

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

**FORM 10-K**

(Mark One)

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

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-39642

**CXApp Inc.**

(Exact name of registrant as specified in its charter)

Delaware	85-2104918
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Four Palo Alto Square, Suite 200 3000 El Camino Real Palo Alto, CA	94306
(Address of Principal Executive Offices)	(Zip Code)

(650) 785-7171

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	CXAI	The Nasdaq Stock Market LLC
Warrants to purchase common stock	CXAIW	The Nasdaq Stock Market LLC

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

None

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

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

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

Indicate by check mark whether the registrant 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.

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 in 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).

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

The aggregate market value of the Registrant's shares of Class A common stock outstanding, other than shares held by persons who may be deemed affiliates of the Registrant, computed as of June 30, 2023 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$93,723,073.

As of May 20, 2024, there were 15,254,389 shares of the Registrant's Class A common stock, par value \$0.0001 per share, issued and outstanding.

---

---

**CXAPP INC.**

**FORM 10-K FOR THE PERIOD ENDED DECEMBER 31, 2023**

**TABLE OF CONTENTS**

		<b>Page</b>
<u>Part I.</u>		1
Item 1.	<u>Business.</u>	1
Item 1A.	<u>Risk Factors.</u>	10
Item 1B.	<u>Unresolved Staff Comments.</u>	34
Item 1C.	<u>Cybersecurity Disclosures.</u>	34
Item 2.	<u>Properties.</u>	35
Item 3.	<u>Legal Proceedings.</u>	35
Item 4.	<u>Mine Safety Disclosures.</u>	35
<u>Part II.</u>		36
Item 5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	36
Item 6.	<u>[Reserved].</u>	36
Item 7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	37
Item 7A.	<u>Quantitative and Qualitative Disclosure About Market Risk.</u>	51
Item 8.	<u>Consolidated Financial Statements and Supplementary Data.</u>	51
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.</u>	51
Item 9A.	<u>Controls and Procedures.</u>	51
Item 9B.	<u>Other Information.</u>	52
Item 9C.	<u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.</u>	52
<u>Part III.</u>		53
Item 10.	<u>Directors, Executive Officers and Corporate Governance.</u>	53
Item 11.	<u>Executive Compensation.</u>	60
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	63
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence..</u>	64
Item 14.	<u>Principal Accountant Fees and Services.</u>	67
<u>Part IV.</u>		68
Item 15.	<u>Exhibits, Financial Statement Schedules.</u>	68
Item 16.	<u>Form 10-K Summary.</u>	70

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY**

This Annual Report on Form 10-K contains statements that are forward-looking and as such are not historical facts. This includes, without limitation, statements under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our financial position, business strategy and the plans and objectives of management for future operations. These statements constitute projections, forecasts, and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

A Glossary of Terms can be found in the next page for further information.

The forward-looking statements contained in this Annual Report on Form 10-K are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements.

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. Unless the context otherwise requires, all references in this subsection to the "Company," "we," "us," or "our" refer to the business of CXApp.

- We have a history of operating losses and there is no assurance that we will ever be able to earn sufficient revenue to achieve profitability or raise additional financing to successfully operate our business plan.
- We will need to increase the size of our organization, and we may experience difficulties in managing growth, which could hurt our financial performance.
- 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.
- 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 market price of our common stock may be volatile and fluctuate substantially, which could cause the value of your investment to decline.
- Changes in accounting principles and guidance, or their interpretation or implementation, may materially adversely affect our reported results of operations or financial position.
- If we fail to meet the continued listing standards of Nasdaq, our common stock may be delisted, which could have a material adverse effect on the liquidity and market price of our common stock and expose us to litigation.
- Management has identified material weaknesses in our internal control over financial reporting, which could, if not remediated, result in additional material misstatements in our interim or annual consolidated financial statements.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

### **Glossary of Terms**

Unless otherwise stated in this Annual Report or the context otherwise requires, reference to:

- "Board" refers to the board of directors of CXApp;
- "Business Combination" refers to the merger of Merger Sub with and into Legacy CXApp, with Legacy CXApp surviving the merger as a wholly-owned subsidiary of CXApp and the other transactions contemplated by the Merger Agreement;
- "Bylaws" refers to the existing bylaws of CXApp currently in effect;
- "Charter" refers to the existing amended and restated certificate of incorporation of CXApp currently in effect;
- "Closing" refers to the closing of the Merger;
- "CXApp" refers to CXApp Inc., a Delaware Corporation;
- "Design Reactor" refers to Design Reactor Inc., a California corporation, which was formerly doing business under the name "The CXApp";
- "Distribution" refers to distribution of the Enterprise Apps Business to the holders of Inpixon stock and other Inpixon securities on a certain record date through the distribution of all of the outstanding shares of Legacy CXApp capital stock to holders of Inpixon stock and other Inpixon securities on a certain record date on a pro rata, one for one basis, as described in the Separation and Distribution Agreement;
- "Distribution Time" refers to the time at which Distribution occurs, which is deemed to be 12:01 a.m., New York time on the date Distribution occurs;
- "DGCL" refers to the General Corporation Law of the State of Delaware;
- "Employee Matters Agreement" refers to the Employee Matters Agreement, dated March 14, 2023, by and among KINS, KINS Merger Sub Inc., Inpixon, and Legacy CXApp;
- "Enterprise Apps Business" refers to the business conducted by CXApp and its direct and indirect subsidiaries, including the business related to the (i) software-as-a-service app and mapping platforms which enable corporate enterprise organizations to provide a custom-branded, location-aware employee app focused on enhancing the workplace experience and hosting virtual and hybrid events, (ii) augmented reality (or AR), computer vision, localization, navigation, mapping, and 3D reconstruction technologies, and (iii) on-device "blue dot" indoor location and motion technologies;
- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "GAAP" refers to accounting principles generally accepted in the United States of America;
- "Incentive Plan" refers to the CXApp Inc. 2023 Equity Incentive Plan;
- "Inpixon" refers to Inpixon, a Nevada corporation;

- "IRS" refers to the U.S. Internal Revenue Service;
- "JOBS Act" refers to the Jumpstart Our Business Startups Act of 2012;
- "KINS" refers to KINS Technology Group Inc., a Delaware corporation;
- "Legacy CXApp" refers to CXApp Holding Corp., a Delaware corporation, prior to the Merger;
- "Merger" refers to the merger of Merger Sub with and into Legacy CXApp, with Legacy CXApp surviving the merger as a wholly-owned subsidiary of CXApp and the other transactions contemplated by the Merger Agreement;
- "Merger Agreement" refers to the Agreement and Plan of Merger, dated as of September 25, 2022, by and among KINS, Merger Sub, Inpixon and Legacy CXApp., as amended and modified from time to time;
- "Merger Sub" refers to KINS Merger Sub Inc.;
- "Nasdaq" refers to the Nasdaq Capital Market;

- “Sarbanes-Oxley Act” refers to the Sarbanes-Oxley Act of 2002;
- “Securities Act” refers to the Securities Act of 1933, as amended;
- “SEC” refers to the United States Securities and Exchange Commission;
- “Separation” refers to a series of transactions by Inpixon and certain of Inpixon’s subsidiaries as result of which Inpixon’s Enterprise Apps Business is held by Legacy CXApp and its subsidiaries and is separated from the remainder of Inpixon’s businesses, on the terms and subject to the conditions of the Separation and Distribution Agreement;
- “Separation and Distribution Agreement” refers to the Separation and Distribution Agreement, dated as of September 25, 2022, by and among Inpixon, Design Reactor, Legacy CXApp and KINS, as amended and modified from time to time;
- “Sponsor” refers to KINS Capital, LLC, a Delaware limited liability company;
- “Sponsor Support Agreement” refers to that certain Sponsor Support Agreement, dated as of September 25, 2022, by and among the Sponsor, KINS and Legacy CXApp, as amended and modified from time to time.
- “Tax Matters Agreement” refers to the Tax Matters Agreement, dated March 14, 2023, by and among KINS, Inpixon, and Legacy CXApp; and
- “Transition Services Agreement” refers to the Transition Services Agreement, dated March 14, 2023, by and between Inpixon and Legacy CXApp.

## PART I.

*References in this Annual Report on Form 10-K (this “Annual Report”) to “we,” “us,” “our,” the “Company” or “CXApp” are to CXApp Inc., a Delaware corporation, and its subsidiaries. References to our “management” or our “management team” refer to our officers and directors.*

### **Item 1. Business.**

#### **Overview**

CXApp’s platform is a workplace experience platform for enterprise customers. Our technologies and solutions help enterprise customers deliver a comprehensive business journey in a work ‘from-anywhere’ world for employees, partners, customers and visitors. CXApp offers native mapping, analytics, on-device positioning (or ODP) and applications technologies that aim to bring people together.

Our customers use our enterprise solutions in a variety of ways, including, but not limited to, workplace experience, employee engagement, desk and meeting room reservations, workplace analytics, occupancy management, content delivery, corporate communications and notifications, event management, live indoor mapping, wayfinding and navigation.

Our enterprise application platform is the intersection of technology, intelligence, automation and experience for today’s hybrid workplace and the workplace of the future. The CXAI software-as-a-service (or SaaS) platform is anchored on the intersection of customer experience (CX) and artificial intelligence (AI) providing digital transformation for the physical workplace for enhanced experiences across people, places and things.

#### **Corporate Strategy**

The office, now, is everywhere. We believe that giving employees and teams the ability to manage different types of ‘office scenarios’ from their personal device will be the dominating path forward for a lot of companies.

Enterprise organizations are considering mobile applications imperative for the successful management of distributed workforces, and the changing office landscape. Over the next five years, we believe all large enterprise organizations will be using a mobile app to manage their workplace experience initiatives.

We believe CXApp is uniquely positioned as the connection point of hybrid workplace models — bringing people together through a workplace experience app that helps companies build a more meaningful and productive work experience. We put key technologies, employee engagement initiatives, workplace automation and best practices into action with a comprehensive approach to the workplace — so employees and operations can make faster, reliable, data-driven decisions that influence performance and improve productivity.

Through our strategic growth model, we aim to connect every experience in the workplace with the CXApp platform no matter who you are, where you are, or what you’re doing.

#### **Business Model**

The CXApp workplace solution is a SaaS product for enterprise organizations, distributing a mobile app to all employees within the organization. It includes a content management system (or CMS) so customers can adjust configurations for their workplace settings autonomously and spontaneously. The CXApp platform offers a suite of leading-edge technology workplace experience solutions including an enterprise employee application, indoor mapping, on-device positioning, augmented reality technologies and an AI-based analytics platform, targeting the emerging hybrid workplace market to provide enhanced experiences across people, places, and things.

Our pricing structure consists of recurring software fees as well as a professional service fee to setup and deploy a new location or campus, including digitized maps and configurations at the global and regional level.

#### **Technology Overview**

CXApp’s platform is a comprehensive workplace experience solution that introduced a mobile-first mindset to everyday interactions and business needs to help customers drive engagement across their global workforce. We bring workplace experience initiatives together in one simple and comprehensive system so customers don’t have to host, manage, support or maintain. We believe this results in low cost, low overhead and easy maintenance.

The benefits of our technology platform include but are not limited to:

- Our platform is built on a SaaS model.
- Regular updates, ongoing enhancements and maintenance are performed to ensure all customer apps are built with industry best practices.
- All customer apps are hosted in an exclusive cloud instance for increased security and reliability.
- Each customer has access to their own content management system compliance and authentication, built into the platform.
- The iOS mobile app is natively built with the latest version Swift framework.
- The AndroidX mobile app is natively built with the latest version AndroidX framework.
- Security and data privacy protocols are compliant with the EU General Data Protection Regulation and have an ISO 27001 certification.
- Additional security clearances include SSL/TLS 1.2 for Google App Engine, AES256 bit Advanced Encryption and Google Cloud Key Store.

## Products and Services

Our workplace experience solution is a software-as-a-service (or SaaS) platform for the enterprise. Our technology platform delivers the following core components that work in combination to deliver an incredible experience for companies around the world.

- **Workplace Experience** — Our workplace provides a more connected workplace by providing organizations with a holistic, location-aware, customer-branded employee app that enhances employee experience. This solution allows for a frictionless work environment to employees, thus helping the organization, with features such as: hot desk and room booking, indoor navigation with turn-by-turn directions on a digital map, company-wide news feeds, an in-app company directory of colleagues and workplace amenities, as well as bookable opportunities and experiences. Our clients include facilities teams solving space utilization challenges, workplace operations teams building incredible experiences for employees and IT teams focused on streamlining their tech stacks to boost productivity and efficiency.
- **Hybrid Events** — Our hybrid event solution provides both mobile app and virtual event capabilities to connect tens of thousands of remote and in-person audiences through a fully branded, end-to-end event journey. Our hybrid event platform can host multiple events for enterprise organizations and provide support to ongoing event engagement touchpoints to attendees before, during, and after the event using features such as customizable agendas, real-time activity feeds, instant notifications and more.
- **Mapping Solutions** — Our indoor mapping solution adds intelligence to complex indoor spaces to help enterprise organizations by integrating business data with geospatially accurate indoor maps to create relevant views of indoor environments. Indoor mapping is integral to supporting location-aware, “internet of things” (or IoT) enabled smart office touchpoints or devices within the customer’s premises. Developers use our mapping solution to bring indoor maps to apps, enabling multiple uses with a single set of maps. This product is intended to serve as a digital twin of a physical space facility and can be used for facility management, security, customer or worker experiences, asset tracking and more.

- **Analytics Dashboard** — Our robust cloud-based analytics dashboards give enterprise organizations insights into how real estate, technology and people interact across the workplace, so they can make business decisions to unlock savings, improve employee experience or optimize services. With our analytics platform, data from multiple sensors and data sources (third party sensors, native mapping solutions and data) can be visualized for action by workplace operations teams. The key output of our amazing AI applications is a data and analytics engine that fuses the user, space and things data to create what we are calling “Experience Analytics”. These are the key insights and outcomes that will drive the help solve the future of work problems.
- **On-Device Positioning (or ODP)** — Our on-device positioning technology, commonly known as “blue dot”, enables powerful location-based uses and builds upon our mapping offering to give enterprises clients a seamless way to provide navigation assistance within a venue (workplace, event show floor etc.). Our solution displays a user’s precise location and runs on a smartphone, smartwatch or other IoT wearable device and can operate without the internet.

## Product Roadmap and Enhancements

Our ability to adapt and be relevant during 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 it remains 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, we have multiyear product roadmap development plans which include activities related to expanding the use of augmented reality (or AR) and 3D mapping, new integrations with our partners to connect enterprise services to our app, changes to our desk booking solution to allow faster and more informed decision making by the user and improving our on-device positioning solutions and other initiatives described below.

- **Mapping and Digital Twin** — Our advanced mapping platform is built with a set of developer tools to power an infinite number of experiences across multiple platforms. We are researching and evaluating ways in which laser imaging, detection, and ranging research and technology can aid map development and points of interest (or POI) location in a deployment. We believe leveraging our proprietary technology with Generative AI, we create interactive Digital 3D Twins of an organization’s indoor maps designed to meet the diverse needs of today’s workforce, whether they’re on-site, working remotely, or adopting a hybrid model. These enhancements to our mapping platform are part of a longer-term roadmap initiative which may require allocation of resources over the next 12-36 months. Initiatives over the next twelve months for these activities are anticipated to be focused on research and the development of a prototype.
- **Application Integrations** — With the addition of our on-device positioning technology and the expanding usage of apps in the workplace, particularly campus-style and large building environments, we are continuously evaluating ways to improve our app capabilities, including by enhancing our software development kits (or SDKs) and adding new functionality or features to support integration with workplace systems and tools. Our application programming interface (or API) and SDK integrations with customers that provide conferencing, collaboration, delivery, secure lockers, access control, parking and IoT management are key differentiators that we believe make our app the gateway for our customers. CXApp is a “category-maker” company that has developed the most engaging application for the hybrid workplace market - in reality, this is the Workplace SuperApp with over 150 native features and 100+ API integrations. We have several planned releases over the next 12 months in furtherance of these initiatives.

- **Analytics and Insights** — We provide data science analytics in the cloud, along with specially optimized algorithms that are intended to increase usability of the data we collect for our customers. We have released a beta version of our software with additional analytics capabilities. In the future, we would look to expand this offering, with the goal of allowing customers to export data to internal business intelligence systems and to upload additional datasets that might include security systems, or occupancy information. Our plan is for our system to deliver data reporting and visualizations to the user combining these data sources.

- **Augmented Reality (or AR) and 3D** — Our Artificial-Intelligence-based Augmented Reality solution provides seamless integration of digital experiences with the real world and transforms the way users interact and engage with their environment. AR technologies may be used to both display and capture spatial data that can be overlaid with the rich, profile-based maps in our CMS. The use of AR technologies will help in connection with the application of visual asset tracking use cases without beacons, digital twin creation and applications for the metaverse or other applications. Our AR roadmap initiatives are anticipated to be implemented over the course of a multiyear plan.

We expect that we will have sufficient funding for planned initiatives on our product roadmap over the next twelve months, however, we expect that additional funding may be required in connection with certain of the longer term, multi-year development initiatives on the roadmap.

## Industry Background

Around 2009, we saw digital transformation initiatives begin to impact the corporate workplace, manifesting across components such as conference room signage, room booking, next-gen intranets, and transparent communications. Technology offered an easy way to begin to integrate these elements into the workplace.

Companies were slowly moving towards flexible work models, desk booking and sensor integrations. But timelines for digital workplace transformation were expedited during the pandemic. Since more people were 'stuck at home' during this timeframe, especially in the corporate sector, workplace tools emerged to satisfy niche uses.

As more third-party platforms were introduced to the workplace ecosystem, data, information, and experiences became increasingly siloed. Now, mobile apps are proving to be the main connection point to plug into multiple platforms and bring every experience into one mobile command center. As the workplace and common workday interactions become more accessible and tied together through a single mobile app, we're seeing efficiencies across workplace experience, boosts in productivity, reduced overhead, and increased insights into key workplace initiatives.

As more tools and systems connect together, comprehensive workplace analytics will become crucial for job roles such as corporate real estate, facilities, and even human resources as they'll be able to glean cross-platform, actionable insights that impact spaces, technology, and the people that use them.

As we move towards new versions of the workplace, post-pandemic, analysts and industry experts believe hybrid work will remain, but each company will be responsible for defining and managing their own protocols, expectations, and operating ratios. We see a fruitful opportunity where workplace technology apps are significantly growing as more companies adopt this technology to manage hybrid workplaces and bring distributed teams together.

## Trends

We have observed that companies want employees back in the office 3-5 days a week, but employees need more engagement to bring them back in the post-pandemic environment. Pressing issues and considerations include disinterest in 'the purpose' of the office, uncertainty of colleague's in-office status, a growing inequity of the hybrid work model, apprehension of densely occupied places, and overall disengagement from employees.

There are things real estate, operations, workplace experience, IT teams and cross-functional groups can do to set-up the workplace for success such as increasing communication, automating interactions, and having better insights into how space is being utilized. This means investment in IoT, mobility, and cloud solutions to keep the people and technology in the new workplace connected.

As teams continue to re-enter the post-pandemic workplace in phases and at reduced capacities, we believe a mobile app is more relevant than ever, as a connection point for an increasingly distributed workforce. CXAI stands uniquely positioned to lead the category and shape the workplace experience landscape, given the ongoing digital transformation of nearly all enterprise organizations.

We believe trends that work in our favor include:

- **Heavy and Complex Tech Stacks.** As more technologies come online to fulfill niche uses, the market becomes saturated, and employees and operations personnel may be overwhelmed with app overload, heavy and somewhat complex tech stacks, and increased expenses. Our one-app approach and open ecosystem uniquely positions CXApp as a one-stop shop for workplace experience, tying multiple uses together.
- **Incomplete and Inaccurate Occupancies.** With a hybrid model, desks are no longer a 1:1 ratio leading to confusion around who is sitting where and when. With point-solutions, companies can wind up with ghost bookings, double-bookings, or gaps across core collaboration capabilities for teams. Our native desk booking and room reservation technology support advanced reservation, hotdesking or on-demand reservations, team insights, and integration with sensors to always provide the most accurate inventory.
- **Changing Spaces and Places.** The average corporate campus encompasses dozens, if not hundreds, of points of interest — including workstations, conference rooms, dining areas, lobbies, offices, fitness studios and collaboration zones. With a hybrid work setting, space has become more flexible, and some areas are no longer fixed points of interests. Spaces can easily be reconfigured to serve a better purpose if they're being underutilized. There is no longer a 'normal workday' where employees show up to the same cube on the same floor and eat at the same café. We believe our mapping solution and blue dot capabilities make it easier for employees to navigate changing workplace environments and easily locate new desks, new spaces, and find people while on-the-go.

The new world of work is a combination of technologies shaped by physical, virtual, and augmented experiences that make up the how, when, where, and sometimes why we show up. Offices are now considered as innovation hubs and collaboration centers that attract and connect talent and inspire innovation. Our state-of-the-art technology platform is based on 37 filed patents, with 17 of them already granted. This substantial intellectual property not only establishes our company as a technological frontrunner but also secures our position as a pioneer in the industry.

We believe successful organizations will turn to mobile apps to welcome employees back to the office, manage expectations, better support a

hybrid work model, enable data-informed decisions, and deliver excellent experiences to employees.

## Market Size

In a Market Research Report released in 2024, the digital workplace market size was valued at \$27.4 billion in 2022, and is projected to grow from \$33.7 billion in 2023 to \$90.5 billion by 2030. Propelling the growth of the market is attributed to new tools and technologies being offered in the market, and employees' desire for more flexibility in their work-life balance.

In its *Global Virtual Events Market Size & Share Report, 2030*, the global virtual events market size was valued by Grand View Research at \$114.12 billion in 2021 and is anticipated by Grand View Research to expand at a CAGR of 21.4% from 2022 to 2030. Grand View Research anticipates that the widespread use of collaboration and communication tools in various industries and industry verticals, including retail & e-commerce, healthcare, manufacturing, construction, and education, among others, will boost the market growth during the forecast period.

In its *Digital Workplace Market by Component, 2020 to 2026*, the market size in 2020 was valued at \$22.7 billion and is projected to grow to \$72.2 billion by the end of 2026 at a compound annual growth rate of 21.3%. Enhancing employee experience through a simpler and more flexible work setup helps organizations attract new employees and retain experienced and expert workers. However, required higher education and lack of proper training are among the limitations to growth and innovation leading to the digital workplace.

The occupancy analytics market in the commercial office space (for systems sales) was estimated by Memoori at \$2.17 billion in 2019, and is expected by Memoori to rise to \$5.73 billion by 2024, growing at a rate of 21.5% CAGR. We estimate that the workplace experience apps market is around 15% of this overall occupancy analytics market.

## Growth Strategy

Since our core workplace product's inception in 2017, our go to market strategy was direct to customer focusing on the Fortune 3000 enterprise space. This has benefited us by acquiring customers from the Fortune 500 across financial services, media and software industries, allowing us to emerge in what we believe is a leadership role for enterprise companies looking for workplace technology.

We also established a technology partner program that we believe is strong and has served us well. As of today, we have more than 75 partners, including, but not limited to digital lockers, sensors and single sign-on (or SSO) platforms, which allows us to offer seamless integration and workflow for delivering a holistic employee experience application.

Part of our future growth strategy includes, but is not limited to, the following strategic initiatives:

- Continue to grow our native development roadmap to align with market trends and new features to support companies and industries going through digital transformation and hybrid workforce models.
- Take our existing direct sales team and expand into new verticals.
- Continue to grow our foundational channel partner program to forge mutual relationship between other workplace technologies that want to become integrators and/or resellers.
- Build a robust sales and marketing roadmap to increase awareness and open channel opportunities, program opportunities and cross-marketing opportunities with existing industry associations and organizations to become thought leaders and trusted advisors in the work tech sector.

## Research and Development Expenses

Our research and development (R&D) activities have primarily been focused on enhancing our workplace app and mapping platform with additional features and capabilities to strengthen the total offering of our workplace solutions. In addition, we have allocated development resources to integrating our recently acquired technologies with our existing solutions, such as integrating our mapping and app platform, and incorporating "on device" positioning and analytics capabilities within our platform. Our management believes that we must continue to dedicate a significant number of resources to research and development efforts to maintain a competitive position in the market. Our products intersect many emerging fields including AI, the metaverse, augmented reality and space management, and we plan to continue to innovate and patent new methods to solve problems for our customers. While our R&D expenses have historically exceeded our revenues, we anticipate R&D expenses will grow at a slower rate than our revenue, however, we may need additional funding to support our planned R&D activities after the next 12 months or if we decide to accelerate the time to availability for planned development activities to grow faster or meet customer demand. For more information see "*Item 1. Business — Product Roadmap and Enhancements.*"

## Sales and Marketing

We utilize direct sales and marketing through sales representatives, who are compensated with a base salary and, in certain instances, may participate in incentive plans such as commissions or bonuses. To generate demand for our products and services, we utilize account-based marketing initiatives, lead gen and demand gen programs, tradeshows, webinars and other direct and indirect marketing activities to reach our target audience. Additionally, we have dedicated resources to support and grow our business through strategic channel and technology partner opportunities.

Our products are primarily sold on a recurring SaaS license model along with one-time implementation costs (for professional services). The SaaS model is typically for a multi-year contract and includes maintenance upgrades. It is common for our customers to expand our products to additional locations as well as implement new features resulting in additional revenue potential.

## Customers

We believe in a unified workplace where employees have on-demand access to real-time communications, collaboration and contextual experiences in one app — from employee to employee, building to building, campus to campus. Customers use the CXApp platform to streamline operations in a single mobile app platform to deliver the best possible experience to employees whether they are onsite, in-person and everywhere in between.

We believe our unique approach to workplace apps offers customers a feature-rich, white label experience allowing the in-app experience to reflect each customer's distinct business goals and brand identity. We go beyond point-solutions, offering a robust product that serves multiple uses

backed by native applications, technology partner integrations and workplace analytics that help employees and operations make data-informed decisions.

Our customers include Fortune 1000 enterprises primarily in the United States with deployments globally across industries, including, but not limited to software/technology, financial services, next-gen auto manufacturing, entertainment and life science companies. A list of customers is available on our website at [www.cxapp.com](http://www.cxapp.com).

### **Competition, Strengths, and Differentiation**

For our workplace experience app products we compete with companies such as Eptura, Modo Labs, HqO, Robin Powered and Comfy. For our mapping product, we compete with companies such as MappedIn, Mapwize and Esri. For our events product, we compete with companies such as Cvent, Double Dutch and Event Base.

We believe we offer a unique and differentiated approach to the market with our workplace experience app that our competition is currently not positioned/not capable of servicing, as described below.

- **One App.** We understand today's workplace is a collection of spaces, people, activity-based work, virtual and physical interactions, culture, experiences and the technology that binds them. CXApp has built a mobile command center through a single workplace app that helps enterprise companies build culture, foster innovation, empower employees, and create equitable experiences for a distributed workforce.
- **Delivering On Experience.** The CXApp platform is the connection point for every employee across your workforce. We have built a culture around workplace experience and help companies deliver that experience direct to employees to help attract and retain top talent, keep employees engaged and invested in company culture, and support them through a hybrid workforce model that is easy to navigate and easy to use.
- **Comprehensive Uses.** The CXApp technology supports a multitude of uses for enterprise organization including, but not limited to, workplace experience, mapping, meeting room reservations, desk booking, campus directories, navigation, facility management, analytics and security, across numerous industries in both the private and public sector.
- **Growing Ecosystem.** With a strong partner ecosystem and broad product integrations (Slack, Zoom, Office365, G-suite, Okta, ServiceNow, and others) our smart office app serves as the gateway to corporate communications and productivity portfolio. We have over 75 partner integrations and collaborative approach to creating a workplace ecosystem that helps customers streamline their technology stack and reduce app overload.
- **Scalable Solution.** We are built to support customers' expanding needs and uses. Our solution allows for employee growth and can aid on-boarding and employee orientation. We make it easy to add campus locations around the globe as our clients expand their workforce.
- **Technology-agnostic.** 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 make it possible to move data in and out of our platform. Our SDKs enable developers to build new apps or to integrate location data into their existing mobile apps, websites or kiosks.

### **Intellectual Property**

To establish and protect our proprietary rights, we rely on a combination of patents, trademarks, copyrights and 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. Our patent portfolio offers protections including detecting objects and positioning in a 3D environment, indoor navigation with sensor fusion, wireless signal fingerprinting, source-based anonymity and time synchronization methods.

In connection with the terms of the Separation and Distribution Agreement, each of Inpixon and CXApp have granted the other party a limited worldwide, non-exclusive, irrevocable, royalty free, fully paid up, perpetual, non-exclusive 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 Distribution Time or is reasonably anticipated to be used after the Distribution Time based on the written business or product plans existing as of the Distribution Time, solely for the conduct of any business of the Licensee as conducted on or prior to the Distribution Time and reasonably anticipated extension or evolutions thereof that are not substitutes for any product or service of the Licensor as of the Distribution Time.

As of this time, and notwithstanding the license granted under the Separation and Distribution Agreement, we do not anticipate that any of our products and technologies will require reliance on any intellectual property retained by Inpixon.

### **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.

In general, we are subject to various federal, state, local and foreign laws and regulations and related enforcement, including those relating to data privacy, security and protection, intellectual property, employment and labor, anti-bribery, import and export controls, federal securities and tax. Additional laws and regulations relating to these areas likely will be passed in the future, and these or existing laws and regulations may be interpreted or enforced in new or expanded manners, each of which could result in significant limitations on ways we operate our business. New and evolving laws and regulations, and changes in their enforcement and interpretation, may require changes to our products and services, or to our business practices and relationships generally, and may significantly increase our compliance costs and otherwise adversely affect our business and results of operations. As our business expands to include additional products and services, and our operations continue to expand internationally, our compliance requirements and costs may increase, and we may be subject to increased regulatory scrutiny.

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.

## Human Capital

As of May 15, 2024, there are 46 employees, including 4 management personnel, 9 technical R&D personnel, 4 sales personnel, 26 customer success and sustaining engineering personnel, 1 legal personnel, 1 human resources personnel and 1 information technology personnel. We also have technical consulting resources in the range of 25-35 FTE supporting our customer engagements.

## Corporate History

CXApp Inc. was incorporated in Delaware on July 20, 2020 as KINS Technology Group Inc, our predecessor. The Company was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (the "Business Combination"). The Company was not limited to a particular industry or sector for purposes of consummating a Business Combination. The Company is an early stage and emerging growth company and, as such, the Company is subject to all of the risks associated with early stage and emerging growth companies.

The registration statement for the Company's Initial Public Offering became effective on December 14, 2020. On December 17, 2020, the Company consummated the Initial Public Offering of 27,600,000 units (the "Units" and, with respect to the Class A common stock included in the Units sold, the "Public Shares"), which includes the full exercise by the underwriter of its over-allotment option in the amount of 3,600,000 Units, at \$10.00 per Unit, generating gross proceeds of \$276,000,000. Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 10,280,000 warrants (the "Private Placement Warrants") at a price of \$1.00 per Private Placement Warrant in a private placement to KINS Capital LLC (the "Sponsor") and certain funds and accounts managed by BlackRock, Inc. (the "Direct Anchor Investors" and which the Direct Anchor Investors, together with the Sponsor, are the "initial stockholders").

The Company has one wholly-owned subsidiary, KINS Merger Sub Inc., which was incorporated in the State of Delaware on September 16, 2022 ("Merger Sub"). Merger Sub had no activity from date of incorporation, September 16, 2022 through March 14, 2023.

At the end of business on March 14, 2023, pursuant to the Merger Agreement, a business combination between KINS and Legacy CXApp was effectuated through the merger of Merger Sub with and into Legacy CXApp, with Legacy CXApp surviving as the surviving company and as a wholly owned subsidiary of KINS. KINS subsequently changed its name to CXApp, and shares of CXApp Class A common stock began trading on the Nasdaq on March 15, 2023.

Legacy CXApp was incorporated under the laws of the State of Delaware on September 19, 2022, specifically for the purpose of effecting the Separation and was a wholly-owned subsidiary of Inpixon. Legacy CXApp has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions. Pursuant to the Separation and Distribution Agreement, (i) Inpixon undertook a series of internal reorganization and restructuring transactions to effect the transfer of its (direct or indirect) ownership of the Enterprise Apps Business to Legacy CXApp in the Separation and (ii) immediately prior to the Merger and after the Separation, Inpixon distributed 100% of the outstanding shares of CXApp common stock to Inpixon securityholders in the Distribution.

## Corporate Information

We have four operating subsidiaries: (i) Legacy CXApp, a Delaware corporation, 100% of the capital stock of which is owned by CXApp, (ii) CXApp US, Inc. (formerly as Design Reactor Inc.), a California corporation ("CXApp US"), 100% of the capital stock of which is owned by Legacy CXApp; (iii) CXApp Canada, Inc. (formerly as Inpixon Canada), a British Columbia corporation, based in Coquitlam, British Columbia ("CXApp Canada"), 100% of the capital stock of which is owned by CXApp US; and (iv) CXApp Philippines, Inc. (formerly as Inpixon Philippines, Inc.), a Philippines corporation ("CXApp Philippines"), 99.97% of the capital stock of which is owned by CXApp US.

Our principal executive offices are located at Four Palo Alto Square, Suite 200, 3000 El Camino Real, Palo Alto, CA 94306. Our Canadian subsidiary maintains offices in Toronto, Ontario and our Philippines subsidiary maintains offices in Manila, Philippines. Our Internet website is [www.cxapp.com](http://www.cxapp.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.

In addition to the other information contained in this Annual Report, the following risks have the potential to impact the business and operations of CXApp. An investment in our securities involves a high degree of risk. You should carefully consider all of the risks described in this Annual Report, together with the other information contained in this Annual Report. These risk factors are not exhaustive and all investors are encouraged to perform their own investigation with respect to the business, financial condition and prospects of CXApp. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe are immaterial could have a material adverse effect on our business, financial condition, results of operations and future growth prospects. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

### Risks Relating to our Operations.

***We have a history of operating losses and there is no assurance that we will ever be able to earn sufficient revenue to achieve profitability or raise additional financing to successfully operate our business plan.***

We have a history of operating losses and may not earn sufficient revenue to support our operations. We have incurred recurring net losses of approximately \$53,618 thousand and \$29,175 thousand for the fiscal years ended 2023 and 2022, respectively. Our continuation is dependent upon attaining and maintaining profitable operations 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 is dependent on implementing certain cost reductions and generating sufficient revenues. Our operations have primarily been funded by our previous parent company with proceeds from public and private offerings of capital stock and secured and unsecured debt instruments. Based on our current business plan, we may need additional capital to support our operations, which may be satisfied by additional debt or equity financings. Future financings through equity offerings will be dilutive to existing stockholders. In addition, the terms of securities we may issue in future capital transactions may be more favorable to new investors than our current investors. Newly issued securities may include preferences, superior voting rights, and the issuance of warrants or other derivative securities. 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.

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

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 workforce. There can be no assurance that we would be able to accomplish such an expansion on a timely basis. If we are unable to effect any required expansion and are unable to perform our contracts on a timely and satisfactory basis, our 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. Any such result would adversely affect our business and financial condition.

***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.

***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. 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 any such claims or litigation. In addition, 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 (possibly resulting in changes in established reserves), could have a material adverse effect on our business, financial condition, results of operations and cash flows. Due to recurring losses and net capital deficiency, our current financial status may increase our default and litigation risks and may make us more financially vulnerable in the face of threatened litigation.

***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 our 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.

***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.***

Our ability to increase revenues from existing customers by identifying additional opportunities to sell more of our 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, 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 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.

***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 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, as well as general economic conditions. If our efforts to sell additional products and services are not successful, our business may suffer.

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

While we believe that we have sufficient cash funds to satisfy our working capital needs for the next 12 months, we expect that we may need to raise funds to continue our operations and implement our plans to grow our business. However, if we decide to seek additional capital, we may be unable to obtain financing on terms that are acceptable to us or at all. If we are unable to raise the required cash, our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges could be limited.

***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 several reasons, including financial difficulties resulting from macroeconomic conditions or lack of an approved budget. An extended delay or default in payment relating to a significant account will have a material and adverse effect on the aging schedule and turnover days of our accounts receivable. If we are unable to timely collect our receivables from our customers for any reason, our business and financial condition could be 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***

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.

### **Risks Relating to our Growth**

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

In order to manage our future growth, we will need to continue to improve our management, operational and financial controls and our reporting systems and procedures. All of these measures will require significant expenditures and will demand the attention of management. If we do not continue to enhance our management personnel and our operational and financial systems and controls in response to growth in our business, we could

experience operating inefficiencies that could impair our competitive position and could increase our costs more than we had planned. If we are unable to manage growth effectively, our business, financial condition and operating results could be adversely affected.

### **Risks Relating to our Personnel**

***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 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.

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

We may be subject to claims that we and 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.

***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 certain of our officers, and other 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 our key personnel could have an adverse effect on us. If certain of our executive officers were to leave we would face substantial difficulty in hiring a qualified successor and could experience a loss in productivity while any successor obtains the necessary training and experience. 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.

### **Risks Relating to our Intellectual Property**

***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 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.

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.

***We could incur substantial cost in protecting our proprietary software technology and if we fail to protect our technology, we could incur material harm to our business.***

We rely principally on a combination of contract provisions and copyright, trademark, patent and trade secret laws to protect our proprietary technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. The steps we take to protect our proprietary rights may be inadequate to prevent misappropriation of our technology; moreover, others could independently develop similar technology.

***We could be subject to claims that we infringe intellectual property rights of others, which could harm our business, financial condition, results of operations or cash flows.***

Third parties could assert infringement claims in the future with respect to our products and technology, and such claims might be successful. Litigation relating to any such claims could result in substantial costs and diversion of resources, whether or not we ultimately prevail on the merits. Any such litigation could also result in our being prohibited from selling one or more of our products, unanticipated royalty payments, reluctance by potential customers to purchase our products, or liability to our customers and could have a material adverse effect on our business, financial condition, operating results and cash flows.

## **Risks Relating to Ownership of our Securities**

***The market price of our common stock may be volatile and fluctuate substantially, which could cause the value of your investment to decline.***

The trading price of our common stock, as well as our warrants, is likely to be volatile. The stock market has experienced extreme volatility in the past and may experience similar volatility moving forward. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. You may not be able to resell your shares at an attractive price due to a number of factors including the following:

- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- price and volume fluctuations in the market prices of stocks generally;
- strategic actions by us or our competitors;
- changes in how enterprises perceive the benefits of our platform and products;
- announcements by us or our competitors of new products, solutions or technologies or significant contracts, acquisitions, joint ventures, other strategic relationships or capital commitments;
- any significant change in our management or departures of key personnel;
- changes in general economic or market conditions or trends in our industry or markets;
- changes in business or regulatory conditions, including new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- future sales of our common stock or other securities;
- investor perceptions or the investment opportunity associated with our common stock relative to other investment alternatives;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our common stock;
- actions by institutional or activist stockholders;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- general economic and political conditions such as recessions, interest rates, fuel prices, trade wars, pandemics (such as COVID19), currency fluctuations and acts of war or terrorism; and
- the effects of natural disasters, terrorist attacks and the spread and/or abatement of infectious diseases, such as COVID-19, including with respect to potential operational disruptions, labor disruptions, increased costs, and impacts to demand related thereto.

These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

***We qualify as an “emerging growth company” within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies, it could make our securities less attractive to investors and may make it more difficult to compare our performance to the performance of other public companies.***

We are an “emerging growth company” within the meaning of the Securities Act, as modified by the JOBS Act, and for as long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in this Annual Report and our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information they may deem important. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

If we cease to be an emerging growth company, we will no longer be able to take advantage of certain exemptions from reporting, and, absent other exemptions or relief available from the SEC, we will also be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We will incur additional expenses in connection with such compliance and our management will need to devote additional time and effort to implement and comply with such requirements.

***We do not intend to pay dividends on our common stock, so any returns will be substantially limited to the value of our common stock.***

We have no current plans to pay any cash dividends on our common stock. The declaration, amount and payment of any future dividends on shares of our common stock will be at the sole discretion of our board. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends from future earnings for the foreseeable future. Our board may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on our or our subsidiaries' payment of dividends to our stockholders and such other factors as our board may deem relevant. In addition, our ability to pay dividends is limited by our indebtedness and may be limited by covenants of any future indebtedness we incur. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

***If securities analysts do not publish research or reports about our business or if they publish inaccurate or unfavorable research about our common stock, the stock price and trading volume of our common stock could decline.***

The trading market for our common stock will rely, in part, on the research and reports that industry or financial analysts publish about us or our business. In addition, some financial analysts may have limited expertise with our model and operations. Furthermore, if one or more of the analysts who do cover us downgrade their evaluations of our common stock, the price of our common stock could decline. If one or more of these analysts ceases to cover us, we could lose visibility in the market for our common stock, which in turn could cause our stock price or trading volume to decline.

***Any future sales or offerings of our common stock may cause substantial dilution to stockholders and could cause the price of our common stock to decline.***

The sale of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that it deems appropriate.

Pursuant to the Insider Letter (as defined in the Sponsor Support Agreement), during the Founder Shares Lock-Up Period (as defined in the Insider Letter), KINS' directors and executive officers will not, subject to the exceptions noted therein, sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of any shares of our common stock, or any stock options, restricted stock units, or other equity awards outstanding as of immediately following the Closing in respect of our awards outstanding immediately following the Closing. Following the expiration or waiver of the Lockup Period, such shares will be eligible for resale, subject to volume, manner of sale and other limitations under Rule 144. Sales of substantial amounts of our common stock in the public market, or the perception that such sales will occur, could adversely affect the market price of our common stock and make it difficult for us to raise funds through securities offerings in the future.

If the stockholders to the Registration Rights Agreement, dated as of December 14, 2020, that was entered into by KINS, the Sponsor and the other parties thereto in connection with the KINS initial public offering exercise their registration rights, the market price of shares of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our common stock or other securities.

In addition, the shares of our common stock reserved for future issuance under our equity incentive plans will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders.

A sustained depression in the market price of our common stock has happened (from October to December 2023) and could in the future happen, which could also reduce our market capitalization below the book value of net assets, which could increase the likelihood of recognizing goodwill or indefinite-lived intangible asset impairment losses that could negatively affect our financial condition and results of operations.

***Anti-takeover provisions in our organizational documents could delay or prevent a change of control.***

Certain provisions of our Charter and Bylaws have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- a classified board of directors whose members serve staggered three-year terms;

- the ability of our board to issue shares of preferred stock, including "blank check" preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- certain limitations on convening special stockholder meetings;
- limiting the ability of stockholders to act by written consent;
- the limitation of the liability of, and the indemnification of, our directors and officers;
- providing that our board is expressly authorized to make, alter or repeal our bylaws; and
- the removal of directors only for cause and only upon the affirmative vote of holders of the majority of the voting power of all of the then outstanding shares of our voting stock entitled to vote at an election of directors.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

***Our Charter designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.***

Our Charter provides that, subject to limited exceptions, any (1) derivative action, suit or proceeding brought on behalf of us, (2) action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any of our director, officer or stockholder to us or our stockholders, (3) action, suit or proceeding arising pursuant to any provision of the DGCL or the Charter or the Bylaws (as either may be amended from time to time), (4) any action, suit or proceeding as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (5) action, suit or proceeding asserting a claim against us or any current or former director, officer or stockholder governed by the internal affairs doctrine of the State of Delaware shall, to the fullest extent permitted by applicable law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court lacks subject matter jurisdiction thereof, another state or federal court located within the State of Delaware; provided that, (i) unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act and (ii) such exclusive forum provision shall not apply to claims or causes of action brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to consent to the provisions of the Charter. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find these provisions of the Charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

***The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the Nasdaq, require significant resources, increase our costs and distract our management, and we may be unable to comply with these requirements in a timely or cost-effective manner. We will incur increased costs as a result of operating as a public company, and our management will devote substantial time to new compliance initiatives.***

Legacy CXApp has previously operated as a privately owned company and expects to incur additional legal, regulatory, finance, accounting, investor relations and other administrative expenses as a result of having publicly traded common stock. In addition, we will be required under the Sarbanes-Oxley Act, as well as rules adopted by the SEC and Nasdaq to implement specified corporate governance practices that previously did not apply to Legacy CXApp as a private company.

As a public company with equity securities listed on Nasdaq, we will need to comply with rules and regulations of the SEC and the requirements of Nasdaq. Complying with these rules, regulations and requirements will occupy a significant amount of the time of our board of directors and management and will significantly increase our costs and expenses. Furthermore, any issues in complying with those requirements, including for example, the management's identification of material weaknesses in the Company's internal control over financial reporting and subsequent conclusion that the Company did not maintain effective internal control over financial reporting as of December 31, 2023, could cause us to incur additional costs rectifying those issues, and the existence of those issues could adversely affect our reputation or investor perceptions of it. Refer to Item 9A. Controls and Procedures of this Report for further information. In addition, as a public company we will incur substantial costs to obtain director and officer liability insurance policies. These factors could make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve

on our audit committee.

We will be required to ensure that we have the ability to prepare financial statements on a timely basis that fully comply with all SEC reporting requirements and maintain effective internal controls over financial reporting. The additional demands associated with being a public company may disrupt regular operations of our business by diverting the attention of some of our senior management team away from revenue producing activities to management and administrative oversight, adversely affecting our ability to attract and complete business opportunities and increasing the difficulty in both retaining professionals and managing and growing our businesses. In addition, failure to comply with any laws or regulations applicable to us as a public company may result in legal proceedings and/or regulatory investigations, and may cause reputational damage. Any of these effects could harm our business, financial condition and results of operations.

***If we fail to meet the continued listing standards of Nasdaq, our common stock may be delisted, which could have a material adverse effect on the liquidity and market price of our common stock and expose the Company to litigation.***

Our common stock is currently traded on the Nasdaq Capital Market. The Nasdaq Stock Market LLC ("Nasdaq") has requirements that a company must meet in order to remain listed. On April 18, 2024, the Company received a notice (the "Notice") from Nasdaq notifying the Company that, because the Company is delinquent in filing its 2023 Form 10-K, the Company no longer complies with Nasdaq Listing Rule 5250(c)(1) (the "Listing Rule"), which requires companies with securities listed on Nasdaq to timely file all required periodic reports with the SEC.

In accordance with Nasdaq's listing rules, the Company has 60 calendar days after the Notice to submit a plan of compliance (the "Plan") to Nasdaq addressing how the Company intends to regain compliance with Nasdaq's listing rules, and Nasdaq has the discretion to grant the Company up to 180 calendar days from the due date of the 2023 Form 10-K, or October 14, 2024, to regain compliance. The Company intends to submit the Plan and take the necessary steps to regain compliance with Nasdaq's listing rules as soon as practicable.

During this time, our common stock will continue to be listed on the Nasdaq, subject to our compliance with other Nasdaq continued listing requirements. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease. In addition, the delinquent report could expose the Company to risk of litigation concerning any impact upon the Company's price of the Company's common stock. Any such litigation could distract management from day-to-day operations and further adversely affect the market price of our common stock.

#### **Risks Relating to our Accounting Policies**

***Changes in accounting principles and guidance, or their interpretation or implementation, may materially adversely affect our reported results of operations or financial position.***

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These principles are subject to interpretation by the SEC and various bodies formed to create and interpret appropriate accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a significant effect on our reported results, as well as our processes and related controls.

***Revenue forecasting is uncertain, and the failure to meet our forecasts could result in a decline in our stock price.***

Our revenues, particularly new software license revenues or economic impacts from M&A activities, are difficult to forecast. We use a pipeline system to forecast revenues and trends in our business. Our pipeline estimates may prove to be unreliable either in a particular quarter or over a longer period of time, in part because the conversion rate of the pipeline into contracts can be difficult to estimate and requires management judgment. A variation in the conversion rate could cause us to plan or budget incorrectly and result in a material adverse impact on our business or our planned results of operations. Furthermore, most of our expenses are relatively fixed, including costs of personnel and facilities. Thus, an unexpected reduction in our revenue, or failure to achieve the anticipated rate of growth or realize synergies from M&A activity, would have a material adverse effect on our profitability. If our operating results do not meet our publicly stated guidance or the expectations of investors or analysts, our stock price may decline.

***If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.***

We review our goodwill for impairment at least annually and when events or changes in circumstances indicate that the carrying value may not be recoverable. As discussed in Note 7 – "Goodwill and Intangible Assets, net" in the Notes to the Consolidated Financial Statements under Item 15 of this Annual Report on Form 10-K, we incurred a goodwill impairment loss of \$36,056 thousand, resulting in a negative impact on our 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. 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.

***Management has identified material weaknesses in the Company's internal control over financial reporting, which could, if not remediated, result in additional material misstatements in the Company's interim or annual consolidated financial statements.***

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Under the direction of the Company's Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting. As a result of this evaluation, management identified material weaknesses in the Company's internal control over financial reporting. Because of these material weaknesses, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2023. Refer to Item 9A. Controls and Procedures of this Report for further information.

As described in Management's Report on Internal Control Over Financial Reporting in Item 9A. Controls and Procedures of this Report, these material weaknesses resulted in the delayed filing of the Company's annual Consolidated Financial Statements for the year ended December 31, 2023.

Management intends to implement enhancements to its internal control over financial reporting, which are expected to include refinements and enhancements to the controls related to goodwill valuation. The Company intends to begin to implement these enhancements to the design of its controls starting second quarter of 2024. However, these material weaknesses will not be considered remediated until management designs and implements effective controls that operate for a sufficient period of time and management has concluded, through testing, that these controls are effective. The Company will monitor the effectiveness of the remediation plan and will refine the remediation plan, as needed. Until remediated, the material

weaknesses could result in future errors to the Company's financial statements.

Remediation measures are time-consuming on the Company's financial and operational resources. In order to improve the effectiveness of its internal control over financial reporting, the Company will need to continue to expend resources, including accounting-related costs and management oversight. In view of the Company's liquidity position, the Company can give no assurance that the measures the Company takes will remediate the material weaknesses or that additional material weaknesses will not arise in the future.

## Risks Relating to Cybersecurity Threats

***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, cyber security threats, natural disasters, power shortages, terrorist attacks or other events, which could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our future results could be adversely affected.

***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.

***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 cloudbased 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, and similar disruptions from unauthorized tampering or human error. 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.

***Integration of artificial intelligence into our product offerings and our use of artificial intelligence in our operations could result in reputational or competitive harm, legal liability, and other adverse effects on our business.***

We have integrated, and plan to further integrate, AI capabilities into components of our product offerings, and we expect to use AI in our operations. Such integration and use of AI may become more important in our product offerings and operations over time. These AI-related initiatives, whether successful or not, could cause us to incur substantial costs and could result in delays in our software release cadence. Our competitors or other third parties may incorporate AI into their products or operations more quickly or more successfully than we do, which could impair our ability to compete effectively. Additionally, AI algorithms may be flawed and datasets underlying AI algorithms may be insufficient or contain biased information. If the AI tools integrated into our products or those we use in our operations produce analyses or recommendations that are or are alleged to be deficient, inaccurate, or biased, our reputation, business, financial condition, and results of operations may be adversely affected. Other companies have experienced cybersecurity incidents that implicate confidential and proprietary company data and/or the personal data of end users of AI applications integrated into their software offerings or used in their operations. If we were to experience a cybersecurity incident, whether related to the integration of AI capabilities into our product offerings or our use of AI applications in our operations, our business and results of operations could be adversely affected. AI also presents various emerging legal, regulatory and ethical issues, and the incorporation of AI into our product offerings and our use of AI applications

in our operations could require us to expend significant resources in developing, testing and maintaining our product offerings and may cause us to experience brand, reputational, or competitive harm, or incur legal liability. On October 30, 2023, the Biden administration issued an Executive Order to, among other things, establish extensive new standards for AI safety and security. Other jurisdictions may decide to adopt similar or more restrictive legislation that may render the use of such technologies challenging. These restrictions may make it harder for us to conduct our business using AI, lead to regulatory fines or penalties, require us to change our product offerings or business practices, or prevent or limit our use of AI.

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

Some parts of our technology may be based on open-source technology. 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 us.

---

24

**Risks Relating to our Customers**

***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.

***We rely on a limited number of key 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.***

Our top three customers accounted for approximately 22% and 27% of our gross revenue during the years ended December 31, 2023 and 2022, respectively. One customer accounted for 12% of our gross revenue in 2023, and a separate customer accounted for 11% of our gross revenue in 2022; however, each of these customers may or may not continue to be a significant contributor to revenue in 2024. 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.

---

25

**Risks Relating to our Industry**

***Our competitiveness depends significantly on our ability to keep pace with the rapid changes in our industry. Failure 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.

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.

***We operate in a highly competitive market 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.***

Our 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.

---

26

***If our 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 products are critical to our continued success. Demand for our 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.

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

The industry in which we operate is characterized by rapid technological changes, new product introductions, enhancements, and evolving industry standards. Our 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 us. 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 product offerings, our business, financial condition and results of operations could be harmed.

#### **Risks Relating to External Factors and Third Parties**

***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. A failure of our business relationships could have a material adverse effect on our business and results of operations.

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

We are subject to numerous federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anticorruption, import/export controls, trade restrictions, internal 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.

***Global events such as the lasting impact of the COVID-19 pandemic and other general economic factors may impact our results of operations.***

While the impact of the COVID-19 pandemic is generally subsiding, the lasting impact on our business and results of operations continues to remain uncertain. While we were able to continue operations remotely throughout the pandemic, we have and may continue to see a continued impact of the pandemic in the deployment and implementation of our products and services as return to office initiatives remain ongoing. In addition, other global events, such as the recent military conflict between Russia and Ukraine and other general economic factors that are beyond our control beyond our control may impact our results of operations. These factors can include interest rates; recession; inflation; unemployment trends; the threat or possibility of war, terrorism or other global or national unrest; political or financial instability; and other matters that influence our customers spending. Increasing volatility in financial markets and changes in the economic climate could adversely affect our results of operation. While we have been able to realize growth in the year ended December 31, 2023 as compared to the year ended December 31, 2022, the impact that these global events will have on general economic conditions is continuously evolving and the ultimate impact that they will have on our results of operations continues to remain uncertain. There are no assurances that we will be able to continue to experience the same growth or not be materially adversely effected.

***Our businesses, results of operations and financial condition could be adversely affected by ongoing international conflicts and related disruptions in the global economy.***

The global economy has been negatively impacted by the military conflict between Russia and Ukraine, and the ongoing conflict between Israel and Hamas has caused political, economic, and military instability in Israel and surrounding regions. While we have no operations in Russia or Ukraine, our business may be indirectly adversely affected by this conflict and its effects, including as a result of financial and economic sanctions imposed by governments in U.S., United Kingdom and European Union, among others, on certain industry sectors and parties in Russia.

impact of further escalation of geopolitical tensions related to these conflicts, including increased trade barriers or restrictions on global trade, is unknown and could result in, among other things, heightened cybersecurity threats, protracted or further increased inflation, lower consumer demand, fluctuations in interest and foreign exchange rates and increased volatility in financial markets, any of which could adversely affect our businesses, 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, 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. With respect to political factors, the United Kingdom's 2016 referendum, commonly referred to as "Brexit," has created economic and political uncertainty in the European Union. 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.

***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.

***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 (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.

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

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

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, the EU ePrivacy Directive is soon to be replaced in its entirety by the ePrivacy Regulation, which will bring with it 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.

This area of the law is currently under intense government scrutiny and many governments, including the U.S. government, are considering a variety of proposed regulations that would restrict or impact the conditions under which data obtained from individuals could be collected, processed, stored, transferred, sold or shared with third parties. In addition, regulators such as the Federal Trade Commission and the California Attorney General are continually proposing new regulations and interpreting and applying existing regulations in new ways. For example, in June 2018, California passed the California Consumer Privacy Act (the "CCPA"), which provides new data privacy rights for consumers and new informational, disclosure and operational requirements for companies, effective January 2020. Fines for noncompliance may be up to \$7,500 per violation. The burdens imposed by the GDPR and CCPA, and changes to existing laws or new laws regulating the solicitation, collection, processing, or sharing of personal and consumer information, and consumer protection could affect our customers' utilization of our services and technology and could potentially reduce demand, or impose restrictions that make it more difficult or expensive for us to provide our services.

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 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 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 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 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.

***We may be subject to the excise tax included in the Inflation Reduction Act of 2022 in connection with redemptions of our common stock on or after January 1, 2023.***

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (H.R. 5376), which, among other things, imposes a 1% excise tax on certain domestic corporations that repurchase their stock on or after January 1, 2023 (the "Excise Tax"). The Excise Tax is imposed on the fair market value of the repurchased stock, with certain exceptions. The Excise Tax is expected to apply to any redemptions of our Class A common stock occurring on or after January 1, 2023, including redemptions in connection with the Business Combination, unless an exemption is available. Issuances of securities in connection with the Business Combination are expected to reduce the amount of the Excise Tax in connection with redemptions occurring in the same calendar year, but the fair market value of securities redeemed may exceed the fair market value of securities issued.

***Our cash and cash equivalents may be exposed to failure of our banking institutions.***

While we seek to minimize our exposure to third-party losses of our cash and cash equivalents, we hold our balances in a number of large financial institutions. Notwithstanding, those institutions are subject to risk of failure. For example, on March 10, 2023, Silicon Valley Bank ("SVB") was unable to continue their operations and the Federal Deposit Insurance Corporation was appointed as receiver for SVB and created the National Bank of Santa Clara to hold the deposits of SVB after SVB was unable to continue their operations. As of March 20, 2023, substantially all of our cash and cash equivalents are held with other large financial institutions, and we do not expect further developments with SVB to have a material impact on our cash and cash equivalents balance, expected results of operations, or financial performance for the foreseeable future. However, if further failures in financial institutions occur where we hold deposits, we could experience additional risk. Any such loss or limitation on our cash and cash equivalents would adversely affect our business.

**Item 1B. Unresolved Staff Comments.**

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

**Item 1C. Cybersecurity Disclosures**

**Risk Management and Strategy**

CXApp's information security program is implemented based on ISO 27001 and SOC 2 frameworks.

**Risk Management Program**

As part of the information security program, CX App has a risk management program that continuously engages in the process of identifying, evaluating, and treating risks around the organization's valuable information. It addresses uncertainties around information assets to ensure the desired business outcomes are achieved. CX App performs annual Risk Assessments (RAs) to determine security risks in corporate operations, products, and services, and initiates appropriate remediation.

CXApp's information security program is aligned with business objectives that establish rules governing how to identify risks, assign risk ownership, how the risks impact the confidentiality, integrity and availability of the information and the method of treatment for identified risks. A formal risk assessment methodology is approved by management.

The risk management framework includes guidelines for identifying and estimating the cost of protective measures to eliminate or reduce the security risks to an acceptable level.

All operations, products, services, information assets and information systems that are owned and operated by CXApp are assessed for risks that result from threats to the integrity, availability, and confidentiality of CXApp's data.

The risk management program focuses on the following five types of activities:

- **Identification of Strategic Objectives:** The alignment of strategic objectives and risk management to avoid siloed risk management approach. This is the key step in performing risk assessments.
- **Identification of Risks:** A continuous effort to identify which risks are likely to affect the CXApp's strategic objectives and consequently security functions and business continuity of CXApp and documenting their characteristics.
- **Analysis of Risks:** An estimation of the probability (likelihood), impact, and prioritization of risks relative to each other.
- **Mitigation Planning:** Decisions and actions that will reduce the impact of risks as well as limit the probability of their occurrence or improve the response to a risk occurrence.

- **Tracking and Controlling Risks:** Collection and reporting of status information about risks and their mitigation plans, response to changes in risks over time, and management oversight of corrective measures taken in accordance with the mitigation plan.

## **Governance**

As part of the risk management program, responsibility is assigned to Information Technology (IT) Department, systems owners, department managers, and executive management.

### **Management's Role in Managing Risks**

IT Department is responsible for conducting a risk assessment as well as prioritizing, implementing, and maintaining the appropriate risk-reduction measures defined in the risk assessment process.

Risk owners are the individuals who are ultimately accountable for ensuring the risk is managed appropriately. There may be multiple personnel who have direct responsibility for or oversee activities to manage each identified risk and collaborate with the accountable risk owner in his/her risk management efforts. Responsibilities for the continued development, implementation, and maintenance of the risk management program are also assigned internally to IT.

Executive Management is responsible for the sponsorship and support of the risk management plan and processes, participating in the risk management meetings, and reviewing and approving risk assessments and risk mitigation plans.

### **Board of Directors Oversight**

The Board of Directors plays an active role by meeting periodically to review the status of the organization's the information security program and roadmap for new cybersecurity risk management initiatives.

The board oversees cybersecurity risk management by evaluating whether management has current cybersecurity policies and procedures, regularly assesses, and monitors cybersecurity risks and receives regular reports on the organization's cybersecurity posture.

### **Item 2. Properties.**

Our executive offices are located at Four Palo Alto Square, Suite 200, 3000 El Camino Real, Palo Alto, CA 94306 and our telephone number is 650-785-7171. Through our subsidiary CXApp US, Inc., we lease additional office space in San Ramon, California. We also lease office space in Alabang, Philippines and Ontario, Canada through our subsidiary CXApp Philippines, Inc. and CXApp Canada, Inc., respectively.

The Company believes that the office facilities are sufficient for the foreseeable future and this arrangement will remain until we find a new business opportunity.

### **Item 3. Legal Proceedings.**

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or any of our officers or directors in their corporate capacity.

### **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.**

#### **(a) Market Information**

Our common stock and warrants currently trade on the Nasdaq Capital Market under the symbols "CXAI" and "CXAIW," respectively. Prior to the consummation of the Business Combination, KINS' Class A common stock and redeemable warrants that were separately traded on the Nasdaq Capital Market under the symbols "KINZ" and "KINZW" respectively.

#### **(b) Holders**

As of May 20, 2024, there were approximately 93 holders of record of our shares of Class A common stock and approximately 18 holders of record of our redeemable warrants. This includes Cede & Co., which holds shares on behalf of the beneficial owners of the Company's common stock. Because brokers and other institutions hold many of our shares on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

#### **(c) Dividend Policy**

We have never declared or paid any cash dividends on our common stock to date and do not intend to pay cash dividends. We anticipate that we will retain all available funds and any future earnings, if any, for use in the operation of our business and do not anticipate paying cash dividends in the foreseeable future. In addition, future debt instruments may materially restrict our ability to pay dividends on our common stock. Payment of future cash dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of then-existing debt instruments and other factors the board of directors deems relevant.

#### **(d) 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.

#### **(e) Performance Graph**

The performance graph has been omitted as permitted under rules applicable to smaller reporting companies.

**(f) Recent Sales of Unregistered Securities; Use of Proceeds from Registered Offerings**

None.

**(g) Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Item 6. [Reserved].**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and related notes included elsewhere in this Form 10-K, with KIN's consolidated financial statements included in its annual report on Form 10K/A for the year ended December 31, 2022, as filed with the SEC on April 21, 2023, and the annual report of Legacy CXApp included as an exhibit in the Form 8-K, as filed with the SEC on March 20, 2023. References in this report (the "Annual Report") to "we", "us" or the "Company" refer to CXApp Inc. References to our "management" or our "management team" refer to our officers and directors. The following management's discussion and analysis of financial condition and results of operations describes the principal factors affecting the results of our operations, financial condition, and changes in financial condition for the year ended, December 31, 2023, for the predecessor and successor*

**Overview of Our Business**

The CXApp SaaS platform offers a suite of leading-edge technology workplace experience solutions including an enterprise employee application, indoor mapping, on-device positioning, augmented reality technologies and an AI-based analytics platform, targeting the emerging hybrid workplace market to provide enhanced experiences across people, places, and things.

CXApp creates a connected workplace by reducing app overload, data fragmentation, and complex workflows and streamlines all capabilities through The Workplace SuperApp. All features, services, and integrations are housed in one easy-to-access platform allowing businesses to deliver a more holistic employee experience in a hybrid workplace.

Prior to the closing of the Business Combination, CXApp and subsidiaries were wholly owned subsidiary of Inpixon ("Inpixon") and the Company's financial statements consist of Design Reactor, Inpixon Canada, Inpixon Philippines and select assets, liabilities, revenues and expenses of Inpixon and Inpixon India (collectively the "Company," "we," "us" or "our"), show the historical combined carve-out financial position, results of operations, changes in net investment and cash flows of the Company and should be read in conjunction with the accompanying notes thereto. The Company's combined carve-out financial statements do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Company been a separate entity nor are they indicative of future results of the Company.

The combined carve-out operating results of the Company have been specifically identified based on the Company's existing divisional organization. The majority of the assets and liabilities of the Company have been identified based on the existing divisional structure. The historical costs and expenses reflected in the Company's financial statements include an allocation for certain corporate and shared service functions. Management believes the assumptions underlying our combined carve-out financial statements are reasonable. Nevertheless, our combined carve-out financial statements may not include all of the actual expenses that would have been incurred had we operated as a standalone company during the periods presented and may not reflect our results of operations, financial position and cash flows had we operated as a standalone company during the periods presented. Actual costs that would have been incurred if we had operated as a standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. We also may incur additional costs associated with being a standalone, publicly listed company that were not included in the expense allocations and, therefore, would result in additional costs that are not reflected in our historical results of operations, financial position and cash flows.

**Recent Events**

**The Business Combination**

On September 25, 2022, an Agreement and Plan of Merger (the "Merger Agreement"), was entered into by and among Inpixon, KINS Technology Group Inc., a Delaware corporation ("KINS"), CXApp Holding Corp., a Delaware corporation and newly formed wholly owned subsidiary of Inpixon ("CXApp"), and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS ("Merger Sub"), pursuant to which KINS acquired Inpixon's enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the "Enterprise Apps Business") in exchange for the issuance of shares of KINS capital stock valued at \$69,928 thousand (the "Business Combination"). The transaction closed at the end of business on March 14, 2023.

Immediately prior to the Merger at the end of business on March 14, 2023 and pursuant to a Separation and Distribution Agreement, dated as of September 25, 2022, among KINS, Inpixon, CXApp and Design Reactor, (the "Separation Agreement"), and other ancillary conveyance documents, Inpixon, among other things and on the terms and subject to the conditions of the Separation Agreement, transferred the Enterprise Apps Business, including certain related subsidiaries of Inpixon, including Design Reactor, to CXApp (the "Reorganization"). Following the Reorganization, Inpixon distributed 100% of the common stock of CXApp, par value \$0.0001, to certain holders of Inpixon securities as of the record date (the "Spin-Off").

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

The Merger Agreement, along with the Separation and Distribution Agreement and the other transaction documents entered into in connection therewith, provided for, among other things, the consummation of the following transactions: (i) Inpixon transferred the Enterprise Apps Business (the "Separation") to its wholly-owned subsidiary, CXApp, and contributed approximately \$4,000 thousand in additional cash so that CXApp would have a minimum of \$10,000 thousand in cash and cash equivalents as of the closing of the Business Combination before deduction of expenses (the "Cash Contribution"), (ii) following the Separation, Inpixon distributed 100% of the shares of CXApp Common Stock to Inpixon securityholders by way of the Distribution and (iii) following the completion of the foregoing transactions and subject to the satisfaction or waiver of certain other conditions set forth in the Merger Agreement, the parties consummated the Merger. The Separation, Distribution and Merger were intended to qualify as "tax-free" transactions.

At the time the Business Combination was effected (the "Closing"), the outstanding shares of CXApp Common Stock after the Distribution and immediately prior to the effective time of the Merger were converted into an aggregate of 7,035,000 shares of KINS Common Stock which was issued to Inpixon securityholders, subject to adjustment. Each holder's aggregate merger consideration consisted of approximately 22% KINS Class A Common Stock and approximately 78% KINS Class C Common Stock.

#### **Accounting Treatment for the Business Combination**

The Business Combination was accounted for using the acquisition method (as a forward merger), with goodwill and other identifiable intangible assets recorded in accordance with GAAP, as applicable. Under this method of accounting, CXApp is treated as the "acquired" company for financial reporting purposes. KINS has been determined to be the accounting acquirer because KINS maintains control of the Board of Directors and management of the combined company.

#### **2023 Warrant Transactions**

In June 2023, 613,138 public warrants, with fair value of approximately \$549 thousand, were surrendered for a cashless exercise in exchange for 49,608 shares of Class A Common Stock. The Company recorded this transaction in the third quarter of 2023.

On July 13, 2023, warrant holders exercised 435 thousand public warrants at an exercise price of \$11.50, for a total of \$5,002 thousand of cash proceeds to the Company.

On July 14, 2023, the Company entered into a Warrant Exchange Agreement (the "Agreement") with third party investor (the "Warrant Holder") with respect to warrants to purchase an aggregate of 2,000 thousand shares of its common stock, par value \$0.0001 per share (the "Common Stock") initially issued by the Company in its initial public offering on December 15, 2020 (the "Public Warrants"). Pursuant to the Agreement, the Company issued an aggregate of 600 thousand shares of Common Stock to the Warrant Holder in exchange for the surrender and cancellation of the Public Warrants held by such holder. This resulted in an additional paid in capital of \$4,914 thousand in a non-cash transaction and resulted in a \$3,900 thousand loss on the warrant conversion, which is included in change in fair value of derivative liability in the statement of operations.

#### **December 2023 Note Purchase Agreement and Promissory Note**

On December 15, 2023, 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 2023 Note") in an aggregate initial principal amount of \$3,885 thousand, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount includes an original issue discount of \$870 thousand and \$15 thousand that we agreed to pay to the Holder to cover the Holder's legal fees, accounting costs, due diligence, monitoring and other transaction costs. Net proceeds from the December 2023 Note is \$3,000 thousand.

Interest on the December 2023 Note accrues at a rate of 10% per annum and is payable on the maturity date or otherwise in accordance with the December 2023 Note. We may pay all or any portion of the amount owed earlier than it is due.

Beginning on the date that is 6 months from the issuance date and at the intervals indicated below until the December 2023 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 2023 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 2023 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 a Change in Control, and without further notice to Holder, all unpaid principal, plus all accrued interest, original issue discount, and other amounts due hereunder, shall become immediately due and payable.

As of May 15, 2024, the outstanding principal of the note is \$4,050 thousand. The unamortized original issue discount and unamortized financing cost amounts to \$508 thousand and \$9 thousand, respectively, as of May 15, 2024.

#### **Key Factors Affecting CXApp's Results of Operations**

Our financial position and results of operations depend to a significant extent on the following factors:

##### **Customer Base**

Our customer base is currently operating within approximately 5 different industries, including approximately 28% in Technology, 14% in Financial Services, 30% in Consumer, 9% in Healthcare and 19% in Media & Entertainment. Approximately 85% of our customers are headquartered in the United States; with over 397 customer campuses built out across approximately 217 cities and over 59 countries throughout the world.

Our management uses key metrics such as total revenue growth, recurring and non-recurring revenue, existing customer expansion rates, number of customer campuses (which management believes is a more meaningful metric to measure performance than total number of customers), and churn rates to measure customer growth and market penetration. The CXApp carve-out financials show that our revenue has decreased from approximately \$8,470 thousand for the twelve-month period ending December 2022 (Predecessor) to approximately \$1,620 thousand for the period January 1, 2023 to March 14, 2023 (Predecessor) and \$5,746 thousand for the period from March 15, 2023 to December 31, 2023 (Successor) for a total of \$7,366 thousand for the year ended December 31, 2023. Approximately 78% of the Company's revenue was recurring in 2023 and approximately 65% was recurring in 2022. Approximately 17% of our customers have expanded to add additional revenue opportunities with new campuses, features, or integrations within twelve months of initial deployment and we have an average quarterly customer churn rate of less than 3% for the year ended December 31, 2023.

Our ability to increase revenues from existing customers by identifying additional opportunities to sell more of our 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, 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 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 top three customers accounted for approximately 22% and 27% of our gross revenue during each of the years ended December 31, 2023 and 2022, respectively. One customer accounted for 12% of our gross revenue in 2023 and a separate customer accounted for 11% in 2022; however, each of these customers may or may not continue to be a significant contributor to revenue in 2024. 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.

### **Competition**

Our 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.

We believe that there is significant opportunity to expand our customer base by making investments in sales, marketing, and brand awareness. Our ability to attract new customers will depend on several factors, including our success in recruiting, training, retaining, and scaling our sales and marketing organization, as well as our ability to capitalize on the competitive dynamics of our target markets. Sales force expansion will be necessary to cover a wider array of markets that are currently underserved.

### **Research and Development**

During the year, the Company added resources dedicated for developing the Artificial Intelligence (AI) based Augmented Reality (AR) which will provide digital transformation in CXApp SaaS platform. The management believes that this investment in research and development will maintain a competitive position and create opportunities for the Company.

### **Pandemic and World Environment**

Our business has been impacted by the COVID-19 pandemic and general macroeconomic conditions and may continue to be impacted. While we have been able to continue operations remotely, we have and continue to experience impact in the demand of certain products and delays in certain projects and customer orders either because of customer facilities being partially or fully closed during the pandemic or because of the uncertainty of the customer's financial position and ability to invest in our technology. If we are unable to successfully respond and manage the impact of the pandemic, and the resulting responses to it, our business, operations, financial condition and results of operations could be adversely impacted.

## **RESULTS OF OPERATIONS**

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

For the purposes of the analysis of the results presented herein, the Company is presenting the combined results of operations for the period March 15, 2023 to December 31, 2023 of the Successor Company with the period January 1, 2023 to March 14, 2023 of the Predecessor Company. Although this presentation is not in accordance with accounting principles generally accepted in the United States, the Company believes presenting and analyzing the combined results allows for a more meaningful comparison of results for the twelve-month period ended December 31, 2023 to the year ended December 31, 2022. The following selected data from our audited consolidated statements of operations and other supplementary data should be referred to while reading the results of operations discussion that follows (*dollars in thousands*):

	Successor Period from March 15, 2023 to December 31, 2023	Predecessor Period from January 1, 2023 to March 14, 2023	Non-GAAP Combined	Non-GAAP 2023 vs 2022 Changes		
				Predecessor	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues	\$ 5,746	\$ 1,620	\$ 7,366	\$ 8,470	\$ (1,104)	(13)%
Cost of revenues	1,268	483	1,751	2,064	(313)	(15)%
Gross profit	4,478	1,137	5,615	6,406	(791)	(12)%
Operating expenses	52,686	5,518	58,204	35,431	22,773	64%
Loss from operations	(48,208)	(4,381)	(52,589)	(29,025)	23,564	81%
Interest income	65	1	66	4	62	1,550%
Income tax benefit (expense)	3,572	-	3,572	(153)	3,725	(2,435)%

Change in fair value of derivative liability	(4,714)	-	(4,714)	-	(4,714)	(100)%
Other income (expense)	47	-	47	(1)	48	(4,800)%
Net loss	<u>\$ (49,238)</u>	<u>\$ (4,380)</u>	<u>\$ (53,618)</u>	<u>\$ (29,175)</u>	<u>\$ 24,443</u>	84%

\* 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

The Company derives revenue from software as a service, design, deployment and implementation services for its enterprise apps business. Non-GAAP combined revenue for the year ended December 31, 2023 were \$7,366 thousand, compared to \$8,470 thousand for the comparable period in the prior year for a decrease of approximately \$1,104 thousand, or approximately 13%. The decrease was due to a decline in Professional Services revenue. Professional services are related to integration works and other services that may be requested by the customer, wherein 78% of our recognized revenue is subscription revenue, and as such the decline in revenue is attributable to the professional services revenue because the Company has moved to a full SaaS model versus one-time professional fees.

## Gross Margin

Cost of revenues includes the direct costs to deliver the services including labor, overhead, hardware and shipping and freight costs. Non-GAAP combined cost of revenues for the year ended December 31, 2023 were \$1,751 thousand compared to \$2,064 thousand for the comparable period in the prior year. This decrease in cost of revenues of approximately \$313 thousand, or approximately 15%, was attributable to the decrease in professional services revenue related costs.

Gross profit, calculated as revenues less costs of revenues, may vary between periods and is primarily affected by various factors including average selling prices, product costs, product mix, customer mix, and production volumes. The gross profit margin for the year ended December 31, 2023 was 76% (Non-GAAP combined) compared to 76% for the year ended December 31, 2022.

## Operating Expenses

Operating expenses consist primarily of research and development costs, sales and marketing costs, and general and administrative costs. Non-GAAP combined operating expenses for the year ended December 31, 2023 were \$58,204 thousand and \$35,431 thousand for the comparable period ended December 31, 2022. This increase of \$22,773 thousand is primarily attributable to increase in impairment of goodwill of \$30,516 thousand and a decrease of \$7,743 thousand in other operating expenses as an effect of management reduction effort post-business combination.

## Loss From Operations

Non-GAAP combined loss from operations for the year ended December 31, 2023 was \$52,589 thousand as compared to \$29,025 thousand for the comparable period in the prior year. This increase in loss of \$23,564 thousand is primarily attributable to increased operating expenses as detailed above plus the decreased gross profit of approximately \$791 thousand.

## Other Income/(Expense)

Other income (expense) consists primarily of change in fair value of derivative liabilities. Change in fair value of derivative liabilities for the year ended December 31, 2023 is a loss of approximately \$4,714 thousand.

## Provision for Income Taxes

There was an income tax benefit of \$3,572 thousand for the year ended December 31, 2023 (Non-GAAP combined) and an income tax loss of approximately \$153 thousand for the year ended December 31, 2022. The net income tax benefit for the year ended December 31, 2023 is primarily a result of the release of valuation allowance attributable to acquired intangible assets from the Business Combination on March 14, 2023.

## Net Loss

Non-GAAP combined net loss for the year ended December 31, 2023 was \$53,618 thousand, compared to \$29,175 thousand for the comparable period in the prior year. This increase in loss of approximately \$24,443 thousand was primarily attributable to the increase in operating expenses of \$22,773 thousand, change in fair value of derivative liabilities of \$4,714 thousand, and other income of \$110 thousand, the lower gross margin of \$791 thousand, offset by a lower income tax benefit of approximately \$3,725 thousand.

## Non-GAAP Financial information

### EBITDA

This Report includes a non-GAAP measure that we use to supplement our results presented in accordance with U.S. GAAP. EBITDA is defined as earnings before interest and other income, tax 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 is a performance measure that we believe is useful to investors and analysts because it illustrates the underlying financial and business trends relating to our core, recurring results of operations and enhances comparability between periods.

Adjusted EBITDA is not a recognized measure under U.S. GAAP and is not intended to be a substitute for any U.S. GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry. Investors should exercise caution in comparing our non-GAAP measure to any similarly titled measure used by other companies.

This non-GAAP measure excludes certain items required by U.S. GAAP and should not be considered as an alternative to information reported in accordance with U.S. GAAP. The table below presents our adjusted EBITDA reconciled to net income, the most comparative GAAP measure, for the periods indicated (in thousands).

	Successor	Predecessor	
	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
<b>Net loss</b>	\$ (49,238)	\$ (4,380)	\$ (29,175)
Interest and other income	(65)	(1)	(4)
Tax expense (benefit)	(3,572)	-	153
Depreciation and amortization	2,237	1,034	4,531
<b>EBITDA</b>	<u>(50,638)</u>	<u>(3,347)</u>	<u>(24,487)</u>
Adjusted for:			
Acquisition transaction/financing costs	543	-	16
Earnout compensation expense/(benefit)	-	-	(2,827)
Changes in fair value of warrant liabilities	4,714	-	-
Unrealized (gains) losses	(44)	(32)	-
Impairment of goodwill	36,056	-	5,540
Unrealized gains on notes, loans, investments	-	-	1,478
Stock-based compensation – compensation and related benefits	1,080	158	1,640
Severance costs	-	-	754
<b>Adjusted EBITDA</b>	<u>\$ (8,289)</u>	<u>\$ (3,221)</u>	<u>\$ (17,886)</u>

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

- To compare our current operating results with corresponding periods and with the operating results of other companies in our industry;
- As a basis for allocating resources to various projects;

43

- 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 acquisition transaction and financing costs, earnout compensation expense, professional service fees, goodwill impairment, unrealized gains, stock-based compensation, severance costs, interest income and expense, and income tax benefit.
- We believe that it is useful to provide 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.

#### **Liquidity and Capital Resources**

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities.

44

As of December 31, 2023 the Company has a working capital deficit of approximately \$1,287 thousand and cash of approximately \$6,275

thousand. For the period from March 15, 2023 to December 31, 2023 (Successor) the Company incurred net loss of approximately \$49,238 thousand. For the period March 15 to December 31, 2023 (Successor) the Company used approximately \$12,766 thousand of cash for operating activities, of which \$5,876 thousand was from a reduction in accrued liabilities, primarily paying merger related transaction liabilities. The Predecessor Company used approximately \$5,144 thousand and \$18,895 thousand cash for operating activities for period January 1, 2023 to March 14, 2023 and year ended December 31, 2022, respectively.

The Management believes that the current liquidity position, including the cash raised under the promissory note of \$3,000 thousand dollars payable by December 2024, and the equity line financing agreement we entered into on May 22, 2024 for up to \$10,000 thousand, with an initial draw of \$2,500 thousand in the second quarter of 2024, has the ability to mitigate any going concern indicators for a period of at least one year from the date these financial statements are issued.

#### **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 and certain balances are as follows (in thousands):

	<b>Successor</b>	<b>Predecessor</b>	
	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
Net cash used in operating activities	\$ (12,766)	\$ (5,144)	\$ (18,895)
Net cash provided (used) by investing activities	9,946	(54)	(482)
Net cash provided by financing activities	7,620	8,892	20,728
Effect of foreign exchange rate changes on cash	(28)	1	(71)
Net increase in cash and cash equivalents	<u>\$ 4,772</u>	<u>\$ 3,695</u>	<u>\$ 1,280</u>
	<b>Successor</b>	<b>Predecessor</b>	
	December 31, 2023	December 31, 2022	
Cash and cash equivalents	\$ 6,275	\$ 6,308	
Working capital surplus (deficit)	<u>\$ (1,287)</u>	<u>\$ 3,154</u>	

#### **Operating Activities for the years ended December 31, 2023 and 2022**

Net cash used in operating activities during the period consisted of the following (in thousands):

	<b>Successor</b>	<b>Predecessor</b>	
	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
Net loss	\$ (49,238)	\$ (4,380)	\$ (29,175)
Non-cash income and expense	40,813	1,200	10,133
Net change in operating assets and liabilities	(4,341)	(1,964)	147
Net change in operating assets and liabilities	<u>\$ (12,766)</u>	<u>\$ (5,144)</u>	<u>\$ (18,895)</u>

The non-cash expenses were approximately \$40,813 thousand, \$1,200 thousand, and \$10,133 thousand for the period from March 15, 2023 to December 31, 2023 (Successor), period from January 1, 2023 to March 14, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor), respectively:

	<b>Successor</b>	<b>Predecessor</b>	
	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
Depreciation and amortization	\$ 2,237	\$ 1,034	\$ 4,531
Amortization of right of use asset	298	40	266
Amortization of debt discount and deferred financing cost	37	-	-
Stock-based compensation expense	1,080	158	1,640
(Gain) or loss on change in fair value of derivative liability	4,714	-	-
Deferred income taxes	(3,570)	-	-
Unrealized loss on note	-	-	1,478
Impairment of goodwill	36,056	-	5,540
Earnout payment expense	-	-	(2,827)
(Gain) loss on foreign currency transactions	(44)	(32)	-
Other	5	-	(495)
Total non-cash expenses	<u>\$ 40,813</u>	<u>\$ 1,200</u>	<u>\$ 10,133</u>

The net cash used in the change in operating assets and liabilities were approximately \$4,341 thousand and \$1,964 thousand for the period from March 15, 2023 to December 31, 2023 (Successor) and January 1, 2023 to March 14, 2023 (Predecessor), respectively. The net cash provided by change in operating assets and liabilities for the year ended December 31, 2022 (Predecessor) is approximately \$147 thousand:

Changes in Operating Assets and Liabilities	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
Accounts receivable and other receivables	\$ 300	\$ (857)	\$ 109
Prepaid expenses and other current assets and other assets	682	(20)	244
Accounts payable	499	(796)	400
Accrued liabilities and other liabilities	(5,876)	(787)	583
Operating lease liabilities	(306)	(38)	(257)
Deferred revenue	360	534	(932)
Net cash (used in) provided by the changes in operating assets and liabilities	\$ (4,341)	\$ (1,964)	\$ 147

46

#### Cash Flows from Investing Activities for the years ended December 31, 2023 and December 31, 2022

Net cash flows provided by investing activities during the period from March 15, 2023 to December 31, 2023 (Successor) was approximately \$9,946 thousand compared to net cash flows used in investing activities for the period from January 1, 2023 to March 14, 2023 (Predecessor) and during the year ended December 31, 2022 (Predecessor) of approximately \$54 thousand and \$482 thousand, respectively. Cash flows related to investing activities during the period from March 15, 2023 to December 31, 2023 (Successor) include \$57 thousand for the purchase of property and equipment, and \$10,003 thousand for cash acquired in connection with the Business Combination. Cash flows related to investing activities during the period from January 1, 2023 to March 14, 2023 (Predecessor) include \$9 thousand for the purchase of property and equipment, and \$45 thousand for the investment in capitalized software. Cash flows related to investing activities during the year ended December 31, 2022 (Predecessor) include \$88 thousand for the purchase of property and equipment, and \$394 thousand for investment in capitalized software.

#### Cash Flows from Financing Activities for the years ended December 31, 2023 and December 31, 2022

Net cash flows provided by financing activities during period from March 15, 2023 to December 31, 2023 (Successor) was \$7,620 thousand compared to net cash flows provided by financing activities for the period from January 1, 2023 to March 14, 2023 (Predecessor) and during the year ended December 31, 2022 (Predecessor) of approximately \$8,892 thousand and \$20,728 thousand, respectively. During the period from March 15, 2023 to December 31, 2023 (Successor), the Company paid \$328 thousand in cash outflows from a repayment of a related party promissory note, received \$3,000 thousand from the issuance of a promissory note, received \$5,002 thousand of cash proceeds for exercise of 435 public warrants and paid \$54 thousand of issuance cost. During the period from January 1, 2023 to March 14, 2023 (Predecessor), the Company received \$9,089 thousand in incoming cash flows from parent, and paid \$197 thousand in cash outflows from a payment of an acquisition liability. During the year ended December 31, 2022 (Predecessor), the Company received \$25,967 thousand in incoming cash flows from parent, and paid \$104 thousand and \$5,135 thousand in cash outflows from taxes paid related to share based compensation and from a payment of an acquisition liability, respectively.

#### 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.

#### 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 consist of operating lease liabilities and acquisition liabilities that are included in our balance sheet. As of December 31, 2023, the total obligation for operating leases is approximately \$505 thousand, of which approximately \$275 thousand is expected to be paid in the next twelve months.

#### Financing Obligations and Requirements

As of May 15, 2024, the Company owed approximately \$3,885 thousand in principal and accrued interest payable of \$165 thousand payable within the next nine months. The interest rate is 10%. See Note 10 of the Notes to Consolidated Financial Statements.

Net cash used in operating activities during the period March 15, 2023 to December 31, 2023 (Successor) of \$12,766 thousand consists of net loss of \$49,238 thousand offset by non-cash adjustments of approximately \$40,813 thousand less net cash changes in operating assets and liabilities of approximately \$4,341 thousand. Although the Company has sustained significant losses during the period March 15, 2023 to December 31, 2023 (Successor), we raised net proceeds of approximately \$5,002 thousand and \$3,000 thousand from the warrant exchange transaction and from issuance of promissory note, respectively. We also entered into an equity line financing agreement on May 22, 2024 for up to \$10,000 thousand, with an initial draw of \$2,500 thousand in the second quarter of 2024. Given our current cash balances and budgeted cash flow requirements, the Company believes such funds are sufficient to satisfy its working capital needs, capital asset purchases, debt repayments and other liquidity requirements associated with its existing operations for the next 12 months from the issuance date of the financial statements. The Company may continue to pursue strategic transactions and may raise additional capital as needed, using our equity securities and/or cash and debt financings in combinations appropriate for each acquisition.

47

#### 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 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 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 consolidated financial statements that are included elsewhere in this filing. 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 its software as a service for cloud-based software, as well as design, implementation and other professional services for work performed in conjunction with its cloud based software. The Company enters into contracts with its customers whereby it grants a non-exclusive cloud-based license for the use of its proprietary software and for professional services. The contracts may also provide for on-going services for a specified price, which may include maintenance services, designated support, and enhancements, upgrades and improvements to the software, depending on the contract. Licenses for cloud 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 differs mainly in the duration over which the customer benefits from the software.

##### **License Subscription Revenue Recognition (Software As A Service)**

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 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. 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.

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's customers generally pay within 30 to 60 days from the receipt of a customer approved invoice.

##### **Professional Services Revenue Recognition**

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 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.

#### **Goodwill, 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. Based on our evaluation we did not record a charge for impairment related to long-lived assets for the period ended March 15, 2023 to December 31, 2023 (Successor), for the period ended January 1, 2023 to March 14, 2023 (Predecessor) and for the year ended December 31, 2022 (Predecessor).

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 period ended March 14, 2023 (Predecessor), for the period ended March 15, 2023 to December 31, 2023 (Successor), and the year ended December 31, 2022 (Predecessor), 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.

We have recorded goodwill and other indefinite-lived assets in connection with the Business Combination. Goodwill, which represents the excess of acquisition cost over the fair value of the net tangible and intangible assets of the acquired company, is not amortized. Indefinite-lived intangible assets are stated at fair value as of the date acquired in a business combination. The recoverability of goodwill is evaluated at least annually and when events or changes in circumstances indicate that the carrying amount may not be recoverable.

We analyzed goodwill first to assess qualitative factors, such as macroeconomic conditions, changes in the business environment and reporting unit specific events, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a detailed goodwill impairment test as required. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. If we bypass the qualitative assessment or conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we perform a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount. We calculate the estimated fair value of a reporting unit using a weighting of the income and market approaches. For the income approach, we use internally developed discounted cash flow models that include the following assumptions, among others made by management: 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, we use internal analyses based primarily on market comparables. We base these assumptions on its historical data and experience, third party appraisals, industry projections, micro and macro general economic condition projections, and its expectations. Due to the variables inherent in our estimates of fair value, differences in assumptions may have a material effect on the result of our impairment analysis.

Based on its assessments, the Company has recorded impairment of goodwill of \$36,056 thousand for the period from March 15, 2023 to December 31, 2023 (Successor) and \$5,540 thousand for the year 2022 (Predecessor).

## 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 three months ended December 31, 2023 (Successor), 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 the Company as of December 31, 2023 (Successor) and December 31, 2022 (Predecessor), and 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 three months ended December 31, 2023 (Successor), the period from March 15, 2023 to December 31, 2023 (Successor), the period ended March 14, 2023 (Predecessor), the three months ended December 31, 2022 (Predecessor) or the year ended December 31, 2022 (Predecessor).

## 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 combined 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 combined as of and subsequent to the acquisition date and are included in our Combined Financial Statements from the acquisition date.

## JOBS Act Accounting Election

Following the transaction, CXApp will be an "emerging growth company" as defined in the JOBS Act. As such, the Company will be eligible to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not emerging growth companies, including compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the requirements to hold a non-binding advisory vote on executive compensation and any golden parachute payments not previously approved. The Company has not made a decision whether to take advantage of any or all of these exemptions. If the Company does take advantage of some or all of these exemptions, some investors may find the Company's common stock less attractive. The result may be a less active trading market for the Company's common stock and its stock price may be more volatile.

In addition, Section 107 of the JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for complying with new or revised accounting standards, meaning that CXApp, as an emerging growth company, can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has elected to take advantage of this extended transition period, and therefore our financial statements may not be comparable to those of companies that comply with such new or revised accounting standards. Section 107 of the JOBS Act provides that our decision not to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

## Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

## Item 8. Consolidated Financial Statements and Supplementary Data.

This information appears following Item 15 of this Report and is included herein by reference.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

## Item 9A. Controls and Procedures.

### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15(e) under the Exchange Act) were not effective because of the material weakness in internal control over financial reporting described below. After giving full consideration to the material weaknesses identified and additional analysis performed to ensure our consolidated financial statements included in this Form 10-K were prepared in accordance with U.S. GAAP, the Management has concluded that the material weakness did not result in a

material misstatement in our annual or interim consolidated financial statements and our consolidated financial statements present fairly, in all material respects, our financial position, results of operations, and cash flows for the year ended December 31, 2023.

#### **Material Weakness and Remediation Activities**

During the quarter ended December 31, 2023, we identified a material weakness in the design and operating effectiveness of controls primarily associated with the Company's valuation and goodwill impairment testing. The material weakness we identified associated with the valuation process arises primarily from a lack of focus on detailed analysis and enhanced documentation procedures.

With the oversight of the Management and our Audit Committee, we have initiated steps to address the material weakness. In the second quarter of 2024, the Management hired a third-party valuator with the requisite skills and expertise on goodwill impairment testing.

In 2024, the Management plans to hire qualified personnel to oversee technical accounting matters. Further, the Company intends to add additional and more robust management review controls to provide more focus on detailed analysis and enhanced documentation procedures.

#### **Management's Report on Internal Controls Over Financial Reporting**

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,

---

51

---

- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and

- (3) 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 consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Also, 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 assessed the effectiveness of our internal control over financial reporting at December 31, 2023. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we did not maintain effective internal control over financial reporting as of December 31, 2023 for the reasons described above.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than the material weakness noted above and the ongoing remediation measures that the Company is implementing in response to the material weakness.

### **Item 9B. Other Information.**

#### **Insider Trading Arrangements and Policies**

During the three months ended December 31, 2023, no director or officer of CXApp notified CXApp of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

#### **Securities Purchase Agreement**

On May 22, 2024, CXApp entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with Streeterville Capital, LLC (the "Investor"), pursuant to which CXApp agreed to issue and sell to the Investor (i) one or more pre-paid purchases in the aggregate purchase amount of up to \$10,000 thousand for the purchase of Common Stock and (ii) 40 thousand Common Shares.

With respect to the initial pre-paid purchase, the Investor paid \$2,500 thousand to CXApp, and in exchange, CXApp agreed to pay \$2,625 thousand (including any interest, fees, charges and late fees accrued) and to pay interest on the outstanding balance at the rate of five percent (5%) per annum. The initial pre-paid purchase amount includes an original issue discount of \$125 thousand and an additional \$20 thousand to cover the Investor's legal fees, accounting costs, due diligence, monitoring and other transaction expenses. The investor has the right, but not the obligation, to purchase from CXApp Common Stock not exceeding (i) the outstanding balance and (ii) 9.99% beneficial ownership of the outstanding Common Stock, at a price equal to the lower of (i) \$3.996 or (ii) 91% of the lowest daily VWAP during the ten consecutive trading days immediately prior to the purchase notice date, but not lower than \$0.666.

From May 22, 2024, until the earlier of (i) May 22, 2027 or (ii) when CXApp has sold \$10,000 thousand in pre-paid purchases, CXApp may request additional pre-paid purchases in amounts that are (i) less than \$2,500 thousand less the outstanding pre-paid purchase balance and (ii) greater than \$250 thousand. Future pre-paid purchases will include an original issue discount of 5%, with no additional transaction expense amounts. The investor also has the right, but not the obligation, to purchase from CXApp Common Stock not exceeding (i) the outstanding balance and (ii) 9.99% beneficial ownership of the outstanding Common Stock, at the price equal to the lower of (i) one hundred twenty percent (120%) of the lower of (a) the closing trade price, or (b) the average closing trade price of five (5) trading days, immediately preceding the pre-paid purchase date or (ii) 91% of the lowest daily VWAP during the ten consecutive trading days immediately prior to the purchase notice date, but not lower than (a) twenty percent (20%) of the lower of the closing trade price, or (b) average closing trade price of 5 trading days, immediately preceding the pre-paid purchase date. Except as described above, terms of such additional pre-paid purchases will be substantially the same as the initial pre-paid purchase.

The securities purchase agreement has customary representations, warranties, covenants and indemnifications of CXApp and Investor.

The foregoing description of the Securities Purchase Agreement does not purport to be complete and is qualified in its entirety by the full text of the Securities Purchase Agreement, a copy of which is attached hereto as Exhibit 10.8 and is incorporated herein by reference.

## Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not applicable.

## PART III.

### Item 10. Directors, Executive Officers and Corporate Governance.

Our officers and directors are as follows:

Name	Age	Title
Khurram Sheikh	53	Chairman, Chief Executive Officer and Director
Di-Ann Eisnor	52	Director
Camillo Martino	62	Director
George Mathai	57	Director
Shanti Priya	54	Director

**Mr. Khurram Sheikh** has served as the Founder, Chairman and Chief Executive Officer of KINS since its inception and Chief Financial Officer since August 2020. Mr. Sheikh has been at the forefront of innovation in the technology, mobile, semiconductor, telecom and media industries for the past 25 years with CEO and CTO roles at leading technology companies. Since March 2020, Mr. Sheikh has been the Founder, Executive Chairman & CEO of Aijaad, a boutique strategic advisory firm where he advises both large private equity firms as well as boards of public companies on the future of 5G, IoT, Edge Computing and AI technologies and is actively involved in M&A, technology strategy and market development. From 2016 to early 2020, Mr. Sheikh was the CEO of kwikbit, a private company building a “network as a service” solution using gigabit radios, edge compute, virtualization, and artificial intelligence. Prior to kwikbit, in 2014, Mr. Sheikh was appointed as the Chief Strategy and Technology Officer for Silicon Image (SIMG) and the President/CEO of its millimeter wave/5G subsidiary SiBEAM. SIMG was acquired by Lattice Semiconductor (Nasdaq:LSCC) in 2015 for \$600 million after which Mr. Sheikh was appointed the Chief Strategy and Technology Officer of the combined company responsible for corporate strategy, roadmap, M&A and technology development and was there until 2016. From 2007 onwards, he was the CTO for Powerwave Technologies, a large wireless infrastructure vendor. Powerwave filed for Chapter 11 bankruptcy protection in January 2013, and in April 2013 Mr. Sheikh was appointed as the CEO of Powerwave to help with the sale of the company. Later that year, Mr. Sheikh successfully facilitated the sale of approximately 1,400 patents owned by Powerwave to private equity firm Gores Group. From 2005 to 2007, Mr. Sheikh was Vice President, Wireless Strategy and Development at Time Warner Cable leading the cable company's entry into the wireless space. From 1996 to 2005, Mr. Sheikh held senior technology roles at Sprint including CTO Mobile Broadband responsible for deploying the world's first 4G system and acquisition of multi-billion dollar spectrum assets at 2.5GHz. Mr. Sheikh holds a Bachelor of Science degree in Electrical Engineering with highest honors from the University of Engineering & Technology in Pakistan, as well as a Master of Science degree in Electrical Engineering from Stanford University. Mr. Sheikh is well qualified to serve as Chairman of our board because of his extensive experience advising boards of directors of public and private companies and his extensive professional experience.

**Ms. Di-Ann Eisnor** has served as a member of our board of directors since August 2020. Since November 2019, Ms. Eisnor has served as Co-Founder and CEO of Core, a venture-backed construction labor marketplace. Before that, from February 2019 until October 2019, she was an executive of The We Company, a part of the We Work Companies, where she was responsible for development of their cities platform. Prior to that, Ms. Eisnor served as Director of Urban Systems at Google, from June 2018 until February 2019. Previously, Ms. Eisnor was with Waze, Inc., a crowd-sourced navigation and real-time traffic application owned by Alphabet, Inc., for 10 years, most recently serving as the VP Platform and Director of Growth. Prior to joining Waze, Ms. Eisnor was co-founder and Chief Executive Officer of Platial Inc., a collaborative, user-generated cartographic website. Ms. Eisnor currently serves on the board of Saia Inc. (Nasdaq: SAIA) and Gray Area Foundation for the Arts. She is a venture partner at Obvious Ventures and is co-founder with Lupe Fiasco of Neighborhood Start Fund, a neighborhood-based micro-fund in underserved urban neighborhoods. She holds a Bachelor's Degree in Studio Art and Business Administration from New York University. She is a 2014 Henry Crown Fellow of the Aspen Institute and a member of the Aspen Global Leadership Network. Ms. Eisnor is well qualified to serve on our board because of her extensive experience advising boards of directors of public and private companies and her extensive professional experience.

**Mr. Camillo Martino** has served as a member of our Board of Directors since August 2020. Mr. Martino was a senior global semiconductor company executive and now serves as a board member and executive advisor to many global technology companies. Prior to his current board roles, Mr. Martino was a chief executive officer and C-suite executive of a number of high technology companies worldwide. He is currently Chair of the Board of Directors of Magnachip Semiconductor (NYSE: MX) and has served on this Board since August 2016. Since 2018, he has also served on the Board of Directors at Sensera (ASX: SE1). Mr. Martino also serves on the Board of Directors at multiple privately-held companies, including VVDN Technologies (fastest growing ODM based in India with a focus on Wireless, Networking & IoT) and Sakuu Corporation (multi-material, multi-process Additive Manufacturing platform). Mr. Martino's prior board service includes serving on the boards of Cypress Semiconductor from June 2017 through the sale of the company to Infineon in April 2020 and Moschip Technologies (BOM: 532407) from April 2017 to May 2019. As an operating executive, Mr. Martino served as Chief Executive Officer of Silicon Image, Inc. (where he also served as a director) from 2010 until the completion of its sale to Lattice Semiconductor Corporation (Nasdaq: LSCC) in March 2015, Chief Operating Officer of SAI Technology Inc. from January 2008 to December 2009 (where he also served as director from 2006 to 2010), and Chief Executive Officer of Cornice Inc. from 2005 to 2007 (where he also served as a director). From August 2001 to July 2005, Mr. Martino served as the executive vice president and chief operating officer at Zoran Corporation, a global SoC semiconductor company. Prior to that, Mr. Martino held multiple positions with National Semiconductor Corporation for a total of nearly 14 years. Mr. Martino holds a Bachelor of Applied Science from the University of Melbourne and a Graduate Diploma (in Digital Communications) from Monash University in Australia. Mr. Martino is well qualified to serve on our board because of his extensive experience advising boards of directors of public and private companies and his extensive professional experience.

**Mr. George Mathai** has enjoyed decades working, consulting, and investing in early stage and small businesses at the crossroads of distinct technologies, multiple industries and novel markets. A technically trained business professional, his early experience in bridge design and infrastructure repair was at Edwards & Kelcey in New York, now Jacobs Engineering. In January 1993, Mr. Mathai transitioned to managing renovations projects and gaining strong communications and project execution skills, while driving revenue and profitability, at a small New York construction company. As a founder, he later parlayed his prior management and technical expertise in leading the biosensor development program at GenoRx in June 2000, an early stage, venture-backed concern in Hayward, California. His team accomplished a manufacturable process for detecting DNA electronically on a silicon biochip with the eventual sale of the technology to Bridger Technologies in April 2011. Thereafter, Mr. Mathai helped raise financing for an innovative antibiotic skin care start-up and worked to fundraise for an early-stage immune-mediated cancer therapeutic while at a boutique brokerage firm Objective Equity LLC. Overlapping these endeavors, were local business interests in retail, as well as due diligence consulting for mergers and acquisitions. The above broad and varied interests are also reflected in his educational history which includes bachelors and masters in civil engineering from University of California, Berkeley (May 1989) and City College of New York (June 1992), respectively, as well as, most recently upskilling at CalTech's cybersecurity program (December 2020). Mr. Mathai's extensive experience in several diverse industries, markets and customer types will bring a unique and

inestimable resource to the board.

**Ms. Shanti Priya** has been the CFO of Maxfield Enterprises, Inc., a luxury retail company based in Los Angeles and has been leading the organization's finance and operations since February 2018. Prior to that, Ms. Priya worked for over 12 years in corporate finance at Gap Inc. with her last role at the company as the Global Director of FP&A and Control overseeing the North American, European, and Asian markets. Before transitioning into a career in finance, Ms. Priya worked as a Producer managing content creation at a tech start-up, Knowledge Kids Network, an online educational media site. She holds a Bachelor of Arts in Honors English Literature with a minor in Biology from Scripps College.

In addition, she holds a Master of Arts in Print Journalism and a Master of Business Administration both from the University of Southern California. Ms. Priya also serves on the board and as treasurer of Secular Student Alliance, a non-profit organization that educates high school and college students regarding secularism and scientific reasoning. She has previously served on the board of Sequoyah School, a non-profit private school serving the ages from K-8. Ms. Priya is well qualified to serve on our board of directors because of her substantial financial and operations experience.

#### *Family Relationships*

There are no family relationships between any of our directors and executive officers.

#### *Director Independence*

Our board consists of five (5) members. Our directors, other than Mr. Sheikh, are independent directors in accordance with the listing requirements of Nasdaq. The Nasdaq independence definition includes a series of objective tests, including that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his, her or their family members has engaged in various types of business dealings with us. There are no family relationships among any of our directors or executive officers.

#### *Classified Board of Directors*

Our board is divided into three classes with staggered, three-year terms, in accordance with the terms of the Charter. At each annual meeting of stockholders, the directors whose terms then expire will be eligible for reelection until the third annual meeting following reelection. The directors are divided among the three classes as follows:

- the Class I directors will be Di-Ann Eisnor, and her term will expire at our first annual meeting of stockholders;
- the Class II directors will be Camillo Martino and Shanti Priya, and their terms will expire at our second annual meeting of stockholders and
- the Class III directors will be Khurram P. Sheikh and George Mathai, and their terms will expire at our third annual meeting of stockholders.

The Charter provides that the authorized number of directors may be changed only by resolution of our board. 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 board or a change in control of us. Our directors may be removed only for cause by the affirmative vote of the holders of at least two-thirds of our outstanding voting stock then entitled to vote in an election of directors.

#### *Board Leadership Structure*

Our board does not anticipate implementing a policy requiring the positions of the Chairman of the Board and Chief Executive Officer to be separate or held by the same individual. Any further determination to create such a policy is expected to be based on circumstances existing from time to time, based on criteria that are in our best interests and the best interests of our stockholders, including the composition, skills and experience of our board and its members, specific challenges faced by us or the industry in which it operates, and governance efficiency. We elected Mr. Sheikh as Chairman of the Board because of Mr. Sheikh's strategic vision for the business, his in depth knowledge of our operations, and his experience in capital markets make him well qualified to serve as both Chairman of the board and Chief Executive Officer. Combining the roles of Chairman and Chief Executive Officer will help provide strong and consistent leadership for the management team and our board. However, our board may decide in the future to separate the roles of Chairman and Chief Executive Officers if it determines that such structure provides better and more effective oversight and management. If our board convenes for a meeting, it is expected that the non-management directors will meet in one or more executive sessions, if the circumstances warrant it. Our board may also consider appointing a lead independent director if the circumstances warrant it.

#### *Committees of the Board of Directors*

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee.

#### *Role of Board in Risk Oversight Process*

Our board has responsibility for the oversight of our risk management processes and, either as a whole or through its committees, will regularly discuss with management our major risk exposures, their potential impact on our business and the steps we take to manage them. The risk oversight process will include receiving regular reports from board committees and members of senior management to enable our board to understand our risk identification, risk management and risk mitigation strategies with respect to areas of potential material risk, including operations, finance, legal, regulatory, strategic and reputational risk.

The audit committee reviews information regarding liquidity and operations and oversees our management of financial risks. Periodically, the audit committee reviews our policies with respect to risk assessment, risk management, loss prevention and regulatory compliance. Oversight by the audit committee includes direct communication with our external auditors, and discussions with management regarding significant risk exposures and the actions management has taken to limit, monitor or control such exposures. The compensation committee is responsible for assessing whether any of our compensation policies or programs has the potential to encourage excessive risk taking. The nominating and corporate governance committee manages risks associated with the independence of our board, corporate disclosure practices and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board will be regularly informed through committee reports about such risks. Matters of significant strategic risk will be considered by our board as a whole.

The audit committee's main function is to oversee our accounting and financial reporting processes and the audits of our financial statements. This committee's responsibilities are set forth in a charter that include, among other things:

- assisting board oversight of (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent auditor's qualifications and independence, and (4) the performance of our internal audit function and independent auditors;
- the appointment, compensation, retention, replacement, and oversight of the work of the independent auditors and any other independent registered public accounting firm engaged by us;
- pre-approving all audit and permitted non-audit services to be provided by the independent auditors or any other registered public accounting firm engaged by us, and establishing pre-approval policies and procedures;
- reviewing and discussing with the independent auditors all relationships the auditors have with us in order to evaluate their continued independence;
- setting clear hiring policies for employees or former employees of the independent auditors;
- setting clear policies for audit partner rotation in compliance with applicable laws and regulations;
- obtaining and reviewing a report, at least annually, from the independent auditors describing (i) the independent auditor's internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;
- meeting to review and discuss our annual audited financial statements and quarterly financial statements with management and the independent auditor;

---

56

- reviewing and approving any related party transaction required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC prior to us entering into such transaction; and
- reviewing with management, the independent auditors, and our legal advisors, as appropriate, any legal, regulatory or compliance matters, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding our financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities.

The members of our audit committee are Shanti Priya, Camillo Martino and Di-Ann Eisnor. Shanti Priya serves as the chair of the committee. All members of our audit committee are independent directors and meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq. Shanti Priya is an "audit committee financial expert" as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable Nasdaq listing standards.

#### *Compensation Committee*

The compensation committee's main function is to oversee our policies relating to compensation and benefits of our officers and employees. This committee's responsibilities are set forth in a charter that include, among other things:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer based on such evaluation;
- reviewing and approving on an annual basis the compensation of all of our other officers;
- reviewing on an annual basis our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our officers and employees;
- if required, producing a report on executive compensation to be included in our annual proxy statement; and;
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors

The charter also provides that the compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and is directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by Nasdaq and the SEC.

The members of our compensation committee are Camillo Martino, Di-Ann Eisnor, and George Mathai. Di-Ann Eisnor serves as the chair of the committee. Each of Camillo Martino, Di-Ann Eisnor, and George Mathai is independent under the applicable Nasdaq listing standards and is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act.

---

57

#### *Nominating and Corporate Governance Committee*

The nominating and corporate governance committee is responsible for assisting our board in discharging the board of directors' responsibilities regarding the identification of qualified candidates to become board members, the selection of nominees for election as directors at our annual meetings

of stockholders (or special meetings of stockholders at which directors are to be elected), and the selection of candidates to fill any vacancies on our board and any committees thereof. In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance policies, reporting and making recommendations to our board concerning governance matters and oversight of the evaluation of our board.

The charter also provides that the nominating and corporate governance committee may, in its sole discretion, retain or obtain the advice of, and terminate, any search firm to be used to identify director candidates, and will be directly responsible for approving the search firm's fees and other retention terms.

The members of our nominating and corporate governance committee are Camillo Martino, Di-Ann Eisnor, and Shanti Priya. Camillo Martino serves as the chair of the committee. All members of our nominating and corporate governance committee are independent directors under the applicable Nasdaq listing standards.

#### *Compensation Committee Interlocks and Insider Participation*

No member of the compensation committee serves or served during the fiscal year ended December 31, 2023, as a member of our board or compensation committee of a company that has one or more executive officers serving as a member of the board of directors or compensation committee.

#### *Board Diversity*

Our nominating and corporate governance committee is responsible for reviewing with our board, on an annual basis, the appropriate characteristics, skills and experience required for our board as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members) for election or appointment, the nominating and corporate governance committee and our board take into account many factors, including the following:

- personal and professional integrity, ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly-held company;
- experience as a board member or executive officer of another publicly-held company;
- strong finance experience;
- diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;
- diversity of background and perspective, including, but not limited to, with respect to age, gender, race, place of residence and specialized experience;
- experience relevant to our business industry and with relevant social policy concerns; and
- relevant academic expertise or other proficiency in an area of our business operations.

Our board evaluates, each individual in the context of the board of directors as a whole, with the objective of assembling a group that can best maximize the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas.

---

58

#### *Nasdaq Board Diversity Matrix*

The following Board Diversity Matrix presents our board diversity statistics in accordance with Nasdaq Rule 5606, as self-disclosed by the directors.

Total Number of Directors	Board Diversity Matrix (As of May 20, 2024)	
	Female	Male
<b>Part I: Gender Identity</b>		
Directors	2	3
<b>Part II: Demographic Background</b>		
Asian	1	2
White		1
Two or More Races or Ethnicities		1
LGBTQ+		

#### *Code of Ethics*

We have adopted a written code of business conduct and ethics that applies to its directors, officers and employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Our code of business conduct and ethics will be available under the Corporate Governance section of our website at [www.cxapp.com](http://www.cxapp.com). In addition, we intend to post on its website all disclosures that are required by law or the listing standards of Nasdaq concerning any amendments to, or waivers from, any provision of the code. The reference to our website address does not constitute incorporation by reference of the information contained at or available through its website, and you should not consider it to be a part of this Annual Report.

---

59

#### **Item 11. Executive Compensation.**

This section discusses the material components of the executive compensation program for CXApp's executive officers who are named in the "Summary Compensation Table" below. As an emerging growth company, CXApp complies with the executive compensation disclosure rules applicable to "smaller reporting companies," as such term is defined in the rules promulgated under the Securities Act, which for 2023 require compensation disclosure for CXApp's executive officers.

## Overview

The form and amount of the compensation to be paid to each of our directors and executive officers were determined by our board. Each executive officers' compensation were established by our compensation committee which is comprised solely of independent directors in accordance with Nasdaq listing standards.

The following tables disclose compensation received by our executive officers.

### Summary Compensation Table

The following table provides certain information regarding the compensation earned by the named executive officers from their services to CXApp, as applicable, during the fiscal years ended December 31, 2023 and 2022.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Khurram P. Sheikh Chief Executive Officer	2023	\$ 267,917	\$ 97,500	\$ -	\$ -	\$ -	\$ 365,417
	2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Leon Papkoff Chief Product Officer	2023	\$ 289,776	\$ 70,000	\$ -	\$ -	\$ -	\$ 359,776
	2022	\$ 250,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 350,000

### Narrative Disclosure to the Summary Compensation Table

Khurram P. Sheikh, our chief executive officer, received (i) a salary of \$267,917 and a bonus of \$97,500 as compensation for his services to CXApp during the fiscal year ended December 31, 2023, and did not receive any compensation for his services during the fiscal year ended December 31, 2022; and

Leon Papkoff, former chief product officer, received (i) a salary of \$289,776 and a bonus of \$70,000 as compensation for his services during the fiscal year ended December 31, 2023; and (ii) a salary of \$250,000 and a bonus of \$100,000 as compensation for his services to Inpixon during the fiscal year ended December 31, 2022.

### Outstanding Equity Awards at Fiscal Year-End

Other than as set forth below, there were no outstanding unexercised options, unvested stock, and/or equity incentive plan awards issued to our Named Executive Officers as of December 31, 2023.

Name	Grant Date	Expiration Date	Option Awards			Stock Awards		
			Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity Incentive plan awards: number of securities underlying unexercised unearned options (#)	Option exercise price (\$)	Number of shares of restricted stock (#)	Market value of shares of restricted stock (\$)
Khurram P. Sheikh	Mar 29, 2023	Mar 29, 2033	-	844,200 <sup>(1)</sup>	-	1,291,626	-	57,233 350,838
	Aug 14, 2023	Aug 14, 2033	-	-	-	-	-	-

(1) This option vests in two years with 50% of it vesting in the first year of anniversary.

### Executive Compensation Arrangements

Effective as of the Closing, Design Reactor entered into a consulting agreement (the "Consulting Agreement") with 3AM, LLC, a Delaware limited liability (3AM) controlled by Nadir Ali, the current Chief Executive Officer and director of Inpixon, pursuant to which 3AM will provide advisory services in exchange for a one-time payment of \$180,000 in consulting fees. The foregoing description is qualified in its entirety by reference to the text of the Consulting Agreement, a copy of which is attached hereto as Exhibit 10.4 and also is incorporated herein by reference.

We have entered into an employment agreement with Khurram Sheikh serves as our Chief Executive Officer for a term commencing on the consummation of the Business Combination and will continue until terminated by us or the employee or in accordance with the terms of the employment agreement. Mr. Sheikh will be paid an annualized base salary of \$325,000, as revised periodically by us, as well as an annual bonus with a target amount of \$325,000 for each complete calendar year. The employment agreement contains provisions regarding non-solicitation, confidentiality of information and arbitration of disputes. Mr. Sheikh may terminate his employment by giving advance written notice to us. We may also terminate the employment agreement for cause, as defined in the employment agreement, a copy of which is attached hereto as Exhibit 10.5 and is also incorporated herein by reference.

We have entered into an employment agreement with Leon Papkoff serves as our Chief Product Officer for a term commencing on the consummation of the Business Combination and will continue until terminated by us or the employee or in accordance with the terms of the employment agreement. Mr. Papkoff will be paid an annualized base salary of \$300,000, as revised periodically by us, as well as an annual bonus with a target amount of \$150,000 for each complete calendar year. The employment agreement contains provisions regarding non-solicitation, confidentiality of information and arbitration of disputes. Mr. Papkoff may terminate his employment by giving advance written notice to us. We may also terminate the employment agreement for cause, as defined in the employment agreement, a copy of which is attached hereto as Exhibit 10.6 and is also incorporated herein by reference.

At the special meeting held on March 10, 2023, the KINS stockholders considered and approved, among other things, the CXApp Inc. 2023 Equity Incentive Plan (the "Incentive Plan"). The Incentive Plan was previously approved, subject to stockholder approval, by KINS' board of directors. The Incentive Plan became effective immediately upon the Closing. Pursuant to the terms of the Incentive Plan, there are 2,110,500 shares of CXApp Class A common stock available for issuance under the Incentive Plan, which is equal to 15% of the aggregate number of shares of CXApp common stock issued and outstanding immediately after the Closing (giving effect to the redemptions). This description is qualified in its entirety by reference to the text of the Incentive Plan, a copy of which is attached hereto as Exhibit 10.7 and also is incorporated herein by reference.

#### 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 Khurram Sheikh whose aggregate compensation information has been disclosed above.

Name	Fees Earned or paid in cash (\$)	Option Awards (\$)	Restricted Stock Units (\$) <sup>(1)</sup>	Non-equity Incentive plan compensation (\$)	Nonqualified deferred compensation earnings \$	All Other Compensation (\$)	Total (\$)
Camillo Martino	\$ 25,000	\$ -	\$ 350,838	\$ -	\$ -	\$ -	\$ 375,838
Di-Ann Eisnor	\$ 25,000	\$ -	\$ 350,838	\$ -	\$ -	\$ -	\$ 375,838
Shanti Priya	\$ 25,000	\$ -	\$ 350,838	\$ -	\$ -	\$ -	\$ 375,838
George Mathai	\$ 25,000	\$ -	\$ 350,838	\$ -	\$ -	\$ -	\$ 375,838

Directors are entitled to reimbursement of ordinary and reasonable expenses incurred in exercising their responsibilities and duties as a director.

On August 7, 2023, the Board approved the following compensation plan for the member of Board of Directors: \$25,000 per year for their services rendered on the Board and awarded each director an aggregate of 57 thousand of restricted stock units.

(1) The fair value of director restricted stock unit granted are valued using the closing price of the Company's common stock on the date of grant.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth the beneficial ownership of our common stock as of May 20, 2024 by the following persons:

- each person who is known to be the beneficial owner of more than 5% of shares of our common stock;
- each of our current named executive officers and directors; and
- all our current executive officers and directors as a group.

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. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of March 15, 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 owner	% <sup>(1)</sup>
Khurram P. Sheikh	1,764,120	11.56%
Camillo Martino	171,968	1.13%
Di-Ann Eisnor	79,120	*
Shanti Priya		
George Mathai		
<i>All directors and executive officers as a group (7 individuals)</i>	<i>2,020,191</i>	<i>13.24%</i>

\* Represents beneficial ownership of less than 1%

(1) Based on 15,254,389 shares outstanding as of May 20, 2024.

#### Item 13. Certain Relationships and Related Transactions, and Director Independence.

##### Agreements with Inpixon

CXApp and Inpixon operate separately, each as a public company. In connection with the Separation, Legacy CXApp has entered into various agreements to effect the Separation and provide a framework for CXApp's relationship with Inpixon after the Separation, including the Separation and Distribution Agreement, an Employee Matters Agreement, a Tax Matters Agreement and a Transition Services Agreement. These agreements provide for the allocation between Legacy CXApp and Inpixon of Inpixon's assets, employees, liabilities and obligations (including its property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Legacy CXApp's separation from Inpixon and will govern certain relationships between CXApp and Inpixon after the Separation.

The following summaries of each of the agreements listed above are qualified in their entireties by reference to the full text of the applicable agreements which are filed as exhibits to this Annual Report.

##### Separation and Distribution Agreement

On September 25, 2022, in connection with the execution of the Merger Agreement, Inpixon, Legacy CXApp, Design Reactor and KINS entered into the Separation and Distribution Agreement which sets forth the principal actions to be taken in connection with the Separation. The Separation and

Distribution Agreement identifies assets to be transferred, liabilities to be assumed and contracts to be assigned to each of Inpixon and Legacy CXApp as part of the internal reorganization described therein and requires an Inpixon contribution to be made to Legacy CXApp. The Separation and Distribution Agreement also sets forth other agreements that govern certain aspects of Legacy CXApp's relationship with Inpixon following the Business Combination. In connection with the Separation and Distribution Agreement and related ancillary agreements, Legacy CXApp issued additional shares of Legacy CXApp common stock to Inpixon. Inpixon distributed on a pro rata basis all of the outstanding shares of Legacy CXApp common stock to the Inpixon securityholders as of March 6, 2023 by delivering to the distribution agent a book-entry authorization representing the shares of Legacy CXApp common stock being distributed for the account of Inpixon securityholders. The distribution agent held such book-entry shares for the account of Legacy CXApp's stockholders (as of immediately after consummation of the Distribution) pending the Merger.

On the date of the Distribution, Inpixon distributed on a pro rata basis all of the outstanding shares of Legacy CXApp common stock to the holders of Inpixon common stock and certain other holders of its securities as of March 6, 2023. The Distribution was effected by Inpixon delivering to the distribution agent a book-entry authorization representing the shares of Legacy CXApp common stock being distributed in the Distribution for the account of Inpixon securityholders. The distribution agent held such book-entry shares for the account of Legacy CXApp's stockholders (as of immediately after consummation of the Distribution) pending the Merger. The shares of Legacy CXApp common stock were not transferrable prior to the exchange of such shares for the shares of KINS common stock pursuant to the Merger.

#### *Employee Matters Agreement*

Prior to the Distribution, KINS, Inpixon, Legacy CXApp and Merger Sub entered into the Employee Matters Agreement, which set forth the terms and conditions of certain employee-related matters in connection with the transaction, including allocation of benefit plan assets and liabilities between Inpixon and Legacy CXApp, treatment of incentive equity awards in the Distribution and the Business Combination and related covenants and commitments of the parties.

#### *Tax Matters Agreement*

Prior to the Distribution, KINS, Legacy CXApp and Inpixon entered into the Tax Matters Agreement that 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.

In general, KINS and Legacy CXApp are 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 Legacy CXApp and Inpixon, to the extent such taxes are attributable to Legacy CXApp or the Enterprise Apps Business, or (ii) imposed with respect to tax returns that include Legacy CXApp but not Inpixon, in each case, for tax periods (or portions thereof) beginning after the Distribution.

Notwithstanding the foregoing, KINS and Legacy CXApp may be liable for certain taxes resulting from the restructuring transactions undertaken to effectuate the Distribution.

The Distribution, together with certain related transactions, is intended to qualify as a reorganization under Sections 355 and 368(a) (1)(D) of the Code. If the Distribution does not so qualify, the difference between the fair market value and the tax basis of the Legacy CXApp shares distributed by Inpixon to the Inpixon stockholders will be taxable income to Inpixon.

Even if the contribution and distribution, taken together, otherwise qualify as a transaction described in Sections 355 and 368(a)(1) (D) of the Code, the Distribution is still taxable to Inpixon (but not to Inpixon stockholders) pursuant to Section 355(e) of the Code if one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of Inpixon or Legacy CXApp, directly or indirectly (including through acquisitions of our stock), as part of a plan or series of related transactions that includes the Distribution. For purposes of this test, the Merger is treated as part of a plan that includes the Distribution, but the Merger standing alone did not cause the Distribution to be taxable to Inpixon under Section 355(e) of the Code because holders of Legacy CXApp common stock own more than 50% of our common stock.

Per the terms of the Sponsor Support Agreement, the Sponsor has agreed to exchange up to 1,000 thousand shares of KINS Class B common stock for such number of shares of KINS Class A common stock as shall be necessary to ensure that the number of shares of KINS common stock issued as aggregate merger consideration to the holders of Legacy CXApp common stock exceeds 50% by at least one share than the number of shares of KINS common stock owned by all other holders of KINS common stock. Pursuant to the Sponsor Support Agreement, the Sponsor and related parties have agreed, subject to the limitation set forth therein, to forfeit 22,224 shares of KINS common stock (as of immediately prior to the consummation of the Merger).

The Tax Matters Agreement requires KINS and Legacy CXApp to comply with the representations made in the materials submitted to RSM US LLP in connection with a distribution tax opinion that Inpixon received regarding the intended tax treatment of the Distribution and certain related transactions.

The Tax Matters Agreement also includes covenants restricting Legacy CXApp's and KINS' ability to take or fail to take any action if such action or failure to act could reasonably be expected to adversely affect the intended tax treatment. In particular, in the two years following the Distribution, such restrictive covenants will generally prevent KINS and Legacy CXApp from (i) entering into any transaction which could, when combined with other transactions (including the Merger), result in a 45% or greater change in ownership of KINS' or Legacy CXApp's equity as part of a plan or series of related transactions that includes the Distribution, (ii) ceasing the active conduct of certain of Legacy CXApp's businesses, (iii) voluntarily dissolving or liquidating KINS or Legacy CXApp and (iv) causing, permitting, or agreeing to the sale, transfer, or disposal of assets of Legacy CXApp that, in the aggregate, constitute more than 30% of the consolidated gross assets of Legacy CXApp, in each case, unless Legacy CXApp obtains a private letter ruling from the IRS, an unqualified opinion of a nationally recognized tax advisor that such action will not cause a failure of the intended tax treatment, or Inpixon consents to the undertaking of such action. Notwithstanding receipt of such ruling, opinion or consent, in the event that such action causes a failure of the intended tax treatment, KINS and Legacy CXApp could be responsible for all taxes arising therefrom.

#### *Transition Services Agreement*

In connection with the Separation, Legacy CXApp and Inpixon entered into the Transition Services Agreement pursuant to which Inpixon and its affiliates and Legacy CXApp and its affiliates 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 Legacy 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. The parties will also discuss in good faith any subsequent requests to further extend the transition services. In addition, (i) the receiving party may terminate a transition service with prior written notice, with certain exceptions, (ii) either party may terminate the Transition Services Agreement in the event of an uncured material breach by the other party, upon bankruptcy or insolvency of the other party, or (iii) the parties may terminate a transition service or the Transition Service Agreement upon mutual agreement. Legacy CXApp does not anticipate that its net costs associated with the Transition Services Agreement will be materially different than the historical costs that have been allocated by Inpixon to Legacy CXApp related to these same services.

*Director Independence*

For information on director independence, see *Item 10. Directors, Executive Officers and Corporate Governance*.

**Item 14. Principal Accountant Fees and Services.**

The firms of WithumSmith+Brown, PC ("Withum") and Marcum LLP ("Marcum"), act as our independent registered public accounting firms. Withum acted as the public accounting firm for the period from March 15, 2023 to December 31, 2023 (Successor) and Marcum acted as the public financial accounting firm for the year ended December 31, 2022 (Predecessor) and for the period from January 1, 2023 to March 14, 2023 (Predecessor).

**Audit Fees.** For the period from March 15, 2023 to December 31, 2023 (Successor), period from January 1, 2023 to March 14, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor), fees for our independent registered public accounting firm were approximately \$235,000, \$0, and \$130,000, respectively, for the services Withum and Marcum performed in connection with the audit of our December 31, 2023 consolidated financial statements included in this Annual Report on Form 10-K.

**Audit-Related Fees** For the period from March 15, 2023 to December 31, 2023 (Successor), period from January 1, 2023 to March 14, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor), our independent registered public accounting firms did not render assurance and related services related to the performance of the audit or review of consolidated financial statements.

**Tax Fees.** For the period from March 15, 2023 to December 31, 2023 (Successor), period from January 1, 2023 to March 14, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor), fees for our independent registered public accounting firm were approximately \$9,000, \$0, and \$8,100, respectively, for the services performed related to tax compliance, tax advice and tax planning.

**All Other Fees.** For the year ended December 31, 2023 and 2022, there were no fees billed for products and services provided by our independent registered public accounting firm other than those set forth above.

**Pre-Approval Policy**

Consistent with SEC policies regarding auditor independence and the Audit Committee's charter, the Audit Committee has responsibility for engaging, setting compensation for and reviewing the performance of the independent registered public accounting firm. In exercising this responsibility, the Audit Committee pre-approves all audit and permitted non-audit services provided by any independent registered public accounting firm prior to each engagement.

**PART IV.**

**Item 15. Exhibits, Financial Statement Schedule s**

The following documents are filed as part of this Form 10-K:

(1) Consolidated Financial Statements:

	<b>Page</b>
<a href="#">Reports of Independent Registered Public Accounting Firms</a>	F-2
<a href="#">Consolidated Balance Sheets</a>	F-4
<a href="#">Consolidated Statements of Operations and Comprehensive Income (Loss)</a>	F-5
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	F-6
<a href="#">Consolidated Statements of Cash Flows</a>	F-7
<a href="#">Notes to Consolidated Financial Statements</a>	F-8 to F-35

(2) Financial Statement Schedules:

None.

(3) Exhibits

We hereby file as part of this Report the exhibits listed in the attached Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or on the SEC website at [www.sec.gov](http://www.sec.gov).

## Consolidated Financial Statements:

<a href="#">Consolidated Balance Sheets</a>	F-4
<a href="#">Consolidated Statements of Operations and Comprehensive Income (Loss)</a>	F-5
<a href="#">Consolidated Statements of Changes in Stockholders' Equity</a>	F-6
<a href="#">Consolidated Statements of Cash Flows</a>	F-7
<a href="#">Notes to Consolidated Financial Statements</a>	F-8 to F-35

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
CXApp Inc. and Subsidiaries:

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of CXApp Inc. and Subsidiaries (the "Company") as of December 31, 2023, and the related consolidated statement of operations and comprehensive income (loss), consolidated statement of stockholders' equity, and consolidated statement of cash flows for the period from March 15, 2023 to December 31, 2023 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CXApp Inc. as of December 31, 2023, and the results of its operations and its cash flows for the period from March 15, 2023 to December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the entity's consolidated financial statements based on our audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. CXApp Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit 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 entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ WithumSmith+Brown, PC

We have served as the Company's auditors since 2020.

Philadelphia, PA  
May 23, 2024

PCAOB ID Number 100

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of  
CXApp Holdings Corp. (f/k/a Design Reactor Inc and Subsidiaries)

**Opinion on the Financial Statements**

We have audited the accompanying combined carve-out balance sheet of CXApp Holdings Corp. (f/k/a Design Reactor, Inc. and Subsidiaries) (Predecessor) as of December 31, 2022, the related combined carve-out statements of operations and comprehensive loss, and the combined carve-out statement of changes in parent's net investment and cash flows for the period January 1, 2023 to March 14, 2023 and the year ended December 31, 2022, 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 March 14, 2023 and December 31, 2022 and the results of its operations and its cash flows for the period ended March 14, 2023 and year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

**Explanatory Paragraph – Going Concern**

The accompanying combined carve-out 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 combined carve-out 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 combined carve-out 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined carve-out 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 audit 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 audit 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  
May 23, 2024

F-3

**CXAPP INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	<b>Successor</b> <b>December 31,</b> <b>2023</b>	<b>Predecessor</b> <b>December 31,</b> <b>2022</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,275	\$ 6,308
Accounts receivable, net of allowance for credit losses of \$ 2 and \$5, respectively	1,956	1,338
Notes and other receivables	211	273
Prepaid expenses and other current assets	587	650
Total current assets	<u>9,029</u>	<u>8,569</u>
Property and equipment, net	115	202
Intangible assets, net	18,136	19,289
Operating lease right-of-use asset, net	486	681
Software development costs, net	-	487
Goodwill	8,737	-
Other assets	78	52
<b>Total Assets</b>	<u><u>\$ 36,581</u></u>	<u><u>\$ 29,280</u></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 975	\$ 1,054
Accrued liabilities	1,452	1,736
Deferred revenue	2,878	2,162
Acquisition liability	-	197
Warrant liability	1,683	-
Operating lease obligation, current	275	266
Note payable, net of debt discount of \$834, unamortized financing costs of \$14, and interest payable of \$16 as of December 31, 2023	3,053	-
Total current liabilities	<u>10,316</u>	<u>5,415</u>
Operating lease obligation, noncurrent	230	444
Other noncurrent liabilities	-	30
Deferred tax liability	637	-
<b>Total Liabilities</b>	<u><u>11,183</u></u>	<u><u>5,889</u></u>
<b>Stockholders' Equity</b>		
Class A Common Stock, \$0.0001 par value; 200,000,000 shares authorized; 15,254,389 shares issued and outstanding as of December 31, 2023, no shares issued or outstanding as of December 31, 2022	2	-
Class C Common Stock, \$0.0001 par value; 10,000,000 shares authorized, no shares issued or outstanding as of December 31, 2023 and December 31, 2022	-	-
Additional paid-in capital	83,282	-

Accumulated deficit	(57,801)	-
Accumulated other comprehensive income (loss)	(85)	1,155
Net parent investment	-	22,236
<b>Total Stockholders' Equity</b>	<b>25,398</b>	<b>23,391</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 36,581</b>	<b>\$ 29,280</b>

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

F-4

**CXAPP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(in thousands, except share and per share data)

	<b>Successor</b>	<b>Predecessor</b>	
	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year Ended December 31, 2022
<b>Revenues</b>	\$ 5,746	\$ 1,620	\$ 8,470
<b>Cost of Revenues</b>	1,268	483	2,064
<b>Gross Profit</b>	4,478	1,137	6,406
<b>Operating Expenses</b>			
Research and development	5,309	1,455	9,323
Sales and marketing	3,242	964	5,096
General and administrative	5,374	2,293	11,571
Acquisition related costs	543	-	16
Amortization of intangible assets	2,162	806	3,885
Impairment of goodwill	36,056	-	5,540
<b>Total Operating Expenses</b>	52,686	5,518	35,431
<b>Loss from Operations</b>	(48,208)	(4,381)	(29,025)
<b>Other Income (Expense)</b>			
Interest income (expense), net	65	1	4
Change in fair value of derivative liability	(4,714)	-	-
Other Expense	47	-	(1)
<b>Total Other Income (Expense)</b>	(4,602)	1	3
<b>Net Loss, before tax</b>	(52,810)	(4,380)	(29,022)
Income tax benefit/(expense)	3,572	-	(153)
<b>Net Loss</b>	\$ (49,238)	\$ (4,380)	\$ (29,175)
Unrealized foreign exchange gain/(loss) from cumulative translation adjustments	(85)	(28)	1,155
<b>Comprehensive Loss</b>	<u>\$ (49,323)</u>	<u>\$ (4,408)</u>	<u>\$ (28,020)</u>
Basic and diluted weighted average shares outstanding, Class A common stock	11,403,393		
<b>Basic and dilutive net loss per share, Class A common stock</b>	\$ (4.32)		
Basic and diluted weighted average shares outstanding, Class C common stock	-		
<b>Basic and dilutive net loss per share, Class C common stock</b>	\$ -		

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

F-5

**CXAPP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands, except share data)

	<b>Predecessor</b>		
	<b>Net parent investment</b>	<b>Accumulated other comprehensive income (loss)</b>	<b>Total Shareholders' Equity</b>
<b>Balance at January 1, 2022</b>	\$ 20,155	\$ 56	\$ 20,211
Net Loss	(29,175)	-	(29,175)
Stock-based compensation allocated from parent	1,640	-	1,640
Parents's common shares issued for CXApp earnout	3,697	-	3,697
Taxes paid related to net share settlement of restricted stock units	(104)	-	(104)
Net investment from parent	26,023	-	26,023
Cumulative translation adjustment	-	1,099	1,099

<b>Balance at December 31, 2022</b>	<b>\$ 22,236</b>	<b>\$ 1,155</b>	<b>\$ 23,391</b>
<b>Balance at January 1, 2023</b>	<b>\$ 22,236</b>	<b>\$ 1,155</b>	<b>\$ 23,391</b>
Net loss	(4,380)	-	(4,380)
Stock-based compensation allocated from parent	158	-	158
Net investment from parent	8,680	-	8,680
Cumulative translation adjustment	-	(28)	(28)
<b>Balance at March 14, 2023</b>	<b>\$ 26,694</b>	<b>\$ 1,127</b>	<b>\$ 27,821</b>

	Successor							Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
	Class A Common Stock		Class C Common Stock		Additional Paid-in Capital	Accumulated Deficit			
	Shares	Amount	Shares	Amount	\$ 1,607	\$ (8,563)			
<b>Balance at March 15, 2023</b>	<b>7,034,999</b>	<b>\$ 1</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 1,607</b>	<b>\$ (8,563)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,955)</b>
Shares issued in connection with Business Combination	1,547,700	-	5,487,300	1	69,927	-	-	-	69,928
Net loss	-	-	-	-	-	(49,238)	-	-	(49,238)
Stock-based compensation	-	-	-	-	925	-	-	-	925
Warrant exchange and exercise	1,035,000	-	-	-	10,134	-	-	-	10,134
Warrant exercise – cashless	49,608	-	-	-	548	-	-	-	548
Mandatory conversion from Class C common stock to Class A common stock	5,487,300	1	(5,487,300)	(1)	-	-	-	-	-
Common stock issuance – non-cash compensation	99,782	-	-	-	195	-	-	-	195
Stock issuance cost	-	-	-	-	(54)	-	-	-	(54)
Cumulative translation adjustment	-	-	-	-	-	-	(85)	(85)	(85)
<b>Balance at December 31, 2023</b>	<b>15,254,389</b>	<b>\$ 2</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 83,282</b>	<b>\$ (57,801)</b>	<b>\$ (85)</b>	<b>\$ (85)</b>	<b>\$ 25,398</b>

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

F-6

**CXAPP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands)*

	Successor Period from March 15, 2023 to December 31, 2023	Predecessor	
		Period from January 1, 2023 to March 14, 2023	Year Ended December 31, 2022
<b>Operating activities</b>			
Net loss	\$ (49,238)	\$ (4,380)	\$ (29,175)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	75	228	646
Amortization of intangible assets	2,162	806	3,885
Amortization of right of use asset	298	40	266
Amortization of debt discount and deferred financing cost	37	-	-
Accrued interest expense on promissory note	16	-	-
Deferred income taxes	(3,570)	-	-
Provision for credit loss expense	(11)	-	5
Stock-based compensation expense	1,080	158	1,640
Gain on change in fair value of earnout payable	-	-	(2,827)
(Gain) loss on foreign currency transactions	(44)	(32)	-
Change in fair value of derivative liability	4,714	-	-
Impairment of goodwill	36,056	-	5,540
Unrealized loss on note	-	-	1,478
Others	-	-	(500)
Change in operating assets and liabilities:			
Accounts receivable and other receivables	300	(857)	109
Prepaid expenses and other current assets	719	(20)	109
Inventory	-	-	117
Other assets	(37)	-	18
Accounts payable	499	(796)	400
Accrued liabilities	(5,876)	(787)	1,096
Income tax liabilities	-	-	(513)
Operating lease liabilities	(306)	(38)	(257)
Deferred revenue	360	534	(932)
Net cash used in operating activities	(12,766)	(5,144)	(18,895)
<b>Investing activities</b>			
Purchases of property and equipment	(57)	(9)	(88)
Investment in capitalized software	-	(45)	(394)
Cash acquired in connection with Business Combination	10,003	-	-
Net cash provided by (used in) investing activities	9,946	(54)	(482)

<b>Financing activities</b>			
Net equity investment from parent	-	9,089	25,967
Taxes paid related to stock based compensation	-	-	(104)
Repayment of CXApp acquisition liability	-	(197)	(5,135)
Net proceeds from issuance of promissory note	3,000	-	-
Repayment of related party promissory note	(328)	-	-
Warrant exercise - net	4,948	-	-
<b>Net cash provided by financing activities</b>	<b>7,620</b>	<b>8,892</b>	<b>20,728</b>
Effect of exchange rate changes on cash and cash equivalents	(28)	1	(71)
Net increase in cash and cash equivalents	4,772	3,695	1,280
Cash and cash equivalents, beginning of period	1,503	6,308	5,028
Cash and cash equivalents, end of period	<b>\$ 6,275</b>	<b>\$ 10,003</b>	<b>\$ 6,308</b>
<b>Supplemental disclosures of cash flow information</b>			
Cash paid for taxes	\$ 4	\$ -	\$ 119
Cash paid for interest	<b>\$ 18</b>	<b>\$ -</b>	<b>\$ 1</b>
<b>Supplemental schedule of noncash investing and financing activities</b>			
Right of use asset obtained in exchange for lease liability	\$ 230	\$ -	\$ 284
Parent's net equity issued for CXApp earnout	\$ -	\$ -	\$ 3,697
Noncash investment from parent	\$ -	\$ 409	\$ -
Class A Common Stock and Class C Common Stock issued in connection with Business Combination	\$ 69,928	\$ -	\$ -
Financing of Director and Officer Insurance	\$ 671	\$ -	\$ -
Warrant exercise – cashless	\$ 549	\$ -	\$ -
Warrant exchange to Class A common stock	<b>\$ 4,914</b>	<b>\$ -</b>	<b>\$ -</b>

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

#### **NOTE 1 – Organization, Nature of Business and Basis of Presentation**

CXApp Inc. and its subsidiaries ("CXApp" or the "Company") is in the business of delivering intelligent enterprise workplace experiences. The CXApp SaaS platform is anchored on the intersection of customer experience (CX) and artificial intelligence (AI) providing digital transformation for the physical workplace for enhanced experiences across people, places and things.

The CXApp SaaS platform offers a suite of leading-edge technology workplace experience solutions including an enterprise employee application, indoor mapping, on-device positioning, augmented reality technologies, generative AI applications and an AI-based analytics platform, targeting the emerging hybrid workplace market. CXApp creates a connected workplace by reducing app overload, data fragmentation, and complex workflows and streamlines all capabilities through The Workplace SuperApp. All features, services and integrations are housed in one easy-to-access platform allowing businesses to deliver a more holistic employee experience in a hybrid workplace.

On September 25, 2022, an Agreement and Plan of Merger (the "Merger Agreement") was entered into by and among Inpixon, KINS, CXApp, and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS ("Merger Sub"), pursuant to which KINS acquired Inpixon's enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) ("Legacy CXApp") in exchange for the issuance of shares of KINS capital stock (the "Business Combination"). As a result of the Business Combination, KINS changed their name to CXApp Inc. ("CXApp"). The shares are now trading on the Nasdaq using the ticker CXAI. The transaction closed on March 14, 2023. See Note 3 for more details.

Unless the context otherwise requires, "we," "us," "our," "CXApp" and the "Company" refer to CXApp Inc., a Delaware corporation, and its consolidated subsidiaries following the Business Combination (as defined below). Unless the context otherwise requires, references to "KINS" refer to KINS Technology Group Inc., a Delaware corporation ("KINS"), prior to the Business Combination. All references herein to the "Board" refer to the board of directors of the Company. "Legacy CXApp" refers to CXApp Holding Corp., a Delaware corporation and a wholly owned subsidiary of the Company, which the Company acquired through the Business Combination. Prior to the Separation (as defined below), Legacy CXApp was a wholly owned subsidiary of Inpixon, a Nevada corporation ("Inpixon").

The Business Combination was accounted for using the acquisition method (as a forward merger), with goodwill and other identifiable intangible assets recorded in accordance with GAAP, as applicable. Under this method of accounting, the "Enterprise Apps Business" (formerly known as CXApp) is treated as the "acquired" company for financial reporting purposes. KINS (now known as CXApp Inc.) has been determined to be the accounting acquirer because KINS maintains control of the Board of Directors and management of the combined company.

#### **NOTE 2 – Summary of Significant Accounting Policies**

##### **Liquidity**

As of December 31, 2023 (Successor), the Company had a working capital deficit of approximately \$ 1,287 thousand and cash and cash equivalents of approximately \$6,275 thousand. For the period from March 15, 2023 to December 31, 2023 (Successor), the Company incurred \$ 49,238 thousand of net loss. For the period from March 15, 2023 to December 31, 2023 (Successor), the Company used approximately \$12,766 thousand of cash for operating activities, of which \$5,876 thousand was from a reduction in accrued liabilities, primarily paying merger related transaction liabilities.

The Company cannot assure that it will ever earn revenues sufficient to support their operations, or that it will ever achieve profitable operations. The Company's recurring losses and utilization of cash in its operations are indicators of substantial doubt that the entity can continue as a going concern however, with the Company's current liquidity position, the Company has taken steps to reduce operating expenses resulting in a more efficient cost structure. The Company discussed plans to finance its future working capital requirements and capital expenditures from cash generated from operating activities, cash raised under the equity line financing agreement for up to \$10,000 thousand, with an initial draw of \$2,500 thousand in the second quarter

of 2024, and cash raised under the promissory note of \$3,000 thousand dollars payable by December 2024. Management believes that these actions, when implemented, will result in operational efficiencies, cost savings to the company, and access to funds when and if needed. While the Company believes in the viability of its strategy to generate revenues and in its ability to raise additional funds, there can be no assurances to that effect for the twelve months from the issuance of these consolidated financial statements. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. 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 warrant liabilities;
- the allowance for credit losses;
- the valuation allowance for deferred tax assets; and
- impairment of long-lived assets and goodwill.

#### **Basis of Presentation**

The accompanying consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and pursuant to the accounting and disclosure rules and regulations of the Securities and Exchange Commission (the "SEC").

---

F-9

#### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances have been eliminated in consolidation.

#### **Emerging Growth Company**

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, checking accounts, money market accounts, temporary investments and certificates of deposit with maturities of three months or less when purchased. As of December 31, 2023 (Successor), the Company had cash equivalents of approximately \$5,584 thousand of certificates of deposit held by a number of banks limited to \$250 thousand per bank with a duration of 90 days or less. As of December 31, 2022 (Predecessor), the Company had no cash equivalents.

#### **Accounts Receivable, net and Allowance for Credit Losses**

Accounts receivables are stated at the amount the Company expects to collect. The Company recognizes an allowance for credit loss to ensure accounts receivable are not overstated due to uncollectability. Allowance for credit losses is 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 allowance for credit losses is recorded for individual accounts 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.

The Company adopted ASU 2016-13 in the first quarter of fiscal 2023, March 31, 2023, and the impact of the adoption was not material. The allowance for credit losses as of December 31, 2023 (Successor) is approximately \$2 thousand.

#### **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 5 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. Depreciation expense related to property and equipment is not included as part of cost of revenues, but as part of operating expenses.

#### **Intangible Assets**

Intangible assets primarily consist of developed technology, customer lists/relationships, non-compete agreements, intellectual property agreements, export licenses and trade names/trademarks. They are amortized ratably over a range of 5 to 10 years, which approximates customer attrition rate and technology obsolescence. The Company assesses the carrying value of its intangible assets for impairment 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 assets. Based on its assessments, the Company did not incur any impairment charges for the period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), or for the year ended December 31, 2022 (Predecessor).

#### **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 determination of whether goodwill is impaired involves a significant level of judgment in these assumptions, and changes in our forecasts, business strategy, government regulations, or economic or market conditions could significantly impact these judgments, potentially decreasing the fair value of our reporting unit. Any resulting impairment charges could have a material impact on our results of operations.

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. Based on its assessments, the Company incurred an impairment charge of \$36,056 thousand for the period from March 15, 2023 to December 31, 2023 (Successor) and did not incur impairment for the period from January 1, 2023 to March 14, 2023 (Predecessor). The Company incurred an impairment charge of approximately \$5,540 thousand for the year ended December 31, 2022 (Predecessor).

#### **Leases and Right-of-Use Assets and Liabilities**

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.

#### **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 statements 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.

#### **Comprehensive Income (Loss) and Foreign Currency Translation**

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

Assets and liabilities related to the Company's foreign operations are calculated using the Philippine Peso and Canadian Dollar, 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. Gains or losses resulting from transactions denominated in foreign currencies are included in other income (expense) 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 period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), and for the year ended December 31, 2022 (Predecessor).

#### **Debt Issuance Cost**

The costs related to the issuance of debt are capitalized and amortized to interest expense over the life of the related debt using the effective interest method. The amendments to FASB ASC 835-30 require that debt issuance costs be presented in the Consolidated Balance Sheet as a direct deduction from the carrying amount of debt, consistent with debt discounts or premiums.

#### **Revenue Recognition**

The Company recognizes revenue, in accordance with ASC 606, 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 its software as a service for cloud based software, as well as design, implementation and other professional services for work performed in conjunction with its cloud based software. The Company enters into contracts with its customers whereby it grants a non-exclusive cloud-based license for the use of its proprietary software and for professional services. The contracts may also provide for on-going services for a specified price, which may include maintenance services, designated support, and enhancements, upgrades and improvements to the software, depending on the contract. Licenses for cloud 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 differs mainly in the duration over which the customer benefits from the software.

CXApp has done an analysis of its revenue recognition process and found that the same steps taken by the Company agrees with ASC 606 – Revenue from Contracts with Customers. The standard's core principle is that an entity will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The new standard is a principles-based standard intended to better match the accounting for the transaction with the economics of the transaction. This requires entities to use more judgment and make more estimates than under previous revenue standards.

The standard introduces a five-step model for revenue recognition that replaces the four criteria for revenue recognition under previous GAAP. The five steps are shown below:

1. Identify the contract with a customer,
2. Identify the performance obligations in the contract,
3. Determine the transaction price,
4. Allocate the transaction price to performance obligations, and
5. Recognize revenue when (or as) the entity satisfies a performance obligation

F-12

---

#### License Subscription Revenue Recognition (Software As A Service)

With respect to sales of the Company's license agreements, customers generally pay fixed annual fees in advance in exchange for the Company's software service provided via electronic means, which are generally recognized ratably over the license term. Some agreements allow the customer to terminate their subscription contracts before the end of the applicable term, and in such cases the customer is generally entitled to a refund pro-rata but only for the elapsed time remaining at the point of termination, which would approximate the deferred revenue at such time. The Company's performance obligation is satisfied over time as the 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's customers generally pay within 30 to 60 days from the receipt of a customer approved invoice.

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 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. 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.

Renewals or extensions of licenses are evaluated as distinct licenses and revenue attributed to the distinct service is not 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. The Company recognizes revenue resulting from renewal of licensed software over time.

#### Professional Services Revenue Recognition

The Company provides integration and software customization professional services to its customers.

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 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 in some cases on a 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 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 period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor), the Company did not incur any such losses. These amounts are based on known and estimated factors.

#### Contract Balances

The timing of the Company's revenue recognition may differ from the timing of invoicing to and payment by its customers. The Company records an unbilled receivable when revenue is recognized prior to invoicing and the Company has an unconditional right to payment. Alternatively, when invoicing a customer precedes the Company providing of the related services, the Company records deferred revenue until the performance obligations are satisfied. The Company had deferred revenue of approximately \$2,878 thousand and \$2,162 thousand as of December 31, 2023 (Successor) and December 31, 2022 (Predecessor), respectively, related to customer invoices rendered in advance for software licenses and professional services provided by the Company's technical staff. The Company expects to satisfy its remaining performance obligations for the deferred revenue associated with professional services, and recognize the deferred revenue related to licenses generally over the remaining contract term which is generally twelve months following the commencement of the license. The Company recognized revenue in the reporting period of \$2,163 thousand, \$865 thousand, and \$2,820 thousand, that was included in the deferred revenue at the beginning of the period, for the period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), and for the year ended December 31, 2022 (Predecessor),

#### Costs to Obtain a Contract

The Company recognizes eligible sales commissions as an asset within prepaid expenses and other current assets 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 the contract. These costs are generally not significant and are recorded to expense as incurred.

#### 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 de minimis during each of the reporting periods.

#### Research and Development

Research and development ("R&D") costs are expensed when incurred. R&D expenses consist primarily of personnel and related headcount costs, costs of professional services associated with the ongoing development of the Company's technology, and allocated overhead.

#### 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 included as of and subsequent to the acquisition date.

#### Segments

The Company and its Chief Executive Officer ("CEO"), acting as the Chief Operating Decision Maker ("CODM") determines its reporting units in accordance with FASB ASC 280, "Segment Reporting" ("ASC 280"). The Company evaluates a reporting unit by first identifying its operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated. The Company has one operating segment and reporting unit. The Company is organized and operated as one business. 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.

#### Stock-Based Compensation

The Company measures the cost of employee and non-employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The Company has issued stock-based compensation awards in the form of options and restricted stock units. Fair value for options and restricted stock units are valued using the closing price of the Company's common stock on the date of grant. The grant date fair value is recognized over the requisite service period during which an employee and non-employee is required to provide service in exchange for the award.

The grant date fair value of options is estimated using the Black-Scholes option pricing model based on the average of the high and low stock prices at the grant date for awards under the CXApp Inc. 2023 Equity Incentive Plan (the "Incentive Plan"). The risk-free interest rate assumptions were based upon the observed interest rates appropriate for the expected term of the equity instruments. The expected dividend yield is assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The Company uses the simplified method to estimate the expected term.

The Company estimates forfeitures at the time of grant and revises these estimates in subsequent periods if actual forfeitures differ from those estimates.

#### Derivative Warrant Liabilities

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC 480, "Distinguishing Liabilities from Equity" ("ASC 480") and ASC 815, "Derivatives and Hedging" ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the

warrants are indexed to the Company's own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. The Company currently has two sets of warrants outstanding, known as the Private Placement Warrants and the Public Warrants, which are both classified as a liability.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance or modification. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance as a warrant liability, and adjusted to the then fair value in each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the consolidated statements of operations and amounted to approximately \$4,714 thousand of a loss for the period from March 15, 2023 to December 31, 2023 (Successor). The Company utilized the Public Warrant quoted market price as the fair value of the Warrants as of each relevant date.

#### **Earnings Per Share**

The Company computes basic and diluted earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are similarly calculated with the inclusion of dilutive common stock equivalents. For the year ended December 31, 2023, basic and dilutive net income (loss) per common share were the same since the inclusion of common shares issuable pursuant to the exercise of options, warrants, and vesting of restricted units 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 year ended December 31, 2023.

<i>(in thousands)</i>	<b>Successor</b> <b>Year Ended</b> <b>December 31,</b> <b>2023</b>
Stock options	985
Restricted stock units	821
Warrants	<u>21,032</u>
Total	<u>22,838</u>

No calculation for Earnings Per Share was made for the year ended 2022 because CXApp only commenced operations in March 15, 2023.

#### **Fair Value Measurements**

FASB ASC 820, "Fair Value Measurements" ("ASC 820"), 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. The fair value of the warrants has been measured based on the listed market price of such warrants, a Level 1 measurement. For the period ended March 15, 2023 to December 31, 2023 (Successor), the Company recognized an unrealized loss in the Statements of Operations and Comprehensive Income of \$4,714 thousand which is presented as change in fair value of derivative liability.

The Company accounts for its public and private warrants as a derivative liability initially measured at its fair values and remeasured in the consolidated statements of operations at the end of each reporting period. When the warrants are exercised, the corresponding derivative liability is de-recognized at the underlying fair value of the Class A common stock that is issued to the warrant holder less any cash paid in accordance with the warrant agreement. Upon either cash or cashless exercise, the de-recognized derivative liability results in an increase in additional paid in capital equal to the difference between the fair value of the underlying Class A common stock and its par value. A cashless exercise results in the warrant holder surrendering Class A common stock equal to the stated warrant exercise price based on the contractual terms in the warrant agreement that governs the cashless conversion.

The following table shows the changes in fair value of the liabilities during the period ended December 31, 2023:

Balance at March 15, 2023	\$ 2,649
Change in FV of derivative instruments	(1,686)
Balance at March 31, 2023	<u>963</u>
Change in FV of derivative instruments	12,040
Balance at June 30, 2023	<u>\$ 13,003</u>
Change in FV of derivative instruments	(5,220)
FV of Warrants cash exercised and exchanged for Class A common stock (see Note 11 - Warrants)	(1,237)
Loss on warrant extinguishment	(3,894)
FV of Warrants cashless exercised for Class A common stock (see Note 11 - Warrants)	<u>(549)</u>
Balance at September 30, 2023	\$ 2,103
Change in FV of derivative instruments	(420)

### **Fair Value of Financial Instruments**

Financial instruments consist of cash and cash equivalents, accounts receivable, notes and other receivables and accounts payable. The Company determines the estimated fair value of such financial instruments presented in the financial statements is equal to its carrying value due to their short-term nature.

### **Carrying Value, Recoverability and Impairment of Long-Lived Assets**

The Company follows FASB ASC 360 "Property, Plant, and Equipment" ("ASC 360") for its long-lived assets. Pursuant to ASC 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 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 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 recorded no impairment charges on long-lived assets for the period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), and year ended December 31, 2022 (Predecessor).

---

F-17

---

### **New Accounting Pronouncements Adopted in 2023**

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments – Credit Losses" ("ASU 2016-13"), which requires a reporting entity to determine the allowance for credit losses for an instrument based on the amortized cost of the financial asset. The expected credit loss model aims to provide stakeholders with more transparent and timely information regarding an entity's credit risk exposures. At the same time, it provides processes and procedures in determining a doubtful account.

ASU 2016-13 is effective for interim and annual periods beginning after March 14, 2023 on a prospective basis, with early adoption permitted. The Company adopted ASU 2016-13 in the first quarter of fiscal 2023, March 31, 2023, and the impact of the adoption was not material.

### **Recently Issued Accounting Standards Not Yet Adopted**

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 evaluating the impact of the adoption of this ASU will have on the Company's consolidated financial position and results of operations.

In October 2023, the FASB issued ASU 2023-06 "Disclosure Improvements", which amends the codification in response to the SEC's Disclosure Update and Simplification Initiative. The effective date of this update is for fiscal years beginning after June 30, 2027, including interim periods within those fiscal years. 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 the fourth quarter of 2023, the FASB issued three ASU's: No. 2023-07 "Segment Reporting (Topic 280)", No. 2023-08 "Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60), and No. 2023-09 "Income Taxes (Topic 740)". The Management sees the Company as one single unit, instead of as segments, leading to a more in-depth consideration should FASB ASU No. 2023-07 be considered. FASB ASU No. 2023-07 is effective after fiscal year ended December 15, 2023. The effects of ASU 2023-08 and ASU 2023-09 are both being considered and assessed for their potential effects, but the Company does not expect any material impact on the financial statements and disclosures. Both FASB ASU 2023-08 and 2023-09 are effective after fiscal year ended December 15, 2024.

### **NOTE 3 – Business Combination**

On March 14, 2023, the Company completed the Agreement and Plan of Merger (the "Merger Agreement"), by and among KINS, Inpixon, CXApp, and KINS Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of KINS ("Merger Sub"), pursuant to which KINS combined with Legacy CXApp, Inpixon's enterprise apps business (including its workplace experience technologies, indoor mapping, events platform, augmented reality and related business solutions) (the "Enterprise Apps Business"). In exchange for the aggregate purchase price of approximately \$69,928 thousand, the Company acquired all of the related assets and liabilities of Legacy CXApp. The consideration transferred in connection with the Business Combination consisted of 1,547,700 shares of the Company's Class A Common Stock and 5,487,300 shares of the Company's Class C Common Stock valued at a price of \$9.94 per share. The preliminary estimated goodwill of approximately \$ 44,122 thousand arising from the Business Combination consists of an acquired workforce, as well as synergies expected from combined operations of KINS and the CXApp.

The Company has authorized Class A and Class C common stock. 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 180<sup>th</sup> day following the closing of the Merger which has expired 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.

The Business Combination is being accounted for as a business combination in accordance with ASC 805. The Company has determined preliminary fair values of the assets acquired and liabilities assumed in the Business Combination. These values are subject to change as we perform additional reviews of our assumptions utilized.

The Company has made a provisional allocation of the purchase price of the Business Combination to the assets acquired and the liabilities assumed as of the closing date. The following table summarizes the preliminary purchase price allocations relating to the Business Combination (in thousands):

Description	Fair Value	Weighted Average Useful Life (in years)
Purchase Price	\$ 69,928	
<b>Assets acquired:</b>		
Cash and cash equivalents	\$ 10,003	
Accounts receivable	2,226	
Notes and other receivables	209	
Prepaid assets and other current assets	588	
Operating lease right of use asset	557	
Property and equipment, net	133	
Other assets	42	
Developed technology	9,268	10 years
Patents	2,703	10 years
Customer relationships	5,604	5 years
Tradenames and trademarks	3,294	7 years
Total assets acquired	\$ 34,627	
<b>Liabilities assumed:</b>		
Accounts payable	\$ 461	
Accrued liabilities	911	
Deferred revenues	2,534	
Operating lease obligation, current	194	
Operating lease obligation, noncurrent	384	
Deferred tax liability	4,337	
Total liabilities assumed	\$ 8,821	
Goodwill	\$ 44,122	

The value of the intangible assets were calculated by a third party valuation firm based on projections and financial data provided by management of the Company. Goodwill represents the excess fair value after allocation to the intangible assets. The calculated goodwill is not deductible for tax purposes.

Total acquisition-related costs for the Business Combination were approximately \$3,543 thousand. Of the total acquisition-related costs, approximately \$3,000 thousand were incurred by KINS prior to the close of the Business Combination. These costs are included in the opening retained earnings of the Company on March 15, 2023. The remaining \$543 thousand of acquisition-related costs were recorded as expense in the successor period and are included in acquisition related costs on the statements of operations for the year ended December 31, 2023.

#### Measurement Period

The preliminary purchase price allocations for the acquisitions described above are based on initial estimates and provisional amounts. In accordance with ASC 805-10-25-13, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, acquirer shall adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. The Company continues to refine its inputs and estimates inherent in (i) the valuation of intangible assets, (ii) deferred income taxes, (iii) realization of tangible assets and (iv) the accuracy and completeness of liabilities. For the year ended December 31, 2023, the Company recognized a measurement period adjustment, which decreased prepaid assets and other current assets, developed technology, accounts payable and deferred tax liability by approximately \$180 thousand, \$571 thousand, \$18 thousand and \$137 thousand, respectively and increased accrued liabilities and goodwill by approximately \$58 thousand and \$671 thousand, respectively.

#### CXApp Pro Forma Financial Information

The following pro forma financial information presents the consolidated balance sheet and results of operations of the Company for the years ended December 31, 2023 and 2022 as if the acquisition had occurred as of the beginning of the first period presented (January 1, 2022). The pro forma information does not necessarily reflect the results of operations that would have occurred had the entities been a single company during those periods.

**CXAPP INC. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	As of December 31,	
	2023	2022
Assets		
Current assets	\$ 9,029	\$ 8,798

Noncurrent assets	27,552	24,635
Total assets	<u>\$ 36,581</u>	<u>\$ 33,433</u>
Liabilities		
Current liabilities	\$ 10,316	\$ 8,645
Noncurrent liabilities	867	1,197
Total liabilities	<u>\$ 11,183</u>	<u>\$ 9,842</u>
Stockholders' equity	\$ 25,398	\$ 23,591
Total stockholders' equity	<u>\$ 25,398</u>	<u>\$ 23,591</u>
Total liabilities and equity	<u>\$ 36,581</u>	<u>\$ 33,433</u>

**CXAPP INC. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE INCOME (LOSS)**  
(in thousands)

	As of December 31,	
	2023	2022
Revenues	\$ 7,366	\$ 8,470
Net loss	\$ (57,904)	\$ (20,828)

F-20

**NOTE 4 – 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 enterprise apps solutions systems, and professional services for work performed in conjunction with its systems.

Revenues consisted of the following (in thousands):

	Successor	Predecessor	
	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
<b>Subscription revenue</b>			
Software	\$ 4,560	\$ 1,204	\$ 5,476
<b>Total subscription revenue</b>	<u>\$ 4,560</u>	<u>\$ 1,204</u>	<u>\$ 5,476</u>
<b>Non-subscription revenue</b>			
Professional services	\$ 1,186	\$ 416	\$ 2,994
<b>Total non-subscription revenue</b>	<u>\$ 1,186</u>	<u>\$ 416</u>	<u>\$ 2,994</u>
<b>Total revenue</b>	<u>\$ 5,746</u>	<u>\$ 1,620</u>	<u>\$ 8,470</u>
	Successor	Predecessor	
	Period from March 15, 2023 to December 31, 2023	Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
Revenue recognized over time (1)(2)	\$ 5,746	\$ 1,620	\$ 8,470
<b>Total</b>	<u>\$ 5,746</u>	<u>\$ 1,620</u>	<u>\$ 8,470</u>

(1) 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 generally 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.  
(2) Software As A Service Subscription 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.

F-21

**NOTE 5 – Property and Equipment, net**

Property and equipment consisted of the following (in thousands):

Successor	Predecessor
December 31, 2023	December 31, 2022

Computer and office equipment	\$ 179	\$ 992
Furniture and fixtures	12	185
Leasehold improvements	6	28
Software	1	8
<b>Total</b>	<b>198</b>	<b>1,213</b>
Less: accumulated depreciation and amortization	(83)	(1,011)
<b>Total Property and Equipment, Net</b>	<b>\$ 115</b>	<b>\$ 202</b>

Depreciation and amortization expense were approximately \$ 75 thousand, \$19 thousand, and \$119 thousand for the period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), and for the year ended December 31, 2022 (Predecessor), respectively.

#### NOTE 6 – Software Development Costs, net

Capitalized software development costs consisted of the following (in thousands):

	Successor December 31, 2023	Predecessor December 31, 2022
Capitalized software development costs	\$ -	\$ 2,680
Accumulated amortization	- -	(2,193)
<b>Software development costs, net</b>	<b>\$ -</b>	<b>\$ 487</b>

Amortization expense for capitalized software development costs was approximately \$209 thousand and \$527 thousand for the period from January 1, 2023 to March 14, 2023 (Predecessor) and for the year ended December 31, 2022 (Predecessor), respectively. There was no amortization expense for capitalized software development costs for the period from March 15, 2023 to December 31, 2023 (Successor).

#### NOTE 7 – Goodwill and Intangible Assets, net

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 noted that the carrying amount of Goodwill as of December 31, 2023 was \$8,737 thousand, which was entirely due to the business combination noted in Note 3.

Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in industry and market considerations, technological advancements, and the Company's financial performance.

F-22

We completed our annual goodwill impairment evaluation as of December 31, 2023. As a result, the Company incurred an impairment loss of \$36,056 thousand.

Goodwill consisted of the following (in thousands):

Acquisition	Amount
Balance as of March 15, 2023	\$ -
Acquisition of Legacy CXApp	44,122
Measurement Period Adjustments	671
Impairment	(36,056)
<b>Balance as of December 31, 2023</b>	<b>\$ 8,737</b>

Intangible assets consisted of the following (in thousands):

	December 31, 2023 (Successor)					December 31, 2022 (Predecessor)		
	Weighted Average Remaining Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount	
Trade Name/Trademarks	6.17	\$ 3,294	\$ (373)	\$ 2,921	\$ 2,183	\$ (725)	\$ 1,458	
Customer Relationships	4.17	5,604	(887)	4,717	6,401	(1,765)	4,636	
Developed Technology	9.17	8,697	(688)	8,009	15,179	(3,398)	11,781	
Non-compete Agreements	-	-	-	-	3,150	(1,736)	1,414	
Patents and Intellectual Property	9.17	2,703	(214)	2,489	-	-	-	
<b>Totals</b>		<b>\$ 20,298</b>	<b>\$ (2,162)</b>	<b>\$ 18,136</b>	<b>\$ 26,913</b>	<b>\$ (7,624)</b>	<b>\$ 19,289</b>	

Future amortization expense on intangible assets as of December 31, 2023 is anticipated to be as follows (in thousands):

For the Years Ending December 31,	Amount
2024	\$ 2,731
2025	2,731
2026	2,731
2027	2,731
2028	1,844
2029 and thereafter	5,368
<b>Total</b>	<b>\$ 18,136</b>

**NOTE 8 – Deferred Revenue**

Deferred revenue consisted of the following (in thousands):

	Successor		
	License Agreements	Professional Service Agreements	Total
Deferred Revenue - March 15, 2023	\$ 2,148	\$ 386	\$ 2,534
Revenue recognized	(4,560)	(1,186)	(5,746)
Revenue deferred	4,816	1,274	6,090
<b>Deferred Revenue - December 31, 2023</b>	<b>\$ 2,404</b>	<b>\$ 474</b>	<b>\$ 2,878</b>
Predecessor			
	Predecessor		
	License Agreements	Professional Service Agreements	Total
Deferred Revenue - January 1, 2022	\$ 2,524	\$ 622	\$ 3,146
Revenue recognized	(5,476)	(2,994)	(8,470)
Revenue deferred	4,883	2,603	7,486
<b>Deferred Revenue - December 31, 2022</b>	<b>\$ 1,931</b>	<b>\$ 231</b>	<b>\$ 2,162</b>

Deferred revenues were approximately \$2,878 thousand, \$2,534 thousand, and \$2,162 thousand at December 31, 2023 (Successor), March 14, 2023 (Predecessor), and December 31, 2022 (Predecessor), respectively.

The fair value of the deferred revenue approximates the services to be rendered given the short term period over which it is expected to be recognized.

**NOTE 9 – Accrued Liabilities**

Accrued liabilities consisted of the following (in thousands):

	Successor		Predecessor
	December 31, 2023	December 31, 2022	December 31, 2022
Accrued compensation and benefits	\$ 387	\$ 586	
Accrued bonus and commissions	108	422	
Income tax payables	74	-	
Accrued rent	-	559	
Accrued transaction costs	13	-	
Accrued sales and other indirect taxes payable	12	86	
Accrued other	858	83	
<b>Accrued liabilities</b>	<b>\$ 1,452</b>	<b>\$ 1,736</b>	

**NOTE 10 – Promissory Note**

Note payable as of December 31, 2023 consisted of the following:

(In thousands)		
Principal amount		\$ 3,885
Less: Unamortized original issue discount		834
Unamortized debt issuance cost		14
		\$ 3,037
Add: Accrued interest payable		16
		\$ 3,053

On December 15, 2023, we entered into a note purchase agreement with Streeterville Capital, LLC (the “Lender”), pursuant to which we agreed to issue and sell to the Lender an unsecured promissory note (the “Note”) in an aggregate initial principal amount of \$3,885 thousand, which is payable on or before the date that is 12 months from the issuance date. The initial principal amount includes an original issue discount of \$870 thousand and \$15 thousand that we agreed to pay to the Lender to cover the Lender’s legal fees, accounting costs, due diligence, monitoring and other transaction costs. The net proceeds of the Note is \$3,000 thousand.

Interest on the Note accrues at a rate of 10% per annum and is payable on the maturity date.

A monitoring fee of 10% of the outstanding balance will be charged starting six (6) months from the issuance of the Note to cover Lender’s accounting, legal and other costs incurred in monitoring. The foregoing fee shall automatically be added to the outstanding balance on the applicable date without any further action by either party.

The Lender shall have the right to redeem up to an aggregate of 1/6th of the initial principal balance of the Note plus any interest accrued thereunder each month by providing written notice delivered to us; provided, however, that if the Lender does not exercise any monthly redemption amount in its corresponding month then such monthly redemption amount shall be available for the Lender 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 Lender within five (5) business days of the Company's receipt of such monthly redemption notice.

The Note includes customary event of default provisions, subject to certain cure periods, and provides for a default interest rate of 22%. Upon the occurrence of an event of default, interest would accrue on the outstanding balance beginning on the date the applicable event of default occurred at an interest rate equal to the lesser of twenty-two percent (22%) or the maximum rate permitted under applicable law.

As of May 15, 2024, there is an aggregate outstanding principal and interest balance of approximately \$ 4,050 thousand underlying the December 2023 Note.

During the period from March 15, 2023 to December 31, 2023, interest expense recognized on the consolidated statement of operations and comprehensive loss is approximately \$53 thousand.

## NOTE 11 – Warrants

### Public Warrants

As of December 31, 2023, there were 10,752 thousand Public Warrants outstanding, and none as of December 31, 2022. Each whole warrant entitles the holder thereof to purchase one share of the Company's Class A common stock at a price of \$11.50 per share, subject to adjustments described in the Company's registration statement on Form S-1 (Registration No. 333-249177) filed in connection with its initial public offering.

The Public Warrants is exercisable and will expire on March 15, 2028 or earlier upon redemption or liquidation. Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the units and only whole warrants will trade.

The Company will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act covering the issuance of the shares of Class A common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration. No warrant will be exercisable, and the Company will not be obligated to issue shares of Class A common stock upon exercise of a warrant unless Class A common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

On July 13, 2023, warrant holders exercised 435 thousand public warrants at an exercise price of \$11.50, for a total of \$5,002 thousand of cash proceeds to the Company.

On July 14, 2023, the Company entered into a Warrant Exchange Agreement (the "Agreement") with third party investor (the "Warrant Holder") with respect to warrants to purchase an aggregate of 2,000 thousand shares of its common stock, par value \$ 0.0001 per share (the "Common Stock") initially issued by the Company in its initial public offering on December 15, 2020 (the "Public Warrants"). Pursuant to the Agreement, the Company issued an aggregate of 600 thousand shares of Common Stock to the Warrant Holder in exchange for the surrender and cancellation of the Public Warrants held by such holder. This resulted in an additional paid in capital of \$4,914 thousand in a non-cash transaction and resulted in a \$3,900 thousand loss on the warrant conversion, which is included in change in fair value of derivative liability in the statement of operations.

For the quarter ended September 30, 2023, about 613 thousand public warrants to purchase Class A common stock were exercised on a cashless basis for approximately 50 thousand shares of common stock and are no longer outstanding.

### Private Warrants

As of December 31, 2023, there were 10,280 thousand Private Placement Warrants outstanding and none as of December 31, 2022. The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the shares of Class A common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

Public and private warrant exercise activity and underlying Common Stock issued or surrendered for the year ended December 31, 2023, is:

	Public Warrants	Private Warrants	Total
January 1, 2023	13,800,000	10,280,000	24,080,000
Warrants exchanged and exercised – cash	(2,435,000)	-	(2,435,000)
Warrants exercised – cashless	(613,138)	-	(613,138)
December 31, 2023	<u>10,751,862</u>	<u>10,280,000</u>	<u>21,031,862</u>

## NOTE 12 – Stock Option Plan and Stock-Based Compensation

To calculate the stock-based compensation resulting from the issuance of options, the Company uses the Black-Scholes option pricing model, which is affected by the Company's fair value of its stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

### 2023 Equity Incentive Plan

At the special meeting held on March 10, 2023, the KINS stockholders considered and approved, among other things, the Incentive Plan. The Incentive Plan was previously approved, subject to stockholder approval, by KINS' board of directors. The Incentive Plan became effective immediately

upon the closing of the Business Combination. Pursuant to the terms of the Incentive Plan, there are 2,110,500 shares of CXApp Class A Common Stock available for issuance under the Incentive Plan, which is equal to 15% of the aggregate number of shares of CXApp common stock issued and outstanding immediately after the closing of the Business Combination (giving effect to the redemptions).

#### **Employee Stock Options**

During the year ended December 31, 2023, a total of 1,377,172 stock options for the purchase of the Company's common stock were granted to employees and directors of the Company. These options vest over a 2-year period, with 50% vested at the end of year one and 50% vested at the end of year two. The options have a life of 10 years and an exercise price of \$1.53 per option. The stock options were valued using the Black-Scholes option valuation model and the weighted average fair value of the awards granted during the period was determined to be \$0.90 per option on the grant date. The fair value of the common stock as of the grant date utilized in the Black-Scholes option valuation model was \$1.53 per share.

See below for a summary of the stock options granted under the Incentive Plan:

	<b>Number of Options</b>	<b>Weighted-average exercise price</b>	<b>Weighted-average remaining contractual term (years)</b>	<b>Weighted-Average Fair Value at Grant Date</b>
Options outstanding at January 1, 2023	-	\$ 1.53	-	\$ -
Granted	1,377,172	1.53		
Forfeited	(392,272)	1.53		
Options outstanding at December 31, 2023	<u>984,900</u>	<u>\$ 1.53</u>	9.25	\$ 0.90
Options exercisable at December 31, 2023	<u>-</u>	<u>\$ -</u>		

The Company incurred stock-based compensation expenses associated with options of approximately \$ 239 thousand and \$1,640 thousand for the years ended December 31, 2023 (Successor) and December 31, 2022 (Predecessor), respectively, which is included in general and administrative expenses of the consolidated statement of operations.

As of December 31, 2023 (Successor), the remaining unrecognized stock compensation expense totaled approximately \$ 394 thousand. This amount will be recognized as expense over the weighted average remaining term of 1.24 years.

F-27

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, 2023 (Successor) were as follows:

Risk-free interest rate	3.67%
Expected life of option grants	5.75 years
Expected volatility of underlying stock	61.65%
Dividends assumption	\$-

#### **Restricted Stock Units**

During the period from March 15, 2023 to December 31, 2023 (Successor), a total of 526,165 restricted stock units of the Company's common stock were granted to employees and nonemployees of the Company under the Incentive Plan at various dates.

The fair value of the common stock as of the various grant dates was determined to be \$ 6.13 to \$11.80 per restricted stock unit, for a weighted average fair value of \$7.80 per restricted stock unit. There were 40,000 forfeited restricted stock units during the year ended December 31, 2023 (Successor).

Restricted stock unit compensation expense was \$686 thousand for the period March 15, 2023 to December 31, 2023 (Successor), which is included in general and administrative expenses of the consolidated statement of operations.

As of December 31, 2023 (Successor), the Company has approximately \$ 1,796 thousand of unrecognized restricted stock unit compensation to be expensed over a weighted average period of 1.42 years.

#### **NOTE 13 – Common Stock**

In March 2023, the Company issued 100,000 shares of Class A Common Stock as a compensation to BTIG, LLC (BTIG) for a one-year strategic and capital markets advisory services to be provided to the Company effective on the business day following the Business Combination. During the period March 15, 2023 to December 31, 2023, the Company recorded compensation amounted to \$155 thousand which is included in the general and administrative expenses of the consolidated statements of operations and comprehensive loss and in the consolidated statements of cash flows as stock-based compensation.

Following the Business Combination, the Company's Class C Common Stock is subject to transfer restrictions and will automatically convert into the Company's 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 the 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.

On September 10, 2023, the Company's 5,487,300 shares of Class C Common Stock were automatically converted into an aggregate of 5,487,300 shares of the Company's Class A Common Stock, par value \$ 0.0001 per share.

F-28

#### **NOTE 14 – Income Tax**

The Company's net deferred tax assets/(liabilities) consisted of the effects of temporary differences attributable to the following:

(In thousands)	<b>Successor</b> <b>December 31, 2023</b>	<b>Predecessor</b> <b>December 31, 2022</b>
Organizational costs/startup expenses	\$ 1,031	\$ -
Deferred revenue	41	-
Section 174 - software development cost	1,097	-
Stock based compensation	164	549
Research credits	-	123
Other accruals	50	49
Fixed assets	-	22
Other	-	1,328
Net operating loss carryforward	2,202	17,038
 Total deferred tax asset	 4,585	 19,109
Less: Valuation allowance	(871)	(14,403)
 <b>Deferred tax asset, net of valuation allowance</b>	 <b>\$ 3,714</b>	 <b>\$ 4,706</b>
  <b>Intangibles</b>	<b>Successor</b> <b>December 31, 2023</b>	<b>Predecessor</b> <b>December 31, 2022</b>
Property, plant & equipment	\$ (4,338)	\$ (4,386)
Other	(13)	(13)
Capitalized research	-	(177)
Total deferred tax liabilities	(4,351)	(4,703)
 <b>Net Deferred Tax Asset (Liability)</b>	 <b>\$ (637)</b>	 <b>\$ 3</b>

F-29

The income tax provision consists of the following for the years ended December 31, 2023 and 2022:

	<b>Successor</b>  Period from March 15, 2023 to December 31, 2023	<b>Predecessor</b>  Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
	Period from January 1, 2023 to March 14, 2023		
Foreign			
Current	\$ -	\$ -	\$ 152
Deferred	-	4,054	(1,533)
 Federal			
Current	(7)	-	-
Deferred	(2,154)	(637)	(2,697)
 State and Local			
Current	19	-	3
Deferred	(506)	(273)	(743)
	(2,648)	3,144	(4,818)
 Change in valuation allowance	(924)	(3,144)	4,971
Income tax expense/(benefit)	<b>\$ (3,572)</b>	<b>\$ -</b>	<b>\$ 153</b>

As of December 31, 2023, the Company has U.S. federal and state net operating loss carryover of approximately \$ 4,973 thousand and \$4,776 thousand respectively. The federal NOLs generated till 2017-18 which if unutilized will expire by the year 2037 and the federal NOLs generated after 2018-19 will be carried forward indefinitely whereas the state NOLs if unutilized will expire based on the state statutes.

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. Deferred income tax is presented under noncurrent liabilities and in other assets in the consolidated balance sheet as of December 31, 2023 and 2022, respectively.

In assessing the realization of the deferred tax assets, management considers whether it is more likely than not that some portion of all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, management believes that it is more likely that the deferred tax assets will be realized in foreseeable future and has therefore recognized the entire opening valuation allowance of \$924 thousand. For the period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), and for the year ended December 31, 2022 (Predecessor), the change in valuation allowance was (\$924) thousand, (\$3,144) thousand, and \$4,971 thousand, respectively.

F-30

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.

A reconciliation of the federal income tax rate to the Company's effective tax rate for the years ended December 31, 2023 and 2022 are as follows:

	Successor Period from March 15, 2023 to December 31, 2023	Predecessor Period from January 1, 2023 to March 14, 2023	Year ended December 31, 2022
Statutory federal income tax rate	21.00%	21.00%	21.00%
Incentive stock options	-%	(0.30)%	(0.16)%
Change in fair value of derivative warrant liabilities	(2.18)%	-%	-%
Goodwill impairment loss	(14.34)%	-%	(4.00)%
US-Foreign income tax rate difference	-%	1.30%	1.02%
Permanent difference	0.22%	0.07%	(1.01)%
Cancellation of debt income	-%	(101.38)%	-%
Rate differential on foreign earnings	0.24%	-%	-%
State taxes, net of federal tax benefit	0.93%	3.49%	2.01%
Current federal tax true-up	0.01%	-%	-%
Provision to return adjustments	-%	-%	(1.29)%
Deferred only adjustment	-%	4.80%	(0.91)%
Other	-%	(0.35)%	(0.06)%
Valuation allowance	0.88%	71.31%	(17.13)%
Income tax provision	<u>6.76%</u>	<u>-%</u>	<u>(0.53)%</u>

The Company files income tax returns in the U.S. federal jurisdiction in various state and local jurisdictions as well as in foreign jurisdictions and is subject to examination by the various taxing authorities.

The Company recorded an income tax benefit of approximately \$ 3,572 thousand for the period from March 15, 2023, to December 31, 2023 (Successor). The Company recorded an income tax expense of approximately \$153 thousand for the year ended December 31, 2022 (Predecessor) and none for the period from January 1, 2023 to March 14, 2023 (Predecessor).

The effective tax rate for the year ended December 31, 2023 (Successor) was 6.76%. The income tax benefit for the year ended December 31, 2023 (Successor) is a result of the release of valuation allowance attributable to acquired intangible assets from the Business Combination. The effective tax rate differs from the U.S. Federal statutory rate primarily due to reversal of a valuation allowance on deferred tax assets, impairment of goodwill, and changes in fair value of warrant liabilities. The Company generated approximately \$4,217 thousand of deferred tax liability associated with the Business Combination. As a result, the Company released its valuation allowance to the extent of such DTL (being source of taxable in future).

F-31

#### NOTE 15 – Credit Risk and Concentrations

Financial instruments that subject the Company to credit risk consist principally of trade accounts receivable and cash and cash equivalents. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk of its customers, establishes an allowance for credit losses 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. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows. Cash is also maintained at foreign financial institutions for its Canadian and Philippines subsidiaries. Cash in foreign financial institutions as of December 31, 2023 (Successor) was \$300 thousand. Cash in foreign financial institutions as of December 31, 2022 (Predecessor) was not significant. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash. However, any loss incurred or lack of access to such funds could have a significant impact on the Company's financial condition, results of operations, and cash flows.

Our top three customers accounted for approximately 22% and 27% of our gross revenue during the years ended December 31, 2023 and 2022, respectively. One customer accounted for 12% of our gross revenue in 2023, and a separate customer accounted for 11% of our gross revenue in 2022; however, each of these customers may or may not continue to be a significant contributor to revenue in 2024. 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.

#### NOTE 16 – Foreign Operations

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

	United States	Canada	India	Philippines	Eliminations	Total
<b>For the Period from March 15, 2023 to December 31, 2023 (Successor):</b>						
Revenues by geographic area						
Operating income (loss) by geographic area	\$ 4,838	\$ 908	\$ -	\$ 884	\$ (884)	\$ 5,746
Net income (loss) by geographic area	\$ (46,018)	\$ (2,380)	\$ -	\$ 190	\$ -	\$ (48,208)

**For the Period from January 1, 2023 to March 14, 2023**

**(Predecessor):**

Revenues by geographic area	\$ 1,395	\$ 285	\$ -	\$ 160	\$ (220)	\$ 1,620
Operating income (loss) by geographic area	\$ (3,479)	\$ (905)	\$ -	\$ 3	\$ -	\$ (4,381)
Net income (loss) by geographic area	\$ (3,342)	\$ (1,041)	\$ -	\$ 3	\$ -	\$ (4,380)

**For the Year Ended December 31, 2022 (Predecessor):**

Revenues by geographic area	\$ 7,011	\$ 2,061	\$ 1,345	\$ 166	\$ (2,113)	\$ 8,470
Operating income (loss) by geographic area	\$ (22,358)	\$ (7,163)	\$ 569	\$ (96)	\$ 23	\$ (29,025)
Net income (loss) by geographic area	\$ (21,774)	\$ (7,769)	\$ 467	\$ (99)	\$ -	\$ (29,175)

**As of December 31, 2023 (Successor)**

Identifiable assets by geographic area	\$ 38,143	\$ 627	\$ -	\$ 434	\$ (2,623)	\$ 36,581
Long lived assets by geographic area	\$ 18,269	\$ 320	\$ -	\$ 148	\$ -	\$ 18,737
Goodwill by geographic area	\$ 8,737	\$ -	\$ -	\$ -	\$ -	\$ 8,737

**As of December 31, 2022 (Predecessor)**

Identifiable assets by geographic area	\$ 24,591	\$ 5,484	\$ 228	\$ 415	\$ (1,438)	\$ 29,280
Long lived assets by geographic area	\$ 15,558	\$ 4,788	\$ 98	\$ 215	\$ -	\$ 20,659
Goodwill by geographic area	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

F-32

**NOTE 17 – Leases**

The Company has operating leases for administrative offices in Canada, the Philippines, and the United States. The Manila, Philippines office lease expires in May 2025, the Canada lease expires in May 2026, and the United States office lease expires in April 2024. The Company has no other operating or financing leases with terms greater than 12 months.

Lease expense for operating leases recorded on the balance sheet is based on the future minimum lease payments recognized on a straight-line basis over the term of the lease plus any variable lease costs. Operating lease expenses, inclusive of short-term and variable lease expenses, recognized in the Company's consolidated statement of operations for the period from March 15, 2023 to December 31, 2023 (Successor), for the period from January 1, 2023 to March 14, 2023 (Predecessor), and for the year ended December 31, 2022 (Predecessor) was approximately \$345 thousand, \$57 thousand, and \$681 thousand, respectively.

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of ASC 842 "Leases" ("ASC 842"). As of December 31, 2023, the weighted average remaining lease term is 1.4 years and the weighted average discount rate used to determine the operating lease liabilities was 8.0%. As of December 31, 2022, the weighted average remaining lease term is 2.82 years and the weighted average discount rate used to determine the operating lease liabilities was 8.0%.

<i>(in thousand)</i>	<b>Operating Leases</b>
Year 2024	\$ 315
Year 2025	177
Year 2026	60
Total lease payments	552
Less: Imputed interest	(47)
Present value of lease liabilities	<u>\$ 505</u>

**NOTE 18 – Commitments and Contingencies**

**Risks and Uncertainties**

Various social and political circumstances in the United States and around the world (including wars and other forms of conflict, including rising trade tensions between the United States and China, and other uncertainties regarding actual and potential shifts in the United States and foreign, trade, economic and other policies with other countries, terrorist acts, security operations and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and global health epidemics) may also contribute to increased market volatility and economic uncertainties or deterioration in the United States and worldwide. Specifically, the rising conflict between Russia and Ukraine, and resulting market volatility could adversely affect the value of the Company's securities. In response to the conflict between Russia and Ukraine, the United States and other countries have imposed sanctions or other restrictive actions against Russia. Any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on the value of the Company's securities.

Management continues to evaluate the impact of these types of risks and has concluded that while it is reasonably possible that these risks and uncertainties could have a negative effect on the Company's financial position and results of its operations, the specific impact is not readily determinable as of the date of these consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

F-33

**Litigation**

Certain conditions may exist as of the date the 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 financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

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

#### NOTE 19 – Supplementary Financial Information

Quarterly Financial Information (unaudited)—The quarterly results for the years ended December 31, 2023 and 2022 are summarized below (in thousands, except per share amounts):

2023	Successor			Period from March 15, 2023 to March 31, 2023	Predecessor	Period from January 1, 2023 to March 14, 2023	Total
	Fourth Quarter	Third Quarter	Second Quarter				
Net Revenue	1,719	1,770	1,915	342	1,620	7,366	
Gross Profit	1,376	1,412	1,435	255	1,137	5,615	
Net Income / (Loss)	(38,707)	1,441	(14,730)	2,758	(4,380)	(42,580)	
Basic and diluted weighted average shares outstanding, Class A common stock	15,254,389	10,818,459	8,582,699	8,582,699	-	-	
Basic and diluted net income (loss) per share, Class A common stock	(2.54)	0.13	(1.05)	0.20	-	-	
Basic and diluted weighted average shares outstanding, Class C common stock	-	-	5,487,300	5,487,300	-	-	
Basic and diluted net income (loss) per share, Class C common stock	-	-	(1.05)	0.20	-	-	
2022	Predecessor			Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net Revenue	1,997	1,742	2,149	2,582	8,470		
Gross Profit	1,561	1,243	1,609	1,993	6,406		
Net Income / (Loss)	(5,541)	(10,929)	(11,034)	(1,671)	(29,175)		

F-34

#### NOTE 20 – Subsequent Events

The Company evaluated subsequent events and transactions that occurred after December 31, 2023 up to the date that the consolidated financial statements were issued.

On January 3, 2024, the Company decided to streamline operations with a reorganization to drive efficiency using advanced technologies and a regional product and engineering support model. The Company is fully committed to all of its existing products and customers as well as its roadmap of AI based analytics and applications. As a result of this realignment, the Company expects operational efficiencies in excess of 25% as well as enhanced customer experiences moving forward.

In connection with the realignment described above, on January 3, 2024, it was determined that Leon Papkoff, Chief Product Officer, will separate from the Company effective January 4, 2024. The decision was not the result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Mr. Papkoff's separation from employment will be treated per his employment agreement with the Company dated March 29, 2023.

On April 18, 2024, the Company received a notice (the "Notice") from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that, because the Company is delinquent in filing its 2023 Form 10-K, the Company no longer complies with Nasdaq Listing Rule 5250(c)(1) (the "Listing Rule"), which requires companies with securities listed on Nasdaq to timely file all required periodic reports with the SEC.

In accordance with Nasdaq's listing rules, the Company has 60 calendar days after the Notice to submit a plan of compliance (the "Plan") to Nasdaq addressing how the Company intends to regain compliance with Nasdaq's listing rules, and Nasdaq has the discretion to grant the Company up to 180 calendar days from the due date of the 2023 Form 10-K, or October 14, 2024, to regain compliance. The Company intends to submit the Plan and take the necessary steps to regain compliance with Nasdaq's listing rules as soon as practicable.

On May 22, 2024, the Company entered into an equity line financing agreement for up to \$10,000 thousand, with an initial draw of \$2,500 thousand in the second quarter of 2024.

F-35

(b) Exhibits: The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

2.1(1)	<a href="#">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.</a>
2.2(1)	<a href="#">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.</a>
2.3(1)	<a href="#">Sponsor Support Agreement, dated as of September 25, 2022, by and among KINS Capital LLC, KINS Technology Group Inc., Inpixon and CXApp Holding Corp.</a>

3.1(2)	<a href="#">Amended and Restated Certificate of Incorporation of the Company.</a>
3.2(2)	<a href="#">Amended and Restated Bylaws of the Company.</a>
4.1	<a href="#">Warrant Agreement, dated as of December 14, 2020, by and between KINS and Continental Stock Transfer &amp; Trust Company, as warrant agent (incorporated herein by reference from Exhibit 4.1 on KINS' Form 8-K, filed December 21, 2020).</a>
4.2(2)	<a href="#">Specimen CXApp Inc. Class A Common Stock Certificate.</a>
4.3(2)	<a href="#">Specimen CXApp Inc. Class C Common Stock Certificate.</a>
4.4(2)	<a href="#">Specimen Warrant Certificate of the Company.</a>
4.5(*)	<a href="#">Description of the Company's securities.</a>
10.1(2)(#)	<a href="#">Employee Matters Agreement, dated March 14, 2023, by and among KINS, KINS Merger Sub Inc., Inpixon, and Legacy CXApp.</a>
10.2(2)	<a href="#">Tax Matters Agreement, dated March 14, 2023, by and among KINS, Inpixon, and Legacy CXApp.</a>
10.3(2)	<a href="#">Transition Services Agreement, dated March 14, 2023, by and between Inpixon and Legacy CXApp.</a>
10.4(2)(#)	<a href="#">Consulting Agreement, dated March 14, 2023, by and between Design Reactor, Inc. and 3AM, LLC.</a>
10.5(#)	<a href="#">Employment Agreement, dated as of January 9, 2023, by and between Design Reactor, Inc. and Khurram Sheikh, (incorporated by reference to the Company's Current Report on Form 8-K filed on March 31, 2023)</a>
10.6(#)	<a href="#">Employment Agreement, dated as of March 29, 2023, by and between Leon Papkoff and CXApp Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed on March 31, 2023).</a>
10.7(2)(#)	<a href="#">CXApp Inc. 2023 Equity Incentive Plan.</a>
10.8(*)(***)	<a href="#">Securities Purchase Agreement, dated as of May 22, 2024, by and between CXApp Inc. and Streeterville Capital, LLC.</a>
14.01(2)	<a href="#">Code of Ethics and Business Conduct of CXApp Inc.</a>
23.1(*)	<a href="#">Consent of Marcum LLP</a>
23.2(*)	<a href="#">Consent of WithumSmith+Brown, PC</a>
31.1(*)	<a href="#">Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2(*)	<a href="#">Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1(**)	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2(**)	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
97.1(*)	<a href="#">Clawback Policy</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Furnished herewith.

\*\*\* Annexes, Exhibits, and Schedules have been omitted.

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed on September 26, 2022.

(2) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 20, 2023.

# Indicates a management contract or compensatory plan.

#### Item 16. Form 10-K Summary.

None.

#### 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.

**CXAPP INC.**

/s/ Khurram Sheikh

By: *Khurram Sheikh*

Interim Chief Financial Officer  
Chairman, Chief Executive Officer, Interim Chief Financial Officer and  
Director  
(Principal Executive Officer, Principal Financial Officer and Principal  
Accounting Officer)

Date: May 24, 2024

/s/ Khurram Sheikh

Name: Khurram Sheikh

Title: *Chairman, Chief Executive Officer and Director*

Date: May 24, 2024

/s/ Di-Ann Eisnor

Name: Di-Ann Eisnor

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.

Title: *Director*

Date: May 24, 2024

/s/ Camillo Martino

Name: Camillo Martino

Title: *Director*

Date: May 24, 2024

/s/ George Mathai

Name: George Mathai

Title: *Director*

Date: May 24, 2024

/s/ Shanti Priya

Name: Shanti Priya

Title: *Director*

Date: May 24, 2024

## DESCRIPTION OF SECURITIES

### General

The following summary of certain material terms of CXApp Inc. (the "Company" or "CXApp") securities is not intended to be a complete summary of the rights and preferences of such securities. You should refer to our amended and restated bylaws and our amended and restated certificate of incorporation, which are included as exhibits to our Annual Report on Form 10-K. The summary below is also qualified by reference to the provisions of the Delaware General Corporation Law, as applicable.

### Authorized and Outstanding Stock

The amended and restated certificate of incorporation authorizes two classes of common stock, the Class A common stock and the Class C common stock. Our authorized capital stock will consist of 210,000,000 shares, \$0.0001 par value per share, of which: 200,000,000 shares will be designated as Class A common stock; and 10,000,000 shares will be designated as Class C common stock. As of May 20, 2024, our issued and outstanding share capital consisted of: (i) 15,254,389 shares of common stock, held of record by approximately 93 holders, (ii) 0 shares of preferred stock and (iii) 21,031,862 warrants (as defined below). Such numbers do not include DTC participants or beneficial owners holding shares through nominee names.

### Dividend Rights

The DGCL permits a corporation to declare and pay dividends out of "surplus" or, if there is no "surplus," out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. "Surplus" is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by the board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. Delaware common law also imposes a solvency requirement in connection with the payment of dividends.

Subject to applicable law and the rights and preferences of any holders of any outstanding series of preferred stock, the holders of common stock will be entitled to the payment of dividends on the common stock when, as and if declared by the CXApp board of directors ("Board") in accordance with applicable law.

### Voting Rights

Holders of common stock will be entitled to one vote for each share held as of the record date for determining stockholders entitled to vote on such matters, except as otherwise required by law.

### Right to Receive Liquidation Distributions

Subject to the rights and preferences of any holders of any shares of any outstanding series of preferred stock, in the event of any liquidation, dissolution or winding up of CXApp, the funds and assets of CXApp that may be legally distributed to the stockholders will be distributed among the holders of the then outstanding common stock pro rata in accordance with the number of shares of common stock held by each such holder.

### Other Matters

All outstanding shares of the common stock will be fully paid and nonassessable. The common stock will not be entitled to preemptive rights and will not be subject to redemption or sinking fund provisions.

### Preferred Stock

Under the terms of the certificate of incorporation, the Board is authorized, subject to limitations prescribed by the DGCL, to issue from time to time preferred stock in one or more series, and to determine and fix the number of shares of such series and such designations, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without approval by the stockholders. The Board is authorized to increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without approval by the stockholders. The Board may also authorize the issuance of preferred stock with voting or other rights that could adversely affect the voting power or other rights of the holders of common stock.

### Warrants

#### Public Warrants

Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the Units and only whole warrants will trade. The Public Warrants will become exercisable on the later of (a) April 13, 2023 which is 30 days after the completion of a Business Combination and (b) 12 months from the closing of the Initial Public Offering. The Public Warrants will expire on March 15, 2028 or earlier upon redemption or liquidation.

The Company will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act covering the issuance of the shares of Class A common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration. No warrant will be exercisable, and the Company will not be obligated to issue shares of Class A common stock upon exercise of a warrant unless Class A common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

#### Private Placement Warrants

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the shares of Class A

common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

## **Dividends**

Declaration and payment of any dividend is subject to the discretion of our board of directors. The time and amount of dividends will be dependent upon, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, debt repayment obligations, capital expenditure needs, contractual restrictions, covenants in the agreements governing current and future indebtedness, industry trends, the provisions of Delaware law affecting the payment of dividends and distributions to stockholders and any other factors or considerations our board of directors may regard as relevant.

We currently intend to retain all available funds and any future earnings to fund the development and growth of the business, and therefore we do not anticipate declaring or paying any cash dividends on common stock in the foreseeable future.

## **Anti-Takeover Provisions**

Certain provisions of Delaware law, the amended and restated certificate of incorporation, and the amended and restated bylaws, which are summarized below, may have the effect of delaying, deferring, or discouraging another person from acquiring control of CXApp. They are also designed, in part, to encourage persons seeking to acquire control of CXApp to negotiate first with the Board.

### ***Classified Board of Directors***

The amended and restated certificate of incorporation provides that the Board is divided into three classes, designated Class I, Class II and Class III. Each class will be an equal number of directors, as nearly as possible, consisting of one third of the total number of directors constituting the entire board of directors. The term of the initial Class I directors shall terminate on the date of the first annual meeting of stockholders following the effectiveness of the amended and restated certificate of incorporation, the term of the initial Class II directors shall terminate on the date of the second annual meeting of stockholders following the effectiveness of the amended and restated certificate of incorporation, and the term of the initial Class III directors shall terminate on the date of the third annual meeting of stockholders following the effectiveness of the amended and restated certificate of incorporation. At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting will be elected for a three-year term.

### ***Removal of Directors***

Subject to the special rights of the holders of one or more outstanding series of preferred stock to elect directors, the amended and restated certificate of incorporation provides that directors may be removed from office at any time, with or without cause, only by the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of voting stock of CXApp entitled to vote at an election of directors.

### ***Board of Directors Vacancies***

Subject to the special rights of the holders of one or more outstanding series of preferred stock to elect directors, and except as otherwise provided by law, the amended and restated certificate of incorporation authorizes only a majority of the remaining members of the Board (other than any directors elected by the separate vote of one or more outstanding series of preferred stock), even though less than a quorum, to fill vacant directorships, including newly created seats. In addition, the number of directors constituting the Board will be permitted to be set only by a resolution of the Board. These provisions would prevent a stockholder from increasing the size of the Board and then gaining control of the Board by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of the Board and will promote continuity of management.

### ***Stockholder Action; Special Meeting of Stockholders***

The amended and restated bylaws provide that the CXApp stockholders may take any action required or permitted to be taken at an annual or special meeting of stockholders by written consent in lieu of a meeting. The amended and restated certificate of incorporation and amended and restated bylaws further provide that special meetings of CXApp stockholders may be called only by the chairman of the Board, the Chief Executive Officer of CXApp or the Board pursuant to a resolution adopted by a majority of Board, and may not be called by any other person, including CXApp stockholders.

### ***Advance Notice Requirements for Stockholder Proposals and Director Nominations***

The amended and restated bylaws provide that CXApp stockholders seeking to bring business before CXApp's annual meeting of stockholders, or to nominate candidates for election as directors at CXApp's annual or a special meeting of stockholders must provide timely notice of their intent in writing. To be timely, a stockholder's notice must be received by the Secretary at CXApp's principal executive offices (i) in the case of an annual meeting, not later than the close of business on the 90<sup>th</sup> day nor earlier than the close of business on the 120<sup>th</sup> day before the anniversary date of the immediately preceding annual meeting of stockholders (subject to certain exceptions), and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the 10<sup>th</sup> day following the day on which public announcement of the date of the special meeting is first made by CXApp. The amended and restated bylaws also specify certain requirements as to the form and content of a stockholders' meeting. These provisions may preclude CXApp stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

### ***No Cumulative Voting***

The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. The amended and restated certificate of incorporation does not provide for cumulative voting.

### ***Amendment of Amended and Restated Certificate of Incorporation Provisions***

Amendments to the provisions of the amended and restated certificate of incorporation related to preferred stock; the management of the business and for the conduct of the affairs of CXApp; special meetings; liabilities of directors of CXApp; restrictions on any business combination with any interested stockholder; indemnification of directors and officers of CXApp; and forum require the affirmative vote of the holders of at least sixty six and two-

thirds percent (66 and 2/3%) of the total voting power of all the then outstanding shares of stock of CXApp entitled to vote thereon, voting together as a single class.

#### **Authorized but Unissued Capital Stock**

CXApp's authorized but unissued common stock and preferred stock are available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of CXApp by means of a proxy contest, tender offer, merger or otherwise.

#### **Exclusive Forum**

The amended and restated certificate of incorporation provides that, unless CXApp is in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) and any appellate court thereof shall, to the fullest extent permitted by law, be the sole and exclusive forum for: (i) any derivative action, suit or proceeding ("Proceeding") brought on behalf of CXApp; (ii) any Proceeding asserting a claim of breach of a fiduciary duty owed by any of CXApp's directors, officers, or stockholders to CXApp or its stockholders; (iii) any Proceeding arising pursuant to any provision of the DGCL, amended and restated certificate of incorporation or the amended and restated bylaws; (iv) any Proceeding as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; or (v) any Proceeding asserting a claim against CXApp or any current or former director, officer or stockholder governed by the internal affairs doctrine. This provision would not apply to suits brought to enforce any liability or duty created by apply to suits brought to enforce any liability or duty created by the Securities Act, the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction. The amended and restated certificate of incorporation further provides that, unless CXApp consents in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. These provisions may have the effect of discouraging lawsuits against CXApp or its directors and officers.

#### **Limitations on Liability and Indemnification of Directors and Officers**

The amended and restated certificate of incorporation provides that no director of CXApp shall have any personal liability to CXApp or its stockholders for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. Amendments to these provisions shall not adversely affect any right or protection of a director of CXApp in respect of any act or omission occurring prior to the time of such amendment.

The amended and restated certificate of incorporation further provides that CXApp indemnify directors and officers to the fullest extent permitted by law. CXApp is also expressly authorized to advance certain expenses (including, without limitation, attorneys' fees) to its directors and officers and to maintain insurance, at its expense, to protect itself and/or any director, officer, employee or agent of CXApp against any expense, liability or loss, whether or not CXApp would have the power to indemnify such person against such expense, liability or loss under the DGCL.

In addition, CXApp entered into separate indemnification agreements with its directors and officers. These agreements, among other things, requires CXApp to indemnify its directors and officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of their services as one of CXApp's directors or officers or any other company or enterprise to which the person provides services at CXApp's request.

#### **Dissenters' Rights of Appraisal and Payment**

Under the DGCL, with certain exceptions, our stockholders have appraisal rights in connection with a merger or consolidation of the Company. Pursuant to Section 262 of the DGCL, stockholders who properly demand and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

#### **Stockholders' Derivative Actions**

Under the DGCL, any of our stockholders may bring an action in the Company's name to procure a judgment in its favor, also known as a derivative action; provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company.

#### **Trading Symbols and Market**

Our common stock is listed on Nasdaq under the symbol "CXAI," and our Warrants are listed on Nasdaq under the symbol "CXAIW."

## SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated as of May 22, 2024, is entered into by and between CXAPP INC., a Delaware corporation ("Company"), and STREETVILLE CAPITAL, LLC, a Utah limited liability company, its successors and/or assigns ("Investor"). Capitalized terms used but not otherwise defined herein will have the meanings set forth in Section 11.

A. Company and Investor are executing and delivering this Agreement in reliance upon an exemption from securities registration afforded by the Securities Act of 1933, as amended (the "1933 Act"), and the rules and regulations promulgated thereunder by the United States Securities and Exchange Commission (the "SEC").

B. Investor desires to purchase and Company desires to issue and sell, upon the terms and conditions set forth in this Agreement: (i) one or more Pre-Paid Purchases, in form substantially similar to that attached hereto as **Exhibit A** (each, a "Pre-Paid Purchase"), in the aggregate purchase amount of up to \$10,000,000.00 (the "Commitment Amount"), for the purchase of common stock, \$0.0001 par value per share, of Company (the "Common Shares"), upon the terms and subject to the limitations and conditions set forth in such Pre-Paid Purchase; and (ii) 40,000 Common Shares to be delivered by Company to Investor at Closing (as defined below) (the "Commitment Shares").

C. This Agreement, the Pre-Paid Purchase(s), the Registration Rights Agreement (as defined below), and all other certificates, documents, agreements, resolutions and instruments delivered to any party under or in connection with this Agreement, as the same may be amended from time to time, are collectively referred to herein as the "Transaction Documents".

D. For purposes of this Agreement: "Purchase Shares" means all Common Shares issuable pursuant to the Pre-Paid Purchases; and "Securities" means the Pre-Paid Purchase(s), the Commitment Shares and the Purchase Shares.

**NOW, THEREFORE**, in consideration of the above recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Company and Investor hereby agree as follows:

### 1. Purchase and Sale of Securities.

1.1. Purchase of Initial Pre-Paid Purchase and Commitment Shares. Company shall issue and sell to Investor and Investor shall purchase from Company the Initial Pre-Paid Purchase (as defined below) and Commitment Shares. In consideration thereof, Investor shall pay the Initial Purchase Price (as defined below) to Company for the Initial Pre-Paid Purchase and the Commitment Shares. Company shall issue the Commitment Shares to Investor at Closing.

1.2. Form of Payment. On the Closing Date, Investor shall pay the Initial Purchase Price to Company via wire transfer of immediately available funds against delivery of Pre-Paid Purchase #1 in the original principal amount of \$2,625,000.00 (the "Initial Pre-Paid Purchase") and the Commitment Shares.

---

1.3. Closing Date. Subject to the satisfaction (or written waiver) of the conditions set forth in Section 7 and Section 8 below, the date of the issuance and sale of the Initial Pre-Paid Purchase pursuant to this Agreement (the "Closing Date") shall be May 22, 2024, or another mutually agreed upon date. The closing of the transactions contemplated by this Agreement (the "Closing") shall occur on the Closing Date by means of the exchange by email of signed .pdf documents, but shall be deemed for all purposes to have occurred at the offices of Hansen Black Anderson Ashcraft PLLC in Lehi, Utah.

### 1.4. Collateral for Pre-Paid Purchases. The Pre-Paid Purchases shall be unsecured.

1.5. Original Issue Discount; Transaction Expense Amount. The Initial Pre-Paid Purchase carries an original issue discount of \$125,000.00 ("OID"). In addition, Company agrees to pay \$20,000.00 to Investor to cover Investor's legal fees, accounting costs, due diligence, monitoring and other transaction costs incurred in connection with the purchase and sale of the Initial Pre-Paid Purchase ("Transaction Expense Amount"). The OID for the Initial Pre-Paid Purchase will be included in the initial principal balance of the Initial Pre-Paid Purchase, and the Transaction Expense Amount for the Initial Pre-Paid Purchase will be deducted from the amount funded at Closing. The "Initial Purchase Price", therefore, shall be \$2,500,000.00, computed as follows: \$2,625,000.00 initial principal balance, less the OID. The OID for subsequent Pre-Paid Purchases after the Initial Pre-Paid Purchase will be five percent (5%) of the amount set forth in the applicable Request (as defined below), and have no additional Transaction Expense Amount.

1.6. Request for Pre-Paid Purchase. The parties hereby agree that Company may, at its sole and absolute discretion, at any time and from time to time during the Commitment Period, subject to the satisfaction of the conditions set forth in **Annex I** attached hereto, request a Pre-Paid Purchase in an amount less than the Maximum Purchase Amount and greater than the Minimum Purchase Amount from Investor by providing a written notice of such request to Investor (each, a "Request"). The closing of each Pre-Paid Purchase shall take place on or before the tenth (10<sup>th</sup>) Trading Day (as defined in the Initial Pre-Paid Purchase) following the date of such Request, or such earlier date as may be agreed by Investor (the date of the closing of each Pre-Paid Purchase shall be referred to as the "Pre-Paid Purchase Date"). Subject to the satisfaction of the conditions set forth in **Annex I** attached hereto as of such Pre-Paid Purchase Date, Investor shall pay to Company the amount set forth in such Request (which amount shall serve as the purchase price of such Pre-Paid Purchase) in immediately available funds to an account designated by Company in writing on each Pre-Paid Purchase Date (except in respect of the Initial Pre-Paid Purchase, which shall be paid at Closing) immediately following delivery of the applicable fully executed Pre-Paid Purchase in a form substantially similar to the Initial Pre-Paid Purchase except as noted in this Section 1.6, and transmit notification to Company that such funds transfer has been requested, and Company will issue the applicable Pre-Paid Purchase using the same form as the Initial Pre-Paid Purchase. With respect to each Pre-Paid Purchase issued hereunder after the Initial Pre-Paid Purchase: (i) the Floor Price (as defined in the applicable Pre-Paid Purchase) of such Pre-Paid Purchase will be twenty percent (20%) of the Nasdaq Minimum Price on the Trading Day immediately prior to the Pre-Paid Purchase Date; and (ii) the Fixed Price (as defined in the applicable Pre-Paid Purchase) of such Pre-Paid Purchase will be one hundred twenty percent (120%) of the Nasdaq Minimum Price on the Trading Day immediately prior to Pre-Paid Purchase Date. Each Pre-Paid Purchase will be considered a separate instrument with a separate outstanding balance and holding period. Notwithstanding anything to the contrary contained herein, including but not limited to the stipulation under Section 11.2, Company may determine, at its sole and absolute discretion, that it no longer wishes to request a Pre-Paid Purchase. For avoidance of any doubt, Company shall be under no obligation whatsoever to request any Pre-Paid Purchases other than the Initial Pre-Paid Purchase.

### 2. Investor's Representations and Warranties. Investor represents and warrants to Company that as of the Closing Date: (i) this Agreement has

**3. Company's Representations and Warranties.** Company represents and warrants to Investor that as of the Closing Date: (i) Company is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has the requisite corporate power to own its properties and to carry on its business as now being conducted; (ii) Company is duly qualified to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary; (iii) Company has registered its Common Shares under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and is obligated to file reports pursuant to Section 13 or Section 15(d) of the 1934 Act; (iv) each of the Transaction Documents and the transactions contemplated hereby and thereby, have been duly and validly authorized by Company and all necessary actions have been taken; (v) this Agreement, the Initial Pre-Paid Purchase, the Registration Rights Agreement and the other Transaction Documents have been duly executed and delivered by Company and constitute the valid and binding obligations of Company enforceable in accordance with their terms; (vi) the execution and delivery of the Transaction Documents by Company, the issuance of the Securities in accordance with the terms hereof, and the consummation by Company of the other transactions contemplated by the Transaction Documents do not and will not conflict with or result in a breach by Company of any of the terms or provisions of, or constitute a default under (a) Company's formation documents or bylaws, each as currently in effect, (b) any indenture, mortgage, deed of trust, or other material agreement or instrument to which Company is a party or by which it or any of its properties or assets are bound, including, without limitation, any listing agreement for the Common Shares, or (c) any existing applicable law, rule, or regulation or any applicable decree, judgment, or order of any court, United States federal, state or foreign regulatory body, administrative agency, or other governmental body having jurisdiction over Company or any of Company's properties or assets; (vii) no further authorization, approval or consent of any court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market or the stockholders or any lender of Company is required to be obtained by Company for the issuance of the Securities to Investor or the entering into of the Transaction Documents; (viii) none of Company's filings with the SEC contained, at the time they were filed, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; (ix) with the exception of the 10-K annual report for the year ending December 31, 2023, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by Company with the SEC under the 1934 Act on a timely basis or has received a valid extension of such time of filing and has filed any such report, schedule, form, statement or other document prior to the expiration of any such extension; (x) there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of Company, threatened against or affecting Company before or by any governmental authority or non-governmental department, commission, board, bureau, agency or instrumentality or any other person, wherein an unfavorable decision, ruling or finding would have a material adverse effect on Company or which would adversely affect the validity or enforceability of, or the authority or ability of Company to perform its obligations under, any of the Transaction Documents; (xi) Company has not consummated any financing transaction that has not been disclosed in a periodic filing or current report with the SEC under the 1934 Act; (xii) Company is not, nor has it been at any time in the previous twelve (12) months, a "Shell Company," as such type of "issuer" is described in Rule 144(i)(1) under the 1933 Act; (xiii) with respect to any commissions, placement agent or finder's fees or similar payments that will or would become due and owing by Company to any person or entity as a result of this Agreement or the transactions contemplated hereby ("Broker Fees"), any such Broker Fees will be made in full compliance with all applicable laws and regulations and only to a person or entity that is a registered investment adviser or registered broker-dealer; (xiv) Investor shall have no obligation with respect to any Broker Fees or with respect to any claims made by or on behalf of other persons for fees of a type contemplated in this subsection that may be due in connection with the transactions contemplated hereby and Company shall indemnify and hold harmless each of Investor, Investor's employees, officers, directors, stockholders, members, managers, agents, and partners, and their respective affiliates, from and against all claims, losses, damages, costs (including the costs of preparation and attorneys' fees) and expenses suffered in respect of any such claimed Broker Fees; (xv) neither Investor nor any of its officers, directors, stockholders, members, managers, employees,

agents or representatives has made any representations or warranties to Company or any of its officers, directors, employees, agents or representatives except as expressly set forth in the Transaction Documents and, in making its decision to enter into the transactions contemplated by the Transaction Documents, Company is not relying on any representation, warranty, covenant or promise of Investor or its officers, directors, members, managers, employees, agents or representatives other than as set forth in the Transaction Documents; (xvi) Company acknowledges that the State of Utah has a reasonable relationship and sufficient contacts to the transactions contemplated by the Transaction Documents and any dispute that may arise related thereto such that the laws and venue of the State of Utah, as set forth more specifically in Section 12.2 below, shall be applicable to the Transaction Documents and the transactions contemplated therein; (xvii) Company acknowledges that Investor is not registered as a 'dealer' under the 1934 Act; (xviii) Company has performed due diligence and background research on Investor and its affiliates and has received and reviewed the due diligence packet provided by Investor; and (xix) Company agrees that each Pre-Paid Purchase issued hereunder will be deemed to be a security under the 1933 Act for all purposes and agrees not to take a contrary position in any document, statement, setting, or situation. Company, being aware of the matters and legal issues described in subsections (xvii) and (xviii) above, acknowledges and agrees that such matters, or any similar matters, have no bearing on the transactions contemplated by the Transaction Documents and covenants and agrees it will not use any such information or legal theory as a defense to performance of its obligations under the Transaction Documents or in any attempt to avoid, modify, reduce, rescind or void such obligations.

**4. Company Covenants.** Until all of Company's obligations under all of the Transaction Documents are paid and performed in full, or within the timeframes otherwise specifically set forth below, Company will at all times comply with the following covenants: (i) notwithstanding the Company's late filing of its 10-K annual report for the year ending December 31, 2023, so long as Investor beneficially owns any of the Securities and for at least twenty (20) Trading Days thereafter, Company will remain in good standing with Nasdaq and timely file on the applicable deadline all reports required to be filed with the SEC pursuant to Sections 13 or 15(d) of the 1934 Act, and will take all reasonable action under its control to ensure that adequate current public information with respect to Company, as required in accordance with Rule 144 of the 1933 Act, is publicly available, and will not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would permit such termination; (ii) when issued, the Commitment Shares and the Purchase Shares will be duly authorized, validly issued, fully paid for and non-assessable, free and clear of all liens, claims, charges and encumbrances; (iii) the Common Shares shall be listed or quoted for trading on NYSE, NYSE American, or remain listed on Nasdaq; (iv) trading in Company's Common Shares will not be suspended, halted, chilled, frozen, reach zero bid or otherwise cease trading on Company's principal trading market; (v) Company will not make any Restricted Issuance (as defined below) without Investor's prior written consent, which consent may be granted or withheld in Investor's sole and absolute discretion; and (vi) Company shall not enter into any agreement or otherwise agree to any covenant, condition, or obligation that locks up, restricts in any way or otherwise prohibits Company: (a) from entering into a variable rate transaction with Investor or any affiliate of Investor, or (b) from issuing Common Shares, preferred stock, warrants, convertible Pre-Paid Purchases, other debt securities, or any other Company securities to Investor or any affiliate of Investor. For purposes hereof, the term "**Restricted Issuance**" means the issuance, incurrence or guaranty of any debt obligations other than trade payables or intercompany debt incurred in the ordinary course of business, or the issuance of any securities that (1) have or may have conversion rights of any kind, contingent, conditional or otherwise, in which the number of shares that may be issued pursuant to such conversion right varies with the market price of the Common Shares, (2) are or may become convertible into Common Shares (including without limitation convertible debt, warrants or convertible preferred shares), with a conversion price that varies with the market price of the Common Shares, even if such security only becomes convertible following an event of default, the passage of time, or another trigger event or condition; or (3) have a fixed conversion price, exercise price or exchange price that is subject to being reset at some future date at any time after the initial issuance of such debt or equity security (A) due to a change in the market price of Company's Common Shares since the date of the initial

(including, without limitation, any "full ratchet" or "weighted average" anti-dilution provisions, but not including any standard anti-dilution protection for any reorganization, recapitalization, non-cash dividend, stock split or other similar transaction). For the avoidance of doubt, the issuance of Common Shares under, pursuant to, in exchange for or in connection with any contract or instrument, whether convertible or not, is deemed a Restricted Issuance for purposes hereof if the number of Common Shares to be issued is based upon or related in any way to the market price of the Common Shares, including, but not limited to, Common Shares issued in connection with a Section 3(a)(9) exchange, a Section 3(a)(10) settlement, or any other similar settlement or exchange. For the further avoidance of doubt, Common Shares issued pursuant to any of the following will not be considered Restricted Issuances: (i) ATM facilities, (ii) primary offerings without variable price mechanics, or (iii) issuances of Common Shares in settlement of warrants issued by Company in its initial public offering on December 15, 2020.

5. Additional Covenants. Company covenants with Investor as follows, which covenants are for the benefit of Investor during the Commitment Period:

5.1. Registration Statement.

(a) The Registration Statement. Company will file, in accordance with the provisions of the 1933 Act and the rules and regulations thereunder, with the SEC within forty-five (45) days from the Closing Date a registration statement on Form S-1 (the "Initial Registration Statement") registering at least 3,049,000 Common Shares for the Commitment Shares and issuances pursuant to the Pre-Paid Purchases, including a base prospectus, with respect to the issuance and sale of securities by Company, including Common Shares, which contains, among other things a Plan of Distribution section disclosing the methods by which Company may sell the Common Shares. Except where the context otherwise requires, the Initial Registration Statement, as amended when it becomes effective, including all documents filed as part thereof or incorporated by reference therein, and including any information contained in a Prospectus subsequently filed with the SEC pursuant to Rule 424(b) (a "Prospectus") under the 1933 Act or deemed to be a part of the Initial Registration Statement pursuant to Rule 430B of the 1933 Act, is herein called the "Registration Statement." Following Company receiving Approval (as defined below) for issuances of Common Shares to exceed the Exchange Cap (as defined below) Company will file one or more Registration Statements as necessary to have sufficient Common Shares registered to accommodate the full Commitment Amount. Following effectiveness of the Initial Registration Statement, Company will use reasonable best efforts to maintain the effectiveness of the Registration Statement at all times Investor owns any of the Securities.

(b) Initial Disclosure. Promptly after the execution of the Initial Pre-Paid Purchase, Company shall file with the SEC a current report on Form 8-K or such other appropriate form as determined by counsel to Company (the "Current Report"), relating to the transactions contemplated by this Agreement disclosing all information relating to the transaction contemplated hereby required to be disclosed therein.

(c) Delivery of Final Documents. Company shall furnish to Investor without charge, (i) at least one copy of each Registration Statement as declared effective by the SEC and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference, all exhibits and each preliminary prospectus, (ii) at the request of Investor, at least one copy of the final prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as Investor may reasonably request) and (iii) such other documents as Investor may reasonably request from time to time in order to facilitate the disposition of the Common Shares owned by Investor pursuant to a Registration Statement. Filing of the foregoing with the SEC via its EDGAR system shall satisfy the requirements of this Section.

(d) Amendments and Other Filings. Company shall (i) prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the related prospectus used in connection with such Registration Statement, and (ii) all Periodic Reports as may be necessary to keep such Registration Statement effective at all times during the Commitment Period.

(e) Blue-Sky. To the extent legally required, Company shall use its commercially reasonable efforts to, if required by Applicable Laws, (i) register and qualify the Common Shares covered by a Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as Investor reasonably requests, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Commitment Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Commitment Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Common Shares for sale in such jurisdictions. Company shall promptly notify Investor of the receipt by Company of any notification with respect to the suspension of the registration or qualification of any of the Common Shares for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

5.2. Listing of Common Shares. As of each Purchase Notice Date, Company will use its commercially reasonable efforts to cause the Shares to be listed on the Principal Market.

5.3. Notice of Certain Events Affecting Registration; Suspension of Right to Request a Pre-Paid Purchase. Company will promptly notify Investor, and confirm in writing, upon its becoming aware of the occurrence of any of the following events in respect of a Registration Statement or related Prospectus (in each of which cases the information provided to Investor will be kept strictly confidential): (i) except for requests made in connection with SEC investigations, receipt of any request for additional information by the SEC or any other federal or state governmental authority during the period of effectiveness of the Registration Statement or any request for amendments or supplements to the Registration Statement or related Prospectus; (ii) the issuance by the SEC or any other federal governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Common Shares for sale in any jurisdiction or the initiation or written threat of any proceeding for such purpose; (iv) the happening of any event that makes any statement made in the Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, related Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the related Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or of the necessity to amend the Registration Statement or supplement a related Prospectus to comply with the 1933 Act or any other law; (v) Company's reasonable determination that a post-effective amendment to the Registration Statement would be appropriate and Company will promptly make available to Investor any such supplement or amendment to the related Prospectus. Investor shall not deliver to Company any Purchase Notice, and Company shall not sell any Shares pursuant to any pending Purchase Notice, during the continuation of any of the foregoing events (each of the events described in the immediately preceding clauses (i) through (v)).

inclusive, a "Material Outside Event"). Company shall be obligated to cure any Material Outside Event within ten (10) Trading Days. Notwithstanding anything to the contrary contained herein this paragraph, consistent with Section 5.8, the Company may not disclose to the Investor any material information not yet publicly available or disclosed to other shareholders.

5.4. Market Activities. Company will not, directly or indirectly, take any action designed to cause or result in, or that constitutes or might reasonably be expected to constitute, the manipulation of the price of any security of Company under Regulation M of the 1934 Act.

5.5. Current Report. From and after the filing of the Current Report with the SEC, Company shall have publicly disclosed all material, nonpublic information delivered to Investor (or Investor's representatives or agents) by Company or any of its subsidiaries, or any of their respective officers, directors, employees, agents or representatives (if any) in connection with Company and any of its subsidiaries. Company understands and confirms that Investor will rely on the foregoing representations in effecting resales of Purchase Shares under the Registration Statement.

5.6. Use of Proceeds. The proceeds from Pre-Paid Purchases paid to Company by Investor or from the sale of the Purchase Shares by Company to Investor shall be used by Company in the manner as will be set forth in the Registration Statement (and any post-effective amendment thereto) thereto filed pursuant to this Agreement, and in accordance with the terms and conditions of this Agreement.

5.7. No Frustration. Company shall not enter into, announce or recommend to its stockholders any agreement, plan, arrangement or transaction in or of which the terms thereof would restrict, materially delay, conflict with or impair the ability or right of Company to perform its obligations under the Transaction Documents to which it is a party, including, without limitation, the obligation of Company to deliver the Purchase Shares to Investor in respect of a Purchase Notice.

5.8. Material Non-Public Information. Company covenants and agrees that, other than with Investor's prior consent, it shall refrain from disclosing, and shall cause its officers, directors, employees and agents to refrain from disclosing, any material non-public information (as determined under the 1933 Act, the 1934 Act, or the rules and regulations of the SEC) to Investor without also disseminating such information to the public within a reasonable time period thereafter, unless prior to disclosure of such information Company identifies such information as being material non-public information and provides Investor with the opportunity to accept or refuse to accept such material non-public information for review.

5.9. Exchange Cap. Notwithstanding anything to the contrary contained in this Agreement or the other Transaction Documents, Company and Investor agree that the total cumulative number of Common Shares issued to Investor under all Pre-Paid Purchases together with all other Transaction Documents may not exceed the requirements of Nasdaq Listing Rule 5635(d) (the "**Exchange Cap**"), except that such limitation will not apply following Approval (defined below). At Company's next annual meeting, Company will seek stockholder approval of all Pre-Paid Purchases that have been or may be issued hereunder covering the full Commitment Amount and the issuance of Purchase Shares under all Pre-Paid Purchases in excess of the Exchange Cap (the "**Approval**"). If Company is unable to obtain such Approval: (a) it will continue seeking Approval every 180 days until the Approval is obtained; and (b) any remaining Pre-Paid Purchase Outstanding Balance after reaching the Exchange Cap must be repaid in cash. For the avoidance of doubt, failure to obtain the Approval shall not be considered a breach of this Agreement.

## 6. Indemnification.

6.1. Indemnification by Company. In consideration of Investor's execution and delivery of this Agreement and acquiring the Pre-Paid Purchases hereunder, and in addition to all of Company's other obligations under this Agreement, Company shall defend, protect, indemnify and hold harmless Investor and its officers, directors, managers, members, partners, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) and each person who controls Investor within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act (collectively, the "**Investor Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and reasonable and documented expenses in connection therewith (irrespective of whether any such Investor Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "**Indemnified Liabilities**"), incurred by Investor Indemnitees or any of them as a result of, or arising out of, or relating to (a) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement for the registration of the Purchase Shares as originally filed or in any amendment thereof, or in any related prospectus, or in any amendment thereto or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to Company by or on behalf of Investor specifically for inclusion therein; (b) any material misrepresentation or breach of any material representation or material warranty made by Company in this Agreement or any other certificate, instrument or document contemplated hereby or thereby; or (c) any material breach of any material covenant, material agreement or material obligation of Company contained in this Agreement or any other certificate, instrument or document contemplated hereby or thereby. To the extent that the foregoing undertaking by Company may be unenforceable under Applicable Laws, Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities, which is permissible under Applicable Laws. Except as otherwise set forth herein, the mechanics and procedures with respect to the rights and obligations under this Section 6.1 (Indemnification by Company) shall be the same as those set forth in Section \_\_\_ of the Registration Rights Agreement.

6.2. Indemnification by Investor. In consideration of Company's execution and delivery of this Agreement, and in addition to all of Investor's other obligations under this Agreement, Investor shall defend, protect, indemnify and hold harmless Company and all of its officers, directors, shareholders, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) and each person who controls Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act (collectively, the "**Company Indemnitees**") from and against any and all Indemnified Liabilities incurred by Company Indemnitees or any of them as a result of, or arising out of, or relating to (a) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement for the registration of the Purchase Shares as originally filed or in any amendment thereof, or in any related prospectus, or in any amendment thereto or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that Investor will only be liable for written information relating to Investor furnished to Company by or on behalf of Investor specifically for inclusion in the documents referred to in the foregoing indemnity, and will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to Investor by or on behalf of Company specifically for inclusion therein; (b) any misrepresentation or breach of any representation or warranty made by Investor in this Agreement or any instrument or document contemplated hereby or thereby executed by Investor; or (c) any breach of any covenant, agreement or obligation of Investor contained in this Agreement or any other certificate,

instrument or document contemplated hereby or thereby executed by Investor. To the extent that the foregoing undertaking by Investor may be unenforceable under Applicable Laws, Investor shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities, which is permissible under Applicable Laws. Except as otherwise set forth herein, the mechanics and procedures with respect to the rights and obligations under this Section 6.2 (Indemnification by Investor) shall be the same as those set forth in Section \_\_\_ of the Registration Rights Agreement.

**6.3. Notice of Claims.** Promptly after receipt by an Investor Indemnitee or Company Indemnitee of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving an Indemnified Liability, such Investor Indemnitee or Company Indemnitee, as applicable, shall, if a claim for an Indemnified Liability in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof; but the failure to so notify the indemnifying party will not relieve it of liability under this Section 6 except to the extent the indemnifying party is prejudiced by such failure. The indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually reasonably satisfactory to the indemnifying party and Investor Indemnitee or Company Indemnitee, as the case may be; provided, however, that an Investor Indemnitee or Company Indemnitee shall have the right to retain its own counsel with the actual and reasonable third party fees and expenses of not more than one counsel for such Investor Indemnitee or Company Indemnitee to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of Investor Indemnitee or Company Indemnitee and the indemnifying party would be inappropriate due to actual or potential differing interests between such Investor Indemnitee or Company Indemnitee and any other party represented by such counsel in such proceeding. Investor Indemnitee or Company Indemnitee shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to Investor Indemnitee or Company Indemnitee which relates to such action or claim. The indemnifying party shall keep Investor Indemnitee or Company Indemnitee reasonably apprised as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its prior written consent, provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the prior written consent of Investor Indemnitee or Company Indemnitee, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Investor Indemnitee or Company Indemnitee of a release from all liability in respect to such claim or litigation. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of Investor Indemnitee or Company Indemnitee with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received and payment therefor is due.

**7. Conditions to Company's Obligation to Sell.** The obligation of Company hereunder to issue and sell the Initial Pre-Paid Purchase to Investor at the Closing is subject to the satisfaction, on or before the Closing Date, of each of the following conditions:

7.1. Investor shall have executed this Agreement, the Initial Pre-Paid Purchase and the Registration Rights Agreement and delivered the same to Company.

7.2. Investor shall have delivered the Initial Purchase Price to Company in accordance with Section 1.2 above.

---

9

**8. Conditions to Investor's Obligation to Purchase.** The obligation of Investor hereunder to purchase the Initial Pre-Paid Purchase at the Closing is subject to the satisfaction, on or before the Closing Date, of each of the following conditions, provided that these conditions are for Investor's sole benefit and may be waived by Investor at any time in its sole discretion:

8.1. Company shall have executed this Agreement and the Initial Pre-Paid Purchase and delivered the same to Investor.

8.2. Company shall have issued the Commitment Shares to Investor.

8.3. Company shall have executed a Registration Rights Agreement in substantially the form attached hereto as Exhibit B (the "Registration Rights Agreement") and delivered the same to Investor.

8.4. Company shall have delivered to Investor a fully executed Irrevocable Letter of Instructions to Transfer Agent (the "TA Letter") substantially in the form attached hereto as Exhibit C acknowledged and agreed to in writing by Company's transfer agent (the "Transfer Agent").

8.5. Company shall have delivered to Investor a fully executed Officer's Certificate substantially in the form attached hereto as Exhibit D evidencing Company's approval of the Transaction Documents.

8.6. Company shall have delivered to Investor a fully executed Share Issuance Resolution substantially in the form attached hereto as Exhibit E to be delivered to the Transfer Agent.

8.7. Company shall have filed its December 31, 2023 Form 10-K and March 31, 2024 Form 10-Q with the SEC.

8.8. Company shall have delivered to Investor fully executed copies of all other Transaction Documents required to be executed by Company herein or therein.

**9. Reservation of Shares.** On the date hereof, Company will reserve 3,049,000 Common Shares from its authorized and unissued Common Shares to provide for all issuances of Common Shares under this Agreement and all Pre-Paid Purchases (the "Share Reserve"). Company further agrees following receipt of the Approval to add additional Common Shares to the Share Reserve in increments of 100,000 shares as and when requested by Investor if as of the date of any such request the number of shares being held in the Share Reserve is less than three (3) times the number of Common Shares equal to the Pre-Paid Purchase Outstanding Balance divided by the Purchase Share Purchase Price (as defined in the Pre-Paid Purchases). Company shall further require the Transfer Agent to hold the Common Shares reserved pursuant to the Share Reserve exclusively for the benefit of Investor and to issue such shares to Investor promptly upon Investor's delivery of a Purchase Notice under the Pre-Paid Purchase. Finally, Company shall require the Transfer Agent to issue Common Shares pursuant to the Pre-Paid Purchase to Investor out of its authorized and unissued shares, and not the Share Reserve, to the extent Common Shares have been authorized, but not issued, and are not included in the Share Reserve. The Transfer Agent shall only issue Common Shares out of the Share Reserve to the extent there are no other authorized shares available for issuance and then only with Investor's written consent.

**10. Most Favored Nation.** So long as any Pre-Paid Purchase is outstanding, upon any issuance by Company of any security (including Pre-Paid Purchases issued after the Initial Pre-Paid Purchase) with any term or condition more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to Investor in the Transaction Documents,

then Company shall notify Investor of such additional or more favorable term and such term, at Investor's option, shall become a part of the Transaction Documents for the benefit of Investor. Additionally, if Company fails to notify Investor of any such additional or more favorable term, but Investor becomes aware that Company has granted such a term to any third party, Investor may notify Company of such additional or more favorable term and such term shall become a part of the Transaction Documents retroactive to the date on which such term was granted to the applicable third party. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing floor prices, fixed purchase prices, conversion discounts, conversion lookback periods, interest rates, original issue discounts, stock sale price, conversion price per share, warrant coverage, warrant exercise price, and anti-dilution/conversion and exercise price resets.

#### 11. Certain Definitions.

11.1. **"Applicable Laws"** means all applicable laws, statutes, rules, regulations, orders, executive orders, directives, policies, guidelines and codes having the force of law, whether local, national, or international, as amended from time to time, including without limitation (i) all applicable laws that relate to money laundering, terrorist financing, financial record keeping and reporting, (ii) all applicable laws that relate to anti-bribery, anti-corruption, books and records and internal controls, including the United States Foreign Corrupt Practices Act of 1977, and (iii) any sanctions laws.

11.2. **"Commitment Period"** means the period beginning on the Closing Date and ending on the earlier of: (i) the date that is three (3) years from the Closing Date, and (ii) the date Company has sold \$10,000,000.00 in Pre-Paid Purchases hereunder. Notwithstanding the foregoing, in the event that a definitive agreement that contemplates a Change of Control is entered into after the Closing, the Commitment Period for any Pre-Paid Purchases shall automatically terminate immediately prior to the consummation of such Change of Control. The Company may waive this condition subsequent, at its sole discretion. For the purposes of this section, the term **"Change of Control"** shall mean the transfer (whether by tender offer, merger, stock purchase, consolidation or other similar transaction), in one transaction or a series of related transactions, to a person or group of affiliated persons of the Company's securities if, after such transfer, such person or group of affiliated persons would hold more than 50% of outstanding voting securities of the Company, or would otherwise have the power to control the Company or to direct the operations of the Company. For the avoidance of doubt, the termination of the Commitment Period will not effect Company's obligations with respect to Pre-Paid Purchases issued prior to the termination of the Commitment Period.

11.3. **"Maximum Purchase Amount"** means \$2,500,000.00 less the Pre-Paid Purchase Outstanding Balance, rounded down to the nearest \$1,000.00.

11.4. **"Minimum Purchase Amount"** means \$250,000.00.

11.5. **"Nasdaq Minimum Price"** means the lower of: (i) the Closing Trade Price (as defined in the Initial Pre-Paid Purchase) on the Trading Day immediately preceding the applicable measurement date; or (ii) the average Closing Trade Price for the five (5) Trading Days immediately preceding the applicable measurement date.

11.6. **"Periodic Reports"** shall mean the Company's (i) Annual Reports on Form 10-K, (ii) any current report to be filed on Form 10-Q and (iii) all other reports required to be filed by the Company with the SEC under applicable laws and regulations (including, without limitation, Regulation S-K); *provided* that all such Periodic Reports shall include, when filed, all information, financial statements, audit reports (when applicable) and other information required to be included in such Periodic Reports in compliance with all applicable laws and regulations.

11.7. **"Pre-Paid Purchase Outstanding Balance"** means the aggregate outstanding balance of all outstanding Pre-Paid Purchases.

11.8. **"Principal Market"** means the Nasdaq Capital Market; provided however, that in the event Company's Common Shares are ever listed or traded on the New York Stock Exchange, the NYSE American, the Nasdaq Global Market, or the Nasdaq Global Select Market, then the "Principal Market" shall mean such other market or exchange on which Company's Common Shares are then listed or traded.

11.9. **"Purchase Notice"** means a written notice in the form of Exhibit A to the Pre-Paid Purchase delivered by Investor to Company requiring Company to sell Purchase Shares to Investor.

11.10. **"Purchase Notice Date"** means each date Investor delivers to Company a Purchase Notice.

12. **Miscellaneous.** The provisions set forth in this Section 12 shall apply to this Agreement, as well as all other Transaction Documents as if these terms were fully set forth therein; provided, however, that in the event there is a conflict between any provision set forth in this Section 12 and any provision in any other Transaction Document, the provision in such other Transaction Document shall govern.

12.1. **Arbitration of Claims.** The parties shall submit all Claims (as defined in Exhibit F) arising under this Agreement or any other Transaction Document or any other agreement between the parties and their affiliates or any Claim relating to the relationship of the parties to binding arbitration pursuant to the arbitration provisions set forth in Exhibit F attached hereto (the "**Arbitration Provisions**"). For the avoidance of doubt, the parties agree that the injunction described in Section 12.3 below may be pursued in an arbitration that is separate and apart from any other arbitration regarding all other Claims arising under the Transaction Documents. The parties hereby acknowledge and agree that the Arbitration Provisions are unconditionally binding on the parties hereto and are severable from all other provisions of this Agreement. By executing this Agreement, Company represents, warrants and covenants that Company has reviewed the Arbitration Provisions carefully, consulted with legal counsel about such provisions (or waived its right to do so), understands that the Arbitration Provisions are intended to allow for the expeditious and efficient resolution of any dispute hereunder, agrees to the terms and limitations set forth in the Arbitration Provisions, and that Company will not take a position contrary to the foregoing representations. Company acknowledges and agrees that Investor may rely upon the foregoing representations and covenants of Company regarding the Arbitration Provisions.

12.2. **Governing Law; Venue.** This Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Agreement shall be governed by, the internal laws of the State of Utah, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Utah or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Utah. Each party consents to and expressly agrees that the exclusive venue for arbitration of any dispute arising out of or relating to any Transaction Document or the relationship of the parties or their affiliates shall be in Salt Lake County, Utah. Without modifying the parties' obligations to resolve disputes hereunder pursuant to the Arbitration Provisions, for any litigation arising in connection with any of the Transaction Documents (and notwithstanding the terms (specifically including any governing law and venue terms) of any transfer agent services agreement or other agreement between the Transfer Agent and Company, such litigation specifically includes, without limitation any action between or involving Company and the Transfer Agent under the TA Letter or otherwise related to Investor in any way (specifically including, without limitation, any action where Company seeks to obtain an injunction, temporary restraining order, or otherwise prohibit the Transfer Agent from issuing Common Shares to Investor for any reason)),

each party hereto hereby (i) consents to and expressly submits to the exclusive personal jurisdiction of any state or federal court sitting in Salt Lake County, Utah, (ii) expressly submits to the exclusive venue of any such court for the purposes hereof, (iii) agrees to not bring any such action (specifically including, without limitation, any action where Company seeks to obtain an injunction, temporary restraining order, or otherwise prohibit the Transfer Agent from issuing Common Shares to Investor for any reason) outside of any state or federal court sitting in Salt Lake County, Utah, and (iv) waives any claim of improper venue and any claim or objection that such courts are an inconvenient forum or any other claim, defense or objection to the bringing of any such proceeding in such jurisdiction or to any claim that such venue of the suit, action or proceeding is improper. Finally, Company covenants and agrees to name Investor as a party in interest in, and provide written notice to Investor in accordance with Section 12.10 below prior to bringing or filing, any action (including without limitation any filing or action against any person or entity that is not a party to this Agreement, including without limitation the Transfer Agent) that is related in any way to the Transaction Documents or any transaction contemplated herein or therein, including without limitation any action brought by Company to enjoin or prevent the issuance of any Common Shares to Investor by the Transfer Agent, and further agrees to timely name Investor as a party to any such action. Company acknowledges that the governing law and venue provisions set forth in this Section 12.2 are material terms to induce Investor to enter into the Transaction Documents and that but for Company's agreements set forth in this Section 12.2 Investor would not have entered into the Transaction Documents.

**12.3. Specific Performance.** Company acknowledges and agrees that Investor may suffer irreparable harm in the event that Company fails to perform any material provision of this Agreement or any of the other Transaction Documents in accordance with its specific terms. It is accordingly agreed that Investor shall be entitled to one or more injunctions to prevent or cure breaches of the provisions of this Agreement or such other Transaction Document and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which Investor may be entitled under the Transaction Documents, at law or in equity. Company specifically agrees that: (a) following an Event of Default (as defined in the Initial Pre-Paid Purchase) under any Pre-Paid Purchase, Investor shall have the right to seek and receive injunctive relief from a court or an arbitrator prohibiting Company from issuing any of its Common Shares or preferred stock to any party unless the Pre-Paid Purchase Outstanding Balance is being paid in full simultaneously with such issuance; and (b) following a breach of Section 4(vi) above, Investor shall have the right to seek and receive injunctive relief from a court or arbitrator invalidating such lock-up. Company specifically acknowledges that Investor's right to obtain specific performance constitutes bargained for leverage and that the loss of such leverage would result in irreparable harm to Investor. For the avoidance of doubt, in the event Investor seeks to obtain an injunction from a court or an arbitrator against Company or specific performance of any provision of any Transaction Document, such action shall not be a waiver of any right of Investor under any Transaction Document, at law, or in equity, including without limitation its rights to arbitrate any Claim pursuant to the terms of the Transaction Documents, nor shall Investor's pursuit of an injunction prevent Investor, under the doctrines of claim preclusion, issues preclusion, res judicata or other similar legal doctrines, from pursuing other Claims in the future in a separate arbitration.

**12.4. Calculation Disputes.** Notwithstanding the Arbitration Provisions, in the case of a dispute as to any determination or arithmetic calculation under the Transaction Documents, including without limitation, calculating the Outstanding Balance, Market Price, VWAP (each, as defined in the Initial Pre-Paid Purchase) or the number of Purchase Shares (each, a "Calculation"), Company or Investor (as the case may be) shall submit any disputed Calculation via email or facsimile with confirmation of receipt (i) within two (2) Trading Days after receipt of the applicable notice giving rise to such dispute to Company or Investor (as the case may be) or (ii) if no notice gave rise to such dispute, at any time after Investor learned of the circumstances giving rise to such dispute. If Investor and Company are unable to agree upon such Calculation within two (2) Trading Days of such disputed Calculation being submitted to Company or Investor (as the case may be), then Investor will promptly submit via email or facsimile the disputed Calculation to Unkar Systems Inc. ("Unkar Systems"). Investor shall cause Unkar Systems to perform the Calculation and notify Company and Investor of the results no later than ten (10) Trading Days from the time it receives such disputed Calculation. Unkar Systems' determination of the

disputed Calculation shall be binding upon all parties absent demonstrable error. Unkar Systems' fee for performing such Calculation shall be paid by the incorrect party, or if both parties are incorrect, by the party whose Calculation is furthest from the correct Calculation as determined by Unkar Systems. In the event Company is the losing party, no extension of the Delivery Date (as defined in the Initial Pre-Paid Purchase) shall be granted and Company shall incur all effects for failing to deliver the applicable shares in a timely manner as set forth in the Transaction Documents. Notwithstanding the foregoing, Investor may, in its sole discretion, designate an independent, reputable investment bank or accounting firm other than Unkar Systems to resolve any such dispute and in such event, all references to "Unkar Systems" herein will be replaced with references to such independent, reputable investment bank or accounting firm so designated by Investor.

**12.5. Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

**12.6. Headings.** The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

**12.7. Severability.** In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform to such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

**12.8. Entire Agreement.** This Agreement, together with the other Transaction Documents, contains the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither Company nor Investor makes any representation, warranty, covenant or undertaking with respect to such matters. For the avoidance of doubt, all prior term sheets or other documents between Company and Investor, or any affiliate thereof, related to the transactions contemplated by the Transaction Documents (collectively, "Prior Agreements"), that may have been entered into between Company and Investor, or any affiliate thereof, are hereby null and void and deemed to be replaced in their entirety by the Transaction Documents. To the extent there is a conflict between any term set forth in any Prior Agreement and the term(s) of the Transaction Documents, the Transaction Documents shall govern.

**12.9. Amendments.** No provision of this Agreement may be waived or amended other than by an instrument in writing signed by both parties hereto.

**12.10. Notices.** Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be deemed effectively given on the earliest of: (i) the date delivered, if delivered by personal delivery as against written receipt therefor or by email to an executive officer named below or such officer's successor, or by facsimile (with successful transmission confirmation which is kept by sending party), (ii) the earlier of the date delivered or the third Trading Day after deposit, postage Pre-Paid, in the United States Postal Service by certified mail, or (iii) the earlier of the date delivered or the third Trading Day after mailing by express courier, with delivery costs and fees Pre-Paid, in each case, addressed to each of the other parties thereunto entitled at the following addresses (or at such other addresses as such party may designate by five (5) calendar days'

If to Company:

CXApp Inc.  
Attn: Khurram Sheikh  
Four Palo Alto Square, Suite 200  
Palo Alto, California 94306

If to Investor:

Streeterville Capital, LLC  
Attn: John M. Fife  
303 East Wacker Drive, Suite 1040  
Chicago, Illinois 60601

With a copy to (which copy shall not constitute notice):

Hansen Black Anderson Ashcraft PLLC  
Attn: Jonathan Hansen  
3051 West Maple Loop Drive, Suite 325  
Lehi, Utah 84043

12.11. Successors and Assigns. This Agreement or any of the severable rights and obligations inuring to the benefit of or to be performed by Investor hereunder may be assigned by Investor to a third party, including its affiliates, in whole or in part, without the need to obtain Company's consent thereto. Company may not assign its rights or obligations under this Agreement or delegate its duties hereunder, whether directly or indirectly, without the prior written consent of Investor, and any such attempted assignment or delegation shall be null and void.

12.12. Survival. The representations and warranties of Company and the agreements and covenants set forth in this Agreement shall survive the Closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of Investor. Company agrees to indemnify and hold harmless Investor and all its officers, directors, employees, attorneys, and agents for loss or damage arising as a result of or related to any breach or alleged breach by Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

12.13. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

12.14. Investor's Rights and Remedies Cumulative. All rights, remedies, and powers conferred in this Agreement and the Transaction Documents are cumulative and not exclusive of any other rights or remedies, and shall be in addition to every other right, power, and remedy that Investor may have, whether specifically granted in this Agreement or any other Transaction Document, or existing at law, in equity, or by statute, and any and all such rights and remedies may be exercised from time to time and as often and in such order as Investor may deem expedient.

12.15. Attorneys' Fees and Cost of Collection. In the event any suit, action or arbitration is filed by either party against the other to interpret or enforce any of the Transaction Documents, the unsuccessful party to such action agrees to pay to the prevailing party all costs and expenses, including attorneys' fees incurred therein, including the same with respect to an appeal. The "prevailing party" shall be the party in whose favor a judgment is entered, regardless of whether judgment is entered on all claims asserted by such party and regardless of the amount of the judgment; or where, due to the assertion of counterclaims, judgments are entered in favor of and against both parties, then the arbitrator shall determine the "prevailing party" by taking into account the relative dollar amounts of the judgments or, if the judgments involve nonmonetary relief, the relative importance and value of such relief. Nothing herein shall restrict or impair an arbitrator's or a court's power to award fees and expenses for frivolous or bad faith pleading. If (i) any Pre-Paid Purchase is placed in the hands of an attorney for collection or enforcement prior to commencing arbitration or legal proceedings, or is collected or enforced through any arbitration or legal proceeding, or Investor otherwise takes action to collect amounts due under the Pre-Paid Purchases or to enforce the provisions of the Pre-Paid Purchases, or (ii) there occurs any bankruptcy, reorganization, receivership of Company or other proceedings affecting Company's creditors' rights and involving a claim under the Pre-Paid Purchases; then Company shall pay the costs incurred by Investor for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, attorneys' fees, expenses, deposition costs, and disbursements.

12.16. Waiver. No waiver of any provision of this Agreement shall be effective unless it is in the form of a writing signed by the party granting the waiver. No waiver of any provision or consent to any prohibited action shall constitute a waiver of any other provision or consent to any other prohibited action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver or consent in the future except to the extent specifically set forth in writing.

12.17. Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES ANY AND ALL RIGHTS SUCH PARTY MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT, OR THE RELATIONSHIPS OF THE PARTIES HERETO BE TRIED BY JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING UNDER COMMON LAW OR ANY APPLICABLE STATUTE, LAW, RULE OR REGULATION. FURTHER, EACH PARTY HERETO ACKNOWLEDGES THAT SUCH PARTY IS KNOWINGLY AND VOLUNTARILY WAIVING SUCH PARTY'S RIGHT TO DEMAND TRIAL BY JURY.

12.18. Time is of the Essence. Time is expressly made of the essence with respect to each and every provision of this Agreement and the other Transaction Documents.

12.19. **Voluntary Agreement.** Company has carefully read this Agreement and each of the other Transaction Documents and has asked any questions needed for Company to understand the terms, consequences and binding effect of this Agreement and each of the other Transaction Documents and fully understand them. Company has had the opportunity to seek the advice of an attorney of Company's choosing, or has waived the right to do so, and is executing this Agreement and each of the other Transaction Documents voluntarily and without any duress or undue influence by Investor or anyone else.

12.20. **Document Imaging.** Investor shall be entitled, in its sole discretion, to image or make copies of all or any selection of the agreements, instruments, documents, and items and records governing, arising from or relating to any of Company's loans, including, without limitation, this Agreement and the other Transaction Documents, and Investor may destroy or archive the paper originals. The parties hereto (i) waive any right to insist or require that Investor produce paper originals, (ii) agree that such images shall be accorded the same force and effect as the paper originals, (iii) agree that Investor is entitled to use such images in lieu of destroyed or archived originals for any purpose, including as admissible evidence in any demand, presentment or other proceedings, and (iv) further agree that any executed facsimile (faxed), scanned, emailed, or other imaged copy of this Agreement or any other Transaction Document shall be deemed to be of the same force and effect as the original manually executed document.

[*Remainder of page intentionally left blank; signature page follows* ]

---

17

IN WITNESS WHEREOF, the undersigned Investor and Company have caused this Agreement to be duly executed as of the date first above written.

INVESTOR:

**STREETERVILLE CAPITAL, LLC**

By: /s/ John M. Fife  
John M. Fife, President

COMPANY:

**CXAPP Inc.**

By: /s/ Khurram P. Sheikh  
Khurram P. Sheikh, Chief Executive Officer

[*Signature Page to Securities Purchase Agreement*]

---

18

ATTACHED EXHIBITS:

Exhibit A	Initial Pre-Paid Purchase
Exhibit B	Registration Rights Agreement
Exhibit C	Irrevocable Transfer Agent Instructions
Exhibit D	Officer's Certificate
Exhibit E	Share Issuance Resolution
Exhibit F	Arbitration Provisions

---

19

**PRE - PAID PURCHASE # 1**

May 22, 2024

U.S. \$2,625,000.00

FOR VALUE RECEIVED, CXAPP Inc., a Delaware corporation ("Company"), promises to pay to STREETERVILLE CAPITAL, LLC, a Utah limited liability company, or its successors or assigns ("Investor"), \$2,625,000.00 and any interest, fees, charges, and late fees accrued hereunder in accordance with the terms set forth herein and to pay interest on the Outstanding Balance at the rate of five percent (5%) per annum from the Purchase Price Date until the same is paid in full. 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 daily and shall be payable in accordance with the terms of this Pre-Paid Purchase #1 (this "Pre-Paid Purchase"), which is issued and made effective as of the date set forth above (the "Effective Date"). This Pre-Paid Purchase is issued pursuant to that certain Securities Purchase Agreement dated May 22, 2024, as the same may be amended from time to time, by and between Company and Investor (the "Purchase Agreement"). Certain capitalized terms used herein are defined in Attachment 1 attached hereto and incorporated herein by this reference.

This Pre-Paid Purchase carries an original issue discount of \$125,000.00 ("OID"). In addition, Company agrees to pay \$20,000.00 to Investor to cover Investor's legal fees, accounting costs, due diligence, monitoring and other transaction costs incurred in connection with the purchase and sale of this Pre-Paid Purchase (the "Transaction Expense Amount"). The OID is included in the initial principal balance of this Pre-Paid Purchase and is deemed to be fully earned and non-refundable as of the Purchase Price Date. The Initial Purchase Price (as defined in the Purchase Agreement) shall be payable as set forth in the Purchase Agreement. The Transaction Expense Amount will be deducted from the amount funded at issuance.

**1. Payment; Prepayment; Effectiveness of Registration Statement.**

1.1. **Payment.** All payments owing hereunder shall be in lawful money of the United States of America or Purchase Shares, as provided for herein, and delivered to Investor at the address or bank account furnished to Company for that purpose. All payments shall be applied first to (a) costs of collection, if any, then to (b) fees and charges, if any, then to (c) accrued and unpaid interest, and thereafter, to (d) principal.

1.2. **Prepayment.** So long as no Event of Default (as defined below) has occurred, Company shall have the right, exercisable on not less than twenty (20) Trading Days prior written notice to Investor to prepay the Outstanding Balance (less such portion of the Outstanding Balance for which Company has received a Purchase Notice (as defined below) from Investor where the applicable Purchase Shares have not yet been delivered) of this Pre-Paid Purchase, in part or in full, in accordance with this Section 1.2. Any notice of prepayment hereunder (an “**Optional Prepayment Notice**”) shall be delivered to Investor in accordance with the notice provisions set forth in the Purchase Agreement and shall state: (i) that Company is exercising its right to prepay this Pre-Paid Purchase, and (ii) the date of prepayment, which shall be not less than twenty (20) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the “**Optional Prepayment Date**”), Company shall make payment of the Optional Prepayment Amount (as defined below) to or upon the order of Investor as may be specified by Investor in writing to Company. For the avoidance of doubt, Investor shall be entitled to exercise its purchase rights in Section 3 until the Optional Prepayment Date. If Company exercises its right to prepay this Pre-Paid Purchase, Company shall make payment to Investor of an amount in cash equal to 115% multiplied by the then Outstanding Balance of this Pre-Paid Purchase being prepaid (the “**Optional Prepayment Amount**”). In the event Company delivers the Optional Prepayment Amount to Investor prior to the Optional Prepayment Date, the Optional Prepayment Amount shall not be deemed to have been paid

---

to Investor until the Optional Prepayment Date. In the event Company delivers the Optional Prepayment Amount without an Optional Prepayment Notice, then the Optional Prepayment Date will be deemed to be the date that is twenty (20) Trading Days from the date that the Optional Prepayment Amount was delivered to Investor and Investor shall be entitled to exercise its purchase rights set forth herein during such twenty (20) Trading Day period. In addition, if Company delivers an Optional Prepayment Notice and fails to pay the Optional Prepayment Amount due to Investor within twenty (20) Trading Days following the Optional Prepayment Date, Company shall forever forfeit its right to prepay this Pre-Paid Purchase.

1.3. **Effectiveness of Registration Statement.** In the event the Initial Registration Statement (as defined in the Purchase Agreement) has not been declared effective by the United States Securities and Exchange Commission within ninety (90) days of the Effective Date, then the Outstanding Balance will automatically increase by one percent (1%) on such 90<sup>th</sup> day and continue to increase by one percent (1%) for each thirty (30) days that the Initial Registration Statement is not declared effective.

2. **Security.** This Pre-Paid Purchase is unsecured.

3. **Investor Purchases.**

3.1. **Purchases; Mechanics.** Upon the terms and subject to the conditions of this Pre-Paid Purchase, Investor, at its sole discretion, shall have the right, but not the obligation, to purchase from Company, and Company shall issue and sell to Investor, Purchase Shares by the delivery to Company of Purchase Notices as provided herein.

(a) **Purchase Notice.** At any time following the earlier of six (6) months from the Purchase Price Date and the effectiveness of the Initial Registration Statement, Investor may, by providing written notice to Company in the form set forth on Exhibit A attached hereto (each, a “**Purchase Notice**”), require Company to issue and sell Purchase Shares to Investor, in accordance with the following provisions:

(i) Investor shall, in each Purchase Notice, indicate the portion of the Outstanding Balance that Investor elects to apply to the purchase of Purchase Shares pursuant to this Pre-Paid Purchase (each, a “**Purchase**”, and such amount, the “**Purchase Amount**”), in its sole discretion, and the timing of delivery; *provided* that the Purchase Amount shall not exceed the Outstanding Balance, or result in Investor exceeding the limitation set forth in Section 3.1(b).

(ii) Each Purchase Notice shall be delivered to Company in accordance with the notice provisions set forth in the Purchase Agreement.

(iii) Each Purchase Notice shall set forth the Purchase Amount, the Purchase Share Purchase Price, the number of Purchase Shares to be issued by Company and purchased by Investor, and the remaining Outstanding Balance following the Closing (as defined below) of the Purchase.

(iv) Any Purchase Shares issued hereunder must be issued free trading to Investor pursuant to: (1) an effective Registration Statement (as defined in the Purchase Agreement); or (2) an applicable exemption from registration (e.g., Rule 144).

(b) **Ownership Limitation.** Notwithstanding anything to the contrary contained in this Pre-Paid Purchase or the other Transaction Documents (as defined in the Purchase Agreement), Company shall not effect any issuance of Purchase Shares pursuant to this Pre-Paid Purchase to the extent that after giving effect to such issuance would cause Investor (together with its affiliates) to beneficially own a number of Common Shares exceeding 9.99% of the number of Common Shares outstanding on such date (including for such purpose the Common Shares issuable upon such issuance) (the “**Maximum Percentage**”). For purposes of this section, beneficial ownership of Common Shares will be determined pursuant to Section 13(d) of the 1934 Act (as defined in the Purchase Agreement). The Maximum Percentage is enforceable, unconditional and non-waivable and shall apply to all affiliates and assigns of Investor.

3.2. **Closings.** The closing of each Purchase and each sale and purchase of Purchase Shares (each, a “**Closing**”) shall take place as soon as practicable on or after each Purchase Notice Date in accordance with the procedures set forth below:

(a) Promptly after receipt of a Purchase Notice with respect to each Purchase and, in any event, not later than one Trading Day after such receipt, Company will, or will cause its transfer agent to, electronically transfer such number of Purchase Shares to be purchased by Investor (as set forth in the Purchase Notice) by crediting Investor’s account or its designee’s account at DTC through its DWAC system or by such other means of delivery as may be mutually agreed upon by the parties hereto, and transmit notification to Investor that such share transfer has been requested. Promptly upon receipt of such notification, Investor shall pay to Company the aggregate purchase price for the Purchase Shares (as set forth in the Purchase Notice) by offsetting the Purchase Amount against an equal amount outstanding under this Pre-Paid Purchase (first towards accrued and unpaid interest, if any, and then towards outstanding principal as shown in such Purchase Notice). No fractional shares shall be issued, and any fractional amounts shall be rounded to the nearest whole number of shares. To facilitate the transfer of the Purchase Shares by Investor, the Purchase Shares will not bear any restrictive legends so long as there is an effective Registration Statement or an available exemption from registration covering such Purchase Shares (it being understood and agreed by Investor that notwithstanding the lack of restrictive legends, Investor may only sell such Purchase Shares in compliance with the requirements of the Securities Act (including any applicable prospectus delivery requirements)).

(b) In connection with each Closing, each of Company and Investor shall deliver to the other all documents, instruments and writings expressly required to be delivered by either of them pursuant to this Pre-Paid Purchase in order to implement and effect the transactions contemplated herein.

#### 4. Triggering Events; Events of Default and Remedies.

**4.1. Triggering Event.** If, at any time prior to this Pre-Paid Purchase being paid in full: (i) the VWAP is less than the Floor Price for at least five (5) Trading Days during a period of seven (7) consecutive Trading Days (a “**Floor Price Trigger**”), or (ii) Company has issued ninety percent (90%) or more of the Common Shares available under the Exchange Cap (as defined in the Purchase Agreement) (an “**Exchange Cap Trigger**;” and together with the Floor Price Trigger, each a “**Trigger**”) (the last such day of each such occurrence, a “**Trigger Date**”), then Company shall make monthly repayments of amounts outstanding under this Pre-Paid Purchase beginning on the third (3<sup>rd</sup>) Trading Day after the Trigger Date and continuing on the same day of each successive calendar month until the entire Outstanding Balance shall have been paid or until the payment obligation ceases in accordance with this section. Each monthly payment shall be in an amount equal to the sum of (i) \$350,000.00, and (ii) all outstanding accrued and unpaid interest in respect of this Pre-Paid Purchase as of each payment date. The obligation of Company to make monthly payments hereunder shall cease (with respect to any payment that has not yet come due) if at any time after the Trigger Date (i) the VWAP is greater than 120% of the Floor Price for a period of five (5) consecutive Trading Days, in the case of a Floor Price Trigger, or (ii) the Exchange Cap no longer applies, in the case of an Exchange Cap Trigger, unless a subsequent Trigger occurs.

**4.2. Event of Default.** The following are events of default under this Pre-Paid Purchase (each, “**Event of Default**”): (a) Company fails to pay any principal, interest, fees, charges, or any other amount when due and payable hereunder; (b) a receiver, trustee or other similar official shall be appointed over Company or a material part of its assets and such appointment shall remain uncontested for twenty (20) days or shall not be dismissed or discharged within sixty (60) days; (c) Company becomes insolvent or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any; (d) Company makes a general assignment for the benefit of creditors; (e) Company files a petition for relief under any bankruptcy, insolvency or similar law (domestic or foreign); (f) an involuntary bankruptcy proceeding is commenced or filed against Company; (g) Company fails to observe or perform any covenant set forth in Section 4 or Section 5 of the Purchase Agreement; (h) the occurrence of a Fundamental Transaction without Investor’s prior written consent; (i) Company fails to timely establish and maintain the Share Reserve (as defined in the Purchase Agreement); (j) Company fails to deliver any Purchase Shares in accordance with the terms hereof; (k) any money judgment, writ or similar process is entered or filed against Company or any subsidiary of Company or any of its property or other assets for more than \$500,000.00, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) calendar days unless otherwise consented to by Investor; (l) Company fails to be DWAC Eligible; (m) Company or any subsidiary of Company, breaches any covenant or other term or condition contained in any Other Agreement in any material respect; (n) Company defaults or otherwise fails to observe or perform any covenant, obligation, condition or agreement of Company contained herein or in any other Transaction Document (as defined in the Purchase Agreement) in any material respect, other than those specifically set forth in this Section 4.2 and Section 4 and Section 5 of the Purchase Agreement; (o) any representation, warranty or other statement made or furnished by or on behalf of Company to Investor herein, in any Transaction Document, or otherwise in connection with the issuance of this Pre-Paid Purchase is false, incorrect, incomplete or misleading in any material respect when made or furnished; or (p) Company effectuates a reverse split of its Common Shares without twenty (20) Trading Days prior written notice to Investor.

**4.3. Default Remedies.** At any time and from time to time following the occurrence of any Event of Default, Investor may accelerate this Pre-Paid Purchase by written notice to Company, with the Outstanding Balance becoming immediately due and payable in cash at the Mandatory Default Amount. Notwithstanding the foregoing, upon the occurrence of any Event of Default described in clauses (b) – (f) of Section 4.2, an Event of Default will be deemed to have occurred and the Outstanding Balance as of the date of the occurrence of such Event of Default shall become immediately and automatically due and payable in cash at the Mandatory Default Amount. At any time following the occurrence of any Event of Default, upon written notice given by Investor to Company, interest shall accrue on the Outstanding Balance beginning on the date the applicable Event of Default occurred at an interest rate equal to the lesser of eighteen percent (18%) per annum or the maximum rate permitted under applicable law (“**Default Interest**”). Notwithstanding the foregoing, and for the avoidance of doubt, Investor may continue making Purchases pursuant to Section 3 at any time following an Event of Default until such time as the Outstanding Balance is paid in full. In connection with acceleration described herein, Investor need not provide, and Company hereby waives, any presentment, demand, protest or other notice of any kind, and Investor may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Investor at any time prior to payment hereunder and Investor shall have all rights as a holder of the Pre-Paid Purchase until such time, if any, as Investor receives full payment pursuant to this Section 4.3. No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon. Nothing herein shall limit Investor’s right to pursue any other remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to Company’s failure to timely deliver Purchase Shares pursuant to a Purchase as required pursuant to the terms hereof.

**5. Unconditional Obligation; No Offset.** Company acknowledges that this Pre-Paid Purchase is an unconditional, valid, binding and enforceable obligation of Company not subject to offset, deduction or counterclaim of any kind. Company hereby waives any rights of offset it now has or may have hereafter against Investor, its successors and assigns, and agrees to make the payments or Purchases called for herein in accordance with the terms of this Pre-Paid Purchase.

**6. Waiver.** No waiver of any provision of this Pre-Paid Purchase shall be effective unless it is in the form of a writing signed by the party granting the waiver. No waiver of any provision or consent to any prohibited action shall constitute a waiver of any other provision or consent to any other prohibited action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver or consent in the future except to the extent specifically set forth in writing.

#### 7. Rights Upon Issuance of Securities.

**7.1. Subsequent Equity Sales.** If Company or any subsidiary thereof, as applicable, at any time this Pre-Paid Purchase is outstanding, shall sell, issue or grant any Common Shares, option to purchase Common Shares, right to reprice, preferred shares convertible into Common Shares, debt, warrants, options or other instruments or securities which are convertible into or exercisable or exchangeable for Common Shares to any party other than Investor (collectively, the “**Equity Securities**”) other than Exempt Issuances at an effective price per share less than the then effective Fixed Price (such issuance is referred to herein as a “**Dilutive Issuance**”), then, the Fixed Price shall be automatically reduced and only reduced to equal such lower effective price per share. If the holder of any Equity Securities 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 Dilutive Issuance, be entitled to receive Common Shares at an effective price per share that is less than the Fixed Price, such issuance shall be deemed to have occurred for less than the Fixed Price on the date of such Dilutive Issuance, and the then effective Fixed Price shall be reduced and only reduced to equal such lower effective price per share. Such adjustments described above to the Fixed Price shall be permanent (subject to additional adjustments under this section), and shall be made whenever such Equity Securities are issued. Company shall notify Investor, in writing, no later than the Trading Day following the issuance of any Equity Securities subject to this Section 7.1, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price, or other pricing terms (such notice, the “**Dilutive Issuance Notice**”). For purposes of clarity, whether or not Company provides a Dilutive Issuance Notice pursuant to this Section 7.1, upon the occurrence of any Dilutive Issuance, on the date of such Dilutive

Issuance the Fixed Price shall be lowered to equal the applicable effective price per share regardless of whether Company or Investor accurately refers to such lower effective price per share in any subsequent Purchase Notice.

**7.2. Adjustment of Fixed Price upon Subdivision or Combination of Common Shares.** Without limiting any provision hereof, if Company at any time on or after the Effective Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding Common Shares into a greater number of shares, the Fixed Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any provision hereof, if Company at any time on or after the Effective Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding Common Shares into a smaller number of shares, the Fixed Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 7.2 shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 7.2 occurs during the period that a Market Price is calculated hereunder, then the calculation of such Market Price shall be adjusted appropriately to reflect such event.

**7.3. Other Events.** In the event that Company (or any subsidiary) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect Investor from dilution or if any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Fixed Price so as to protect the rights of Investor, provided that no such adjustment pursuant to this Section 7.3 will increase the Fixed Price as otherwise determined pursuant to this Section 7, provided further that if Investor does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then Company's board of directors and Investor shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding and whose fees and expenses shall be borne by Company.

**8. Opinion of Counsel.** In the event that an opinion of counsel is needed for Purchases under this Pre-Paid Purchase, Investor has the right to have any such opinion provided by its counsel.

**9. Governing Law; Venue.** This Pre-Paid Purchase shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Pre-Paid Purchase shall be governed by, the internal laws of the State of Utah, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Utah or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Utah. The provisions set forth in the Purchase Agreement to determine the proper venue for any disputes are incorporated herein by this reference.

**10. Arbitration of Disputes.** By its issuance or acceptance of this Pre-Paid Purchase, each party agrees to be bound by the Arbitration Provisions (as defined in the Purchase Agreement) set forth as an exhibit to the Purchase Agreement.

**11. Cancellation.** After repayment of the entire Outstanding Balance, this Pre-Paid Purchase shall be deemed paid in full, shall automatically be deemed canceled, and shall not be reissued.

**12. Amendments.** The prior written consent of both parties hereto shall be required for any change or amendment to this Pre-Paid Purchase.

**13. Assignments.** Company may not assign this Pre-Paid Purchase without the prior written consent of Investor. This Pre-Paid Purchase and any Purchase Shares issued upon Purchase of this Pre-Paid Purchase may be offered, sold, assigned or transferred by Investor without the consent of Company.

**14. Notices.** Whenever notice is required to be given under this Pre-Paid Purchase, unless otherwise provided herein, such notice shall be given in accordance with the subsection of the Purchase Agreement titled "Notices."

**15. Liquidated Damages.** Investor and Company agree that in the event Company fails to comply with any of the terms or provisions of this Pre-Paid Purchase, Investor's damages would be uncertain and difficult (if not impossible) to accurately estimate because of the parties' inability to predict future interest rates, future share prices, future trading volumes and other relevant factors. Accordingly, Investor and Company agree that any fees, balance adjustments, Default Interest or other charges assessed under this Pre-Paid Purchase are not penalties but instead are intended by the parties to be, and shall be deemed, liquidated damages (under Investor's and Company's expectations that any such liquidated damages will tack back to the Purchase Price Date for purposes of determining the holding period under Rule 144).

**16. Severability.** If any part of this Pre-Paid Purchase is construed to be in violation of any law, such part shall be modified to achieve the objective of Company and Investor to the fullest extent permitted by law and the balance of this Pre-Paid Purchase shall remain in full force and effect.

*[Remainder of page intentionally left blank; signature page follows]*

IN WITNESS WHEREOF, Company has caused this Pre Paid Purchase to be duly executed as of the Effective Date.

COMPANY:

**CXAPP INC.**

By: /s/ Khurram P. Sheikh

Khurram P. Sheikh, Chief Executive Officer

**ACKNOWLEDGED, ACCEPTED AND AGREED:**

INVESTOR

By: /s/ John M. Fife  
John M. Fife, President

[Signature Page to Pre-Paid Purchase #1]

**ATTACHMENT 1**

**DEFINITIONS**

For purposes of this Pre-Paid Purchase, the following terms shall have the following meanings:

A1. **Common Shares** means shares of Company's common stock, par value \$0.0001.

A2. **DTC** means the Depository Trust Company or any successor thereto.

A3. **DTC/FAST Program** means the DTC's Fast Automated Securities Transfer program.

A4. **DWAC** means the DTC's Deposit/Withdrawal at Custodian system.

A5. **DWAC Eligible** means that (a) Company's Common Shares is eligible at DTC for full services pursuant to DTC's operational arrangements, including without limitation transfer through DTC's DWAC system; (b) Company has been approved (without revocation) by DTC's underwriting department; (c) Company's transfer agent is approved as an agent in the DTC/FAST Program; (d) the Purchase Shares are otherwise eligible for delivery via DWAC; and (e) Company's transfer agent does not have a policy prohibiting or limiting delivery of the Purchase Shares via DWAC.

A6. **Default Effect** means multiplying the Outstanding Balance as of the date the applicable Event of Default occurred by ten percent (10%) and then adding the resulting product to the Outstanding Balance as of the date the applicable Event of Default occurred, with the sum of the foregoing then becoming the Outstanding Balance under this Pre-Paid Purchase as of the date the applicable Event of Default occurred.

A7. **Exempt Issuance** means (i) Common Shares or options issued to employees, consultants, officers or directors of Company pursuant to Company's equity incentive plan or pursuant to the compensation agreements previously authorized by the Board of Directors; and (ii) securities issued pursuant to acquisitions or strategic transactions and the payment of contractor invoices in the ordinary course of business approved by a majority of the disinterested directors of Company, provided that such securities are issued as "restricted securities" (as defined in Rule 144) and carry no registration rights that require or permit the filing of any registration statement in connection therewith and provided that any such issuance shall only be to a person (or to the equityholders of a person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of Company and shall provide to Company additional benefits in addition to the investment of funds, but shall not include a transaction in which Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

A8. **Fixed Price** means \$3.996.

A9. **Floor Price** means \$0.666.

A10. **Fundamental Transaction** means that (a) (i) Company or any of its subsidiaries shall, directly or indirectly, in one or more related transactions, consolidate or merge with or into (whether or not Company or any of its subsidiaries is the surviving corporation) any other person or entity, or (ii) Company or any of its subsidiaries shall, directly or indirectly, in one or more related transactions, sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its respective properties or assets to any other person or entity, or (iii) Company or any of its subsidiaries shall, directly or indirectly, in one or more related transactions, allow any other person or entity to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of voting stock of Company (not including any shares of voting stock of Company held by the person or persons making or party to, or associated or affiliated with the persons or entities making or party to, such purchase, tender or exchange offer),

Attachment 1 to Pre-Paid Purchase #1, Page 1

or (iv) Company or any of its subsidiaries shall, directly or indirectly, in one or more related transactions, consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other person or entity whereby such other person or entity acquires more than 50% of the outstanding shares of voting stock of Company (not including any shares of voting stock of Company held by the other persons or entities making or party to, or associated or affiliated with the other persons or entities making or party to, such stock or share purchase agreement or other business combination), or (v) Company or any of its subsidiaries shall, directly or indirectly, in one or more related transactions, reorganize, recapitalize or reclassify the Common Shares, other than an increase in the number of authorized shares of Company's Common Shares, or (b) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding voting stock of Company. For the avoidance of doubt, Company or any of its subsidiaries entering into a definitive agreement that contemplates a Fundamental Transaction will be deemed to be a Fundamental Transaction.

A11. **Mandatory Default Amount** means the Outstanding Balance following the application of the Default Effect.

A12. **Market Price** means 91% of the lowest daily VWAP during the ten (10) consecutive Trading Days immediately prior to the Purchase Notice Date, but in any event not lower than the Floor Price.

A13. **Other Agreements** means, collectively, all existing and future agreements and instruments between, among or by Company (or its subsidiary), on the one hand, and Investor (or an affiliate), on the other hand.

A14. **Outstanding Balance** means as of any date of determination, the Initial Purchase Price, as reduced or increased, as the case may be, pursuant to the terms hereof for payment, Purchases, offset, or otherwise, accrued but unpaid interest, collection and enforcement costs (including attorneys' fees) incurred by Investor, transfer, stamp, issuance and similar taxes and fees related to Purchases, and any other fees or charges incurred under this Pre-Paid Purchase.

A15. "Purchase Notice Date" means the date the applicable Purchase Notice is delivered by Investor to Company.

A16. "Purchase Price Date" means the date the Initial Purchase Price is delivered by Investor to Company.

A17. "Purchase Shares" Common Shares purchased pursuant to this Pre-Paid Purchase.

A18. "Purchase Share Purchase Price" means a price per share equal to the lower of (a) the Fixed Price, and (b) the Market Price.

A19. "Trading Day" means any day on which Company's principal market is open for trading.

A20. "VWAP" means the volume weighted average price of the Common Shares on the principal market for a particular Trading Day or set of Trading Days, as the case may be, as reported by Bloomberg.

*[Remainder of page intentionally left blank]*

---

Attachment 1 to Pre-Paid Purchase #1, Page 2

---

**EXHIBIT A**

Streeterville Capital, LLC  
303 East Wacker Drive, Suite 1040  
Chicago, Illinois 60601

**PURCHASE NOTICE**

On behalf of Streeterville Capital, LLC ("Investor"), the undersigned hereby certifies, with respect to the purchase of Common Shares of CXApp Inc. ("Company") issuable in connection with this Purchase Notice, delivered pursuant to that certain Pre-Paid Purchase #1, dated as of May 22, 2024 (as amended and supplemented from time to time), as follows:

- A. Purchase Notice Date: \_\_\_\_\_
- B. Purchase Amount: \_\_\_\_\_
- C. Fixed Price: \_\_\_\_\_
- D. Market Price: \_\_\_\_\_
- E. Purchase Share Purchase Price (lower of C and D): \_\_\_\_\_
- F. Number of Purchase Shares Due to Investor: \_\_\_\_\_
- G. Outstanding Balance Following Purchase: \_\_\_\_\_

**INVESTOR'S DTC PARTICIPANT #:**

ACCOUNT NAME:

ACCOUNT NUMBER:

ADDRESS:

CITY:

COUNTRY:

CONTACT PERSON:

NUMBER AND/OR EMAIL:

INVESTOR:

**STREETERVILLE CAPITAL, LLC**

By:

John M. Fife, President

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of CXApp Inc. (f/k/a KINS Technology Group Inc.) Form S-1 [File No. 333-271240] and Form S-8 [File No. 333-272067] of our report dated May 23, 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 combined carve audits of CXApp Holdings Corp. (f/k/a Design Reactor, Inc. and Subsidiaries) (Predecessor) as of December 31, 2022 and for the year ended December 31, 2023 and the period from January 1, 2023 through March 14, 2023, which report appears in the Annual Report on Form 10-K of CXApp Inc. (f/k/a KINS Technology Group Inc.) for the year ended December 31, 2023.

/s/ Marcum LLP

Marcum LLP  
New York, NY  
May 23, 2024

---

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (File No. 333-271240) and Form S-8 (File No. 333-272067) of CXApp Inc our report dated May 23, 2024, relating to the consolidated financial statements of CXApp Inc. as of December 31, 2023 and for the period from March 15, 2023 to December 31, 2023, and the related notes included in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ WithumSmith+Brown, PC

WithumSmith+Brown, PC  
Philadelphia, PA  
May 23, 2024

---

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Khurram Sheikh, certify that:

1. I have reviewed this Annual Report on Form 10-K of CXApp 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
5. The registrant's other certifying officer 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: May 24, 2024

/s/ Khurram Sheikh

Khurram Sheikh  
Interim Chief Financial Officer  
Chairman, Chief Executive Officer, Interim Chief Financial Officer and  
Director  
(Principal Executive Officer, Principal Financial Officer and Principal  
Accounting Officer)

---

---

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Khurram Sheikh, certify that:

1. I have reviewed this Annual Report on Form 10-K of CXApp 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
5. The registrant's other certifying officer 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: May 24, 2024

/s/ Khurram Sheikh

Khurram Sheikh  
Interim Chief Financial Officer  
Chairman, Chief Executive Officer, Interim Chief Financial Officer and  
Director  
(Principal Executive Officer, Principal Financial Officer and Principal  
Accounting Officer)

---

---

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CXApp Inc. (the "Company") on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 24, 2024

/s/ Khurram Sheikh

Khurram Sheikh  
Interim Chief Financial Officer  
Chairman, Chief Executive Officer, Interim Chief Financial Officer and  
Director  
(Principal Executive Officer, Principal Financial Officer and Principal  
Accounting Officer)

---

---

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CXApp Inc. (the "Company") on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 24, 2024

/s/ Khurram Sheikh

Khurram Sheikh  
Interim Chief Financial Officer  
Chairman, Chief Executive Officer, Interim Chief Financial Officer and  
Director  
(Principal Executive Officer, Principal Financial Officer and Principal  
Accounting Officer)

---

---

## CXAPP INC.

## CLAWBACK POLICY

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of CXApp Inc. (the “Company”) believes that it is appropriate for the Company to adopt this Clawback Policy (the “Policy”) to be applied to the Executive Officers of the Company and adopts this Policy to be effective as of the Effective Date.

### 1. Definitions

For purposes of this Policy, the following definitions shall apply:

- a) “Company Group” means the Company and each of its Subsidiaries, as applicable.
- b) “Covered Compensation” means any Incentive-Based Compensation granted, vested or paid to a person who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation and that was Received (i) on or after the effective date of the Nasdaq listing standard, (ii) after the person became an Executive Officer and (iii) at a time that the Company had a class of securities listed on a national securities exchange or a national securities association.
- c) “Effective Date” means December 1, 2023.
- d) “Erroneously Awarded Compensation” means the amount of Covered Compensation granted, vested or paid to a person during the fiscal period when the applicable Financial Reporting Measure relating to such Covered Compensation was attained that exceeds the amount of Covered Compensation that otherwise would have been granted, vested or paid to the person had such amount been determined based on the applicable Restatement, computed without regard to any taxes paid (i.e., on a pre-tax basis). For Covered Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the Committee will determine the amount of such Covered Compensation that constitutes Erroneously Awarded Compensation, if any, based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Covered Compensation was granted, vested or paid and the Committee shall maintain documentation of such determination and provide such documentation to the Nasdaq.
- e) “Exchange Act” means the U.S. Securities Exchange Act of 1934.
- f) “Executive Officer” means each “officer” of the Company as defined under Rule 16a-1(f) under Section 16 of the Exchange Act, which shall be deemed to include any individuals identified by the Company as executive officers pursuant to Item 401(b) of Regulation S-K under the Exchange Act. Both current and former Executive Officers are subject to the Policy in accordance with its terms.

---

- g) “Financial Reporting Measure” means (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 shareholder 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 Managements’ 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.
- h) “Home Country” means the Company’s jurisdiction of incorporation.
- i) “Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.
- j) “Lookback Period” means the three completed fiscal years (plus any transition period of less than nine months that is within or immediately following the three completed fiscal years and that results from a change in the Company’s fiscal year) immediately preceding the date on which the Company is required to prepare a Restatement for a given reporting period, with such date being the earlier of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on if or when the Restatement is actually filed.
- k) “Nasdaq” means the Nasdaq Stock Market.
- l) “Received”: Incentive-Based Compensation is deemed “Received” in the Company’s fiscal period during which the Financial Reporting Measure specified in or otherwise relating to the Incentive-Based Compensation award is attained, even if the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.
- m) “Restatement” means a required accounting restatement of any Company financial statement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including (i) 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 (ii) to correct an error in previously issued financial statements that is not material to the previously issued financial statements but 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). Changes to the Company’s financial statements that do not represent error corrections under the then-current relevant accounting standards will not constitute Restatements. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on fraud or misconduct by any person in connection with the Restatement.

- n) "SEC" means the U.S. Securities and Exchange Commission.
- o) "Subsidiary" means any domestic or foreign corporation, partnership, association, joint stock company, joint venture, trust or unincorporated organization "affiliated" with the Company, that is, directly or indirectly, through one or more intermediaries, "controlling", "controlled by" or "under common control with", the Company. "Control" for this purpose means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, contract or otherwise.

## **2. Recoupment of Erroneously Awarded Compensation**

In the event of a Restatement, any Erroneously Awarded Compensation Received during the Lookback Period prior to the Restatement (a) that is then-outstanding but has not yet been paid shall be automatically and immediately forfeited and (b) that has been paid to any person shall be subject to reasonably prompt repayment to the Company Group in accordance with Section 3 of this Policy. The Committee must pursue (and shall not have the discretion to waive) the forfeiture and/or repayment of such Erroneously Awarded Compensation in accordance with Section 3 of this Policy, except as provided below.

Notwithstanding the foregoing, the Committee (or, if the Committee is not a committee of the Board responsible for the Company's executive compensation decisions and composed entirely of independent directors, a majority of the independent directors serving on the Board) may determine not to pursue the forfeiture and/or recovery of Erroneously Awarded Compensation from any person if the Committee determines that such forfeiture and/or recovery would be impracticable due to any of the following circumstances: (i) the direct expense paid to a third party (for example, reasonable legal expenses and consulting fees) to assist in enforcing the Policy would exceed the amount to be recovered (following reasonable attempts by the Company Group to recover such Erroneously Awarded Compensation, the documentation of such attempts, and the provision of such documentation to the Nasdaq), (ii) pursuing such recovery would violate the Company's Home Country laws adopted prior to November 28, 2022 (provided that the Company obtains an opinion of Home Country counsel acceptable to the Nasdaq that recovery would result in such a violation and provides such opinion to the Nasdaq), or (iii) recovery would likely cause any otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

## **3. Means of Repayment**

In the event that the Committee determines that any person shall repay any Erroneously Awarded Compensation, the Committee shall provide written notice to such person by email or certified mail to the physical address on file with the Company Group for such person, and the person shall satisfy such repayment in a manner and on such terms as required by the Committee, and the Company Group shall be entitled to set off the repayment amount against any amount owed to the person by the Company Group, to require the forfeiture of any award granted by the Company Group to the person, or to take any and all necessary actions to reasonably promptly recoup the repayment amount from the person, in each case, to the fullest extent permitted under applicable law, including without limitation, Section 409A of the U.S. Internal Revenue Code and the regulations and guidance thereunder. If the Committee does not specify a repayment timing in the written notice described above, the applicable person shall be required to repay the Erroneously Awarded Compensation to the Company Group by wire, cash or cashier's check no later than thirty (30) days after receipt of such notice.

---

3

## **4. No Indemnification**

No person shall be indemnified, insured or reimbursed by the Company Group in respect of any loss of compensation by such person in accordance with this Policy, nor shall any person receive any advancement of expenses for disputes related to any loss of compensation by such person in accordance with this Policy, and no person shall be paid or reimbursed by the Company Group for any premiums paid by such person for any third-party insurance policy covering potential recovery obligations under this Policy. For this purpose, "indemnification" includes any modification to current compensation arrangements or other means that would amount to *de facto* indemnification (for example, providing the person a new cash award which would be cancelled to effect the recovery of any Erroneously Awarded Compensation). In no event shall the Company Group be required to award any person an additional payment if any Restatement would result in a higher incentive compensation payment.

## **5. Miscellaneous**

This Policy generally will be administered and interpreted by the Committee, provided that the Board may, from time to time, exercise discretion to administer and interpret this Policy, in which case, all references herein to "Committee" shall be deemed to refer to the Board. Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all interested parties. Any discretionary determinations of the Committee under this Policy, if any, need not be uniform with respect to all persons, and may be made selectively amongst persons, whether or not such persons are similarly situated.

This Policy is intended to satisfy the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, and any related rules or regulations promulgated by the SEC or the Nasdaq, including any additional or new requirements that become effective after the Effective Date which upon effectiveness shall be deemed to automatically amend this Policy to the extent necessary to comply with such additional or new requirements.

The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy. Recoupment of Erroneously Awarded Compensation under this Policy is not dependent upon the Company Group satisfying any conditions in this Policy, including any requirements to provide applicable documentation to the Nasdaq.

The rights of the Company Group under this Policy to seek forfeiture or reimbursement are in addition to, and not in lieu of, any rights of recoupment, or remedies or rights other than recoupment, that may be available to the Company Group pursuant to the terms of any law, government regulation or stock exchange listing requirement or any other policy, code of conduct, employee handbook, employment agreement, equity award agreement, or other plan or agreement of the Company Group.

---

4

## **6. Amendment and Termination**

To the extent permitted by, and in a manner consistent with applicable law, including SEC and Nasdaq rules, the Committee may terminate, suspend or amend this Policy at any time in its discretion.

## 7. Successors

This Policy shall be binding and enforceable against all persons and their respective beneficiaries, heirs, executors, administrators or other legal representatives with respect to any Covered Compensation granted, vested or paid to or administered by such persons or entities.

## CXAPP INC.

### CLAWBACK POLICY

#### ACKNOWLEDGMENT, CONSENT AND AGREEMENT

I acknowledge that I have received and reviewed a copy of the CXApp Inc. Clawback Policy (as may be amended from time to time, the "Policy") and I have been given an opportunity to ask questions about the Policy and review it with my counsel. I knowingly, voluntarily and irrevocably consent to and agree to be bound by and subject to the Policy's terms and conditions, including that I will return any Erroneously Awarded Compensation that is required to be repaid in accordance with the Policy. I further acknowledge, understand and agree that (i) the compensation that I receive, have received or may become entitled to receive from the Company Group is subject to the Policy, and the Policy may affect such compensation and (ii) I have no right to indemnification, insurance payments or other reimbursement by or from the Company Group for any compensation that is subject to recoupment and/or forfeiture under the Policy. Capitalized terms used but not defined herein have the meanings set forth in the Policy.

**Signed:** \_\_\_\_\_

**Print Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_