside, or (b) within sixty (60) days after the appointment of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company, without the consent or acquiescence of the Company thereto, such appointment is vacated.

5. *Prepayment*. This Note may be prepaid by the Company at any time without penalty or premium, in whole or in part.

6. *Assignment*. Subject to the restrictions on transfer described in Section 8 below, the rights and obligations of the Company and the Holder of this Note shall be binding upon, and benefit the successors and assigns of, the Company and the Holder.

7. *Waiver and Amendment*. Any provision of this Note may be amended, waived or modified upon the written consent of both the Company and the Holder.

8. *Transfer of This Note*. Holder may not transfer this Note or any right, title or interest herein, without the prior written consent of the Company, which consent shall not be unreasonably withheld.

9. *Notices*. Any notice, request or other communication required or permitted hereunder shall be in writing and shall be deemed given to a person designated below when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by e-mail or facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses or facsimile numbers and marked to the attention of the person (by name or title) designated below (or to such other address or facsimile number or person as may be designated by notice to the other persons):

Holder: David Brody
[***]
E-mail: [***]

Company: XTI Aircraft Company
7625 S. Peoria St., Unit D11
Englewood, CO 80112
Attn: Scott Pomeroy

with a copy (which shall not constitute notice) to:

Mara Babin
[***]

10. *Usury.* This Note is hereby expressly limited so that in no event whatsoever, whether by reason of acceleration of maturity of the loan evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the Holder hereunder for the loan, use, forbearance or detention of money exceed that which is permissible under

applicable law. If at any time the performance of any provision of this Note or of any other agreement or instrument entered into in connection with this Note involves a payment exceeding the limit of the interest that may be validly charged for the loan, use, forbearance or detention of money under applicable law, then automatically and retroactively, ipso facto, the obligation to be performed shall be reduced to such limit, it being the specific intent of the Company and the Holder that all payments under this Note are to be credited first toward the payment of interest, but not in excess of the lesser of (i) the agreed upon Interest Rate as set forth herein or (ii) that which is permitted by law; and payments shall thereafter be credited toward the reduction of the outstanding Principal Amount.

The provisions of this Section 10 shall under no circumstances be superseded or waived and shall control every other provision of this Note and all other agreements and instruments entered into between the Company and the Holder in connection with this Note.

11. *Governing Law*. In all respects, including all matters of construction, validity and performance, this Note shall be governed by, and construed and enforced in accordance with, the laws of the State of Colorado without regard to principles thereof relating to conflicts or choice of law.

12. *Heading; References*. All headings used herein are used for convenience only and shall not be used to construe or interpret this Note. Except where otherwise indicated, all references herein to Sections refer to Sections hereof.

13. *Waiver.* Other than as specifically set forth and required above, the Company hereby waives default, demand for payment, notice, presentment, protest and notice of nonpayment or dishonor and all other notices or demands relating to this instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Note to be issued as of the date first written above.

COMPANY:

XTI Aircraft Company,
a Delaware corporation

By: /s/ Scott Pomeroy
Name: Scott Pomeroy
Title: Chief Financial Officer

HOLDER:

By: /s/ David E. Brody
Name: David E. Brody

Address: [***]

THE UNSECURED CONVERTIBLE PROMISSORY NOTE TO WHICH THIS AMENDMENT NO. 1 ("AMENDMENT NO. 1") TO UNSECURED CONVERTIBLE PROMISSORY NOTE RELATES (AS AMENDED BY THIS AMENDMENT NO. 1, THE "NOTE") HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE NOTE HAS BEEN ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF REGISTRATION OF THE RESALE THEREOF UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY IN FORM, SCOPE AND SUBSTANCE TO THE MAKER THAT SUCH REGISTRATION IS NOT REQUIRED.

AMENDMENT NO. 1 TO PROMISSORY NOTE

Dated as of March 27, 2024

Principal Amount: $125,000 Denver, Colorado

XTI Aircraft Company, a Delaware corporation (the "**Maker**"), has assigned the Promissory Note, dated effective as of January 5, 2023 (the "**Original Note**") to XTI Aerospace, Inc. ("**XTI Aerospace**"). XTI Aerospace hereby assumes the Original Note, as Maker, with full obligations thereof, effective as of closing of the merger between XTI Aerospace and Inpixon, Inc. David E. Brody (the "**Holder**") hereby accepts such assignment.

This Amendment No. 1 is effective as of the date hereof, as follows:

1. The Maturity Date of the Original Note is hereby changed to April 30, 2024 (the "**Maturity Date**"), at which time the above Principal Amount plus interest in the amount of $10,058 shall be paid to Holder.

2. No further amendment, change, supplement or update to the Original Note shall be permitted without the prior written consent of the Holder.

3. All of the other terms of the Original Note remain unchanged and in effect.

IN WITNESS WHEREOF, Maker and Holder, intending to be legally bound hereby, have caused this Amendment No. 1 to be duly executed by the undersigned as of the day and year first above written.

HOLDER

/s/ David E. Brody
David E. Brody

XTI AEROSPACE, INC.

By: /s/ Scott Pomeroy
Name: Scott Pomeroy
Title: Chief Executive Officer

DAVID E. BRODY
UNSECURED CONVERTIBLE PROMISSORY NOTE

$1,079,044 October 1, 2023

Denver, Colorado

For value received, XTI Aircraft Company, a Delaware corporation (the "Company" or "Maker"), promises to pay to David E. Brody (the "Holder"), the principal sum of One Million Seventy-Nine Thousand Forty-Four and 00/xx US Dollars ($1,079,044). Interest shall accrue from the date of this Note on the unpaid principal amount at a rate equal to 4% per annum, compounded annually; provided that on and after the Maturity Date (as defined below) or an Event of Default (as defined below), interest shall accrue from and after such date on the unpaid principal and all accrued but unpaid interest of this Note at a rate equal to 10% per annum. This Note is convertible into the Company's Common Stock ("Shares") at a price of $1.00 per Share (the "Conversion Price"). This Note is subject to the following terms and conditions:

1. **Maturity.** Unless all or a portion of the unpaid principal amount is converted as provided herein, all principal and any accrued but unpaid interest under this Note shall be due and payable on or before the earlier of: (a) the closing of a "Liquidity Event", which shall be defined as a merger with a company whose shares are traded on a public stock exchange; and (b) January 31, 2024 (with the applicable date being the "Maturity Date"). Any time prior to the Holder receiving the payment due upon the Maturity Date, the Holder may convert all or any portion of the remaining principal amount (plus accrued interest) of this Note into Shares, as set forth in Section 2, below. Subject to Section 2, below, interest shall accrue on this Note annually and shall be due and payable in full on the Maturity Date. Notwithstanding the foregoing, the entire unpaid principal sum of this Note, together with accrued and unpaid interest thereon, shall become immediately due and payable upon the occurrence of any of the following (each, an "Event of Default"): (a) any act of bankruptcy by the Company, (b) the execution by the Company of a general assignment for the benefit of creditors, (c) the filing by or against the Company of a petition in bankruptcy or any petition for relief under the federal bankruptcy act or the continuation of such petition without dismissal for a period of 60 days or more, or (d) a material breach of this Note.

2. **Conversion.** At any time after the date of this Note and prior to the Maturity Date, the Holder may, at his sole discretion, provide written notice to the Company (the "Conversion Notice") stating that the Holder desires to convert all or a portion of the Note into Shares, and specifying the dollar amount of the Note to be so converted. Such conversion shall be deemed to have been made on the date of the Company's receipt of the Conversion Notice. The number of Shares to be issued upon conversion shall be equivalent to US$1.00 per Share (adjusted for stock splits, stock dividends, reclassifications and the like).

3. **Payment; Prepayment.** All payments shall be made in lawful money of the United States of America at such place as the Holder hereof may from time to time designate in writing to the Company. Payment shall be credited to the accrued interest then due and payable and the remainder shall be applied to principal. The Company may prepay this Note at any time on the following terms by providing the Holder thirty (30) days written notice (the "Prepayment Notice") that the Company will prepay the Note. Provided, however, the Prepayment Notice and the Company's right to prepay all or any portion of the Note is subject to the Holder's right to provide a

Conversion Notice prior to the end of the 30-day period following Holder's receipt of the Prepayment Notice. Holder may provide the Conversion Notice any time prior to the Holder receiving the payment due pursuant to the Maturity Date. In the event the Holder does not provide a Conversion Notice, the Company shall pay to Holder the remaining unpaid amount of principal and interest the end of the 30-day period following Holder's receipt of the Prepayment Notice.

4. **Prior Notes Superseded**. This Note replaces and supersedes in their entirety the following promissory notes between Holder and the Company: (a) Unsecured Convertible Promissory Note, dated August 15, 2015, 2021, in the original face amount of $763,174 ("Convertible"); (b) Promissory Note, dated November 14, 2019, in the original face amount of $50,000 ("Promissory Note"); (c) Revolving Credit Promissory Note, dated January 1, 2021, in the original face amount of $250,000 ("Revolver"); and (d) Unsecured Convertible Promissory Note, dated December 31, 2021 in the face amount of $1,007,323.

5. **Invalidity**. If any provision of this Note is invalid, illegal or unenforceable, the balance of this Note shall remain in effect, and if any provision is inapplicable to any person or circumstance, it shall nevertheless remain applicable to all other persons and circumstances. In such an event, the parties will in good faith attempt to effect the business agreement represented by such invalidated term to the fullest extent permitted by law. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provisions(s), then (i) such provisions(s) shall be excluded from this Note, (ii) the balance of the Note shall be interpreted as if such provision(s) were so excluded, and (iii) the balance of the Note shall be enforceable in accordance with its terms.

6. **Transfer; Successors and Assigns.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the Company and the Holder. Notwithstanding the foregoing, the Holder may not assign, pledge, or otherwise transfer this Note without the prior written consent of the Company. Subject to the preceding sentence, this Note may be transferred only upon surrender of the original Note (or a reasonable indemnity agreement if the Note is lost, stolen or destroyed) for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to the Company. Thereupon, a new note for the same principal amount and interest will be issued to, and registered in the name of, the transferee. Interest and principal are payable only to the registered holder of this Note. The Company cannot assign this Note or its obligations or rights hereunder without the approval of the Holder.

7. **Governing Law.** This Note and all acts and transactions pursuant hereto and the rights and obligations of the Company and the Holder shall be governed, construed, and interpreted in accordance with the laws of the state of Colorado, without giving effect to principles of conflicts of law. Any actions to enforce the terms of this Note shall be exclusively brought in either state or federal court in Denver, Colorado, and the Maker and Holder each consent to the jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein.

8. **Notices.** All notices and other communications given or made pursuant to this Note shall be in writing and shall be deemed effectively given upon: (a) personal delivery to the party to be notified, (b) when sent, if received by electronic mail or facsimile during normal business hours of the recipient, and if not received during normal business hours, then on the recipient's next business day, (c) five (5) business days after having been sent by registered or certified mail, return

receipt requested, postage prepaid, or (d) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their address as set forth on the signature pages hereto, or as subsequently modified by written notice.

9. **Amendments and Waivers.** Any term of this Note may be amended only with the written consent of the Company and the Holder.

10. **Entire Agreement.** This Note and the documents referred to herein constitutes the entire agreement between the Company and the Holder pertaining to the subject matter hereof, and any and all other written or oral agreements existing between the Company and the Holder are expressly canceled.

11. **Counterparts.** This Note may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together will constitute a single agreement.

12. **Interest Rate Limitation.** Notwithstanding anything to the contrary contained in this Note or the Subscription Agreement (the "Loan Documents"), the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If the Holder receives interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal remaining owed under this Note or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the Holder exceeds the Maximum Rate, the Holder may, to the extent permitted by applicable law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of this Note.

13. **Action to Collect on Note.** If (i) (A) the Company breaches this Note or an Event of Default occurs and (B) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note (including settlement) or to enforce the provisions of this Note or (ii) there occurs any bankruptcy, reorganization, receivership of the Company or other similar proceedings affecting rights of the Company creditors and involving a claim under this Note, then the Company shall pay the reasonable costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, but not limited to, reasonable attorneys' fees and disbursements.

14. **Loss of Note.** Upon signing this Note, the Company shall promptly mail or deliver to the Holder the copy with the Company's original signature. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note and, in the case of loss, theft or destruction, delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Note, the Company shall execute and deliver, in lieu of this Note, a new Note executed in the same manner as this Note, in the same principal amount as the unpaid principal amount of this Note and dated the date to which interest shall have been paid on this Note or, if no interest shall have yet been so paid, dated the date of this Note.

IN WITNESS WHEREOF, the Company has executed this Unsecured Convertible Promissory Note as of the date first set forth above.

XTI AIRCRAFT COMPANY (MAKER):

By: /s/ Scott Pomeroy
Name: Scott Pomeroy
Title: CFO
Centennial Airport Jet Center
7625 South Peoria St., Suite D11
Englewood, Colorado 80112
Email: [***]

ACCEPTED AND AGREED TO
THIS 1st DAY OF OCTOBER 2023:

HOLDER
/s/ David E. Brody
Name: David E. Brody
[***]

THE UNSECURED CONVERTIBLE PROMISSORY NOTE TO WHICH THIS AMENDMENT NO. 1 (THE "AMENDMENT NO.1") TO UNSECURED CONVERTIBLE PROMISSORY NOTE RELATES (AS AMENDED BY THIS AMENDMENT NO. 1, THE "NOTE") HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE NOTE HAS BEEN ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF REGISTRATION OF THE RESALE THEREOF UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY IN FORM, SCOPE AND SUBSTANCE TO THE MAKER THAT SUCH REGISTRATION IS NOT REQUIRED.

AMENDMENT NO. 1 TO UNSECURED CONVERTIBLE PROMISSORY NOTE

Dated as of March 12, 2024

Principal Amount: $1,079,044 Denver, Colorado

XTI Aircraft Company, a Delaware corporation (the "Maker"), hereby amends its Unsecured Convertible Promissory Note, dated as of October 1, 2023 (the "Original Note"), effective as of the date hereof, to delete and replace Section 2 of the Original Note in its entirety with the following:

2. **Conversion**. In connection with the transactions contemplated pursuant to that certain Agreement and Plan of Merger, dated July 24, 2023 (as amended from time to time, the "Merger Agreement") by and among Inpixon, Superfly Merger Sub Inc., a wholly-owned subsidiary of Inpixon, and the Maker, immediately prior to the Merger (as defined in the Merger Agreement), the entire principal and accrued interest amount of $1,097,000, except for $175,000, shall be converted into Shares at a conversion price of $0.309 which is comparable to the "2021 Convertible Notes" under the "Voluntary Convertible Note Conversion Agreement" as those terms are defined in the Maker's Board Resolutions, dated March 11, 2024 (the Company Common Stock to be issued upon conversion of the Original Note), and the remaining $175,000 will be paid to Holder at "Closing" (as defined in the Merger Agreement). The Shares will automatically be converted into and become the right to receive Merger Consideration as determined pursuant to the Merger Agreement.

All of the other terms of the Original Note remain unchanged and in effect.

The effectiveness of this Amendment No. 1 to Unsecured Convertible Promissory Note is conditioned upon the effectiveness of the Second Amendment, dated March 12, 2024 (the "Second Amendment"), by and among Inpixon, Superfly Merger Sub Inc. ("Superfly"), and the Maker, to the Agreement and Plan of Merger, dated as of July 24, 2023 (as amended from time to time, the "Merger Agreement"), by and among Inpixon, Superfly and the Maker, and shall only take effect upon the effectiveness of the Second Amendment. No further amendment, change, supplement or update to the Merger Agreement shall be permitted without the prior written consent of the Holder.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the Maker, intending to be legally bound hereby, has caused this Amendment No. 1 to be duly executed by the undersigned as of the day and year first above written.

HOLDER

/s/ David E. Brody
David E. Brody

XTI AREOSPACE, INC.

By: /s/ Scott Pomeroy
Name: Scott Pomeroy
Title: Chief Executive Officer

THE UNSECURED CONVERTIBLE PROMISSORY NOTE TO WHICH THIS AMENDMENT NO. 2 ("AMENDMENT NO. 2") TO UNSECURED CONVERTIBLE PROMISSORY NOTE RELATES (AS AMENDED BY AMENDMENT NO. 1 AND THIS AMENDMENT NO. 2, THE "NOTE") HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE NOTE HAS BEEN ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF REGISTRATION OF THE RESALE THEREOF UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY IN FORM, SCOPE AND SUBSTANCE TO THE MAKER THAT SUCH REGISTRATION IS NOT REQUIRED.

AMENDMENT NO. 2 TO UNSECURED CONVERTIBLE PROMISSORY NOTE

Dated as of March 27, 2024

Principal Amount: $175,000 Denver, Colorado

XTI Aircraft Company, a Delaware corporation (the "**Maker**"), has assigned the Unsecured Convertible Promissory Note, dated as of October 1, 2023 (the "**Original Note**"), as amended by that certain Amendment No. 1, dated March 11, 2024, and this Amendment No. 2 to XTI Aerospace, Inc. ("**XTI Aerospace**"). XTI Aerospace hereby assumes the Original Note as amended, as Maker, with full obligations thereof, effective as of the date hereof. David E. Brody (the "**Holder**") hereby accepts such assignment.

This Amendment No. 2 is effective as of the date hereof, as follows:

1. The Holder acknowledges that immediately prior to the closing of the merger between XTI Aircraft and a wholly-owned subsidiary of Inpixon, all but $175,000 of the amount due under the Original Notes, as amended, was satisfied through the issuance to the Holder of shares of XTI Aircraft common stock.

2. The Maturity Date on which Maker was required to pay $175,000 to Holder pursuant to Amendment No. 1, is hereby changed to be on or before April 1, 2024 (the "**Maturity Date**").

3. No further amendment, change, supplement or update to the Original Note or Amendment No. 1 shall be permitted without the prior written consent of the Holder.

4. All of the other terms of the Original Note, as amended by Amendment No. 1 and this Amendment No. 2, remain unchanged and in effect.

IN WITNESS WHEREOF, Maker and Holder, intending to be legally bound hereby, have caused this Amendment No. 2 to be duly executed by the undersigned as of the day and year first above written.

HOLDER

/s/ David E. Brody
David E. Brody

XTI AEROSPACE, INC.

By: /s/ Scott Pomeroy
Name: Scott Pomeroy
Title: Chief Executive Officer

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

XTI AIRCRAFT COMPANY

Initial Warrant Shares: _____[1] Initial Exercise Date: _____

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the 10th year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from XTI Aircraft Company, a Delaware corporation (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of the Company's common stock ("Common Stock"). The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings indicated in this Section 1:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock Equivalents" means any securities (directly or indirectly) convertible into or exchangeable for Common Stock.

[1] The number of warrant shares shall be determined by dividing (i) the product of (a) the number of individual investors times and (b) $50 by (ii) 30% of the issue price to the investors.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exempt Issuance" means any issuance or sale (or deemed issuance or sale of Common Stock Equivalents in accordance with Section 3(b)) by the Company after the Initial Exercise Date of: (a) shares of Common Stock issued upon the exercise of this Warrant; or (b) shares of Common Stock or Common Stock Equivalents issued after the Initial Exercise Date directly or upon the exercise of options or by way of other forms of equity compensation awarded to directors, officers, employees, or consultants of the Company in connection with their service as directors of the Company, their employment by the Company or their retention as consultants by the Company, in each case authorized by the Board of Directors of the Company, *provided that* only such issuances in the aggregate do not exceed 5% of the Company's issued and outstanding Common Stock as of the Initial Exercise Date (as such number of shares is equitably adjusted for subsequent stock splits, stock combinations, stock dividends and recapitalizations) shall be deemed an Exempt Issuance and any issuances that are in excess of 5% of the Company's issued and outstanding Common Stock as of the Initial Exercise Date shall not be deemed an Exempt Issuance.

"Going Public Date" Such first date whereby the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act or the Common Stock is qualified under Regulation A.

"Liens" means a lien, charge pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such rule.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the Common Stock is traded on a Trading Market.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

"Transfer Agent" means FundAmerica Securities Transfer LLC, the current transfer agent of the Company, with a mailing address of _____ and a facsimile number of _____, and any successor transfer agent of the Company.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may

designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy (or e-mail attachment) of the Notice of Exercise form annexed hereto. Within three (3) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be $1.00, subject to adjustment hereunder (the "Exercise Price").

c) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by Holder, and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price and all taxes required to be paid by the Holder, if any, pursuant to Section 2(c)(vi) prior to the issuance of such shares, having been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(c)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. Following the Going Public Date, in addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(c)(i) above pursuant to an exercise on or before the Warrant Share Delivery Date, and only if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

d) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(d) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(d), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If the Company or any Subsidiary thereof, as applicable, at any time while this Warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or Common Stock Equivalents, at an effective price per share less than the Exercise Price then in effect (such lower price, the "Base Share Price" and such issuances collectively, a "Dilutive Issuance") (it being understood and agreed that if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation of each Dilutive Issuance the Exercise Price shall be reduced and only reduced to equal the Base Share Price and the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price prior to such adjustment. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 3(b) in respect of an Exempt Issuance. The Company shall notify the Holder, in writing, no later than the Trading Day following the issuance or deemed issuance of any Common Stock or Common Stock Equivalents subject to this Section 3(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 3(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Warrant Shares based upon the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Notice of Exercise. If the Company enters into a Variable Rate Transaction, despite the prohibition thereon in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion or exercise price at which such securities may be converted or exercised.

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or

sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) or Section 2(f) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) or Section 2(f) on the exercise of this Warrant). For purposes of any such exercise, the determination of the

Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. "Black Scholes Value" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the

Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on

transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, provides to the Company an opinion of counsel, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that the transfer of this Warrant does not require registration under the Securities Act.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(c)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of

the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of this Warrant shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant. If any party shall commence an action or proceeding to enforce any provisions of this Warrant, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable

attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Exercise, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above Attention: _____, facsimile number _____, email address _____, or such other facsimile number, email address or address as the Company may specify for such purposes by notice to the Holders. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Company, or if no such facsimile number or address appears on the books of the Company. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

h) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

i) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

j) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

k) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

l) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

m) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

XTI AIRCRAFT COMPANY

By:_____

Name:
Title:

NOTICE OF EXERCISE

TO: _____

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the below DWAC Account Number, or otherwise to the address below:

_____

_____

_____

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

XTI AIRCRAFT COMPANY

Initial Warrant Shares: _____[1] Initial Exercise Date: _____

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the 5 year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from XTI Aircraft Company, a Delaware corporation (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of the Company's common stock ("Common Stock"); provided, however, the number of Warrant Shares issuable hereunder shall increase by 25% on each 6-month anniversary of the Initial Exercise Date if, prior to such date, a Liquidity Event has not occurred. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. In addition to the terms defined elsewhere in this Agreement, the following terms have the meanings indicated in this Section 1:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Commission" means the United States Securities and Exchange Commission.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

[1] The number of warrant shares shall be determined by dividing (i) the product of (a) the number of individual investors times and (b) $50 by (ii) 30% of the issue price to the investors.

"Going Public Date" Such first date whereby the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act or the Common Stock is qualified under Regulation A.

"Liens" means a lien, charge pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Liquidity Event" shall mean any one of the following events has occurred: (a) an initial underwritten public offering of Common Stock by a nationally recognized underwriter pursuant to a registration Statement filed in accordance with the Securities Act and pursuant to which at least, $30,000,000 in gross proceeds is raised for the benefit of the Company and pursuant to which the Holder has the right to include the Warrant Shares for inclusion in such offering or (b) a Fundamental Transaction with a valuation to the Company of at least $50,000,000 pursuant to which the Holder has the right to put this Warrant back to the Company for cash equal to the Black Scholes Value pursuant to Section 3(e).

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the Common Stock is traded on a Trading Market.

"Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

"Transfer Agent" means Computershare, the current transfer agent of the Company, with a mailing address of 250 Royall Street, Canton, MA 02021 and a facsimile number of _____, and any successor transfer agent of the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the "Pink Sheets" published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent

appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy (or e-mail attachment) of the Notice of Exercise form annexed hereto. Within three (3) Trading Days following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within three (3) Business Days of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be $1.50,[2] subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering for sale or resale the Warrant Shares, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a "cashless exercise," as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised, and the holding period of the Warrants being exercised may

[2] 100% of the issue price paid by investors.

be tacked on to the holding period of the Warrant Shares. The Company agrees not to take any position contrary to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by Holder or (B) this Warrant is being exercised via cashless exercise, and otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. Following the Going Public Date, in addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(d)(i) above pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed

rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder $1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained

herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If the Company or any Subsidiary thereof, as applicable, at any time while this Warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or Common Stock Equivalents, at an effective price per share less than the Exercise Price then in effect (such lower price, the "Base Share Price" and such issuances collectively, a "Dilutive Issuance") (it being understood and agreed that if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance at such effective price), then simultaneously with the consummation of each Dilutive Issuance the Exercise Price shall be reduced and only reduced to equal the Base Share Price and the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price prior to such adjustment. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 3(b) in respect of an Exempt Issuance. The Company shall notify the Holder, in writing, no later than the Trading Day following the issuance or deemed issuance of any Common Stock or Common Stock Equivalents subject to this Section 3(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the "Dilutive Issuance Notice"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 3(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Warrant Shares based upon the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Notice of Exercise. If the Company enters into a Variable Rate Transaction, despite the prohibition thereon in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion or exercise price at which such securities may be converted or exercised.

c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of

this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) or Section 2(f) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) or Section 2(f) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. "Black Scholes Value" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected

volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the

Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, provides to the Company an opinion of counsel, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that the transfer of this Warrant does not require registration under the Securities Act.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents

from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of this Warrant shall be commenced in the state and federal courts sitting in the City of New York, of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant. If any party shall commence an action or proceeding to enforce any provisions of this Warrant, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Exercise, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above Attention: _____, facsimile number _____, email address _____, or such other facsimile number, email address or address as the Company may specify for such purposes by notice to the Holders. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Company, or if no such facsimile number or address appears on the books of the Company. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth in this Section on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized

overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

h) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

i) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

j) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

k) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

l) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

m) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

n) Piggyback Registration Rights. If, at any time after date hereof, the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act), or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the stock option or other employee benefit plans, the Company shall send to the Holder a written notice of such determination and if, within 15 calendar days after the date of such notice, the Holder (or any permitted successor or assign) shall so request in writing, the Company shall include in such registration statement all or any part of the Warrant Shares that such Holder requests to be registered. Further, in the event that the offering is a firm-commitment underwritten offering, the Company may exclude the Warrant Shares if so requested in writing by the lead underwriter of such offering. In the case of inclusion in a firm-commitment underwritten offering, the Holders must sell their Warrant Shares on the same terms set by the underwriters for shares of Common Stock to be sold for the account of the Company.

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(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

XTI AIRCRAFT COMPANY

By:_____

Name:
Title:

NOTICE OF EXERCISE

TO: _____

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

[ ] in lawful money of the United States; or

[ ] [if permitted] the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number:

_____

_____

_____

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

WARRANT TO PURCHASE SHARES

This Warrant is issued to _____ ("Holder") by XTI Aircraft Company, a Delaware corporation (the "Company"), in connection with consideration received from Holder.

1. Purchase of Shares. Subject to the terms and conditions hereinafter set forth, the Holder of this Warrant is entitled, upon surrender of this Warrant at the principal office of the Company (or at such other place as the Company shall notify the holder hereof in writing), to purchase from the Company up to _____ fully paid and non-assessable shares of the Company's Common Stock (each a "Share" and collectively the "Shares") at an exercise price of $____ per Share (such price, as adjusted from time to time, is herein referred to as the "Exercise Price").

2. Exercise Period. This Warrant shall be exercisable, in whole or in part, during the term commencing on the issuance date of this Warrant and ending at 5:00 p.m. Mountain Time on _____ (the "Exercise Period").

3. Method of Exercise. While this Warrant remains outstanding and exercisable in accordance with Section 2 above, Holder may exercise from time to time, in whole or in part, the purchase rights evidenced hereby. Such exercise shall be effected by:

(a) the surrender of the Warrant, together with a notice of exercise to the Secretary of the Company at its principal offices; and

(b) the payment to the Company of an amount equal to the aggregate Exercise Price for the number of Shares being purchased.

4. Certificates for Shares; Amendments of Warrants. Upon the exercise of the purchase rights evidenced by this Warrant, the Holder shall receive notice and evidence of the digital entry of the number of the Securities owned by undersigned reflected on the books and records of the Company and verified and by Computershare Trust Company, N.A. (the "Transfer Agent"), which books and records shall bear a notation that the Securities were sold in reliance upon Regulation A under the Securities Act of 1933, as amended (the "Securities Act"). Upon partial exercise, the Company shall promptly issue an amended Warrant representing the remaining number of Shares purchasable thereunder. All other terms and conditions of such amended Warrant shall be identical to those contained herein.

5. Issuance of Shares. The Company covenants that (a) the Shares, when issued pursuant to the exercise of this Warrant, will be duly and validly issued, fully paid and non-assessable and free from all taxes, liens, and charges with respect to the issuance thereof, (b) during the Exercise Period the Company will reserve from its authorized and unissued Common Stock sufficient Shares in order to perform its obligations under this Warrant.

6. Adjustment of Exercise Price and Number of Shares. The number of and kind of securities purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:

(a) Subdivisions, Combinations and Other Issuances. If the Company shall at any time before the expiration of this Warrant subdivide the Shares, by split-up or otherwise, or combine its Shares, or issue additional shares of its Shares as a dividend, the number of Shares issuable on the exercise of this Warrant shall forthwith be proportionately increased in the case of a subdivision or stock dividend, or proportionately decreased in the case of a combination. Appropriate adjustments shall also be made to

the purchase price payable per share, but the aggregate purchase price payable for the total number of Shares purchasable under this Warrant (as adjusted) shall remain the same. Any adjustment under this Section 6(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

(b) Reclassification, Reorganization and Consolidation. In case of any reclassification, capital reorganization, or change in the capital stock (including because of a change of control) of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 6(a) above), then the Company shall make appropriate provision so that the holder of this Warrant shall have the right at any time before the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, or change by a holder of the same number of Shares as were purchasable by the holder of this Warrant immediately before such reclassification, reorganization, or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the holder of this Warrant so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof, and appropriate adjustments shall be made to the purchase price per share payable hereunder, provided the aggregate purchase price shall remain the same.

(c) Notice of Adjustment. When any adjustment is required to be made in the number or kind of shares purchasable upon exercise of the Warrant, or in the Exercise Price, the Company shall promptly notify the holder of such event and of the number of Shares or other securities or property thereafter purchasable upon exercise of this Warrant.

7. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.

8. Representations of the Company. The Company represents that all corporate actions on the part of the Company, its officers, directors and stockholders necessary for the sale and issuance of this Warrant have been taken.

9. Representations and Warranties by Holder. The representations and warranties made by Holder in any agreement to which this Warrant was acquired are incorporated herein by reference, and the Holder agrees that any exercise of this Warrant shall constitute a reaffirmation of such representations and warranties at the date of such exercise.

10. Warrants Transferable. Subject to compliance with the terms and conditions of this Section 10, this Warrant and all rights hereunder are transferable, without charge to the holder hereof (except for transfer taxes), upon surrender of this Warrant properly endorsed or accompanied by written instructions of transfer. With respect to any offer, sale or other disposition of this Warrant or any Shares acquired pursuant to the exercise of this Warrant before registration of such Warrant or Shares, the holder hereof agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such holder's counsel, or other evidence, if requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Securities Act as then in effect or any federal or state securities law then in effect) of this Warrant or the Shares. Upon receiving such written notice and reasonably satisfactory opinion or other evidence, if so requested, the Company, as promptly as practicable, shall notify such holder that such holder may sell or otherwise dispose of this Warrant or such Shares, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 10 that the opinion of counsel for the holder or other evidence is not reasonably satisfactory to the Company, the Company shall so notify the holder promptly with details thereof after such determination has been made.

12. Rights of Stockholders. No holder of this Warrant shall be entitled, as a Warrant holder, to vote or receive dividends or be deemed the holder of the Shares or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, consolidation, merger, conveyance, or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until the Warrant shall have been exercised and the Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein.

13. Notices. All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given upon receipt or, if earlier, (a) five days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid or (d) one business day after the business day of facsimile transmission, if delivered by facsimile transmission with copy by first class mail, postage prepaid, and shall be addressed (i) if to the Holder, at the Holder's address as set forth in the Subscription Agreement and (ii) if to the Company, to

XTI AIRCRAFT COMPANY

c/o [__]

or at such other address as a party may designate by ten days advance written notice to the other party pursuant to the provisions above.

14. Governing Law. This Warrant and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of the state of Delaware.

15. Rights and Obligations Survive Exercise of Warrant. Unless otherwise provided herein, the rights and obligations of the Company, of the holder of this Warrant and of the holder of the Shares issued upon exercise of this Warrant, shall survive the exercise of this Warrant.

(Signature Page Follows)

THE COMPANY:

XTI AIRCRAFT COMPANY

By:__
(Signature)

Name:
Title:

Address: _____
Email: _____

ACCEPTED AND AGREED TO

THIS __ DAY OF _____, 20__:

HOLDER:

__
Signature

Name (typed):_____

Address:

EXHIBIT A

NOTICE OF EXERCISE

TO: XTI Aircraft Company

c/o [__]

Attention: President

1. The undersigned hereby elects to purchase _____ shares of Common Stock of XTI Aircraft Company (the "Shares") pursuant to the terms of the attached Warrant.

2. The undersigned elects to exercise the attached Warrant by means of a cash payment, and tenders herewith payment in full for the purchase price of the Shares being purchased, together with all applicable transfer taxes, if any.

3. Please issue a certificate or certificates representing said Shares in the name of the undersigned or in such other name as is specified below:

_____

(Name)

_____

_____

(Address)

4. The undersigned hereby represents and warrants that all representations and warranties of the undersigned set forth in Section 9 of the attached Warrant are true and correct as of the date hereof.

_____

(Signature)

_____

(Name)

_____ _____

(Date) (Title)

EXHIBIT B

FORM OF TRANSFER

(To be signed only upon transfer of Warrant)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the attached Warrant to purchase _____ shares of Common Stock of XTI Aircraft Company to which the attached Warrant relates, and appoints _____ Attorney to transfer such right on the books of XTI Aircraft Company, with full power of substitution in the premises.

Dated: _____

_____

(Signature must conform in all respects to
name of Holder as specified on the face
of the Warrant)

Address:

_____

_____

_____

Signed in the presence of:

_____

THE SECURITIES EVIDENCED BY THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY APPLICABLE STATE SECURITIES LAW, AND MAY NOT BE OFFERED, ASSIGNED, TRANSFERRED, PLEDGED, HYPOTHECATED, OR OTHERWISE DISPOSED OF IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, AND SUCH REGISTRATION OR QUALIFICATION AS MAY BE NECESSARY UNDER THE SECURITIES LAWS OF ANY STATE, OR (B) A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

XTI AIRCRAFT COMPANY

REPLACEMENT WARRANT TO PURCHASE COMMON STOCK

Dated as of December 16, 2022

1. Background. XTI Aircraft Company, a Delaware corporation (the "Company") previously granted [_____] a warrant to purchase 460,000 shares of common stock. Pursuant to Section 10 of the original warrant agreement, [____] notified the Company of its election to transfer the warrants to certain of its affiliates, including _____ and the Company consents to such transfer. To give effect to [____]'s requested transfers, the Company has issued Replacement Warrants to such affiliates.

2. Warrant Shares. This Replacement Warrant represents the right of _____ (the "Holder") to purchase _____ shares (the "Warrant Shares") of the Company's Common Stock, $0.001 par value per share (the "Common Stock") at the exercise price set forth in Section 4 below, and subject to adjustment from time to time as set forth herein.

3. Exercise Period. The right to exercise this Warrant expires on May 4, 2028 (the "Expiration Date").

4. Exercise Price. The exercise price ("Exercise Price") of this Warrant is $0.01 per Warrant Share, subject to adjustment from time to time as set forth herein.

5. Other Adjustments.

(a) Adjustment for Change in Common Stock. If the Corporation (A) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock, (B) subdivides or reclassifies its outstanding shares of Common Stock into a greater number of shares, or (C) combines or reclassifies its outstanding shares of Common Stock into a smaller number of shares (each, an "Adjustment Event"), the number of Warrant Shares issuable hereunder immediately prior to such Adjustment Event shall be proportionately adjusted so that the Holder will receive, upon exercise, the aggregate number and kind of shares of capital stock of the Corporation which it would have owned immediately following such Adjustment Event if the Holder had exercised this Warrant immediately prior to such Adjustment Event. The Exercise Price shall also be proportionately adjusted such that the aggregate Exercise Price for all the Warrant Shares issuable hereunder remains unchanged following such Adjustment Event.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination

or reclassification, and the adjustment shall be made successively whenever any Adjustment Event occurs.

(b) Adjustment for Reorganization. If the Corporation consolidates or merges with or into another person or entity, or sells all or substantially all of its assets or stock or enters into any other similar transaction, liquidation, recapitalization or reorganization (any such action, a "Reorganization"), there shall thereafter be deliverable, upon exercise of this Warrant and payment of a proportionately adjusted Exercise Price (in lieu of the number of Warrant Shares theretofore deliverable) the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock that would otherwise have been deliverable upon exercise of this Warrant would have been entitled upon such Reorganization if such Warrant had been exercised in full immediately prior to such Reorganization.

6. Representations and Warranties of Holder. With respect to this Warrant, the Holder represents and warrants to the Corporation as follows:

(a) Experience. It is experienced in evaluating and investing in companies engaged in businesses similar to that of the Corporation; it understands that investment in this Warrant involves substantial risks; it has made detailed inquiries concerning the Corporation, its business and services, its officers and its personnel; the officers of the Corporation have made available to Holder any and all written information it has requested; the officers of the Corporation have answered to Holder's satisfaction all inquiries made by it; in making this investment it has relied upon information made available to it by the Corporation; and it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of investment in the Corporation and it is able to bear the economic risk of that investment.

(b) Investment. It is acquiring this Warrant for investment for its own account and not with a view to, or for resale in connection with, any distribution thereof. It understands that this Warrant and the shares of Common Stock issuable upon exercise thereof have not been registered under the Securities Act, nor qualified under applicable state securities laws.

(c) Rule 144. It acknowledges that this Warrant and the Common Stock must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. It is aware of the provisions of Rule 144 promulgated under the Securities Act.

(d) Accredited Investor. It is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act.

7. Representations of the Corporation. The Corporation hereby represents, warrants and agrees as follows:

(a) Corporate Power. The Corporation has all requisite corporate power and corporate authority to issue this Warrant and to carry out and perform its obligations hereunder.

(b) Authorization. All corporate action on the part of the Corporation, its directors and stockholders necessary for the authorization, execution, delivery and performance by the Corporation of this Warrant has been taken. This Warrant is a valid and binding obligation of the Corporation, enforceable in accordance with its terms, except (i) as may be limited by bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights in general; (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies, and (iii) subject to general principles of equity.

(c) Offering. Subject in part to the truth and accuracy of Holder's representations set forth in Section 6 hereof, the offer, issuance and sale of this Warrant is, and the issuance of Warrant Shares will be, exempt from the registration requirements of the Securities Act, and are exempt from the

qualification requirements of any applicable state securities laws; and neither the Corporation nor anyone acting on its behalf will take any action hereafter that would cause the loss of such exemptions.

(d) Availability of Shares. The Corporation will reserve and keep available for issuance and delivery upon the exercise of this Warrant such number of its authorized but unissued shares of Common Stock or other securities of the Corporation as will be sufficient to permit the exercise in full of this Warrant. Upon issuance, each of the Warrant Shares will be validly issued, fully paid and nonassessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights.

(e) Listing; Stock Issuance. The Corporation shall secure and maintain the listing of the Warrant Shares upon each securities exchange or over-the-counter market upon which securities of the same class or series issued by the Corporation are listed, if any. Upon exercise of this Warrant, the Corporation will use its best efforts to cause stock certificates representing the shares of Common Stock purchased pursuant to the exercise to be issued in the names of Holder, its nominees or assignees, as appropriate at the time of such exercise.

8. No Voting Rights; Limitations of Liability. Prior to exercise, this Warrant will not entitle the Holder to any voting rights or other rights as a stockholder of the Corporation not granted herein. No provision of this Warrant, in the absence of affirmative action by the Holder to exercise this Warrant, and no enumeration in this Warrant of the rights or privileges of the Holder, will give rise to any liability of such Holder for the Exercise Price.

9. Exercise Procedure.

(a) To exercise this Warrant, the Holder must deliver to the principal office of the Corporation (prior to the Expiration Date) this Warrant, the subscription substantially in the form of Exhibit A attached hereto, and the Exercise Price. The Holder may deliver the Exercise Price by any of the following methods, at its option: (i) in legal tender, (ii) by bank cashier's or certified check, (iii) by wire transfer to an account designated by the Corporation, or (iv) in accordance with Section 9.Upon exercise, the Corporation, at its sole expense (including the payment of any documentary, stamp, issue or transfer taxes), will issue and deliver to Holder, within 10 days after the date on which the Holder exercises this Warrant, certificates for the Warrant Shares purchased hereunder. The Warrant Shares shall be deemed issued, and the Holder deemed the holder of record of such Warrant Shares, as of the opening of business on the date on which the Holder exercises this Warrant.

(b) In the event this Warrant is partially exercised, the Corporation shall issue and deliver to the Holder, within 10 days after the date of exercise, a new Warrant of like tenor to purchase that number of Warrant Shares with respect to which such partial exercise did not apply.

10. Cashless Payment.

(a) Right to Convert. In lieu of paying the applicable Exercise Price by legal tender, check, or wire transfer, the Holder may elect to convert this Warrant and receive that number of Warrant Shares equal to the quotient obtained by dividing:

[(A-B)(X)] by (A), where:

A = the Conversion Value (as defined below) of a share of Common Stock on the date of exercise;

B = the Exercise Price for a share of Common Stock;

X = the number of Warrant Shares (equal to or less than the number of Warrant Shares then issuable hereunder) as to which this Warrant is being converted.

(b) Conversion Value. For purposes of this Section, the Conversion Value of a share of Common Stock means:

(i) if the Common Stock is listed on a national securities exchange or admitted to unlisted trading privileges on any such exchange, then the average of the last reported sale price of the Common Stock for the five trading days prior to the date of exercise of this Warrant (or the average closing bid and asked prices for each such day if no such sale is made on such day);

(ii) if clause (i) does not apply, and if the prices are reported by the OTC Markets Group, Inc. or any successor thereto, then the average of the means of the last reported bid and asked prices reported for the five trading days prior to the date of exercise of this Warrant; and

(iii) in all other cases, the per share value as determined by the Board of Directors of the Corporation in good faith.

11. Securities Laws. Neither the sale of this Warrant nor the issuance of any of the Warrant Shares upon exercise of this Warrant have been registered under the Act or under the securities laws of any state. The issuance of the Warrant Shares upon exercise of this Warrant shall be subject to compliance with all applicable Federal and state securities laws. Until the Warrant Shares have been registered under the Act and registered and qualified under the securities laws of any state in question, the Corporation shall cause each certificate evidencing any Warrant Shares to bear the following legend and such other legends as may be required by applicable law:

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE. THE SHARES MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, AND SUCH REGISTRATION OR QUALIFICATION AS MAY BE NECESSARY UNDER THE SECURITIES LAWS OF ANY STATE, OR (B) A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

Before any proposed sale, pledge, or transfer of any Warrant Shares, unless there is in effect a registration statement under the Act covering the proposed transaction, the Holder thereof shall give notice to the Corporation of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Corporation, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel reasonably satisfactory to the Corporation, addressed to the Corporation, to the effect that the proposed transaction may be effected without registration under the Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Warrant Shares without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Corporation to the effect that the proposed sale, pledge, or transfer of the Warrant Shares may be effected without registration under the Act, whereupon the Holder of such Warrant Shares shall be entitled to sell, pledge, or transfer such Warrant Shares in accordance with the terms of the notice given by the Holder to the Corporation. Notwithstanding anything herein to the contrary, the Corporation shall not require Holder to provide an opinion of counsel or "no action" letter in the event of a transfer to any affiliate of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Corporation shall also not require an opinion of counsel or "no action" letter if there is no material question as to the availability of Rule 144 promulgated under the Act.

12. Information Rights. The Corporation will, at all reasonable times during the Corporation's normal business hours and upon reasonable notice and as often as the Holder shall reasonably request, permit any authorized representative designated by the Holder to visit and inspect any of its properties, including, without limitation, its books and records (and to make copies and extracts therefrom), and to discuss their affairs, finances and accounts with their officers, for the purposes of monitoring the Holder's investment in the Corporation; provided, however, that the Holder and each representative thereof shall be bound by the confidentiality provisions of the Letter Agreement with respect to any information obtained in connection

with the rights set forth herein; and provided, further, that Holder and each representative thereof shall use its best efforts not to interfere with the operations of the Corporation in connection with its implementation of this provision. In addition, the Corporation will provide the Holder with such quarterly and annual financial statements and reports as it makes available to the holders of its Preferred Stock whenever such materials are provided to such holders.

13. Transfer. The Corporation will register this Warrant on its books and keep such books at its offices. To effect a transfer permitted by Section 12 hereof, the Holder must present (either in person, or by duly authorized attorney) written notice in form and substance reasonably satisfactory to the Corporation. To prevent a transfer in violation of Section 12, the Corporation may issue appropriate stop orders to its transfer agent.

14. Replacement of Warrant. If the Holder provides evidence that this Warrant or any certificate or certificates representing the Warrant Shares have been lost, stolen, destroyed or mutilated, the Corporation (at the request and expense of the Holder) will issue a replacement warrant upon reasonably satisfactory indemnification by the Holder (if required by the Corporation).

15. Governing Law. The internal laws of the State of Delaware (other than its conflicts of law rules) govern this Warrant.

IN WITNESS WHEREOF, the Corporation has caused this Warrant to be duly executed and delivered on its behalf by the officer whose signature appears below, as of the date first written above.

XTI AIRCRAFT COMPANY

By:

Name:

Title:

EXHIBIT A

Irrevocable Subscription

To:_____

_____The undersigned hereby elects to exercise its right under the attached Warrant by purchasing ____shares of the Common Stock of XTI Aircraft Company, a corporation organized under the laws of the State of Delaware, and hereby irrevocably subscribes to such issue. The certificates for such shares shall be issued in the name of:

(Name)

(Address)

(Taxpayer Number)

and delivered to:

(Name)

(Address)

□ PAYMENT EXERCISE: The aggregate Exercise Price of $__ per share is enclosed. or

□ CASHLESS EXERCISE: In lieu of payment of the aggregate Exercise Price hereof, the attached Warrant is being exercised in accordance with Section 9 thereof.

Date: ____

Signed: _____(Name of Holder, Please Print)

(Address)

(Signature)

CERTAIN INFORMATION CONTAINED IN THIS EXHIBIT HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE REGISTRANT HAS DETERMINED THAT IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. REDACTED INFORMATION IS INDICATED BY [***]

NEITHER THE SECURITIES REPRESENTED HEREBY NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR UNDER THE SECURITIES LAWS OF ANY STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. UNLESS SOLD PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

Issued: February 2, 2022

WARRANT TO PURCHASE SHARES
of
XTI AIRCRAFT COMPANY

THIS CERTIFIES THAT, for value received, [***], or its registered assigns (the "**Holder**"), is entitled, subject to the terms and conditions set forth herein, to purchase from **XTI AIRCRAFT COMPANY**, a Delaware corporation (the "**Company**"), Shares (as defined below), in the amounts, at such times and at the price per share set forth herein. The term "**Warrant**" as used herein shall include this Warrant and any warrants delivered in substitution or exchange therefor as provided herein.

1. Purchase of Shares. Subject to the terms and conditions herein, the Holder is entitled, upon surrender of this Warrant to the Company, to purchase from the Company up to 6,357,474 (Six Million Three Hundred Fifty Seven Thousand Four Hundred Seventy Four) shares ("**Shares**") of the Company's common stock, par value $0.001 per share (**"Common Stock"**), as adjusted pursuant to Section 7 hereof.

2. Exercise Price and Exercise Period.

2.1 Exercise Price. The exercise price for the Shares shall be $0.01 per Share (the **"Exercise Price"**), subject to adjustment under Section 7 hereof.

2.3 Expiration Date. This Warrant shall be exercisable, in whole or in part, at any time and from time to time on or before the earliest of immediately prior to the closing of (subject to Section 4 hereof) (i) a Liquidation Event or (ii) 5:00 p.m. Pacific time on the 7th anniversary (the **"Expiration Date"**) of the date of the Aircraft Purchase Agreement between [***] and the Company dated February 2, 2022 (the **"Purchase Agreement"**)

2.4 Vesting. The purchase rights represented by this Warrant may be exercised by the Holder, only with respect to that number of Shares as to which this Warrant has vested. The Warrant shall vest as follows:

(a) One third (1/3rd) of the Shares shall vest upon the execution and delivery of the Purchase Agreement.

(b) One third (1/3rd) of the Shares shall vest: (i) in the event that XTI is acquired by a special purchase acquisition corporation (SPAC) and [***], in its sole discretion, invests a minimum of US$10M in any private investment in public equity (PIPE) consummated in connection with such SPAC transaction, or (ii) upon the occurrence of any other Liquidation Event resulting in a change of control of XTI; and

(c) One third (1/3rd) of the shares shall vest upon acceptance of delivery and final purchase by [***] of the first XTI Aircraft contemplated by the Purchase Agreement.

2.5 Definitions. As used herein:

"**Airline**" means an air carrier or any Affiliate thereof (other than [***] and its successors and its and their Affiliates).

"**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Person.

"**Control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, for so long as the control exists. "**Controlled**" has a meaning analogous thereto.

"Liquidation Event" means (i) a merger or consolidation of the Company or a subsidiary of the Company in which the Company issues or exchanges shares of its capital stock pursuant to such merger or consolidation (excluding a transaction effected solely for purposes of changing the Company's jurisdiction of incorporation), other than a merger or consolidation in which the holders of the voting securities of the Company outstanding immediately prior to such transaction retain, following such transaction, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving entity (or if the Company or such surviving entity is a subsidiary immediately following such transaction, its parent), (ii) an acquisition of the outstanding voting securities of the Company, in a single transaction or series of related transactions, other than an acquisition in which the holders of the voting securities of the Company outstanding immediately prior to such transaction retain, following such transaction, at least a majority of the total voting power represented by the outstanding voting securities of the Company, (iii) the sale, lease, transfer, license or other disposition of all or substantially all of the assets, business, technology or intellectual property of the Company, in a single transaction or series of related transactions, or (iv) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. Notwithstanding the foregoing, a merger or reverse merger involving the Company and a special purpose acquisition company or similar entity (a "**SPAC Transaction**") shall not be a Liquidation Event.

3. Method of Exercise.

(a) Cash Exercise. The purchase rights represented by this Warrant may be exercised by the Holder, in whole or in part, by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company, and by the payment to the Company, by certified, cashier's or other check acceptable to the Company or by wire transfer to an account designated by the Company, of an amount equal to the aggregate Exercise Price of the Shares being purchased.

(b) Net Issue Exercise. In lieu of exercising this Warrant, the Holder may elect to receive Shares equal to the value of this Warrant (or the portion thereof being canceled) by surrender of this Warrant at the principal office of the Company together with notice of such election, in which event the Company shall issue to the Holder a number of Shares computed using the following formula:

$$X = \frac{Y (A-B)}{A}$$

Where: X = the number of the Shares to be issued to the Holder.

Y = the number of the Shares exercisable under this Warrant.

A = the fair market value of one Share on the date of determination.

B = the per share Exercise Price (as adjusted to the date of such calculation).

(c) Automatic Cashless Exercise. To the extent that there has not been an exercise by the Holder pursuant to Section 3(a) or 3(b) hereof, any portion of the Warrant that remains exercisable but unexercised shall be exercised automatically to the extent exercisable, upon the Expiration Date (including a Liquidation Event) pursuant to the mechanics described in Section 3(b).

(d) Fair Market Value. For purposes of this Section 3(b), the per share fair market value of the Shares shall mean: (i) if the Common Stock is publicly traded, the average of the closing prices of the Common Stock on the principal exchange on which the Common Stock is listed or if the Common Stock is not so listed, as quoted on the Over-the-Counter Bulletin Board, in each case for the fifteen trading days ending five trading days prior to the date of determination of fair market value, the initial price to public if exercised in connection with the Company's firmly committed underwritten initial public offering (an "**IPO**") or the reference price if exercised in connection with the Company's direct listing upon the effectiveness of a registration statement filed under the Securities Act that registers shares of existing capital stock of the Company for resale not pursuant to an underwritten offering (a "**Direct Listing**"); (ii) if the Common Stock is not so publicly traded, the per share fair market value of the Shares shall be such fair market value as is determined in good faith by the Board of Directors of the Company after taking into consideration factors it deems appropriate, including, without limitation, recent valuations undertaken by the Company, recent bona fide offers to acquire the Company or make a substantial equity investment and/or sale and offer prices of the capital stock of the Company in private transactions negotiated at arm's length; and (iii) in the event the Warrant is exercised in connection

with a Liquidation Event, the per-share fair market value shall be equal to the consideration received by holders of Common Stock in such Liquidation Event.

4. Notice of a Liquidation Event. In the event that, prior to the expiration of this Warrant, the Company anticipates a Liquidation Event, the Company shall notify the Holder in writing at least ten business days prior to the closing of such Liquidation Event (and such notice shall include the purchase price and amounts distributable to holders of Shares).

5. Certificates for Shares. As soon as practicable upon the exercise of this Warrant, the Company shall issue the Holder a certificate or book-entry entitlement for the number of Shares so purchased and, if such exercise is in part, a new warrant (dated the date hereof) of like tenor representing the remaining number of Shares purchasable under this Warrant.

6. Issuance of Shares. The Company covenants that the Shares, when issued pursuant to the exercise of this Warrant, will be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof.

7. Adjustment of Exercise Price and Number of Shares. The number of and kind of securities purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows (but not so as to result in any double adjustment and only as to preserve relative present value):

7.1 Merger, Consolidation or Sale of Assets. If at any time there shall be a merger or a consolidation of the Company with or into another entity when the Company is not the surviving entity, or a sale of all or substantially all of the assets of the Company in one or a series of related transactions, then, as part of such merger, consolidation or sale of assets, lawful provision shall be made so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the aggregate Exercise Price then in effect, the number of shares of stock or other securities or property (including cash) of the successor entity resulting from such merger, consolidation or sale, to which the Holder as the holder of the Common Stock deliverable upon exercise of this Warrant would have been entitled in such merger, consolidation or sale if this Warrant had been exercised immediately before such merger, consolidation or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after the merger, consolidation or sale. This provision shall apply to successive mergers or consolidations. For the avoidance of doubt, in connection with a SPAC Transaction, the rights and interests of the Holder under this Warrant will be replicated in an equivalent warrant for securities issued in the SPAC Transaction.

7.2 Reclassification, Recapitalization, etc. If the Company at any time shall, by subdivision, combination or reclassification of securities, recapitalization, automatic conversion, or other similar event affecting the number or character of outstanding shares of Common Stock, or otherwise, change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such subdivision, combination, reclassification or other change (and the term “Common Stock” as used in this Section 7 shall thereafter refer to such other type or class of securities, as applicable).

7.3 Split, Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall split, subdivide or combine the securities as to which purchase rights under this Warrant exist, the Exercise Price shall be proportionately decreased in the case of a split or subdivision or proportionately increased in the case of a combination.

7.4 Common Stock Dividends. If the Company at any time while this Warrant is outstanding and unexpired pays a dividend with respect to Common Stock payable in shares of Common Stock, or make any other distribution with respect to Common Stock payable in shares of Common Stock, then the Exercise Price shall be adjusted, from and after the date of determination of the shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

7.5 Other Dividends. In case the Company at any time pays a dividend or makes a distribution on its Common Stock (other than a dividend or distribution in shares of Common Stock), the Holder shall have the right thereafter to receive upon the exercise of this Warrant, in addition to the shares of Common Stock deliverable upon such exercise, the cash or kind and amount of other securities and property which the Holder would have been entitled to receive if the Holder had exercised this Warrant immediately prior to the record date for the determination of stockholders entitled to receive such dividend or distribution. The amount of any such other securities and property which the Holder shall thereafter be entitled to receive upon the exercise of this Warrant shall be subject to adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to those contained herein with respect to the Common Stock of the Company. The provisions of this Section 7.5 shall similarly apply to successive dividends or distributions of the character specified above.

7.6 Adjustment of Number of Shares. Whenever an adjustment is made in the Exercise Price pursuant to Sections 7.1 through 7.5, the total number of shares of Common Stock acquired upon exercise of this Warrant shall also be adjusted, to the nearest whole Share, to the product obtained by multiplying the number of shares of Common Stock purchasable immediately prior to such adjustment in the Exercise Price by a fraction (i) the numerator of which shall be the Exercise Price immediately prior to such adjustment, and (ii) the denominator of which shall be the Exercise Price immediately after such adjustment.

7.7 Notice of Adjustments; Other Notices. Whenever the Exercise Price or number or type of securities issuable hereunder shall be adjusted pursuant to any provision of this Section 7, the Company shall issue and provide to the Holder, subject to the following sentence, prior written notice setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated and the Exercise Price and number of shares of Common Stock purchasable hereunder after giving effect to such adjustment. In addition, so long as this Warrant shall be outstanding, (i) if the Company shall declare any dividend or make any distribution upon the Common Stock or (ii) if any capital reorganization of the Company, reclassification of the capital stock of the Company, consolidation or merger of the Company with or into another entity, sale, lease or transfer of all or substantially

all of the property and assets of the Company, or voluntary or involuntary dissolution, liquidation or winding up of the Company shall be effected, where such aforementioned events are not within the Liquidation Event, then in each such case, the Company shall cause to be mailed to the Holder, at least fifteen days prior to the date specified in (x) or (y) below, as the case may be, a notice containing a brief description of the proposed action and stating the date on which (x) a record is to be taken for the purpose of such dividend or distribution, or (y) such reclassification, reorganization, consolidation, merger, conveyance, lease, dissolution, liquidation or winding up is to take place and the date, if any is to be fixed, as of which the holders of Common Stock or other securities shall receive cash or other property deliverable upon such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

8. Reservation of Stock. The Company agrees during the term the rights under this Warrant are exercisable to reserve and keep available from its authorized and unissued shares of Common Stock for the purpose of effecting the delivery upon exercise of this Warrant such number of validly issued, fully paid and nonassessable shares of Common Stock as shall from time to time be deliverable upon the exercise of this Warrant.

9. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional Shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional Shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.

10. Representations and Warranties of the Company. The Company represents and warrants to the Holder as follows:

(a) The execution and delivery of this Warrant have been duly and properly authorized by all requisite corporate action of the Company, and no consent of any other person is required as a prerequisite to the validity and enforceability of this Warrant that has not been obtained. The Company has the full legal right, power and authority to execute and deliver this Warrant and to perform its obligations hereunder.

(b) The Company is not a party to or otherwise subject to any contract or agreement that restricts or otherwise affects its right to execute and deliver this Warrant or to perform its obligations hereunder (including the issuance of Shares), except where all necessary consents or waivers have been obtained. Neither the execution, delivery nor performance of this Warrant (including the issuance of Shares) will conflict with, result in a breach of the terms, conditions or provisions of, constitute a default under, result in any violation of, result in the creation of any lien upon any properties of the Company under, require any consent, approval or other action by or notice to or filing with any court or governmental body pursuant to, the Company's certificate of incorporation or bylaws, any award of any arbitrator or any agreement, instrument or law to which the Company is subject or by which it is bound, other than such consent, approval or action which has been obtained prior to the date hereof.

(c) The issuance of this Warrant is, and assuming the continuing accuracy of the Holder's representations and warranties herein and no change in applicable law, the issuance of the Shares upon exercise of this Warrant will be, exempt from registration and qualification under applicable federal and state securities laws.

(d) The Warrant Shares, when issued pursuant to the terms hereof, will be fully paid, nonassessable, and not subject to any liens or encumbrances.

11. Representations and Warranties by the Holder. The Holder represents and warrants to the Company as follows:

(a) This Warrant and the Shares issuable upon exercise hereof are being acquired for its own account, for investment and not with a view to, or for resale in connection with, any distribution or public offering within the meaning of the Act.

(b) The Holder understands that this Warrant and the Shares have not been registered under the Act by reason of their issuance in a transaction exempt from the registration and prospectus delivery requirements of the Act pursuant to Section 4(a)(2) thereof, and that the Holder bears the economic risk of such investment, unless a subsequent disposition thereof is registered under the Act or is exempt from or not subject to such registration.

(c) The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the acquisition of this Warrant and the Shares purchasable pursuant to the terms of this Warrant.

(d) The Holder is able to bear the economic risk of the purchase of the Shares.

12. Warrants Nontransferable. This Warrant is nontransferable except with the consent of the Company.

13. Notices. All notices hereunder shall be effective when given, and shall be deemed to be given upon receipt or, if earlier, (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid or (d) one business day after the business day of facsimile or email transmission, if delivered by facsimile or email transmission with copy by first class mail, postage prepaid, and shall be addressed (i) if to the Holder, at [***], and (ii) if to the Company, at XTI Aircraft Company, 7625 S. Peoria St., Suite 216A, Englewood, CO 80112, Attn: President, Email: [***], with copy to [***] or at such other address as the Holder or the Company (as applicable) shall have furnished in writing.

14. "Market Stand-Off" Agreement. The Holder shall not sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, of any Common Stock (or other securities) of the Company held by the Holder (other than those included in the registration) during a period of up to one hundred eighty (180) days following the effective date of the registration statement for the Company's underwritten initial public offering filed under the Act or such shorter period to which the Company or any officer, director or shareholder of the Company, or other Airline, is subject under the terms and conditions of such underwritten initial public offering (it being understood that if such shorter period applies to only a portion of the shares held by such officer, director or shareholder or other Airline, such shorter period shall be applied to the same proportion of the Holder's Common Stock). Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall also apply ratably to the Holder's Common Stock. The Company may impose stop-transfer with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of such one

hundred eighty (180) day (or other) period. The Holder agrees to execute a market standoff agreement with said underwriters in customary form consistent with the provisions of this Section.

15. Right to Conduct Activities. The Company, on behalf of itself and its Affiliates, hereby agrees and acknowledges that [***] (together with its Affiliates, "[***]") is an airline with diverse operations, business arrangements with many third parties, and makes investments in unrelated companies, some of which may compete directly or indirectly with the Company's business. The Company hereby agrees that [***] shall not be liable to the Company for any claim arising out of, or based upon, (i) the investment by [***] (or its Affiliates) in any entity competitive with the Company, or (ii) actions taken by any officer, employee or other representative of [***] (or its Affiliates) to assist any such competitive company, whether or not such action was taken as a member of the board of directors of such competitive company or otherwise, and whether or not such action has a detrimental effect on the Company; provided, however, that the foregoing shall not relieve [***] from liability associated with the unauthorized disclosure or unauthorized use of the Company's confidential information obtained pursuant to this agreement, the Purchase Agreement or the Non-Disclosure Agreement between the Company and [***] dated June 7, 2021. .

16. Noncircumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation or Bylaws, or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issuance or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all of the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrants, the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Warrants then outstanding (without regard to any limitations on exercise).

17. Governing Law. This Warrant shall be governed by the laws of the State of Delaware, without regard to the conflicts of law provisions of any jurisdiction. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF THIS AGREEMENT IS HEREBY WAIVED.

18. Amendments and Waivers. No modification of or amendment to this Warrant, nor any waiver of any rights under this Warrant, will be effective unless in a writing signed by both parties. Waiver by the Holder of a breach of any provision of this Warrant will not operate as a waiver of any other or subsequent breach.

19. No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Warrant and in

taking all such action as may be necessary or appropriate to protect the Holder's rights under this Warrant against impairment.

20. Counterparts. The Warrant may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Facsimile copies or pdf copies of signature pages shall be binding originals.

[Signature page follows]

The Company has caused this Warrant to be issued as of the date first written above.

XTI AIRCRAFT COMPANY
By:_____
Name:
Title:

ACKNOWLEDGED AND AGREED
(and the Holder hereby makes the representations and warranties by Holder set forth above):

HOLDER:
By:_____
Name:
Title:

EXHIBIT A

NOTICE OF EXERCISE

TO: XTI Aircraft Company
7625 S. Peoria Street, Suite 216A Englewood, CO 80112

1. The undersigned hereby elects to purchase__shares of XTI Aircraft Company pursuant to the terms of the attached Warrant.

2. Method of Exercise (Please initial the applicable blank):

The undersigned elects to exercise the attached Warrant by means of a cash payment, and tenders herewith or by concurrent wire transfer payment in full for the purchase price of the shares being purchased, together with all applicable transfer taxes, if any.

__ The undersigned elects to exercise the attached Warrant by means of the net exercise provisions of Section 3(b) of the Warrant.

3. Please issue a certificate or certificates, including book-entry entitlements, representing said Shares in the name of the undersigned or in such other name as is specified below:

(Name)

(Address)

4. The undersigned hereby represents and warrants that the aforesaid Shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale, in connection with the distribution thereof, and that the undersigned has no present intention of distributing or reselling such shares and all representations and warranties of the undersigned set forth in the attached Warrant are true and correct as of the date hereof.

(Signature)

(Name)

(Date) (Title)

NEITHER THE SECURITIES REPRESENTED HEREBY NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. UNLESS SOLD PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

Issued: _____, 20__

WARRANT TO PURCHASE SHARES

of

XTI AIRCRAFT COMPANY

THIS CERTIFIES THAT, for value received, _____, or its registered assigns (the "Holder"), is entitled, subject to the terms and conditions set forth herein, to purchase from XTI AIRCRAFT COMPANY, a Delaware corporation (the "Company"), Shares of Common Stock (each, as defined below), in the amounts, at such times and at the price per share set forth herein. The term "Warrant" as used herein shall include this Warrant and any warrants delivered in substitution or exchange therefor as provided herein.

1. Purchase of Shares. Subject to the terms and conditions herein, the Holder is entitled, upon surrender of this Warrant to the Company, to purchase from the Company up to **_____ shares** of the Company's common stock ("Common Stock"), as adjusted pursuant to Section 8 hereof. As used herein, the term "Shares" means the shares of Common Stock purchasable upon exercise of this Warrant.

2. Exercise Price and Exercise Period.

2.1. Exercise Price. The exercise price for the Shares shall be **$____** per Share (the "Exercise Price"), subject to adjustment under Section 8 hereof.

2.2. Exercise Period; Expiration Date. This Warrant shall be exercisable, in whole or in part, at any time and from time to time on or before **_____, 20__**.

3. Definitions. As used herein:

"Liquidation Event" means (i) a merger or consolidation of the Company or a subsidiary of the Company in which the Company issues or exchanges shares of its capital stock pursuant to such merger or consolidation (excluding a transaction effected solely for purposes of changing the Company's jurisdiction of incorporation), other than a merger or consolidation in which the holders of the voting securities of the Company outstanding immediately prior to such transaction retain, following such transaction, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving entity (or if the Company or such surviving entity is a subsidiary

immediately following such transaction, its parent), (ii) an acquisition of the outstanding voting securities of the Company, in a single transaction or series of related transactions, other than an acquisition in which the holders of the voting securities of the Company outstanding immediately prior to such transaction retain, following such transaction, at least a majority of the total voting power represented by the outstanding voting securities of the Company, (iii) the sale, lease, transfer, license or other disposition of all or substantially all of the assets, business, technology or intellectual property of the Company, in a single transaction or series of related transactions, or (iv) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary. Notwithstanding the foregoing, a merger or reverse merger involving the Company and a special purpose acquisition company or similar entity (a so called "SPAC Transaction") shall not be a Liquidation Event.

4. Exercise. The purchase rights represented by this Warrant may be exercised by the Holder, in whole or in part, by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company, and by the payment to the Company, by certified, cashier's or other check acceptable to the Company or by wire transfer to an account designated by the Company, of an amount equal to the aggregate Exercise Price of the Shares being purchased.

5. Notice of a Liquidation Event. While this Warrant is outstanding, the Company shall notify the Holder in writing at least ten (10) business days prior to the closing of any Liquidation Event, which notice shall include the amounts, if any, expected to be distributable to holders of Shares upon the exercise of this Warrant.

6. Certificates for Shares. As soon as practicable upon the exercise of this Warrant, the Company shall issue the Holder a certificate or book-entry entitlement for the number of Shares so purchased and, if such exercise is in part, a new warrant (dated the date hereof) of like tenor representing the remaining number of Shares purchasable under this Warrant.

7. Issuance of Shares. The Company covenants that the Shares, when issued pursuant to the exercise of this Warrant, will be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issuance thereof.

8. Adjustment of Exercise Price and Number of Shares. The number of and kind of securities purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows (but not so as to result in any double adjustment and only as to preserve relative present value):

8.1. Merger, Consolidation or Sale of Assets. If while this Warrant is outstanding there shall be a merger or a consolidation of the Company with or into another entity when the Company is not the surviving entity, or a sale of all or substantially all of the assets of the Company in one or a series of related transactions, then, as part of such merger, consolidation or sale of assets, lawful provision shall be made so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the Exercise Price then in effect, the number of shares of stock or other securities or property (including cash) of the successor entity resulting from such merger, consolidation or sale, that the Holder would have received had this Warrant been exercised in full immediately before such merger, consolidation or sale. This provision shall apply to successive mergers or consolidations.

8.2. Reclassification, Recapitalization, etc. If while this Warrant is outstanding, the Company shall, by subdivision, combination or reclassification of securities, recapitalization, automatic conversion, or other similar event affecting the number or character of outstanding shares of Common Stock, change Common Stock purchasable under this Warrant into the same or a different number of securities of any other class or classes, then (i) this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change if this Warrant had been exercised immediately prior to such subdivision, combination, reclassification or other change (and the term "Common Stock" as used in this Section 8 shall thereafter refer to such other type or class of securities, as applicable) and (ii) the per share Exercise Price shall be proportionately decreased in the case of a split or subdivision or proportionately increased in the case of a combination.

8.3. Dividends Payable in Common Stock. If while this Warrant is outstanding, the Company declares a dividend with respect to Common Stock payable in Common Stock, then the Exercise Price shall be adjusted, from and after the date of determination of the stockholders entitled to receive such dividend to that price determined by multiplying the Exercise Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

8.4. Notice of Adjustments; Other Notices. Whenever the Exercise Price or number or type of securities issuable hereunder shall be adjusted pursuant to any provision of this Section 8, the Company shall issue and provide to the Holder, prior written notice setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated and the Exercise Price and number of Shares of Common Stock purchasable hereunder after giving effect to such adjustment.

In addition, so long as this Warrant remains outstanding, if the Company proposes to (i) declare any dividend or make any distribution upon the Common Stock or (ii) effect any Liquidation Event, then in each such case, the Company shall cause to be mailed to the Holder, at least ten (10) days prior to the date specified in (x) or (y) below, as the case may be, a notice containing a brief description of the proposed action and stating the date on which (x) a record is to be taken for the purpose of such dividend or distribution, or (y) such reclassification, reorganization, consolidation, merger, conveyance, lease, dissolution, liquidation or winding up is to take place and the date, if any is to be fixed, as of which the holders of Common Stock or other securities shall receive cash or other property deliverable upon such reclassification, reorganization, consolidation, merger, conveyance, dissolution, liquidation or winding up.

9. Reservation of Stock. The Company agrees that while this Warrant is exercisable it will reserve and keep available from its authorized and unissued shares of Common Stock for the purpose of effecting the delivery upon exercise of this Warrant such number of validly issued, fully paid and nonassessable shares of Common Stock as shall from time to time be deliverable upon the exercise of this Warrant.

10. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional Shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional Shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.

11. No Impairment. The Company shall not, by amendment of its Certificate of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Warrant and in taking all such action as may be necessary or appropriate to protect the Holder's rights under this Warrant against impairment.

12. Representations and Warranties of the Company. The Company represents and warrants to the Holder as follows:

12.1. The Company has the full legal right, power and authority to execute and deliver this Warrant and to perform its obligations hereunder.

12.2. The execution and delivery of this Warrant have been duly and properly authorized by all requisite corporate action of the Company, and no consent of any other person is required as a prerequisite to the validity and enforceability of this Warrant that has not been obtained.

12.3. The Warrant Shares, when issued pursuant to the terms hereof, will be fully paid, nonassessable, and not subject to any liens or encumbrances.

12.4. The Company is not a party to or otherwise subject to any contract or agreement that restricts or otherwise limits its right to execute and deliver this Warrant or to perform its obligations hereunder (including the issuance of Shares), except where all necessary consents or waivers have been obtained. Neither the execution, delivery nor performance of this Warrant (including the issuance of Shares) will conflict with, result in a breach of the terms, conditions or provisions of, constitute a default under, result in any violation of, result in the creation of any lien upon any properties of the Company under, require any consent, approval or other action by or notice to or filing with any court or governmental body pursuant to, the Company's certificate of incorporation or bylaws, any award of any arbitrator or any agreement, instrument or law to which the Company is subject or by which it is bound, other than such consent, approval or action which has been obtained prior to the date hereof.

12.5. The issuance of this Warrant is, and assuming the continuing accuracy of the Holder's representations and warranties herein and no change in applicable law, the issuance of the Shares upon exercise of this Warrant will be, exempt from registration and qualification under applicable federal and state securities laws.

13. Representations and Warranties by the Holder. The Holder represents and warrants to the Company as follows:

13.1. This Warrant and the Shares issuable upon exercise hereof are being acquired for its own account, for investment and not with a view to, or for resale in connection with, any distribution or public offering within the meaning of the Act.

13.2. The Holder understands that this Warrant and the Shares have not been registered under the Act by reason of their issuance in a transaction exempt from the registration and prospectus delivery requirements of the Act pursuant to Section 4(a)(2) thereof, and that the Holder bears the economic risk of such investment, unless a subsequent disposition thereof is registered under the Act or is exempt from or not subject to such registration.

13.3. The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the acquisition of this Warrant and the Shares purchasable pursuant to the terms of this Warrant.

13.4. The Holder is able to bear the economic risk of the purchase of the Shares.

14. Warrants Nontransferable. This Warrant is nontransferable except with the consent of the Company; provided, however, that this Warrant may be assigned by Holder to any permitted assignee or permitted transferee of that certain Convertible Promissory Note, dated as of the date hereof, issued by the Company to Holder.

15. Notices. All notices hereunder shall be effective when given, and shall be deemed to be given upon receipt or, if earlier, (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid or (d) one business day after the business day of facsimile or email transmission, if delivered by facsimile or email transmission with copy by first class mail, postage prepaid, and shall be addressed (i) if to the Holder, at [•] or (ii) if to the Company, at [•] or at such other address as the Holder or the Company (as applicable) shall have furnished in writing.

16. "Market Stand-Off" Agreement. The Holder shall not sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, of any Common Stock (or other securities) of the Company held by the Holder (other than those included in the registration) during a period of up to one hundred eighty (180) days following the effective date of the registration statement for a Company underwritten public offering filed under the Act or such shorter period to which the Company or any officer, director or shareholder of the Company, is subject under the terms and conditions of such underwritten public offering (it being understood that if such shorter period applies to only a portion of the shares held by such officer, director or shareholder, such shorter period shall be applied to the same proportion of the Holder's Common Stock). Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall also apply ratably to the Holder's Common Stock. The Company may impose stop-transfer with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of such one hundred eighty (180) day (or other) period. The Holder agrees to execute a market standoff agreement with said underwriters in customary form consistent with the provisions of this Section.

17. Governing Law. This Warrant shall be governed by the laws of the State of Delaware without regard to the conflicts of law provisions of any jurisdiction. Venue shall be exclusively in state or federal court in Denver, Colorado. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF THIS AGREEMENT IS HEREBY WAIVED.

18. Amendments and Waivers. No modification of or amendment to this Warrant, nor any waiver of any rights under this Warrant, will be effective unless in a writing signed by both parties. Waiver by the Holder of a breach of any provision of this Warrant will not operate as a waiver of any other or subsequent breach.

[Balance of this page intentionally left blank. Signature page follows.]

19. Counterparts. The Warrant may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Facsimile copies or pdf copies of signature pages shall be binding originals.

The Company has caused this Warrant to be issued as of the date first written above.

XTI AIRCRAFT COMPANY

By:_____
Name: Michael Hinderberger
Title: Chief Executive Officer

ACKNOWLEDGED AND AGREED
(and the Holder hereby makes the representations and warranties by Holder set forth above):

HOLDER:

By: _____
Name:

EXHIBIT A

NOTICE OF EXERCISE

TO: XTI Aircraft Company

7625 S. Peoria Street
Unit D11
Englewood, Colorado 80112

Attention: Chief Financial Officer

1. The undersigned hereby elects to purchase _____ shares of XTI Aircraft Company pursuant to the terms of the attached Warrant.

2. The undersigned tenders herewith or by concurrent wire transfer payment in full for the purchase price of the Shares being purchased, together with all applicable transfer taxes, if any.

3. Please issue a certificate or certificates, including book-entry entitlements, representing said Shares in the name of the undersigned or in such other name as is specified below:

_____
(Name)

_____

_____
(Address)

4. The undersigned hereby represents and warrants that the aforesaid Shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale, in connection with the distribution thereof, and that the undersigned has no present intention of distributing or reselling such shares and all representations and warranties of the undersigned set forth in the attached Warrant are true and correct as of the date hereof.

_____
(Signature)

_____
(Name)

_____
(Date)

_____
(Title)

CERTAIN INFORMATION CONTAINED IN THIS EXHIBIT HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE REGISTRANT HAS DETERMINED THAT IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. REDACTED INFORMATION IS INDICATED BY [***]

NEITHER THE SECURITIES REPRESENTED HEREBY NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR UNDER THE SECURITIES LAWS OF ANY STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. UNLESS SOLD PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

Issued: March 11, 2024

AMENDMENT 2 TO

WARRANT TO PURCHASE SHARES
of
XTI AIRCRAFT COMPANY

This Second Amendment to WARRANT TO PURCHASE SHARES of XTI AIRCRAFT COMPANY is made as of March 11, 2024 (the "**Effective Date**"), by and between XTI Aircraft Company, a Delaware corporation (the "**Company**"), and [***], or its registered assigns (the "**Holder**").

BACKGROUND

A. The Company and [***] entered into a Warrant Agreement dated February 2, 2022 (the "Original Warrant").

B. The Original Warrant was amended on April 3, 2022 effective February 2, 2022 (the "First Amendment").

C. The Company and [***] desire to collaborate in efforts to increase the Company's prominence in the marketplace and such collaboration is of significant value to the Company.

In consideration of the foregoing recitals and the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Investor agree as follows:

AGREEMENT

1. Section 2.4(b) of the Original Warrant, as amended, is deleted and replaced by the following:

(b) One sixth ($1/6^{th}$) of the Shares shall vest upon the satisfaction of the vesting conditions set forth on in Section 1 of Exhibit A.

This Amendment is executed solely for the purposes of the amendment contained herein. The Original Warrant, as amended, shall otherwise remain in full force and effect according to its terms as amended hereby.

XTI AIRCRAFT COMPANY

By:_____
Name:
Title:

ACKNOWLEDGED AND AGREED
(and the Holder hereby makes the representations and warranties by Holder set forth above):

HOLDER:

[***]

By: _____
Name:
Title:

EXHIBIT A

Section 1. In consideration of the mutual interests and objectives of the parties, the Parties agree to work collaboratively to provide beneficial support through strategic public and industry announcements, including press releases (individually, an "Announcement" and collectively, the "Announcements"). Both Parties shall communicate openly and in good faith to coordinate the timing, content, and delivery of any Announcement that may have an impact on the market or the industry. The Shares subject to this Section 1 vested on March 11, 2024. The Parties agree that the initial Announcement will be agreed within ninety days of vesting or such other time as the Parties may mutually agree. The Parties shall ensure that all communications comply with applicable laws and regulations, including but not limited to securities regulations and Nasdaq guidelines. By working together, the Parties aim to enhance market confidence, promote transparency, and foster a positive perception of their joint activities and offerings. Neither party will issue any Announcement referencing the other without the prior written consent of the other party except as may be necessary for the announcing party to comply with applicable laws, including securities laws.

CERTAIN INFORMATION CONTAINED IN THIS EXHIBIT HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE THE REGISTRANT HAS DETERMINED THAT IT IS BOTH NOT MATERIAL AND IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. REDACTED INFORMATION IS INDICATED BY [***]

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT (this "**Agreement**") is made and entered into this 5th day of July, 2022, but effective as of July 1, 2022 (the "**Effective Date**"), by and between XTI Aircraft Company ("**XTI**" or the "**Company**") and Waymaker Capital, LLC a Delaware limited liability company ("**Consultant**"). XTI and Consultant may sometimes be referred to herein as the "**Parties**" and individually as a "**Party**." The Parties agree as follows:

1. **SERVICES**:

   (a) General Services. Consultant shall cause Scott Pomeroy, a member and manager, to provide all Services. Consultant shall serve the Company as its Chief Financial Officer. Consultant's duties and responsibilities are described on Exhibit A (such services collectively referred to herein as the "**Services**").

   (b) Independent Contractor. Consultant shall at all times during the Term be an independent contractor, and as such be solely responsible for determining the exact means, method and manner in which the Services are to be performed. Consultant shall not in any way be considered an agent, employee, joint venture or partner of the Company, nor shall Consultant represent, act for, undertake any liabilities or commit to any contract on behalf of the Company as an agent or otherwise. Nothing in this Agreement is intended to create a relationship, express or implied, of employer- employee between the Company and Consultant.

   (c) No Benefits or Worker's Compensation. Consultant shall not be eligible for any of the Company's employment rights or benefits, including but not limited to health insurance benefits, retirement plan benefits, vacation pay or sick pay. No workers' compensation or unemployment compensation insurance has been or will be obtained by the Company for Consultant.

2. **COMPENSATION**: In consideration for all Services rendered during the Term of this Agreement, the Company shall pay Consultant the following consideration.

   (a) Cash compensation will be based on an estimated twelve (12) to fifteen (15) hours per week or fifty-two (52) to sixty-five (65) hours per month at a billing rate of $300 per hour (a twenty percent (20%) discount from the Consultant's current billing rate). The cash compensation will initially be set at $17,500.00 per month to be paid as follows:

(i) $10,500.00 (60% of the fixed monthly amount) paid monthly in two installments ($5,250.00 each payment) on the 1st and 15th of each month in arrears. The first payment being due on the 15th of July.

(ii) $7,000.00 (40% of the fixed monthly amount) will be deferred each month ("**Deferred Payments**") in accordance with the "XTI Aircraft Company – Employee Retention Bonus and Cost Reduction Plan" dated July 1, 2022 (the "**Plan**"). With such deferral being re-paid at the time that sufficient capital funding has been received pursuant to the Plan

(b) Consultant will also be awarded stock options ("Options") or restricted shares ("Restricted Shares") granting Consultant the right to purchase Common Stock of the Company at a per share purchase price or option exercise price (as the case may be) equal to the Company 409(A) valuation ($1.75 per share). The number of Options or Restricted Shares granted shall be equal to the quotient obtained by dividing ten percent (10%) of the total cash compensation paid or earned (including any cash performance bonus) during the Term of this Contract by $1.75. By way of illustration, if Consultant's cash compensation equals $263,000, the number of Options or Restricted Shares to be granted would be 15,029 ($26,300/$1.75). The Consultant will determine whether the award will be in the form of Options or Restricted Shares at the time of the grant. Any such grant will be subject to the Company's Option or Restricted Share Plan.

(c) In addition, the Company shall pay the Consultant a cash performance bonus of two hundred thousand US dollars ($200,000.00) based upon Consultant's successful delivery of the Services as set forth on Exhibit A and the Company's successful completion of the Offering. The bonus shall have been earned and be payable, less any Deferred Payments paid or payable, at the conclusion of the Term based on the determination of the Company's Board of Directors.

(d) From time to time, Consultant may introduce the Company to potential investors and financing sources. During the Term, the Company shall not knowingly attempt to independently secure (without Consultant's knowledge) any Investment from any potential investor who is introduced to the Company by Consultant or whose identity is provided to the Company by Consultant as a prospective Investor. In determining the Cash Fee, any amounts received by the Company from such an Investor will not include any amounts for the later exercise or conversion of any warrants issued in connection with such investment. Notwithstanding anything in this Agreement to the contrary, the Parties agree that the Cash Fee shall be negotiated and mutually agreed upon and that such compensation is not a transaction-based form of compensation.

3. **TAXES**. Consultant is solely responsible for paying all applicable income, payroll and employment taxes which are required by the jurisdiction in which he resides or works.

4. **TERM**: This Agreement is effective between the Parties as of the Effective Date, and shall continue until December 31, 2022 (the "Term"). Thereafter, either Party shall have the right to terminate this Agreement upon 30 days prior written notice.

5. **CONFIDENTIAL INFORMATION AND NON-COMPETE**:

(a) Confidential Information. Consultant shall only use the Confidential Information (i) for the benefit of the Company, (ii) during the Term of this Agreement and (iii) as expressly permitted herein. Consultant shall disclose Confidential Information only to employees and representatives of Consultant as is reasonably required in connection with the performance of Consultant's duties hereunder.

(b) Definition. "**Confidential Information**" means all oral or written communication or data information disclosed by the Company, including, but not limited to any information relating to the Company's business affairs, including trade secrets, inventions, samples, formulae, source and object code, concepts, ideas, know-how, processes, techniques, other works of authorship, technology, features, improvements, drawings, specifications, data, databases, discoveries, developments, designs, and enhancements, business information, business plans, marketing materials and plans, technical or financial information, research and development plans, budgets, financial information, proposals, sketches, models, samples, computer programs and documentation, price lists, costs, supplier information, employee lists, employment and consulting agreements, personnel policies, the substance of agreements with customers, suppliers, vendors and others, marketing arrangements, customer lists, commercial arrangements, and any similar information, whether or not marked "Confidential," "Proprietary" or "Trade Secret," including all Third Party Information. "**Third Party Information**" means confidential or proprietary information received from a third party and that is subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes.

(c) Exclusions. Confidential Information excludes information that: (i) is in or enters the public domain, through no fault of Consultant; or (ii) has been disclosed by the Company to a third party without restriction; or (iii) is known to the general public through publication or otherwise; or (iv) is already known to the Consultant at the time of its disclosure by the Company; or (v) is independently developed by Consultant without use of or reference to the Company's Confidential Information.

(d) Non-Disclosure. Consultant acknowledges the confidential and proprietary nature of the Confidential Information and agrees, except as expressly authorized or permitted under this Agreement, (i) to hold the Company's Confidential Information in confidence and to take all reasonable precautions to protect such Confidential Information (including, without limitation, all precautions the Consultant employs with respect to its own confidential materials), (ii) not to divulge any such Confidential Information to any third person, and (iii) not to

make any use whatsoever of such Confidential Information, except as required in order to perform the Services.

(e) Non-Compete. During the Term, Consultant: (i) will have access to and knowledge of Confidential Information; and (ii) the Services rendered by Consultant to the Company are key services. To protect the Company's Confidential Information and business, and because of the key technical work performed by Consultant for the Company, Consultant agrees that during the Term, the Consultant will not work as employee or consultant for vertical take-off and landing aircraft of using one or more ducted fans for vertical take-off and landing anywhere in the world, directly or indirectly engage during this contract period, a "Restricted Business" (as defined below), as an employee, equity owner, consultant, proprietor, partner, or director. Ownership of less than one percent (1%) of the outstanding voting stock of a publicly traded corporation will not be a violation of this Section 4(e).

Consultant agrees and acknowledges that (i) the time and geographic limitations on the restrictions in this Section 4(e) are reasonable, (ii) this Section 4(e) is reasonably necessary for the protection of Company's Confidential Information, (iii) through the performance of Services the Consultant shall receive adequate consideration for any loss of opportunity associated with the provisions herein, and that these provisions provide a reasonable way of protecting Company's business value. If any restriction set forth in this Section 4(e) is found by any court of competent jurisdiction to be unenforceable because it extends for too long a period of time, over too great a range of activities, or too great of a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities, and geographic area as to which it may be enforceable, and any such decision of invalidity or unenforceability in any jurisdiction shall not invalidate or render such provision unenforceable in any other jurisdiction.

(f) As used in this Section 5(f), "**Restricted Business**" shall mean the development, design, manufacturing, marketing or sales of manned or unmanned vertical take-off and landing aircraft of any size or weight using one or more rotating ducted fans for both forward cruise and vertical take-off and landing, anywhere in the world.

Consultant acknowledges that its experience and capabilities are such that Consultant's breach of the obligations under this Agreement, including but not limited to this Section 4 cannot be reasonably or adequately compensated in damages in an action at law. If Consultant breaches or threatens to breach any provisions of this Agreement, the Consultant agrees that the Company shall be entitled to an injunction, without bond or other security, enjoining and restraining Consultant, or its affiliates, associates, partners or agents, either directly or indirectly, from committing such breach. The Company's right to an injunction

shall be cumulative and not limit its right to any other remedies, including damages.

6. **INDEMNIFICATION**:

(a) Indemnification by the Consultant. Consultant hereby indemnifies and agrees to hold the Company and its affiliates (including any and all officers, directors, employees and agents) harmless from and against any loss, claim, liability, cost, expense or other damages (including reasonable legal fees and expenses)(collectively "Losses") which are caused by or arise out of Consultant's fraud, gross negligence or willful misconduct.

(b) Indemnification by the Company. The Company hereby agrees to indemnify Consultant from any and against any Losses which are caused by or arise out of Consultant's performance of the Services to the Company pursuant to this Agreement; provided, however, Consultant shall not be entitled to indemnification for any Losses that are the result of (i) any breach by Consultant of this Agreement, or (ii) acts or omissions of Consultant that would constitute fraud, gross negligence or willful misconduct.

7. **GENERAL PROVISIONS**:

(a) Covenants. If the Consultant's engagement hereunder expires or is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of both Parties. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question or intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of authorship of any of the provisions of this Agreement.

(b) Binding Effect; Delegation of Duties Prohibited. The duties and covenants of the Consultant under this Agreement, being personal, may not be delegated.

(c) Entire Agreement; Amendments. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior consulting agreements and understandings, oral or written, between the Parties hereto with respect to the subject matter hereof, except for any Non-Disclosure Agreement executed between the Parties, which shall remain in effect in accordance with its terms. This Agreement may not be amended orally, but only by an agreement in writing signed by both Parties.

(d) Governing Law; Forum and Venue. This Agreement shall be construed according to the law of the State of Colorado and any actions to enforce the terms of this Agreement shall be exclusively brought in either state or federal court in Denver, Colorado. Each of the Parties consents to the jurisdiction of such courts (and of

the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. The prevailing Party in any such action shall be entitled to recover its attorney's fees and all costs of any such action.

(e) Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(f) Counterparts and Facsimile. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. Electronic signatures shall be considered an original signature.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the Effective Date.

XTI Aircraft Company

By: /s/ Michael Hinderberger
Michael Hinderberger, CEO

Waymaker Capital, LLC

By: /s/ Scott Pomeroy
Scott Pomeroy
Managing Director

EXHIBIT A

SERVICES

Consultant shall serve in the capacity of Chief Financial Officer, shall report directly to the Company's CEO, and shall provide services to XTI as follows:

1. Lead formulation and implementation of the Company's financing strategy, described as: (a) raising a minimum of $10 million in the form of equity investments in the Company in the near-term (the "Offering"); (b) raising up to $50 million for the assembly and flight tests of the Company's first full-scale piloted prototype of the TriFan 600 by mid-2023; and (c) exploring merger opportunities with publicly-listed companies, including [***].

2. Provide guidance and direction to the Company in defining the "message" to potential investors and merger candidates and provide guidance on marketing materials to be provided to them, and participate with the Company's management in such meetings and presentations.

3. Assist the Company's CEO and General Counsel in developing letters of intent or MOUs with potential Investors in the Offering.

4. Supervise the Company's Vice President of Finance, including with respect to filings with government agencies and the Company's operational systems (payroll, stock option plan, and other systems).

5. Identify and introduce the Company to third parties which Consultant determines, in his sole discretion, are potential investors in the Offering.

6. Provide reports to the CEO and to the Company's Board of Directors, as reasonably requested from time-to-time regarding Consultant's services.

7. Perform the above services consistent with the Company's desire to enter into one or more binding agreements related to the Offering by October 31, 2022, and to close such transactions and the Offering by November 30, 2022.

The services described in this Exhibit A shall be collectively referred to herein as the "**Services**".

CONSULTING AGREEMENT

This CONSULTING AGREEMENT (this "Agreement") is made and entered into as of August 16, 2023, (the "Effective Date"), by and between XTI Aircraft Company, a Delaware corporation (the "Company") and Playa Property Management, LLC, a Colorado limited liability company, d/b/a Springboard Ventures (the "Consultant").

WITNESSETH:

WHEREAS, the Company desires to engage Consultant to perform executive consulting services, and Consultant desires to provide such consulting services to the Company, all in accordance with the terms of this Agreement;

WHEREAS, the Company expects that it will merge with Inpixon Inc., a Nevada corporation ("Inpixon") and upon the closing of the merger Consultant will serve Inpixon as its chief financial officer pursuant to the terms of this Agreement or such other agreement as the parties may determine.

NOW, THEREFORE, in consideration of the forgoing and the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. As used herein, the following terms shall have the following respective meanings:

1.1 Confidential Information. The term "Confidential Information" means all non-public, information (whether in oral or written form, whether electronically stored or otherwise) that is furnished, delivered or made available, whether before or after the Effective Date, by the Company or any of its subsidiaries or affiliates to Consultant (including, without limitation, the following types of information: business plans and proposals, financial information and projections, marketing plans and studies, pricing information, technical information, customer and supplier lists, internal business procedures and computer system passwords), together with all analyses, compilations, forecasts, studies or other documents prepared by Consultant which contain or reflect any such information. Notwithstanding the foregoing, the term "Confidential Information" shall not include information which: (i) is or becomes generally available to the public other than as a result of a disclosure by Consultant; (ii) was known to Consultant at the time of disclosure as shown by its records in existence at the time of disclosure; (iii) is independently developed by Consultant without use of information furnished by the Company and without violating any of the obligations arising hereunder; or (iv) is or becomes available to Consultant on a non-confidential basis from a source (other than the Company or its "Representatives" as defined in Section 2.2) which, to the best of Consultant's knowledge after due inquiry, is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation to the Company.

1.2 Consultant Property. The term "Consultant Property" has the meaning ascribed thereto in Section 7.3.

1.3 Services. The term "Services" means the consulting services to be rendered by Consultant to the Company pursuant to Section 2.1.

1.4 SOW. The term "SOW" means the Statement of Work attached as Exhibit A.

1.5 Work Product. The term "Work Product" means any work product, deliverable, idea, discovery, invention, improvement, process, design, software program, technique, configuration, methodology, know-how, original work of authorship or innovation of any kind (whether or not patentable, copyrightable or subject to other legal protection) made, developed, conceived of or reduced to practice by Consultant, either alone or jointly with others, in the course of or resulting from Consultant's performance of the Services.

2. Engagement of Consultant.

2.1 Engagement; Scope of Services. The Company hereby engages Consultant as an independent consultant to perform the Services described in the SOW, and Consultant hereby accepts such engagement. Consultant agrees to perform the Services in a professional, workmanlike and timely manner to the Company's satisfaction using the highest degree of skill, diligence and expertise. Consultant agrees to assign Brooke Martellaro to this engagement. No portion of the Services may be delegated to Consultant's other employees or agents without the prior written consent of the Company which may be granted or withheld in the Company's sole discretion.

2.2 Non-Exclusivity. The Company's engagement of Consultant hereunder is not exclusive and shall not limit the Company's right to engage third parties (including, without limitation, other consultants and/or independent contractors (individually, a "Representative" and collectively, "Representatives") to render services of any nature to the Company. Equally, the engagement shall not limit the Consultant's right to perform services for other third parties.

2.3 Acceptance of Services. The Company reserves the right to inspect the Services at any time prior to its acceptance thereof. If the Company determines that the Services do not conform to the provisions of this Agreement, the Company will so notify Consultant and Consultant will, as promptly as possible, correct such non-conforming Services at its sole expense. The foregoing procedure will be repeated until the Company, in the exercise of its sole discretion, accepts or finally rejects the non- conforming Services. If the Company finally rejects any non-conforming Services, Consultant will refund to the Company all fees previously paid by the Company with respect to such Services.

3. Compensation; Invoicing and Payment.

3.1 Compensation. In consideration of Consultant's performance of the Services, the Company hereby agrees to pay Consultant the fees set forth in the SOW. Except as set forth in this Section 3.1, Consultant shall not be entitled to any compensation or benefit from the Company or any other party for the Services performed by Consultant hereunder. Without limiting the generality of the foregoing, Consultant acknowledges that the Company shall not provide Consultant with any insurance hereunder, including, without limitation, unemployment, medical, dental, worker's compensation and/or disability insurance. **Further, Consultant agrees that Consultant is solely responsible for all tax returns and payments required to be filed with or made to any federal, state or local tax authority with respect to Consultant's performance of the Services and receipt of payment under this Agreement.** Company will

report amounts paid to Consultant by filing the necessary Forms 1099 with the Internal Revenue Service, as required by law. **Because Consultant is an independent contractor, Company will not withhold or make payments for Social Security, state or federal income tax, or withhold for any other reason; make unemployment insurance or disability insurance contributions; or obtain workers' compensation insurance on Independent Contractor's behalf. Under no circumstance shall Consultant be treated as an employee for any purpose related to federal, state or local taxes.**

3.2 Invoices and Payment.

3.2.1 Consultant hereby agrees to provide the Company with a timely invoice (no less frequent than monthly) detailing the Services actually performed by Consultant. Each invoice: (i) will be in such form and by such method as the Company may specify from time to time and (ii) will contain an itemized description of the Services rendered and all applicable charges and taxes (exclusive of taxes based on Consultant's income). Consultant will be responsible for charging the correct taxes with respect to the Services identified on each invoice.

3.2.2 The Company will pay in U.S. Dollars the amount set forth in the SOW within the first ten (10) days of each month starting with the first month following the Effective Date of this Agreement. . Payment shall be made by electronic funds transfer. The Company's payment of the retainer will not constitute acceptance of the Services described therein.

3.2.3 The Company will notify Consultant in writing of any dispute with respect to any invoice. The Company will not be required to pay any further retainer payments until such dispute is resolved.

3.2.4 All claims for money due or to become due to Consultant will be subject to deduction or set-off by the Company by reason of any claim the Company may have against Consultant, regardless of whether such claim relates to this Agreement.

3.2.5 Should the Company overpay, Consultant will return the overpayment to the Company within ten (10) days after its receipt thereof.

4. Representations, Warranties and Covenants. Consultant represents, warrants and covenants to the Company that: (i) Subject to Section 2.1, Services shall be performed solely by Brook Martellaro; (ii) Consultant will render the Services in a professional and workmanlike manner to the Company's satisfaction; (iii) the Services will be fit and sufficient for the purposes expressed in or reasonably inferred from this Agreement; (iv) the Services will conform to any specifications described in the SOW; (v) the Services will be performed in accordance with the time commitments set forth in the SOW; (vi) Consultant has the requisite ownership rights and licenses to fully perform its obligations under this Agreement and to grant to the Company all rights with respect to the Work Product, free and clear from any and all liens, adverse claims, encumbrances and interests of any third party; (vii) there are no pending or threatened lawsuits, claims, disputes or actions (a) alleging that any Services infringe, violate or misappropriate any third party intellectual property rights or (b) adversely affecting any Services or Consultant's ability to perform its obligations hereunder; (viii) the Services and the Work Product do not and will not violate, infringe, or misappropriate any patent, copyright, trademark, trade secret, or other intellectual property or proprietary right of any third party; (ix) Consultant's execution and performance of this Agreement will not violate any provision of, or conflict with, any agreement or obligation to which Consultant is bound; and (x) this Agreement, when executed, will

constitute a valid and legally binding obligation of Consultant, enforceable against Consultant in accordance with its terms.

5. Labor, Tools, Equipment and Materials. Except as otherwise agreed in writing by the Company, Consultant will be responsible for supplying all labor, tools, equipment and materials necessary to provide the Services, including any required licenses, bonds, and permits. Any tools, equipment or other items furnished by the Company to Consultant hereunder are and will remain the property of the Company. While in Consultant's possession, Consultant will maintain all the Company property in good condition, will bear the risk of loss thereto, and will not use any the Company property for any purpose other than the provision of the Services.

6. Safety and Health Matters; Compliance With Laws and Company Policies.

6.1 Safety and Health; Accident Reports. The safety and health of Consultant's employees and agents while on the Company's premises will be the sole responsibility of Consultant. While on the Company's premises, Consultant and its employees and agents will: (i) comply with all federal, state and local environmental, health and safety requirements, including those relating to the transportation, use and handling of hazardous materials and (ii) comply with all the Company rules and regulations. Consultant will immediately report any accident, injury-inducing occurrence or property damage arising from its performance of the Services. Consultant will provide the Company with copies of any safety, health or accident report that Consultant files with any third party with respect to its performance of the Services.

6.2 Compliance with Laws. Consultant will, at its expense, obtain all permits and licenses, pay all fees, and comply with all federal, state and local laws, ordinances, rules, regulations and orders applicable to Consultant's performance of the Services.

6.3 Compliance with Company Policies. Consultant acknowledges receipt of the Company's policies listed on the SOW and agrees to comply with such policies and such other policies as the Company may adopt from time to time.

7. Work Product.

7.1 Ownership. All Work Product will be promptly disclosed and furnished to the Company. All right, title and interest in the Work Product will vest in the Company and the Work Product will be deemed to be a work made for hire. To the extent it may not be considered a work made for hire, Consultant hereby assigns to the Company all right, title and interest in the Work Product, including all copyrights, patent rights, patents and applications therefor. Upon request, Consultant agrees to provide such assistance to the Company (including by executing assignments and other documents) as may reasonably be required to protect, convey and enforce the rights of the Company in and to the Work Product.

7.2 Moral Rights. Consultant hereby irrevocably and forever waives and agrees not to assert any moral rights which Consultant may have in any Work Product (including, without limitation, any right of paternity or integrity, any right to claim authorship of such Work Product, any right to object to any distortion, mutilation or modification of such Work Product or any similar right, whether existing under any United States or any foreign law).

7.3 Exclusion. Notwithstanding the foregoing, Consultant will retain all right, title and interest in and to all software, software development tools, methodologies, algorithms, databases designs, processes and other original works of authorship that have been developed by Consultant prior to the Effective Date ("Consultant Property"). To the extent the Work Product

includes Consultant Property, Consultant hereby grants to the Company an unrestricted, non-exclusive, royalty-free, perpetual, sublicenseable, irrevocable license to make, have made, use, market, import, distribute, copy, modify, prepare derivative works of, perform, display and disclose such Consultant Property.

8. Confidential Information.

8.1 Nondisclosure. Consultant will: (i) not use Confidential Information for any purpose other than the fulfillment of its obligations under this Agreement; (ii) not disclose Confidential Information to any third party without the prior written consent of the Company (except as set forth in Section 8.2); and (iii) protect and treat all Confidential Information with the same degree of care as it uses to protect its own confidential information of like importance, but in no event with less than reasonable care. Notwithstanding the foregoing, Consultant may disclose Confidential Information to those of its employees or agents who: (i) have a "need to know" such Confidential Information for the purpose of rendering the Services; (ii) are informed of the confidential nature of such Confidential Information; and (iii) are bound to observe and act in accordance with the terms of this Section 8. Consultant will be responsible for any breach of this Section 8 by its owners, officers, employees, and/or agents.

8.2 Required Disclosure. In the event Consultant is requested or required, pursuant to applicable law, regulation or legal process, to disclose any Confidential Information, Consultant shall notify the Company as promptly as practicable so that the Company may seek a protective order or other appropriate remedy or, in the Company's sole discretion, waive compliance with the terms of this Agreement. In such event, Consultant shall, at its own expense, cooperate with the Company to obtain a protective order or other appropriate remedy. In the event that no such protective order or other remedy is promptly obtained, or that the Company does not waive compliance with the terms of this Agreement, Consultant shall: (i) furnish only that portion of the Confidential Information which Consultant is advised by counsel is legally required and (ii) exercise all reasonable efforts to obtain reliable assurances that the Confidential Information so furnished will be accorded confidential treatment.

8.3 Return of Confidential Information. Upon expiration or termination of this Agreement, or at any time upon the Company's request, Consultant will, as promptly as practicable and at the Company's discretion, either return or destroy all Confidential Information, in whole or in part, in whatever format, including any copies thereof.

8.4 Breach. Consultant acknowledges that in the event of any breach of this Section 8 by Consultant or its employees and/or agents, the extent of the Company's damages would be difficult or impossible to ascertain and there would be available to the Company no adequate remedy at law. Accordingly, without prejudice to any other rights and remedies otherwise available to the Company, Consultant agrees that in the event of any such breach: (i) the Company will be entitled to injunctive or other equitable relief without the necessity of proving actual damages in connection with such breach and (ii) Consultant hereby irrevocably waives any requirement for the securing or posting of any bond in connection with such injunctive or equitable relief.

9. Indemnification. Consultant will indemnify and hold harmless the Company (including its officers, directors employees and/or Affiliates) from and against any and all losses, costs, claims, demands, expenses or liabilities of every kind and character (including, without limitation, attorneys' fees and awarded damages) incurred by the Company as a result of or arising from: (i) Consultant's performance of the Services; (ii) any breach by Consultant of its representations, warranties or covenants hereunder; (iii) the negligence or willful misconduct of

Consultant or any of its employees or agents; and (iv) any claim that the Services or any Work Product, or their use by the Company, infringe, violate or misappropriate any copyright, trademark, patent, trade secret or other intellectual property right of any third party.

10. Insurance. Consultant will at all times during the term of this Agreement carry and maintain: (i) the insurance coverage, if any, described in the SOW and (ii) such additional insurance coverage as may be required by law. Upon the Company's request, Consultant shall forward to the Company certificate(s) of such insurance coverage. Such certificate(s) shall: (i) name the Company as an additional insured under the relevant policies and (ii) provide that the Company shall receive thirty (30) days prior written notification of any cancellation or material modification to any such policy.

11. Advertising and Publicity. Consultant will not use the Company's name, marks, codes, drawings or specifications in any advertising, press release, promotional effort or publicity of any kind without the Company's prior written consent.

12. Term and Termination.

12.1 Term. This Agreement shall commence on the Effective Date and shall continue in full force and effect until December 31, 2025, unless sooner terminated as provided in Section 12.2. This Agreement may be extended by mutual consent, evidenced by an amendment to the Agreement if desired. This term can be revisited, if both parties agree to it.

12.2 Termination. This Agreement may be terminated:

12.2.1 By Consultant or the Company, immediately upon written notice of termination, in the event of a material breach of this Agreement by the other party, if such breach continues uncured for a period of ten (10) days after written notice of such breach (in which event if the Company is in breach, Company agrees to compensate Consultant two months' retainer);

12.2.2 By Consultant or the Company for its convenience upon sixty (60) days' prior written notice to the other party (in which event Consultant will be entitled to payment for all Services performed and accepted through the effective date of such termination);

12.2.3 Automatically and without notice: (i) upon the institution by or against either party of insolvency, receivership or bankruptcy proceedings; (ii) upon either party's making of an assignment for the benefit of creditors; or (iii) upon either party's dissolution or ceasing to do business;

12.2.4 By an executed written agreement between Consultant and the Company.

13. Nature of Relationship. The parties hereto expressly agree that Consultant is performing the Services as an independent contractor of the Company and not as an officer, employee, partner or agent of the Company. Consultant will have no right or authority to assume or create any obligation of any kind or to make any representation or warranty, whether expressed or implied, on behalf of the Company or to bind the Company in any respect whatsoever.

14. Non-solicitation. During the term of this Agreement and for a period of one (1) year following its expiration or termination, Consultant will not, directly or indirectly: (i) solicit for purposes of employment, offer to hire or employ any employee of the Company with whom Consultant has had contact or who became known to Consultant in connection with its performance of the Services or (ii) solicit, induce or otherwise encourage any such person to discontinue or cancel his or her relationship (contractual or otherwise) with the Company. Notwithstanding the foregoing, Consultant shall not be prevented from employing any such person who contacts Consultant on his or her own initiative as a result of general advertising and without any direct or indirect solicitation by or encouragement from Consultant.

15. Miscellaneous.

15.1 Severability. In the event any provision of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect: (i) such provision shall be fully severable; (ii) this Agreement shall be construed and enforced as if such invalid, illegal or unenforceable provision had never comprised a portion of this Agreement; and (iii) the remaining provisions of this Agreement shall not be affected by such invalid, illegal or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such invalid, illegal or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in substance to such invalid, illegal or unenforceable provision as may be possible and be valid, legal and enforceable.

15.2 Dispute Resolution.

15.2.1 Except as provided in Section 15.2.2, any dispute, controversy or claim arising out of or relating to this Agreement, the breach or interpretation thereof or Consultant's engagement with the Company shall be settled exclusively by arbitration conducted before an arbitrator in the Denver, Colorado, metropolitan area in accordance with the then prevailing rules of the American Arbitration Association. Judgment may be entered on the arbitration award in any court having jurisdiction. Within fifteen (15) days after either party notifies the other in writing that there is a dispute or controversy arising hereunder, the parties shall select an arbitrator. If the parties are unable to agree on an arbitrator within such fifteen (15) day period, the arbitrator shall be selected by the American Arbitration Association. Only an individual who is: (i) a lawyer engaged in the full-time practice of law and (ii) on the American Arbitration Association register of arbitrators shall be selected as an arbitrator. Within twenty (20) days of the conclusion of the arbitration hearing, the arbitrator shall prepare written findings of fact and conclusions of law. It is mutually agreed that the written decision of the arbitrator shall be valid, binding, final and non-appealable. All costs of arbitration shall be borne by the losing party, unless the arbitrator determines there is no prevailing party, in which case such costs should be allocated equally between the parties. In the event action is brought to enforce the provisions of this Agreement pursuant to this Section 15.2.1, the non-prevailing party shall be required to pay the reasonable attorneys' fees and expenses of the prevailing party, unless the arbitrator or court determines there is no prevailing party, in which case each party will pay its own attorneys' fees and expenses.

15.2.2 Notwithstanding the provisions of Section 15.2.1, in the event Consultant breaches its obligations under Section 8, the Company shall immediately be entitled to obtain injunctive or other equitable relief in any court of competent jurisdiction.

15.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, without regard to principles of conflicts of law.

15.4 Assignment Restrictions. This Agreement shall be binding upon and inure to the benefit of parties hereto and their respective successors and assigns. Notwithstanding the

foregoing, Consultant shall not be entitled to assign or transfer any or all of his, her or its rights or obligations hereunder without the prior written consent of the Company. Any attempted assignment or transfer which is made in violation of this Section 15.4 shall be null and void and shall be deemed a material breach of this Agreement.

15.5 Binding Effect; Amendment. This Agreement (together with the SOW) constitutes the entire agreement between the Company and Consultant regarding the subject matter hereof. All prior or contemporaneous agreements, proposals, understandings and communications between the Company and Consultant regarding the subject matter hereof, whether oral or written, are superseded by and merged into this Agreement. Neither this Agreement nor any Exhibit hereto may be modified or amended except by a written instrument executed by both the Company and Consultant.

15.6 Time Is Of The Essence. Consultant agrees that time is of the essence with respect to the performance of its obligations hereunder.

15.7 Notices. All notices and other communications hereunder shall be in writing and shall be delivered in person or by courier or e-mail transmission (with such email transmission confirmed by sending a copy of such notice or other communication by courier or certified mail) or by certified mail, return receipt requested, to the parties at the following addresses (or at such other address as shall be specified by like notice):

If to the Company, to:
Mara Babin
[***]

If to Consultant, to the address set forth on the signature page hereto.

15.8 Waiver. No waiver by either party of a breach of any term, provision or condition of this Agreement by the other party shall constitute a waiver of any succeeding breach of the same or any other provision hereof. No such waiver shall be valid unless executed in writing by the party making the waiver.

15.9 Counterparts; Execution. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same document. Delivery of an executed signature page of this Agreement by facsimile transmission or electronic photocopy (i.e., a "pdf") shall be effective as delivery of a manually executed counterpart hereof.

15.10 Interpretation. Unless the context requires otherwise: (i) "or" is disjunctive but not necessarily exclusive; (ii) words in the singular include the plural and vice versa; and (iii) the use of a pronoun in reference to a party hereto includes the masculine, feminine or neuter, as the context may require.

15.11 Survival. The respective rights and obligations of the parties under Sections 7, 8, 9, 11, 13, 14, 15.1, 15.2, 15.3, 15.5, 15.7, 15.8, 15.10 and 15.11 of this Agreement shall survive the termination or expiration of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

XTI AIRCRAFT COMPANY

By: /s/ Scott Pomeroy

Name: Scott Pomeroy

Title: CFO

PLAYA PROPERT MANAGEMENT, LLC
dba SPRINGBOARD VENTURES, LLC

By: /s/ Brooke Martellaro

Name: Brooke Martellaro

Title: Principal

Address: [***]
Attention: Brooke Martellaro
Email: [***]

EXHIBIT A TO CONSULTING AGREEMENT

STATEMENT OF WORK

1. Scope of Services. Consultant will provide the following Services, as requested by the Company:

Within the scope of 20 hours per week:

- Partner with the CEO to plan and execute the vision of the company.
- Provide senior financial reporting leadership for Company while gaining familiarity with Company personnel, plans, and operations.
- Oversee the Company's internal fiscal activity including budgeting, financial reporting, and auditing.
- Analyze operational requirements and formulate plans to ensure ample capital and maximize enterprise value.
- Assure all legal and regulatory documents are filed in a timely and accurate manner.
- Maintain clear and consistent communication with capital markets.
- Monitor compliance with all current laws and regulations.
- Implement requisite business processes, systems, and programs.

The Scope of Services may be modified at the mutual agreement of both parties.

2. Specifications/Performance Standards. Consultant will render the Services in accordance with the following specifications and/or performance standards: All services will be subject to on-going approval by the Company. Consultant will maintain an active Colorado CPA license.

3. Service Fees. In consideration for the Services rendered pursuant to this Agreement and for the assignment of certain of Consultant's right, title and interest pursuant hereto, during the Term, Company will pay Consultant a monthly retainer of $22,500 (the "Retainer"), to be paid within the first ten (10) days of each month, starting with the first month following the Effective Date of this Agreement. Consultant will submit invoices to the Company monthly, and the invoices shall contain at a minimum an accounting of activities performed and corresponding hours spent during the relevant period.

Company and Consultant may revisit this fee structure at any time.

4. Expenses. The Company agrees to reimburse Consultant for all reasonable expenses (including, without limitation, travel, lodging, meal, telephone and other direct and/or associated expenses and costs) incurred by Consultant in the performance of the Services. Notwithstanding the foregoing, Consultant shall obtain the Company's written consent prior to incurring any single item of expense in excess of $300.00. Consultant's invoices

for reimbursable expenses shall be accompanied by an itemized account of such expenses, together with copies of receipts relating thereto.

5. Insurance. Consultant will maintain the following insurance coverage throughout the term of the Agreement:

(i) Commercial General Liability insurance to insure Consultant against claims for damages arising by reason of its activities performed under this Agreement, including premises and operations coverage, products and completed operations, broad form property damage or equivalent coverage, coverage for independent contractors, personal injury coverage and blanket contractual liability. Such coverage shall have a limit of not less than be One Million Dollars ($1,000,000) per occurrence and Three Million Dollars ($3,000,000) annual aggregate.

(ii) Automobile liability insurance with limits of liability not less than the greater of statutorily required limits or $300,000.00 for each occurrence.

(iii) Workers compensation insurance that meets the applicable state statutory limits.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into this 28th day of July, but effective as of July 1, 2022 (the "Effective Date") by and between XTI Aircraft Company (the "Company") and Michael Hinderberger ("Executive").

WHEREAS, Executive has been employed by Company since August 1, 2021 as Senior Vice President of Engineering and Technology under an employment agreement dated effective August 1, 2021 (the "Original Agreement");

WHEREAS, Company now desires to employ Executive to provide services to the Company in a different capacity for the period and upon the terms and conditions set forth herein, and Executive agrees to provide such services in his new capacity;

WHEREAS, Executive acknowledges that he is an "executive" within the meaning of Colo. Rev. Stat. § 8-2-113(2)(d) and that such statute is applicable to and controlling of the restrictive covenants set forth herein;

WHEREAS, this Agreement replaces and supersedes the Original Agreement in its entirety, but there will not be any interruption of Executive's employment for purposes of insurance, employee benefit plans, and his other rights, and Executive shall not be regarded as a new employee for any reason, but only as receiving a promotion.

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth below, the parties hereby agree as follows:

1. Employment. The Company hereby employs the Executive as Chief Executive Officer. Executive hereby accepts such employment, on the terms and conditions hereinafter set forth.

2. Term. The period of employment of Executive by Company under this Agreement (the "Employment Period") shall be deemed to be a continuation of his employment under the Original Agreement and shall continue through July 31, 2024; provided that on July 31, 2024 the Employment Period shall automatically be extended for one (1) additional year unless either party gives written notice to the other party not to extend this Agreement at least sixty (60) days prior to the end of the Employment Period. The Employment Period may be sooner terminated by either party in accordance with Section 6 of this Agreement.

3. Position and Duties. During the Employment Period, Executive shall serve as Chief Executive Officer and shall report to the Company's Board of Directors. Executive shall have such powers and duties as set forth in this Agreement and as may be prescribed by the Board of Directors. Executive's duties and responsibilities shall include supervisory responsibilities of all Company operations related to the development of the Company's aircraft, including without limitation, the financial and technical matters of the Company, as well as marketing and employment matters. Except as provided in this Section 3, Executive shall devote full-time to satisfactorily and effectively perform Executive's duties and responsibilities hereunder. Notwithstanding the above, Executive shall be permitted, to the extent such activities do not substantially interfere with the performance by Executive of his duties and responsibilities hereunder, to (i) manage Executive's personal, financial and legal affairs, and (ii) to serve on civic or charitable boards of committees (it being expressly understood and agreed that Executive's continuing to serve on any such board and/or committees on which Executive is serving, or with which Executive is otherwise associated, as of the Commencement Date under the Original Agreement (all of which are listed on Schedule A hereto), shall be deemed not to

interfere with the performance by Executive of his duties and responsibilities under this Agreement).

4. Place of Performance. The principal place of employment of Executive shall be at his personal office in Reno, Nevada. Notwithstanding any provision in this Agreement to the contrary, Executive may perform his duties and responsibilities from a location other than Reno, and is expected to be present at the Company's offices in Denver, Colorado, or other city in the U.S. (if the Company changes its headquarters in the future), as required in the normal course of business.

5. Compensation and Related Matters.

(a) Salary. During the Employment Period, Executive's base salary shall be Three Hundred Fifty Thousand Dollars ($350,000.00) per annum or such higher rate as the Board may determine from time to time in its sole discretion (as adjusted from time to time, the "Base Salary"), which salary shall be payable by the Company in regular equal consecutive installments in accordance with the Company's general payroll practices in effect from time to time. Provided, however, Executive and Company agree that the Company will temporarily defer the payment of 25% of such Base Salary from the Effective Date until such time as the Board of Directors has determined that the "Retention Bonus and Cost Reduction Plan" dated effective July 1, 2022, will be terminated, which equals a Base Salary of $262,500 for said period, with said 25% deferred.

(b) Expenses. Company shall reimburse Executive for all reasonable and necessary travel, business entertainment and other business expenses incurred by Executive in connection with the performance of Executive's duties for Company under this Agreement in accordance with Company's policies with respect thereto. Such reimbursements shall be made by Company within a reasonable time after submission by Executive of vouchers in accordance with Company's standard procedures.

(c) Stock Options and Bonus. The Company plans to create an incentive stock option plan at some time in the future, within its sole discretion. After the stock option plan is effective, Executive will be included as a participant in the incentive stock option plan with options available consistent with the plan and Executive's position. Further: (i) upon execution of this Agreement and in addition to Executive's participation in the incentive stock option plan described above, the Company also shall issue to Executive stock options in accordance with Schedule B; and (ii) Executive shall be entitled to an annual cash bonus up to 100% of his Base Salary in accordance with Schedule C.

(d) Vacation. Executive shall be entitled to vacation time and paid holidays that are provided to senior Executives of the Company as set forth in the Company's handbook or other policies as are from time to time in effect and amended. Notwithstanding the foregoing, Executive shall be entitled to a minimum of six (6) weeks' vacation annually.

Executive acknowledges and agrees that the accrual and carryover of vacation days and all other rights and obligations relating to vacation shall be in accordance with the Company's policies as are from time to time in effect and amended. In addition to vacation, Executive shall be entitled to the number of sick days and personal days per year that other senior Executive officers of Company are entitled to under Company's policies.

(e) Services Furnished. Unless otherwise consented to by Executive, during the Employment Period, Company shall furnish Executive with appropriate office space and such other facilities, administrative support and services on a basis that is mutually acceptable to the parties.

(f) Director and Officer Liability Insurance. During the employment Period, the Company shall obtain and maintain officer and director liability insurance in such amounts as the Board of Directors shall so determine.

(g) Executive Benefit Plans. During the Employment Period, Executive (and Executive's spouse and dependents to the extent provided therein) shall be entitled to participate in and be covered under all benefit plans or programs maintained by Company from time to time for the benefit of their senior executives including, without limitation, all medical, hospitalization, dental, disability, accidental death and dismemberment and travel accident insurance plans and programs. Company shall at all times provide to Executive (and his spouse and dependents to the extent provided under the applicable plans or programs) (subject to modifications affecting all senior executive officers of Company) the same type and levels of participation and benefits as are being provided to other senior executives of Company (and their spouses and dependents to the extent provided under the applicable plans or programs) on the Commencement Date under the Original Agreement. During the Employment Period, Executive shall be eligible to participate in all pension, retirement, savings and other Executive benefit plans and programs maintained from time to time by Company for the benefit of their senior executives.

6. Termination. Executive's employment may be terminated during Employment Period under the following circumstances:

(a) Death. Executive's employment hereunder shall terminate upon his death.

(b) Disability. Company shall have the right to terminate Executive's employment hereunder at any time after Executive becomes "Totally Disabled." For purposes of this Agreement, Executive shall be "Totally Disabled" upon Executive's inability to perform the essential functions of the duties and responsibilities contemplated under this Agreement for a period of more than 180 days in any 12-month period due to physical or mental incapacity or impairment, as determined in the reasonable judgment of a physician selected by Executive and reasonably acceptable to the Company. Such termination shall become effective five business days after Company gives notice of such termination to Executive, or to his spouse or legal representative. During any period that Executive fails to perform Executive's duties hereunder as a result of incapacity due to physical or mental illness (the "Disability Period"), Executive shall continue to receive the compensation and benefits provided by Section 5 of this Agreement until Executive's employment hereunder is terminated; provided, however, that the amount of base compensation and benefits received by Executive during the Disability Period shall be reduced by the aggregate amounts, if any, payable to Executive under any disability benefit plan or program provided to Executive by Company.

(c) Cause. Company may terminate Executive's employment hereunder for Cause at any time if Company has "Cause" and gives written notice thereof to Executive within 90 days of actual knowledge of the occurrence of such "Cause." For purposes of this Agreement, the term "Cause" shall mean any of the following: (i) the continued failure or refusal of Executive to perform Executive's material duties hereunder (other than as a result of total or partial incapacity due to physical or mental

illness) or to comply with the reasonable and good faith lawful instructions of the Board of Directors; (ii) the engaging by Executive in gross misconduct or gross negligence in connection with his employment or otherwise which is materially and demonstrably injurious to Company; (iii) perpetration of a fraud against or affecting Company or any of its clients, agents, or Executives; (iv) any willful or intentional act that injures the reputation, business, or business relationships of Company or Executive's reputation or business relationships; (v) Executive's willful material failure to comply with, and/or a willful material violation by Executive of, the written internal policies and/or procedures of Company of which Executive's has notice prior to such noncompliance or violation or any laws or regulations applicable to Executive's conduct as an Executive of Company or applicable to the conduct of the business of Company; (vi) Executive's conviction or plea of nolo contendere of a felony or any crime involving fraud, dishonesty or moral turpitude; or (vii) the material breach by Executive of a covenant set forth in Section 10; provided, however, that, if susceptible of cure, a termination by Company under Sections 6(c)(i), 6(c)(ii), or 6(c)(v) shall be effective only if, within 30 days following delivery of a written notice by Company to Executive that Company is terminating his employment for Cause, Executive has failed to cure the circumstances giving rise to Cause. Following any such notice, Company shall reduce or remove any and all of Executive's duties, positions and titles with Company.

(d) Good Reason. Executive may terminate Executive's employment hereunder at any time if Executive has "Good Reason" and gives written notice thereof to Company within 90 days of actual knowledge of occurrence of such "Good Reason." For purposes of this Agreement, the term "Good Reason" shall mean: (i) any material diminution in Executive's duties, title, authority or responsibilities; (ii) a reduction in Executive's Base Salary, (iii) a material adverse change in benefits not affecting other senior level executives of Company performing similar functions as Executive; (iv) a material breach by Company of any material provision of this Agreement; (v) the sale of the capital stock of Company or all or substantially all of the assets of Company to, or the merger of Company with, a third party that is not a 100 percent-owned subsidiary of Company (a "Change of Control") if within six months of the Change of Control, Executive elects to terminate this Agreement, provided, however, that, if susceptible of cure, a termination by Executive pursuant to this Section 6(d) shall be effective only if, within 30 days following delivery of a written notice by Executive to Company that Executive is terminating his employment for Good Reason, Company has failed to cure the circumstances giving rise to the Good Reason. Following any such notice, Company shall reduce or remove any and all of Executive's duties, positions and titles with Company.

7. Compensation Following Termination. Upon the execution and delivery of a Waiver and Release Agreement signed by Executive releasing all claims against the Company and its executives, directors and employees, other than as prohibited by law:

(a) Termination by the Company other than for Cause. In the event that Executive's employment hereunder is terminated by the Company other than for Cause prior to the end of the Employment Period, then immediately following such termination, Executive shall be entitled to the following compensation and benefits:

(i) one year's base pay;

(ii) payment for any unused vacation accrued to the date of termination;

(iii) payment for any accrued but unpaid expenses through the date of termination required to be reimbursed in accordance with Section 3 of this Agreement; and

(iv) receive any benefits to which he may be entitled upon termination pursuant to the plans and programs referred to in Section 3(g) hereof in accordance with the terms of such plans and programs or as may be required by applicable law.

(b) Termination by the Executive for Good Reason. In the event that Executive's employment is terminated prior to the expiration of the Employment Period by Executive for Good Reason, immediately following such termination, Executive shall be entitled only to the following:

(i) those items identified in Section 7(a); and

(ii) for the remainder of the Employment Period, or, if longer, for a period of six months after termination of employment, in the event Executive elects continuation coverage under the applicable state or federal law, the Company shall reimburse Executive for the premium payments made by Executive for such continuation coverage.

8. Exclusive Employment; Noncompetition; Non-solicitation; Nondisclosure of Proprietary Information; Surrender of Records; Inventions and Patents.

(a) No Conflict; No Other Employment. Subject to Section 3, during the period of Executive's employment with Company, Executive shall not: (i) engage in any activity which conflicts or interferes with or derogates from the performance of Executive's duties hereunder nor shall Executive engage in any other business activity, whether or not such business activity is pursued for gain or profit and including service as a director of any other company, except as approved in advance in writing by the Company or (ii) accept or engage in any other employment, whether as an Executive or consultant or in any other capacity, and whether or not compensated therefor.

(b) Noncompetition; Nonsolicitation

(i) Executive acknowledges and recognizes the highly competitive nature of Company's business and that access to Company's confidential records and proprietary information renders his special and unique within Company's industry. In further consideration for the payments and compensation provided to Executive in accordance with this Agreement, Executive agrees that, except as otherwise provided herein, during the Employment Period and until the 19th month following the date of termination of Executive's employment with Company, he shall not, directly or indirectly, engage (as owner, investor, partner, stockholder, employer, Executive, consultant, advisor, director or otherwise) in any Competing Business anywhere in North America; provided, that, the provisions of this Section 8(b)(i) will not be deemed breached merely because Executive owns less

than 1% of the outstanding common stock of a publicly-traded company. For purposes of this Agreement, "Competing Business" shall mean (A) any business as aircraft OEM with vertical take-off and landing technologies that uses ducted fans for both VTOL and forward cruise; and (B) any other business in which the Company is then engaged on the termination of Executive's employment, without regard to any business in which Company is engaged as a result of a Change of Control or any assignment of this Agreement to any entity that is not an affiliate of Company. Provided, however, notwithstanding anything in this Agreement to the contrary, Executive may request a meeting the Company's Board of Directors at any time during said 18-month period to present reasons (in writing) that his engagement in a particular Competing Business will not have a material negative impact on the Company and/or reasons such period should be reduced. In response to such presentation, the Company shall provide its written response to the Executive within 48 hours, stating whether it agrees or disagrees with Executive.

(ii) In further consideration for the payments and compensation provided to Executive in accordance with this Agreement, Executive agrees that, except as otherwise provided herein, during the Employment Period and until the 180th day following the date of termination of Executive's employment with Company, he shall not, directly or indirectly, (A) solicit, encourage or attempt to solicit or encourage any of the Executives, agents, consultants or representatives of Company or any of its affiliates to terminate his, her, or its relationship with Company or such affiliate; (B) solicit, encourage or attempt to solicit or encourage any of the Executives, agents, consultants or representatives of the Company or any of its affiliates to become Executives, agents, representatives or consultants of any other person or entity; (C) solicit or attempt to solicit any client of Company or any of its affiliates with respect to any product or service being furnished, made, sold or leased to or by Company or such affiliate; or (D) persuade or seek to persuade any client of Company or any affiliate to cease to do business or to reduce the amount of business which any client has customarily done or contemplates doing with Company or such affiliate, whether or not the relationship between Company or its affiliate and such client was originally established in whole or in part through Executive's efforts.

(iii) During the Employment Period and until the 180th day following the date of termination of Executive's employment with Company, Executive agrees that upon the earlier of Executive's (A) negotiating with any Competitor (as defined below) concerning the possible employment of Executive by the Competitor, (B) receiving an offer of

employment from a Competitor, or (C) becoming employed by a Competitor, Executive will (x) immediately provide notice to Company of such circumstances and (y) provide copies of Section 8 of this Agreement to the Competitor. Executive further agrees that Company may provide notice to a Competitor of Executive's obligations under this Agreement, including without limitation Executive's obligations pursuant to Section 8 hereof, for purposes of this Agreement. "Competitor" shall mean any entity (other than Company or any of its affiliates) that engages, directly or indirectly, in any Competing Business.

(c) Proprietary Information. Executive acknowledges that during the course of his employment with Company Executive will necessarily have access to and make use of proprietary information and confidential records of Company and its affiliates. Executive covenants that Executive shall not during the Employment Period oral any time thereafter, directly or indirectly, use for his own purpose or for the benefit of any person or entity other than Company, nor otherwise disclose, any Proprietary Information to any individual or entity, unless such disclosure has been authorized in writing by Company or is otherwise required by law. Executive acknowledges and understands that the term "Proprietary Information" includes, but is not limited to: (i) the software products, programs, applications, and processes utilized by Company or any of its affiliates; (ii) the name and/or address of any client of Company or any of its affiliates or any information concerning the transactions or relations of any client of Company or any of its affiliates with Company or such affiliate or any of its or their partners, principals, directors, officers or agents; (iii) any information concerning any product, technology, or procedure employed by Company or any of its affiliates but not generally known to its or their clients or competitors, or under development by or being tested by Company or any of its affiliates but not at the time offered generally to clients; (iv) any information relating to the computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans of Company or any of its affiliates; (v) any information which is generally regarded as confidential or proprietary in any line of business engaged in by Company or any of its affiliates; (vi) any business plans, budgets, advertising or marketing plans of Company; (vii) any information contained in any of the written or oral policies and procedures or manuals of Company or any of its affiliates; (viii) any information belonging to clients of Company or any of its affiliates or any other person or entity which Company or any of its affiliates has agreed to hold in confidence; (ix) any inventions, innovations or improvements covered by this Agreement; and (x) all written, graphic and other material relating to any of the foregoing. Executive acknowledges and understands that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "Proprietary Information" shall not include information generally available to and known by the public or the industry or information that is or becomes available to Executive on a non-confidential basis from a source other than Company, any of its affiliates, or the directors, officers, Executives, partners, principals or agents of Company or any of its affiliates (other than as a result of a breach of any obligation of confidentiality).

(d) Confidentiality and Surrender of Records. Executive shall not during the Employment Period or at any time thereafter (irrespective of the circumstances under which Executive's employment by Company terminates), except as required by law, directly or indirectly publish, make known or in any fashion disclose any confidential records to, or permit any inspection or copying of confidential records by, any individual or entity other than in the course of such individual's or entity's

employment or retention by Company. Upon termination of employment for any reason or upon request by Company, Executive shall deliver promptly to Company all property and records of Company or any of its affiliates, including, without limitation, all Confidential Records. For purposes hereof, "Confidential Records" means all correspondence, reports, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind which may be in Executive's possession or under his control or accessible to him which contain or depict any Proprietary Information. All property and records of Company and any of its affiliates (including, without limitation, all confidential records) shall be and remain the sole property of Company or such affiliate during the Employment Period and thereafter.

(e) Enforcement. Executive acknowledges and agrees that, by virtue of his position, his services and access to and use of Confidential Records and Proprietary Information, any violation by his of any of the undertakings contained in this Section 8 would cause Company and/or its affiliates immediate, substantial and irreparable injury for which it or they have no adequate remedy at law. Accordingly, Executive agrees and consents to the entry of an injunction or other equitable relief by a state or federal court located in the City and County of Denver restraining any violation or threatened violation of any undertaking contained in this Section 8. Executive waives posting by Company or its affiliates of any bond otherwise necessary to secure such injunction or other equitable relief.

(f) Cooperation with Regard to Litigation. Except to the extent that Executive has or intends to assert in good faith an interest or position adverse to or inconsistent with the interest or position of Company, Executive agrees to cooperate reasonably with Company, during the Employment Period and thereafter (including following Executive's termination of employment for any reason), by making herself available to testify on behalf of Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist Company in any such action, suit or proceeding, by providing information and meeting and consulting with Company or their representatives or counsel, or representatives or counsel to Company, in each case, as reasonably requested by Company. Company agrees to pay (or reimburse, if already paid by Executive) all expenses actually incurred in connection with Executive's cooperation and assistance including, without limitation, reasonable fees and disbursements of counsel, if any, chosen by Executive if Executive reasonably determines in good faith, on the advice of counsel, that it is appropriate that Executive be separately represented by his own counsel in such proceeding.

(g) Nondisparagement. Executive shall not, during the Employment Period and thereafter, disparage in any material respect Company, any affiliate of Company, any of their respective businesses, any of their respective officers, directors or Executives, or the reputation of any of the foregoing persons or entities (the "Company Parties"). The Company Parties shall not, during the Employment Period and thereafter, disparage in any material respect Executive. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive from making truthful statements that are required by applicable law, regulation or legal process or are reasonably required to describe the conduct, decisions, or policies of the Company or any of its affiliates, or their respective businesses, officers, directors or Executives.

9. Choice of Law; Consent to Arbitral Jurisdiction; Venue. This Agreement shall be governed by and construed (both as to validity and performance) and enforced in accordance with the laws of the State of Colorado, without regard to the principles of conflicts of law or where the parties are located at the time a dispute arises. Any dispute arising out of or relating to

this Agreement or the employment of Executive by Company shall be settled exclusively in arbitration, conducted before a single arbitrator in Denver, Colorado in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association then in effect. The decision of the arbitrator will be final and binding upon the parties hereto. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Nothing herein shall limit Company's right to seek injunctive or other equitable relief as described in €, above from a stale or federal court in the City and County of Denver.

10. Successors; Binding Agreement.

(a) Company's Successors. This Agreement shall inure to the benefit of and be enforceable by, and may be assigned by Company without Executive's consent, to any affiliate of Company, any purchaser of Company's business or assets or a portion thereof, or any successor to Company or any assignee thereof (whether direct or indirect, by purchase, merger, consolidation or otherwise), it being understood, that nothing in this Section 10(a) shall affect Executive's right to terminate his employment for Good Reason.

(b) Executive's Successors. The parties hereto agree that Executive is obligated under this Agreement to render personal services during the Employment Period of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement special value. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void; provided, however, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's estate.

11. Insurance for Company's Benefit. Company may at any time and for Company's own benefit (or for the benefit of a lender to Company) apply for and take out life, health, accident or other insurance covering Executive, either independently or together with others, in any amount which Company may deem to be in its best interests. Company shall own all rights in such insurance and proceeds thereof, and Executive shall not have any right, title or interest therein. Executive shall assist Company at Company's expense in obtaining and maintaining any such insurance by submitting to reasonable and customary medical examinations and preparing, signing and delivering such applications and other documents as reasonably may be required.

12. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing or by email and shall be deemed to have been duly given when delivered either personally or by United Stales certified or registered mail, return receipt requested, postage prepaid, or when the recipient acknowledges receipt in writing (including by email), addressed as follows:

If to Executive:

Michael Hinderberger
[***]

If to the Company:

XTI Aircraft Company
Board of Directors
c/o David E. Brody, Chairman
7625 S. Peoria St. Suite 216A
Englewood, CO 80112

[***]

with a copy to:

Mara Babin
[***]

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. Miscellaneous. No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by Executive and by a duly authorized officer of (he Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent lime. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The respective rights and obligations of the parties hereunder of this Agreement shall survive Executive's termination of employment and the termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

14. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Section 409A of the Code. Company makes no representations regarding the lax implications of (he Compensation and benefits to be paid to Executive under this Agreement, including, without limitation, under Section 409A of the Code. The parties agree that in the event Executive or Company reasonably determines that the terms hereof would result in Executive being subject to lax under Section 409A of the Code, Executive and Company shall negotiate in good faith to amend this Agreement to the extent necessary to prevent the assessment of any such tax, including by delaying the payment dates of any amounts hereunder.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

17. Entire Agreement. Except as otherwise provided herein, this Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer. Executive or representative of any party hereto in respect of such subject matter. Except as other provided herein, any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled.

18. Noncontravention. Company and Executive each represent to the other that Company and Executive, as the case may be, are not prevented from entering into, or performing, this Agreement by the terms of any law, order, rule or regulation, by-laws or declaration of trust, or any agreement to which Company or Executive, as the case may be, is a party.

19. Section Headings. The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

XTI Aircraft Company

/s/ Michael Hinderberger 7/27/22
Michael Hinderberger, an individual

By: /s/ David E. Brody
David E. Brody, Chairman

SCHEDULE A

Executive holds passive ownership interests in the following entities: N/A

Executive serves on the Board of or is employed by the following entities: N/A

SCHEDULE B – Options to be granted to Executive:

- Grant of 2 million Options, with 1 million vesting currently and 1 million vesting in six months (January 1, 2023).
- Upon change of control, Executive's options and vesting will be treated the same as all other XTI options that are issued and outstanding as of the effective date of such change of control. In any event, Executive's right to exercise after six months shall not be diminished.
- Additional Options subject to 6-month performance review by Board.

SCHEDULE C – Cash Bonus: Executive shall receive one cash performance bonus (the "Cash Bonus") per calendar year up to 100% of his Base Salary. The Cash Bonus amount shall be based upon Executive's successful performance of his services as CEO, specifically on his role as CEO in overseeing the Company's: (a) achieving financing goals (40%), and (b) achieving technical milestones (60%), all in accordance with the following objective criteria:

- Financing Goal (40%): The criteria for measuring Executive's success in performing his services related to the Company's financing efforts shall be based 20% on DDR funding, and 20% on CDR funding. **[The parties shall amend this Schedule C with the amount of "DDR funding" and "CDR funding" as soon as such definitions are approved by the Company's Board of Directors]**

- Technical Milestones (60%): The criteria for measuring Executive's success in performing his services related to the Company achieving its technical milestones shall be based 30% on successful DDR, and 30% on successful CDR. **[The parties shall amend this Schedule C with definitions of "DDR" and "CDR" as soon as such definitions are approved by the Company's Board of Directors]**

Each part of the Cash Bonus will be awarded by the Board for the applicable portion or percentage achieved. For example, if the "financing goal" for "DDR funding" is $10 million for the one-year period commencing with the Effective Date, and the Company raises $8 million during that period for DDR funding, then the Executive shall receive 80% x 20% x $350,000 for that 20% portion of the total Cash Bonus.

XTI AEROSPACE, INC.

List of Subsidiaries

Name of Subsidiary	State of Jurisdiction of Incorporation	Fictitious Name (if any)
Inpixon Holding (UK) Limited	United Kingdom	None
Inpixon GmbH	Germany	None
IntraNav GmbH	Germany	None
XTI Aircraft Company	Delaware	None

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of XTI Aerospace, Inc. (f/k/a Inpixon) Forms S-3 [File No. 333-276905]; [File No. 333-256827]; Forms S-1 [File No. 333-276175]; [File No. 333-272904]; [File No. 333-233763]; [File No. 333-232448]; Forms S-8 [File No. 333-276335]; [File No. 333-261282]; [File No. 333-256831]; [File No. 333- 237659]; [File No. 333-234458]; [File No. 333-230965]; [File No. 333-229374]; [File No. 333-224506]; [File No. 333-216295]; and [File No. 333-195655] of our report dated April 16, 2024, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of XTI Aerospace Inc. and subsidiaries (f/k/a Inpixon) as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022, which report appears in the Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ Marcum LLP

Marcum LLP
New York, NY
April 16, 2024

Exhibit 31.1

CERTIFICATION

I, Scott Pomeroy, certify that:

1. I have reviewed this Annual Report on Form 10-K of XTI Aerospace, Inc.;

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

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

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

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

   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; and

   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: April 16, 2024

/s/ Scott Pomeroy

Scott Pomeroy
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Brooke Turk, certify that:

1. I have reviewed this Annual Report on Form 10-K of XTI Aerospace, Inc.;

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

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

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

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

   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; and

   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: April 16, 2024

/s/ Brooke Turk

Brooke Turk
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

In connection with the Annual Report of Inpixon (the "Company") on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission (the "Report"), we, Scott Pomeroy, Chief Executive Officer (Principal Executive Officer) and Brooke Turk, 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: April 16, 2024

/s/ Scott Pomeroy

Scott Pomeroy
Chief Executive Officer
(Principal Executive Officer)

/s/ Brooke Turk

Brooke Turk
Chief Financial Officer
(Principal Financial and Accounting Officer)

CLAWBACK POLICY

1. Introduction

The Board of Directors (the "**Board**") of XTI Aerospace, Inc. **(**the "**Company**") believes that it is in the best interests of the Company and its shareholders to adopt this Clawback Policy (this "**Policy**"), which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws as further described herein. This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), Rule 10D-1 promulgated under the Exchange Act, and Nasdaq Listing Rule 5608 (the "**Listing Standards**").

2. Administration

This Policy shall be administered by the Board or, if so designated by the Board, a committee thereof (the Board or such committee charged with administration of this Policy, the "**Administrator**"). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committees of the Board, such as the Audit Committee or the Compensation Committee, as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to any limitation at applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

3. Application of this Policy; Covered Executives

This Policy applies to Incentive Compensation (as defined below) received by the Company's current and former executive officers (as determined by the Board in accordance with the definition of "executive officer" set forth in Section 10D of the Exchange Act and the Listing Standards) and such other senior executives/employees, if any, who may from time to time be deemed subject to this Policy by the Board ("**Covered Executives**") (a) after beginning services as a Covered Executive, (b) who served as a Covered Executive at any time during the performance period for such Incentive Compensation, (c) while the Company had a listed class of securities on a national securities exchange and (d) during the Applicable Period (as defined below).

4. Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct

an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as a "Big R" restatement) or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as a "little r" restatement) ("Accounting Restatement"), the Company shall promptly recoup the amount of any Erroneously Awarded Compensation (as defined below) received by any Covered Executive, as calculated pursuant to Section 6 hereof, during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year) (the "Applicable Period"). Changes to the Company's financial statements that do not represent error corrections under the then-current relevant accounting standards will not constitute an Accounting Restatement for purposes of this policy. For example, the following types of changes to an issuer's financial statements do not represent error corrections, and therefore would likewise not trigger recoupment under this Policy:

- retrospective application of a change in accounting principle; provided that such change is a change from one generally accepted accounting principle to another generally accepted accounting principle when there are two or more generally accepted accounting principles that apply or when the accounting principle formerly used is no longer generally accepted.
- retrospective revision to reportable segment information due to a change in the structure of an issuer's internal organization;
- retrospective reclassification due to a discontinued operation;
- retrospective application of a change in reporting entity, such as from a reorganization of entities under common control;
- retrospective revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

5. Incentive Compensation

For purposes of this Policy, "**Incentive Compensation**" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure (as defined below). Incentive Compensation is "received" for purposes of this Policy in the Company's fiscal period during which the financial reporting measure specified in the Incentive Compensation award is attained, even if the payment or grant of such Incentive Compensation occurs after the end of that period.

"**Financial Reporting Measure**" includes (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures derived wholly or in part from such measures and may consist of GAAP or non-GAAP financial measures (as defined under Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Exchange Act), (ii) stock price, or (iii) total stockholder return. Financial Reporting Measures may or may not be filed with the SEC and may be presented outside the Company's financial statements, such as in Management's

Discussion and Analysis of Financial Conditions and Result of Operations or in the performance graph required under Item 201(e) of Regulation S-K under the Exchange Act.

6. Erroneously Awarded Compensation; Amount Subject to Recovery

The amount of "**Erroneously Awarded Compensation**" subject to recovery under this Policy, as determined by the Administrator, is the amount of Incentive Compensation received by a Covered Executive that exceeds the amount of Incentive Compensation that otherwise would have been received by such Covered Executive had it been determined based on the restated amounts in the Accounting Restatement, without regard to any taxes paid by such Covered Executive in respect of the Erroneously Awarded Compensation.

For Incentive Compensation based on stock price or total shareholder return: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive Compensation was received, and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market ("**Nasdaq**").

7. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include, without limitation: (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

8. No Indemnification of Covered Executives

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

9. Administrator Indemnification

Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

10. Effective Date

This Policy shall be effective as of the date the Policy is adopted by the Board (the "**Effective Date**") and shall apply to any Incentive Compensation that is received by Covered Executives on or after October 2, 2023, even if such Incentive Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date.

11. Amendment; Termination

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law, the Listing Standards and any other rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time, provided that such termination would not cause the Company to violate any federal securities laws, or rules promulgated by the U.S. Securities and Exchange Commission or the Listing Standards.

12. Other Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

13. Relationship to Other Plans and Agreements

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. In the event of any inconsistency between the terms of this Policy and the terms of any employment agreement, equity award agreement, or similar agreement under which Incentive Compensation has been granted, awarded, earned or paid to a Covered Executive, whether or not deferred, the terms of this Policy shall govern.

14. Impracticability

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Compensation Committee has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

15. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

16. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

Adopted: November 30, 2023