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

FORM 10-Q

(Mark One)
[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019
or
[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____________to ______________.

Commission File Number: **001-35988**

Vislink Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-5856795**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

240 S. Pineapple Avenue, Suite 701
Sarasota, FL 34236
(Address of principal executive offices) (Zip Code)

(941) 953-9035
(Registrant's telephone number, including area code)

n/a
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or 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 [ ]	Accelerated filer [ ]
Non-accelerated filer [X]	Smaller reporting company [X]
	Emerging growth company [ ]

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [ ] No [X]

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 par value $0.00001 per share	VISL	The Nasdaq Stock Market LLC

The number of shares of the Registrant's common stock outstanding as of August 14, 2019 is 14,292,911.

VISLINK TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
For the six months ended June 30, 2019

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Index to Condensed Consolidated Financial Statements

VISLINK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Current assets		
Cash	$ 416	$ 2,005
Accounts receivable, net	5,637	6,191
Inventories, net	12,737	13,050
Prepaid expenses and other current assets	916	780
Total current assets	19,706	22,026
Right of use assets, operating leases	2,427	—
Property and equipment, net	2,051	2,096
Intangible assets, net	3,813	4,691
Total assets	$ 27,997	$ 28,813
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 7,491	$ 7,072
Accrued expenses	3,650	2,112
Convertible promissory notes, net of discount of $-0- and $16, respectively	10	400
Operating lease obligations, current	1,444	—
Due to related parties	364	361
Customer deposits and deferred revenue	2,198	1,574
Derivative liabilities	445	1,118
Total current liabilities	15,602	12,637
Convertible promissory notes, net of discount of $7 and $47, respectively	5,803	5,886
Operating lease obligations, net of current portion	1,038	—
Total liabilities	22,443	18,523
Commitments and contingencies (See Note 9)		
Stockholders' equity		
Preferred stock – $0.00001 par value per share: 10,000,000 shares authorized as of June 30, 2019 and December 31, 2018; -0- shares issued and outstanding as of June 30, 2019 and December 31, 2018	—	—
Common stock – $0.00001 par value per share, 100,000,000 shares authorized, 2,255,728 and 1,877,698 shares issued and 2,255,727 and 1,877,697 shares outstanding as of June 30, 2019 and December 31, 2018, respectively	—	—
Additional paid in capital	246,490	244,562
Accumulated other comprehensive income	276	275
Treasury stock, at cost – 1 share at June 30, 2019 and December 31, 2018, respectively	(22)	(22)
Accumulated deficit	(241,190)	(234,525)
Total stockholders' equity	5,554	10,290
Total liabilities and stockholders' equity	$ 27,997	$ 28,213

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

VISLINK TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(IN THOUSANDS EXCEPT NET LOSS PER SHARE DATA)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue	$ 7,352	$ 9,424	$ 15,558	$ 19,157
Cost of revenue and operating expenses				
Cost of components and personnel	3,516	4,487	7,643	9,277
Inventory valuation adjustments	42	121	89	234
General and administrative expenses	5,550	6,028	10,733	11,860
Research and development expenses	866	2,925	1,792	5,367
Impairment charge	—	168	—	168
Amortization and depreciation	588	818	1,177	1,705
Total cost of revenue and operating expenses	10,562	14,547	21,434	28,611
Loss from operations	(3,210)	(5,123)	(5,876)	(9,454)
Other income (expense)				
Changes in fair value of derivative liabilities	747	605	673	1,654
Loss on conversion of debentures	(48)	—	(48)	—
Other income expense	—	38	—	38
Interest expense, net	(1,064)	(1,903)	(1,414)	(1,950)
Total other income (expense)	(365)	(1,260)	(789)	(258)
Net loss	$ (3,575)	$ (6,383)	$ (6,665)	$ (9,712)
Basic and diluted loss per share	$ (1.79)	$ (3.95)	$ (3.41)	$ (6.24)
Weighted average number of shares outstanding:				
Basic and diluted	2,002	1,615	1,954	1,556
Comprehensive loss:				
Net loss	$ (3,575)	$ (6,383)	$ (6,665)	$ (9,712)
Unrealized gain (loss) on currency translation adjustment	34	(109)	1	328
Comprehensive loss	$ (3,541)	$ (6,492)	$ (6,664)	$ (9,384)

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

VISLINK TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019
(IN THOUSANDS, EXCEPT SHARE DATA)

	Series D Preferred Stock		Common Stock		Additional Paid In	Accumulated Other Comprehensive	Treasury	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Income	Stock	Deficit	Total
Balance, January 1, 2019	—	$ —	1,877,698	$ —	$ 244,562	$ 275	$ (22)	$ (234,525)	$10,290
Net loss	—	—	—	—	—	—	—	(3,090)	(3,090)
Unrealized loss on currency translation adjustment	—	—	—	—	—	(33)			(33)
Issuance of common stock in connection with:									
Payments made in stock (payroll and consultants)	—	—	17,984	—	66	—	—	—	66
Compensation awards previously accrued	—	—	19,631	—	71	—	—	—	71
Conversion of amounts due to related parties	—	—	8,159	—	30	—	—	—	30
Stock-based compensation	—	—	—	—	609	—	—	—	609
Balance, March 31, 2019	—	$ —	1,923,472	$ —	$ 245,338	$ 242	$ (22)	$ (237,615)	$ 7,943
Net loss	—	—	—	—	—	—	—	(3,575)	(3,575)
Unrealized loss on currency translation adjustment	—	—	—	—	—	34	—		(34)
Issuance of common stock in connection with:									
Payments made in stock (payroll and consultants)	—	—	32,861	—	52	—	—	—	52
Compensation awards previously accrued	—	—	4,310	—	1	—	—	—	1
Conversion of amounts due to related parties	—	—	295,085	—	499	—	—	—	499
Stock-based compensation	—	—	—	—	600	—	—	—	600
Balance, June 30, 2019	—	$ —	2,255,728	$ —	$ 246,490	$ 276	$ (22)	$ (241,190)	$ 5,554

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

VISLINK TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018
(IN THOUSANDS, EXCEPT SHARE DATA)

	Series D Preferred Stock		Common Stock		Additional Paid In	Accumulated Other Comprehensive	Treasury	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Income	Stock	Deficit	Total
Balance, January 1, 2018	—	$ —	1,489,739	$ —	$ 235,819	$ 354	$ (22)	$ (219,652)	$16,499
Net loss	—	—	—	—	—	—	—	(3,329)	(3,329)
Unrealized loss on currency translation adjustment	—	—	—	—	—	83	—	—	83
Issuance of common stock in connection with:									
Payments made in stock (payroll and consultants)	—	—	4,375	—	68	—	—	—	68
Compensation awards previously accrued	—	—	1,223	—	19	—	—	—	19
Conversion of amounts due to related parties	—	—	641	—	10	—	—	—	10
Stock-based compensation	—	—	—	—	815	—	—	—	815
Balance, March 31, 2018	—	$ —	1,495,978	$ —	$ 236,731	$ 437	$ (22)	$ (222,981)	$14,165
Net loss	—	—	—	—	—	—	—	(6,383)	(6,383)
Unrealized loss on currency translation adjustment	—	—	—	—	—	(109)	—	—	(109)
Issuance of common stock in connection with:									
Payments made in stock (payroll and consultants)	—	—	149,373	—	1,436	—	—	—	1,436
Compensation awards previously accrued	—	—	—	—	—	—	—	—	—
Conversion of amounts due to related parties	—	—	13,225	—	110	—	—	—	110
Satisfaction of accrued interest on convertible promissory notes	—	—	8,911	—	90	—	—	—	90
Stock-based compensation	—	—	—	—	1,659	—	—	—	1,659
Beneficial conversion feature	—	—	—	—	194	—	—	—	194
Balance, June 30, 2018	—	$ —	1,667,487	$ —	$ 240,220	$ 328	$ (22)	$ (229,364)	$11,162

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

VISLINK TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows used in operating activities		
Net loss	$ (6,665)	$ (9,712)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation	1,209	2,474
Payment made in stock (payroll and consultants)	66	1,504
Stock issuance commitments	159	195
Provision for bad debt	48	—
Inventory valuation adjustments	89	234
Amortization of right of use assets, operating leases	473	—
Depreciation and amortization	1,177	1,705
Impairment charge	—	168
Change in fair value of derivative liabilities	(673)	(1,654)
Loss on conversion of debentures	48	—
Amortization of debt discount	56	1,837
Changes in assets and liabilities		
Accounts receivable	485	2,907
Inventory	212	(1,747)
Prepaid expenses and other current assets	(139)	(97)
Accounts payable	427	(2,780)
Accrued expenses and interest expense	1,630	(246)
Deferred revenue and customer deposits	630	1,042
Operating lease liabilities	(473)	—
Due to related parties	34	(187)
Net cash used in by operating activities	(1,207)	(4,357)
Cash flows used in investing activities		
Acquisition of property and equipment	(249)	(36)
Net cash used in investing activities	(249)	(36)
Cash flows (used in) provided by financing activities		
Principal repayments made on capital lease obligations	—	(14)
Proceeds from convertible promissory notes	—	4,000
Debt issuance costs	—	(363)
Principal payments made on convertible promissory notes	(141)	—
Net cash (used in) provided by financing activities	(141)	3,623
Effect of exchange rate changes on cash	8	156
Net decrease in cash	(1,589)	(614)
Cash, beginning of period	2,005	2,799
Cash, end of period	$ 416	$ 2,185
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 15	$ —
Cash paid during the period for income taxes	$ —	$ —
Supplemental disclosure of non-cash information:		
Common stock issued in connection with:		
Services previously accrued	$ 123	$ 19
Settlement of amounts due to related parties	31	120
Settlement of principal and interest due on convertible promissory notes	499	90
Right-of-use assets and operating lease obligations recognized (Note 5):		
Operating lease assets	2,899	—
Operating lease liabilities	2,955	—

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

VISLINK TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The overarching strategy of Vislink Technologies, Inc. ("Vislink Technologies," the "Company," "we," "our" or "us") is to design, develop and deliver advanced wireless communications solutions that provide customers in our target markets with enhanced levels of reliability, mobility, performance and efficiency in their business operations and missions. Vislink Technologies' business lines include the main brands Integrated Microwave Technologies LLC ("IMT") and Vislink Communications Systems ("Vislink" or "VCS"). There is considerable brand interaction, due to complementary market focus, compatible product and technology development roadmaps, and solution integration opportunities.

IMT:

IMT develops, manufactures and sells microwave communications equipment utilizing COFDM (Coded Orthogonal Frequency Division Multiplexing) technology. COFDM is a transmission technique that combines encoding technology with OFDM (Orthogonal Frequency Division Multiplexing) modulation to provide the low latency and high image clarity required for real-time live broadcasting video transmissions. IMT has extensive experience in ultra-compact COFDM wireless technology, which has allowed IMT to develop integrated solutions that deliver reliable video footage captured from both aerial and ground-based sources to fixed and mobile receiver locations.

Vislink:

VCS specializes in the wireless capture, delivery and management of secure, high-quality, live video from the field to the point of usage. VCS designs and manufactures products encompassing microwave radio components, satellite communication, cellular and wireless camera systems, and associated amplifier items. VCS serves two core markets: broadcast and media and law enforcement, public safety and surveillance. In the broadcast and media market, VCS provides broadcast communication links for the collection of live news and sports and entertainment events. VCS' customers in the broadcast and media market include national broadcasters, multi-channel broadcasters, network owners and station groups, sports and live broadcasters and hosted service providers. In the law enforcement, public safety and surveillance market, VCS provides secure video communications and mission-critical solutions for law enforcement, defense and homeland security applications. VCS' customers in the law enforcement, public safety and surveillance market include metropolitan, regional and national law enforcement agencies as well as domestic and international defense agencies and organizations.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using U.S. generally accepted accounting principles ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by GAAP for annual financial statements and should be read in conjunction with the consolidated financial statements as filed on the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the United States Securities and Exchange Commission (the "SEC") on April 1, 2019. In the opinion of management, the unaudited condensed consolidated financial statements included herein contain all adjustments necessary to present fairly the Company's consolidated financial position as of June 30, 2019, the results of its operations and cash flows for the six months ended June 30, 2019 and 2018. Such adjustments are of a normal recurring nature. The results of operations for the three and six months ended June 30, 2019 may not be indicative of results for the year ending December 31, 2019.

Principles of Consolidation

The accompanying consolidated financial statements and related notes thereto were prepared in conformity with GAAP include the accounts of Vislink Technologies and its wholly-owned subsidiaries, IMT and Vislink, since the date the acquisitions of IMT and Vislink were completed. All material intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include reserves and write-downs related to receivables and inventories, the recoverability of long-lived assets, the valuation allowance relating to the Company's deferred tax assets, valuation of equity and derivative instruments, debt discounts and the valuation of the assets and liabilities acquired in the acquisition of Vislink.

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Change in accounting principle

In February 2016, the Financial Accounting Standards Board, ("FASB") issued Accounting Standards Update No. 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. We have adopted ASU 2016-02 on January 1, 2019 using a modified retrospective transition approach which applies the new standard to all leases existing at the date of initial application. We have also elected to adopt the transitional package of practical expedients as prescribed by Accounting Standards Codification ("ASC") 842. Accordingly, we are continuing to account for our existing operating leases as operating leases under the new guidance, without reassessing whether the contracts contain a lease under ASC 842 or whether the classification of the operating leases would be different under ASC 842. All our rentals at the adoption date were operating leases for facilities and did not include any non-lease components.

As a result of the adoption of ASU 2016-02, on January 1, 2019, we recognized a lease liability of approximately $3.0 million, with corresponding right-of- use ("ROU") assets of $2.9 million, based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases, less accrued rent of approximately $0.06 million. There are no changes to our previously reported results before January 1, 2019. Lease expense is not expected to change materially as a result of the adoption of ASU 2016-02.

Inventories

Inventory is recorded at the lower of cost, on a first-in, first-out basis, or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Inventory valuation adjustments are included on the face of the unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2019 and 2018.

Revenue Recognition

Change in accounting principle

We transitioned to the FASB ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606") from ASC Topic 605, Revenue Recognition on January 1, 2019. Our transition to ASC 606 represents a change in accounting principle. ASC 606 eliminates industry-specific guidance and provides a single model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled for the exchange of those goods or services. We adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Under the modified retrospective transition method, an entity compares the revenue recognized from contract inception up to the date of initial application to the amount that would have been recognized if it had applied ASC 606 since contract inception. The difference between those two amounts would be accounted for as a cumulative effect adjustment and recognized on the date of initial application. The adoption of ASC 606 did not have an impact on the recognition of revenue and no cumulative effect adjustment was recorded.

The Company generates all its revenue from contracts with customers. The Company recognizes revenue when we satisfy a performance obligation by transferring control of the promised goods or services to a customer in an amount that reflects the consideration that we expect to receive in exchange for those services.

The Company determines revenue recognition through the following steps:

1. identification of the contract, or contracts, with a customer;
2. identification of the performance obligations in the contract;
3. determination of the transaction price;
4. allocation of the transaction price to the performance obligations in the contract; and
5. recognition of revenue, when, or as, we satisfy a performance obligation.

At contract inception, the Company assesses the goods and services promised in our contracts with customers and identifies a performance obligation for each. To determine the performance obligations, the Company considers all the products and services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The timing of satisfaction of the performance obligation is not subject to significant judgment. We measure revenue as the amount of consideration we expect to receive in exchange for transferring goods and services. Excluded from income are the sales value added taxes, and other charges we collect concurrent with revenue-producing activities.

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-Based Compensation

Effective January 1, 2019, the Company adopted ASU No. 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"), which aligns accounting for share-based payments issued to non-employees to that of employees under the existing guidance of Topic 718, with certain exceptions. This update supersedes previous guidance for equity-based payments to non-employees under Subtopic 505-50, Equity - Equity-Based Payments to Non-Employees. The adoption of ASU 2018-07 did not have a material impact on the Company's condensed consolidated financial statements.

Convertible Debt Instruments

The Company records debt net of debt discounts for beneficial conversion features and warrants, on either a relative fair value or fair value basis depending on the respective accounting treatment of each instrument. Beneficial conversion features are recorded pursuant to the Beneficial Conversion ("BCF") and Debt Topics of the FASB ASC. The amounts allocated to warrants and beneficial conversion rights are recorded as debt discounts with corresponding entries to derivative liability and additional paid-in-capital. Costs paid to third parties (*e.g.*, legal fees, printing costs, placement agent fees) that are directly related to issuing the debt and that otherwise wouldn't be incurred, are treated as a direct deduction of the debt liability. Debt discount and issuance costs are generally amortized and recognized as additional interest expense in the statement of operations over the life of the debt instrument using the effective interest method.

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for. The result of this accounting treatment is that under certain circumstances the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. If the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income or expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to stockholders' equity.

Loss Per Share

The Company reports loss per share in accordance with ASC Topic 260, "Earnings Per Share," which establishes standards for computing and presenting earnings per share. Basic loss per share of common stock is calculated by dividing net loss allocable to common stockholders by the weighted-average shares of common stock outstanding during the period, without consideration of common stock equivalents. Diluted loss per share is calculated by adjusting the weighted-average shares of common stock outstanding for the dilutive effect of common stock equivalents, including stock options and warrants, outstanding for the period as determined using the treasury stock method. For purposes of the diluted net loss per share calculation, common stock equivalents are excluded from the calculation because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share applicable to common stockholders is the same for periods with a net loss.

The following table illustrates the anti-dilutive potential common stock equivalents excluded from the calculation of loss per share (in thousands):

	Six months Ended June 30,	
	2019	**2018**
Anti-dilutive potential common stock equivalents excluded from the calculation of loss per share:		
Stock options	583	638
Convertible debt	292	894
Warrants	1,187	1,170
	2,062	2,702

Fair Value of Financial Instruments

GAAP requires disclosing the fair value of financial instruments to the extent practicable for financial instruments which are recognized or unrecognized in the consolidated balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

In assessing the fair value of financial instruments, the Company uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at the time. For certain instruments, including accounts receivable and accounts payable, the Company estimated that the carrying amount approximated fair value because of the short maturities of these instruments. All debt is based on current rates at which the Company could borrow funds with similar remaining maturities and approximates fair value.

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments(continued)

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use on unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs consist of items that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities. There are no fair valued assets or liabilities classified under Level 1 as of June 30, 2019.

Level 2 – Observable prices that are based on inputs not quoted on active markets but corroborated by market data. There are no fair valued assets or liabilities classified under Level 2 as of June 30, 2019.

Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs (see Note 7).

Foreign Currency and Other Comprehensive (Loss)/Income

The functional currency of our foreign subsidiary is typically the applicable local currency which is British Pounds. The translation from the respective foreign currency to United States Dollars ("US Dollars") is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for income statement accounts using an average exchange rate during the period. Gains or losses resulting from such translation are included as a separate component of accumulated other comprehensive (loss)/income. Gains or losses resulting from foreign currency transactions are included in foreign currency income or loss except for the effect of exchange rates on long-term inter-company transactions considered to be a long-term investment, which are accumulated and credited or charged to other comprehensive income.

Transaction gains and losses are recognized in our results of operations based on the difference between the foreign exchange rates on the transaction date and on the reporting date. The foreign currency exchange gains and losses are included as a component of general and administrative expenses, in the accompanying Unaudited Condensed Consolidated Statements of Operations.

The Company has recognized foreign exchanges gains and losses and changes in accumulated comprehensive income approximately as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net foreign exchange transactions:				
Losses	$ 130,000	$ 233,000	$ 41,000	$ 229,000
Accumulated comprehensive income:				
Increases (decreases)	$ 34,000	$ (109,000)	$ 1,000	$ (26,000)

The exchange rate adopted for the foreign exchange transactions are the rates of exchange as quoted on an OANDA, a Canadian-based foreign exchange company providing currency conversion, online retail foreign exchange trading, online foreign currency transfers, and forex information, internet website. Translation of amounts from British Pounds into United States dollars was made at the following exchange rates for the respective periods:

- As of June 30, 2019 – British Pounds $1.2690350 to US $1.00
- Average rate for the six months ending June 30, 2019 – British Pounds $1.2935479 to US $1.00

Subsequent Events

The Company has evaluated subsequent events in accordance with ASC 855, Subsequent Events, through the filing date of this Quarterly Report, and determined that no events have occurred that have not been disclosed elsewhere in the notes to the condensed consolidated financial statements (unaudited) that would require adjustments to disclosures in the condensed consolidated financial statements (unaudited), except as disclosed herein (see Note 13).

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Standards

In June 2016, Financial Accounting Standards Board, or FASB, issued "ASU 2016-13, Financial Instruments: Credit Losses", as clarified in ASU 2019-04 and ASU 2019-05 released in April and May 2019, respectively. The objective of the standard is to provide information about expected credit losses on financial instruments at each reporting date and to change how other-than-temporary impairments on investment securities are recorded. The standard is effective for us beginning on January 1, 2020, with early adoption permitted. The Company will adopt ASU 2016-13, ASU 2019-04, and ASU 2019-05 collectively as of January 1, 2020 (the effective date) and does not believe its adoption will have a material impact to our consolidated financial statements.

In March 2019, the FASB issued ASU 2019-01 "Leases (Topic 842) Codification Improvements" ("ASU 2019-01"). This update amends the following items brought to the FASB's attention through those interactions with stakeholders:

- Determining the fair value of the underlying assets by lessors that are not manufacturers or dealers.
- Presentation on the statement of cash flows—sales-type and direct financing leases.
- Transition disclosures related to Topic 250, Accounting Changes and Error Corrections.

The effective date of those amendments of ASU 2019-01 is for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years for any of the following: (1) a public business entity, (2) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (3) an employee benefit plan that files financial statements with the SEC. For all other entities, the effective date is for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The adoption of ASU 2019-01 is not expected to have a material impact on our results of operations, financial position or liquidity or our related financial statement disclosures.

Other recent accounting standards issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material impact on the Company's present or future condensed consolidated financial statements.

NOTE 2 — LIQUIDITY AND FINANCIAL CONDITION

The accompanying unaudited condensed consolidated financial statements have been prepared to assume the Company can continue as a going concern, which contemplates continuity of operations through the realization of assets, and the settling of liabilities in the ordinary course of business. The Company had $0.4 million in cash on the balance sheet at June 30, 2019. The Company had working capital and an accumulated deficit of $4.1 million and $241.2 million, respectively, on June 30, 2019. Additionally, the Company had a loss from operations in the amount of approximately $6.3 million and cash used in operating activities of $1.2 million for the six months ended June 30, 2019

In the fiscal year 2018, the Company implemented a cost reduction initiative, which resulted in approximately $8.2 million in annual savings. The Company affected these reductions by phasing out a business division which scaled-down payroll and associated benefits and other supporting expenses. The Company realized an additional $1.3 million of savings primarily related to facilities consolidation whereby our Billerica facility was subleased on May 8, 2019 with expected savings over the term of the lease of $0.6 million. In addition, our Sunrise lease expired in May 13, 2019, with annual savings of $0.2 million. Lastly, the Company consolidated its Colchester facilities from two sites into one on May 31, 2019, with savings of $0.5 million through June 2020.

On July 11, 2019, the Company closed an equity financing for 1,550,000 shares of common stock, warrants to purchase 6,000,000 shares of common stock and, pre-funded warrants to purchase common stock in place of common stock. The Company received gross proceeds of $11,995,550 from the offering, before deducting underwriting-related fees and other offering expenses payable by the Company.

The Company intends to use the net proceeds from the equity financing to satisfy outstanding principal and accrued interest due on convertible promissory notes and, provide working capital for daily operating expenditures. We believe there are enough funds from this equity raise in conjunction with the above cost reduction initiative to mitigate the going concern uncertainty for at least the next twelve months from the date of issuance of these financial statements. The ability to recognize revenue and ultimately cash receipts is contingent upon, but not limited to, acceptable performance of the delivered equipment and services. Our asset carrying value could be materially impacted if we are unable to close on some revenue-producing opportunities in the near term.

NOTE 3 — INTANGIBLE ASSETS

Intangible assets consist of the following finite assets:

	Patents and Licenses		Trade Names and Technology		Customer Relationships		
	Costs	Accumulated Amortization	Costs	Accumulated Amortization	Costs	Accumulated Amortization	Net
Balance as of December 31, 2018	$12,378,000	$ (9,835,000)	$ 1,450,000	$ (467,000)	$ 2,880,000	$ (1,715,000)	$ 4,691,000
Additions	-	-	-	-	-	-	-
Amortization	-	(332,000)	-	(111,000)	-	(435,000)	(878,000)
Balance as of June 30, 2019	$12,378,000	$ (10,167,000)	$ 1,450,000	$ (578,000)	$ 2,880,000	$ (2,150,000)	$ 3,813,000

Patents and Licenses:

At June 30, 2019 and December 31, 2018, the Company had net capitalized costs of patents and licenses of $2.2 million and $2.5 million, respectively. The Company amortizes patents and licenses that have been filed over their useful lives which range between 18.5 to 20 years. The costs of provisional patents and pending applications is not amortized until the patent is filed and is reviewed each reporting period to determine if it is likely that the patent will be successfully filed.

Other Intangible Assets:

The Company's remaining intangible assets include the trade names, technology and customer lists acquired in its acquisition of IMT and Vislink.

At June 30, 2019 and December 31, 2018, the Company had net capitalized costs of other intangible assets of $1.6 million and $2.1 million, respective. The Company amortizes these other intangible assets over their estimated useful lives of 3 to 15 years.

The amortization of intangible assets amounted to $0.5 million and $0.9 million for the three and six months ended June 30, 2019, respectively, and $0.6 million and $1.1 million for the three and six months ended June 30, 2018, respectively. There was an impairment of $0.2 million of software development costs for the six months ending June 30, 2018. The weighted average remaining life of the amortization of the Company's intangible assets is approximately 3.7 years.

The following table represents the estimated amortization expense for total intangible assets for the succeeding five years:

Balance 2019	$	912,000
2020		1,000,000
2021		906,000
2022		551,000
2023		119,000
Thereafter		325,000
	$	3,813,000

NOTE 4 — CONVERTIBLE NOTES PAYABLE

The Company has convertible promissory notes ranging from 6% to 10% per annum; with a maturity date of September 29, 2019 with a fixed range of conversion features. The table below summarizes the convertible promissory notes as of June 30, 2019.

The Company has listed a summary of the modified and non-modified debt as follows:

	Debt		
	Modified	Non-modified	Total
Principal:			
Beginning balance, January 1, 2019	$ 5,933,289	$ 415,625	$ 6,348,914
Principal payments made in cash and shares issued	(122,808)	(405,625)	(528,433)
Ending balance, June 30, 2019	$ 5,810,481	$ 10,000	$ 5,820,481
Debt discount:			
Beginning balance, January 1, 2019	$ 47,307	$ 15,683	$ 62,990
Amortization of debt discount	(40,628)	(15,683)	(56,311)
Ending balance, June 30, 2019	$ 6,679	$ —	$ 6,679
Modified and un-modified debt, net	$ 5,803,802	$ 10,000	$ 5,813,802

Items recorded to interest expense, net for the three-month and six-month periods ending June 30, 2019 and 2018 are:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Contractual interest expense	$ 1,022,376	$ 21,334	$ 1,349,926	$ 21,334
Debt discount amortization	33,444	48,844	56,311	48,844
Warrant costs	—	1,788,171	—	1,788,171
Total recorded to interest expense, net	$ 1,055,820	$ 1,858,349	$ 1,406,237	$ 1,858,349

During the three months ending June 30, 2019, the Company issued 85,624 shares of common stock valued at $228,779 in partial settlement of $181,274 of principal and interest resulting in a loss in settlement of debt in the amount of $47,525.

See Subsequent Events note 13 for transactions impacting these debentures.

NOTE 5 — LEASES

At lease inception, we determine if an arrangement is a lease and if it includes options to extend or terminate the lease if it is reasonably certain that the options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Operating leases are recognized as ROU assets included as operating lease ROU assets, net and operating lease liability obligations in other current liabilities and other liabilities in our unaudited condensed consolidated balance sheet as of the commencement date and at June 30, 2019. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. We recognize operating lease ROU assets and liabilities on the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available on the commencement date in determining the present value of lease payments.

As of June 30, 2019, ROU assets and lease liabilities were approximately $2.43 million, net and 2.48 million ($1.02 million of which is current), respectively. The weighted-average remaining term for lease contracts was 3.5 years at June 30, 2019, with maturity dates ranging from April 2020 to May 2025. The weighted-average discount rate was 9.2% at June 30, 2019.

For the six months ended June 30, 2019, the Company's leasing arrangements include agreements for office space, deployment sites and storage warehouses, both domestically and internationally. The operating leases contain various lease terms and provisions with remaining lease commitments of approximately 2 months and 6 years as of June 30, 2019. During the six months ended June 30, 2019 and 2018, the Company sublet a portion of its space under operating leases at The Fairways, Hemel and Billerica locations

Certain individual leases contain rent escalation clauses and lease concessions that require additional rental payments in the later years of the term. We recognize rent expense for these types of contracts on a straight-line basis over the minimum lease term. For the three-months and six- months ending June 30, 2019, we incurred approximately $258,000 and $555,000 of rental fees net of $65,000 and $100,000 of rental income under operating leases, respectively. For the three-months and six-months ending June 30, 2018, we incurred approximately $319,000 and $678,000 of rental fees net of $37,000 and $75,000 of rental income under operating leases, respectively. Adjustments for straight-line rental expense for the respective periods was not material, and as such, the majority of costs recognized is reflected in cash used in operating activities for the respective periods. This expense consisted primarily of payments for base rent on office and warehouse leases. Amounts related to short-term lease costs and taxes and variable service charges on leased properties were immaterial. Besides, we have the right, but no obligation, to renew individual leases for various renewal terms.

The table below lists location and lease expiration dates from 2020 through 2025:

Location	**Lease End Date**			**Approximate Future Payments**
Colchester, U.K. – The Fairways	Jun	2020	$	184,000
Colchester, U.K. – Waterside House	May	2025		1,126,000
Anaheim, CA	Jul	2021		59,000
Billerica, MA	May	2021		776,000
Hemel, UK	Oct	2020		219,000
Singapore	Aug	2020		36,000
Hackettstown, NJ	Apr	2020		75,000
Sublets:				
Colchester, UK – The Fairways	Mar	2020	$	40,000
Hemel, UK	Oct	2020		118,000
Billerica, MA	May	2021		342,000

Under previous lease guidance, future minimum lease payments under operating leases with noncancelable lease terms in excess of one year from continuing operations as of June 30, 2019, were as follows:

Period Ending June 30,		**Amount**
2020		1,213,000
2021		757,000
2022		262,000
2023		259,000
2024		259,000
Thereafter		195,000
	$	2,945,000
Sublets:		
2020	$	307,000
2021		193,000
	$	500,000

NOTE 5 — LEASES (continued)

The following table illustrates specific operating lease data as of June 30, 2019:

Lease cost:		
Operating lease cost	$	602,000
Short-term lease cost		53,000
Variable lease cost		—
Total lease cost	$	655,000
Cash paid for amounts in lease liabilities:		
Operating cash flows from operating leases	$	607,000
Right-of-use assets obtained in exchange for new operating lease liabilities	$	2,899,000
Weighted-average remaining lease term—operating leases		3.5 years
Weighted-average discount rate—operating leases		9.2%

NOTE 6 — RELATED PARTY TRANSACTIONS

On January 1, 2019, a new related party agreement (the "MBMG Agreement") became effective between the Company and MB Merchant Group, LLC ("MBMG"). The MBMG Agreement supersedes the previous agreement with MB Technology Holdings, LLC ("MBTH"). MBMG, the founding entity of MBTH, agrees to provide services in connection with, and Vislink Technologies agrees to compensate MBMG for both consulting services via a retainer and, on a success basis, for future mergers and acquisitions beginning January 1, 2019.

The following directors of MBMG have significant influence with the Company:

- Roger Branton, the Company's Chief Executive Officer, Chief Financial Officer, and director,
- George Schmitt, the Company's director, former Chief Executive Officer and Executive Chairman of the Board, and
- Richard Mooers, the Company's director.

The following table represents related party transactions for the three months and six months ended June 30, 2019:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Consulting fees, recurring	$ 150,000	$ 75,000	$ 300,000	$ 150,000
Consulting fees, non-recurring	$ 9,593	$ —	$ 34,593	$ 25,000
Common stock shares issued in satisfaction of amounts due	4,283	13,225	12,469	13,866
Value of common stock shares issued	$ 1,466	$ 110,000	$ 31,466	$ 120,000
Amounts repaid to MBMG in cash	$ 71,000	$ 240,000	$ 301,000	$ 230,000

The Company recorded these fees in general and administrative expenses on the accompanying Condensed Consolidated Statement of Operations and included such fees in due to related parties on the Condensed Consolidated Balance Sheet. The balances outstanding to MBMG at June 30, 2019 and December 31, 2018 was $364,000 and $361,000, respectively.

NOTE 7 — DERIVATIVE LIABILITIES

Each of the warrants issued in connection with the August 2015 underwritten offering, the February 2016 Series B Preferred Stock Offering, the May 2016 financing, the July 2016 financing, the August 2017 underwritten offering, and the May 2018 Financing have been accounted for as derivative liabilities as each of the warrants contain a net cash settlement provision whereby, upon certain fundamental events, the holders could put the warrants back to the Company for cash.

The following are the key assumptions that were used in connection with the valuation of the warrants exercisable into common stock as of June 30, 2019:

Number of shares underlying the warrants		492,808
Fair market value of stock	$	1.60
Exercise price	$	4.50 to 24,000
Volatility		101% to 149%
Risk-free interest rate		1.71% to 1.76%
Expected dividend yield		—
Warrant life (years)		0.5 to 3.9

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's accounting and finance department, which reports to the Chief Financial Officer, determines its valuation policies and procedures. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's accounting and finance department and are approved by the Chief Financial Officer.

Level 3 Valuation Techniques:

Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. The Company deems financial instruments which do not have fixed settlement provisions to be derivative instruments. In accordance with U.S. GAAP the fair value of these warrants is classified as a liability on the Company's consolidated balance sheets because, according to the terms of the warrants, a fundamental transaction could give rise to an obligation of the Company to pay cash to its warrant holders. Such instruments do not have fixed settlement provisions and have also been recorded as derivative liabilities. Corresponding changes in the fair value of the derivative liabilities are recognized in earnings on the Company's consolidated statements of operations in each subsequent period.

The Company's derivative liabilities are carried at fair value and were classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs. In order to calculate fair value, the Company uses a binomial model style simulation, as the value of certain features of the warrant derivative liabilities would not be captured by the standard Black-Scholes model.

The following table sets forth a summary of the changes in the fair value of our Level 3 financial liabilities that are measured at fair value on a recurring basis:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Beginning balance	$ 1,192,000	$ 1,351,000	$ 1,118,000	$ 2,399,000
Recognition of warrant liabilities on issuance dates	—	1,788,000	—	1,788,000
Change in fair value of derivative liabilities	(747,000)	(606,000)	(673,000)	(1,654,000)
Ending balance	$ 445,000	$ 2,533,000	$ 445,000	$ 2,533,000

NOTE 8 — STOCKHOLDERS' EQUITY

Common Stock Issuances

During the six months ended June 30, 2019, the Company:

- Issued 17,984 shares of its common stock for employees, directors, consultants and other professionals for a total fair value of $66,181. The determination of the fair value of the common stock is at the time of issuance.
- Issued 52,492 shares of common stock in satisfaction of amounts previously deferred for employee/consultant agreements in the amount of $122,577.
- Issued 12,469 shares of common stock in satisfaction of related party obligations valued at $31,466. The determination of the fair value of the common stock is at the time of issuance.
- Issued 295,085 shares of common stock in satisfaction of principal and interest for convertible promissory notes valued at $498,799. The determination of the fair value of the common stock is at the time of issuance.
- Recognized $1,209,354 of compensation costs associated with outstanding stock options recorded in general and administrative expenses with the offset as a credit to additional paid in capital.

Common Stock Warrants

During the six months ended June 30, 2019, the Company did not grant any warrants nor were any warrants cancelled or expired. The weighted average exercise prices of warrants outstanding at June 30, 2019 is $19.80 with a weighted average remaining contractual life of 2.9 years. As of June 30, 2019, these outstanding warrants contained no intrinsic value.

The following table sets forth common stock purchase warrants outstanding as of June 30, 2019:

	Number of Warrants (in shares)		Weighted Average Exercise Price
Outstanding, December 31, 2018	1,187,181	$	19.80
Warrants granted	-0-	$	-0-
Warrants exercised	-0-	$	-0-
Warrants cancelled/expired	-0-	$	-0-
Outstanding, June 30, 2019	1,187,181	$	19.80
Exercisable, June 30, 2019	1,187,181	$	19.80

Common Stock Options

During the six months ended June 30, 2019 and 2018, the Company recorded approximately $1,209,000 and 1,659,000, respectively as stock compensation expense from the amortization of stock options issued. As of June 30, 2019, the weighted average remaining contractual life was 7.99 years for options outstanding and 7.87 years for options exercisable. The intrinsic value of options exercisable at June 30, 2019 was $-0-. As of June 30, 2019, the remaining expense is approximately 2,008,000 over the remaining amortization period of 1.23 years. The Company estimates forfeiture and volatility using historical information. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues over the equivalent lives of the options. The expected life of the options represents the estimated period using the simplified method. The Company has not paid dividends on its common stock and no assumption of dividend payment(s) is made in the model.

A summary of the option activity is as follow:

	Number of Options (in shares)		Weighted Average Exercise Price
Outstanding, January 1, 2019	585,717	$	15.50
Options granted	29,000	$	3.70
Options exercised	—	$	—
Options cancelled/expired	(31,667)	$	(14.70)
Outstanding, June 30, 2019	583,050	$	15.00
Exercisable, June 30, 2019	387,222	$	15.70

NOTE 9 — COMMITMENTS AND CONTINGENCIES

Legal:

The Company is subject, from time to time, to claims by third parties under various legal theories. The defense of such claims, or any adverse outcome relating to any such claims, could have a material adverse effect on the Company's liquidity, financial condition and cash flows. For the six months ended June 30, 2019 the Company did not have any material legal actions pending.

Pension:

The Company at its discretion may make matching contributions to the 401(k) plan in which its employees participate. For the six months ended June 30, 2019 and 2018, the Company made matching contributions of $-0- and $67,000, respectively.

The Company currently operates a Group Personal Pension Plan in its U.K. subsidiary and funds are invested with Royal London. U.K. employees are entitled to join the plan to which the Company contributes varying amounts subject to status. In addition, the Company operates a stakeholder pension scheme in the U.K. For the six months ended June 30, 2019 and 2018, the Company made matching contributions of $84,000 and $101,000, respectively.

Nasdaq Compliance:

On May 17, 2018 the Company, received a written notification from The Nasdaq Stock Market LLC ("Nasdaq") indicating that the Company was not in Compliance with NASDAQ Listing Rule 5550(a)(2) as Company's closing bid price was below $1.00 per share for the previous 30 consecutive business days.

Pursuant to the Nasdaq Listing Rule 5810(c)(3)(A), the Company was granted a 180-day compliance period, or until November 13, 2018, to regain compliance with the minimum bid price requirements. During the compliance period, the Company's shares of common stock will continue to be listed and traded on Nasdaq.

The Company was afforded a second 180 calendar day grace period by Nasdaq to regain compliance with the minimum bid price requirements.

On April 30, 2019, the Company's Board of Directors (the "Board") approved a resolution to amend the Company's Certificate of Incorporation and to authorize the Company to effect a reverse split of the Company's outstanding common stock at a ratio of 1-for-10. On May 7, 2019, the Company effected the 1-for-10 reverse stock split. Upon effectiveness of the reverse stock split, every ten shares of an outstanding common stock decreased to one share of common stock. We have retroactively applied the reverse split throughout this quarterly report to all periods presented.

On May 29, 2019 Nasdaq advised us that we were in compliance with all applicable listing requirements.

NOTE 10 — CONCENTRATIONS

During the three and six months ended June 30, 2019, the Company did record sales of approximately $1,546,000 (22%) and $2,038,000 (14%) to a single customer in excess of 10% of the Company's total consolidated sales, respectively. During the three and six months ended June 30, 2018, the Company recorded sales to one customer of $989,000 (11%) in excess of 10% of the Company's total consolidated sales and did not record sales to any single customer in excess of 10% of the Company's total consolidated sales, respectively.

At June 30, 2019 and December 31, 2018, the Company recorded approximately $1,064,000 and $-0- of accounts receivable, respectively, to a single customer in excess of 10% of the Company total consolidated accounts receivable.

During the three and six months ended June 30, 2019, approximately $290,000(13%) and $2,606,000 (34%) of the Company's inventory purchases were generated from one vendor of the Company's consolidated inventory purchases, respectively. During the three and six months ended June 30, 2018, approximately $715,000 (17%) and $1,410,000(18%) of the Company's inventory purchases were derived from one vendor of the Company's consolidated inventory purchases.

At June 30, 2019, the Company recorded approximately $944,000 (13%) and $1,459,000 (19%) of accounts payable to two vendors in excess of 10% of the Company's consolidated accounts payable. At December 3, 2018, the company recorded approximately $800,000 (12%) of accounts payable to one vendor in excess of 10% of the Company's consolidated accounts payable.

NOTE 11 – REVENUE

The Company has one operating segment, and the decision-making group is the senior executive management team. In the following table, revenue is disaggregated by primary geographical markets and revenue source.

	Six Months Ended June 30,		Three Months Ended June 30,	
	2019	2018	2019	2018
Primary geographical markets:				
North America	$ 6,404,000	$ 6,749,000	$ 2,485,000	$ 3,477,000
South America	88,000	1,037,000	69,000	728,000
Europe	4,629,000	7,424,000	2,279,000	3,134,000
Asia	3,538,000	2,092,000	2,148,000	700,000
Rest of World	899,000	1,855,000	371,000	1,385,000
	$ 15,558,000	$ 19,157,000	$ 7,352,000	$ 9,424,000
Primary revenue source:				
Equipment sales	$ 13,588,000	$ 17,783,000	$ 6,027,000	$ 8,880,000
Installation, integration and repairs	1,409,000	1,260,000	808,000	465,000
Warranties	114,000	114,000	70,000	79,000
Other	447,0000	—	447,0000	—
	$ 15,558,000	$ 19,157,000	$ 7,352,000	$ 9,424,000
Long-Lived Assets:				
United States	$ 5,667,000	$ 3,801,000		
United Kingdom	2,624,000	4,520,000		
	$ 8,291,000	$ 8,321,000		

NOTE 12 — REBATES

During the three and six months ended June 30, 2019, the Company's U.K. subsidiary filed for and received a rebate of approximately $447,000 relating to the amount of funds spent on research costs incurred for the 2017 fiscal year. The aforementioned rebate was classified as additional revenue during the three months ended June 30, 2019. The Company expects to file appropriate forms for the 2018 fiscal year.

NOTE 13 — SUBSEQUENT EVENTS

July 2019 Financing

On July 11, 2019, the Company closed an equity financing for (i) 1,550,000 shares of common stock, par value $0.00001 per share, of the Company ("Common Stock"), as well as 900,000 shares of Common Stock issuable to the underwriters of the Offering (the "Underwriters") to cover over-allotments, (ii) pre-funded warrants exercisable for 4,450,000 shares of Common Stock (the "Pre-Funded Warrants"), and (iii) warrants to purchase up to an aggregate of 6,000,000 shares of Common Stock (the "Warrants"), as well as Warrants to purchase up to an additional 900,000 shares of Common Stock issuable to the Underwriters to cover over-allotments. A registration statement on Form S-1, relating to the Offering was filed with the U.S. Securities and Exchange Commission (the "SEC") on July 1, 2019, amendments to which were filed with the SEC on July 10, 2019, and July 11, 2019, and was declared effective on July 11, 2019. The Company received gross proceeds of $11,995,550 from the Offering, before deducting placement agent fees and other offering expenses payable by the Company.

The shares of Common Stock and Warrants were sold at a combined Offering price of $2.00 per share of Common Stock and Warrant. Each Warrant sold with the shares of Common Stock represents the right to purchase one share of Common Stock at an exercise price of $5.00 per share. The Warrants are exercisable immediately, expire five years from the date of issuance and provide that, beginning on the earlier of (i) 20 days after issuance and (ii) if the Common Stock trades an aggregate of more than 20,000,000 shares after the pricing of this Offering as reported by Bloomberg, and ending on the fifteenth (15) month anniversary thereof, each Warrant may be exercised at the option of the holder on a cashless basis, in whole or in part for a whole number of shares if the weighted average price of the Common Stock on the trading day immediately prior to the exercise date fails to exceed the initial exercise price of the Warrant.

The Pre-Funded Warrants and Warrants were sold at a combined Offering price of $1.999 per Pre-Funded Warrant and Warrant. The Pre-Funded Warrants were sold to purchasers whose purchase of shares of Common Stock in the Offering would otherwise result in the purchaser, together with its affiliates and certain related parties, beneficially owning more than 4.99% of the Company's outstanding Common Stock immediately following the consummation of the Offering, in lieu of shares of Common Stock. Each Pre-Funded Warrant represents the right to purchase one share of Common Stock at an exercise price of $0.001 per share. The Pre-Funded Warrants are exercisable immediately and may be exercised at any time until the Pre-Funded Warrants are exercised in full. The shares of Common Stock, Pre-Funded Warrants and Warrants were issued separately and are immediately separable upon issuance.

NOTE 13 — SUBSEQUENT EVENTS (continued)

May 2018 Debentures

- On July 11, 2019, the Company executed a payoff payment of $3,150,000 of principal and interest towards a debenture holder in satisfaction of the holder's outstanding balance.
- On July 15, 2019, the Company effectuated a payment of $4,401,510 of principal and interest, upon receipt of the proceeds from the July 2019 financing, towards the satisfaction of an outstanding balance due to a debenture holder.
- On July 17, 2019, the Company issued 2,149 shares valued at $3,000 upon a debenture holder's conversion of and partial satisfaction of outstanding amounts due. The determination of the fair value of the common stock is at the time of issuance.
- On July 25, 2019, the Company issued 1,433 shares valued at $2,000 upon a debenture holder's conversion of and partial satisfaction of outstanding amounts due. The determination of the fair value of the common stock is at the time of issuance.

July 2016 Warrants

On July 18, 2019, the exercise price of common stock warrants issued in July 2016, as part of a financing, was adjusted down to $1.00 per share from $4.50 (post-split) by the terms of the "ratchet down" provision of the warrant agreement.

Common Stock Issuances

From July 1, 2019, to August 14, 2019, the Company:

- Issued 37,701 shares of common stock upon the exercise of 37,701 July 2016 common stock warrants and received cash proceeds in the amount of $170,000.
- Issued 4,450,000 shares of common stock upon the exercise of 4,450,000 July 2019 common stock pre-funded warrants and received cash proceeds in the amount of $4,500.
- Issued 5,995,900 shares of common stock upon the exercise of 5,995,900 July 2019 five-year cashless warrants.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Notice Regarding Forward Looking Statements

The information contained in Item 2 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

This filing contains a number of forward-looking statements which reflect management’s current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, events, or developments which management expects or anticipates will or may occur in the future, and also including statements related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Readers should not place undue reliance on these forward-looking statements, which are based on management’s current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below), and apply only as of the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements.

Overview

The overarching strategy of Vislink Technologies, Inc. (“Vislink Technologies,” the “Company,” “we,” “our” or “us”) is to design, develop and deliver advanced wireless communications solutions that provide customers in our target markets with enhanced levels of reliability, mobility, performance and efficiency in their business operations and missions. Vislink Technologies’ business lines include the main brands Integrated Microwave Technologies LLC (“IMT”) and Vislink Communications Systems (“Vislink” or “VCS”). The Vislink Technologies name serves as the corporate umbrella for its current brands, as well as any new ones that might be added to its portfolio in the future. There is considerable brand interaction, due to complementary market focus, compatible product and technology development roadmaps, and solution integration opportunities.

IMT:

IMT develops, manufactures and sells microwave communications equipment utilizing COFDM (Coded Orthogonal Frequency Division Multiplexing) technology. COFDM is a transmission technique that combines encoding technology with OFDM (Orthogonal Frequency Division Multiplexing) modulation to provide the low latency and high image clarity required for real-time live broadcasting video transmissions. IMT has extensive experience in ultra-compact COFDM wireless technology, which has allowed IMT to develop integrated solutions that deliver reliable video footage captured from both aerial and ground-based sources to fixed and mobile receiver locations.

Vislink:

VCS specializes in the wireless capture, delivery and management of secure, high-quality, live video from the field to the point of usage. VCS designs and manufactures products encompassing microwave radio components, satellite communication, cellular and wireless camera systems, and associated amplifier items. VCS serves two core markets: broadcast and media and law enforcement, public safety and surveillance. In the broadcast and media market, VCS provides broadcast communication links for the collection of live news and sports and entertainment events. VCS’ customers in the broadcast and media market include national broadcasters, multi-channel broadcasters, network owners and station groups, sports and live broadcasters and hosted service providers. In the law enforcement, public safety and surveillance market, VCS provides secure video communications and mission-critical solutions for law enforcement, defense and homeland security applications. VCS’ customers in the law enforcement, public safety and surveillance market include metropolitan, regional and national law enforcement agencies as well as domestic and international defense agencies and organizations.

Plan of Operations

We are executing on our sales and marketing strategy, through both direct sales to end-customers and indirect sales to channel network partners, and we have entered into multiple equipment purchase, reseller and teaming agreements as a result. These customer engagements span our target markets in rural telecommunications and defense.

Results of Operations

Comparison for the three and six months ended June 30, 2019 and 2018

Revenues

Revenues for the three and six months ended June 30, 2019 were $7.4 million and $15.6 million, respectively, compared to $9.4 million and $19.2 million for the three and six months ended June 30, 2018, representing decreases of $2 million or 21% and $3.6 million or 19%, respectively. The decreases can be attributed to one-time sales being recorded in the second quarter of 2018 not repeated in current fiscal quarter of 2019. The Company experienced a decline in revenue of approximately $5.1 million for Europe, North America, South American and rest of world market for the six-month period ended June 30, 2019. These decreases were offset in $1.4 million in the Asian market for the six-month period ended June 30, 2019.

Cost of Revenue and Operating Expenses

Cost of Components and Personnel

Cost of components and personnel for the three and six months ended June 30, 2019 were $3.5 million and $7.6 million, respectively, compared to $4.5 million and $9.3 million for the three and six months ended June 30, 2018, representing decreases of $1.0 million or 22% and $1.7 million or 18%, respectively. The decreases are primarily due to a decline in revenue resulting in less cost of components. The decrease is also attributable due to the proportional change in inventory levels as a result of the Company's disbanding of the xMax and Federal divisions in 2018.

Inventory Valuation Adjustments

Inventory valuation adjustments consist primarily of items that are written off due to obsolescence or written down to their net realizable value. Inventory valuation adjustments for the three and six months ended June 30, 2019, were $-0- and $0.1 million, respectively, compared to $0.1 million and $0.2 million for the three and six months ended June 30, 2018.

General and Administrative Expenses

General and administrative expenses are costs incurred in operating the business daily and include salary and benefit expenses including stock-based compensation and payroll taxes, as well as the costs of trade shows, marketing programs, promotional materials, professional services, facilities, general liability insurance, travel and expenses associated with being a public company. For the three and six months ended June 30, 2019, the Company incurred aggregate expenses of $5.6 million and $10.7 million, respectively, compared to $6.0 million and $11.9 million for the three and six months ended June 30, 2018, representing decreases of $0.4 million or 7% and $1.2 million or 10% respectively.

The three-month decrease of $0.4 million is primarily attributable to reductions of $0.6 million in salaries and benefits, $0.4 million in foreign exchange losses, $0.2 million in: management fees, travel costs, and commissions. This reduction was offset by an increase of $0.5 million in legal and professional fees, $0.4 in office administration costs, and $0.3 million in stock-based compensation.

The six-month decrease of $1.2 million is primarily attributable to reductions of $1.0 million of salaries and benefits, $0.4 million in travel costs, $0.3 million in: foreign exchange losses, miscellaneous operating costs and management fees, and, $0.2 million in: management fees and commissions. This reduction was offset by an increase of $0.4 million: in stock-based compensation and office administration costs, $0.3 million of legal and professional fees, and, $0.2 million: advertising costs and employees expenses.

We continue to expect similar declining results going forward due to the cost-cutting initiative program implemented in the fiscal year 2018.

Research and Development Expenses

Research and development expenses consist primarily of salary and benefit expenses including stock-based compensation and payroll taxes, as well as costs for prototypes, facilities and travel. For the three and six months ended June 30, 2019, the Company incurred aggregate expense of $0.9 million and $1.8 million, respectively, compared to $2.9 million and $5.4 million, respectively, for the three and six months ended June 30, 2018, representing decreases of $2.0 million or 69% and $3.6 million or 67% respectively.

The three-month decrease of $2.0 million is primarily attributable to reductions of $1.2 million of salaries and benefits, $1.1 million in stock-based compensation, offset by $0.3 million of consulting fees and other operating expenses. The six-month decrease of $3.6 million is primarily attributable to reductions of $2.5 million of salaries and benefits, $1.5 million of stock-based compensation and $0.3 million of other operating expenses, offset by an increase of $0.7 million in research costs.

We continue to expect similar declining results going forward due to the cost-cutting initiative program implemented in the fiscal year 2018.

Impairment

No impairments related to long-lived assets or amortized intangible assets were recorded during three and six months ended June 30, 2019. An impairment charge of $0.2 million was recognized for the three and six months ended June 30, 2018. The Company recorded impairment charges relating to the balance of xMax software development costs due to the winding down of the xMax division during the second quarter of 2018.

Amortization and Depreciation

Amortization and depreciation expenses for the three and six months ended June 30, 2019 were $0.6 million and $1.2 million, respectively, compared to $0.8 million and $1.7 million, respectively for the three and six months ended June 30, 2018, representing decreases of $0.2 million or 25% and $0.5 million or 29% respectively. The decline is attributable to a reduction of depreciation recorded on long-lived assets and impaired assets associated with the elimination of the xMax and Federal divisions during the fiscal year 2018.

Other

Changes in Fair Value of Derivative Liabilities

The fair value of derivative liabilities for the three and six months ended June 30, 2019 was $0.7 million each period, respectively, compared to $1.0 million and 1.7 million, respectively for the three and six months ended June 30, 2018, representing a decrease of $0.3 million or 30% and $1.0 million or 59% respectively. This fluctuation is due to the changes in our stock price and volatility rates of longer-term warrants.

Interest expense

Interest expense for the three and six months ended June 30, 2019 was $1.1 million and $1.4 million, respectively, compared to $1.9 million and $2.0 million, respectively, for the three and six months ended June 30, 2018. The decrease is attributable to the immediate expensing of warrant costs in the fiscal year 2018.

Net Loss

For the three and six months ended June 30, 2019, the Company had a net loss of $3.6 million and $6.6 million, respectively, compared to a net loss of $6.0 million and a net loss of $9.8 million, respectively, for the three and six months ended June 30, 2018, or a decrease in net loss of $2.4 million and $3.2 million, respectively. The reduction in the net loss is mainly associated with the elimination of the xMax and Federal divisions, accompanied by the effect of the cost-cutting initiative program implemented in the fiscal year 2018.

Liquidity and Capital Resources

As of June 30, 2019, the Company has working capital of approximately $4.1 million including $0.4 million of cash. We have incurred net loss of $6.7 million for the six months ended June 30, 2019.

Cash Flows

The following table sets forth the major components of our statements of cash flows data for the periods presented.

For the Six-Month Period Ended
(In Thousands)

	June 30, 2019	June 30, 2018
Net cash (used in) provided by operating activities	$ (1,207)	$ (4,357)
Net cash used in investing activities	(249)	(36)
Net cash provided by financing activities	(141)	3,623
Effect of exchange rate changes on cash	8	156
Net decrease in cash	$ (1,589)	$ (614)

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2019 and 2018, totaled $1.2 million and $4.4 million, respectively a decrease of $3.2 million. The change of $3.2 million of net cash used in operating activities is attributable to the reduction of $3.0 million of net loss, $2.4 million of accounts receivable, $1.7 million in amortization of debt discount, $1.4 million in payments made in stock for payroll and consultants, $1.3 million in stock-based compensation, $0.7 million of depreciation, amortization and impairments, $0.4 million in deferred revenue and customer deposits. The reductions were offset by increases in $3.2 million of accounts payable, $1.9 million of inventory, $1.8 million of accrued expenses and interest expense, $1.0 million of the change in fair value of derivative liabilities and $0.2 million of due to related parties.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2019 and 2018 was $0.2 million and $0.04 million, respectively, an increase of $0.16 million and relate to capital expenditures for furniture and equipment.

Financing Activities

Net cash used and provided by financing activities for the six months ended June 30, 2019 and 2018 was $0.1 million and $3.6 million, respectively, a decrease of $3.7 million mainly attributable to $3.6 million of financing executed in the fiscal year 2018 and none in the fiscal year 2019.

Cost Reductions

The Company has successfully achieved $1.3 million of cost reductions primarily related to facilities consolidation, which includes consolidating the two sites in Colchester, U.K., into one site. The Company expects savings in connection with the consolidation to be approximately $0.5 million through June 2020. In addition, our Billerica facility was subleased in June 2019 with expected savings over the term of the lease of $0.6 million. Also, as part of cost cutting measures, the Company did not renew the office or warehouse space it leases in Sunrise, Florida which achieved annual savings of $0.2 million.

Liquidity

The accompanying unaudited condensed consolidated financial statements have been prepared to assume the Company can continue as a going concern, which contemplates continuity of operations through the realization of assets, and the settling of liabilities in the ordinary course of business. The Company had $0.4 million in cash on the balance sheet at June 30, 2019. The Company had working capital and an accumulated deficit of $4.1 million and $241.2 million, respectively, on June 30, 2019. Additionally, the Company had a loss from operations in the amount of approximately $6.3 million and cash used in operating activities of $1.2 million for the six months ended June 30, 2019

In the fiscal year 2018, the Company implemented a cost reduction initiative, which resulted in approximately $8.2 million in annual savings. The Company affected these reductions by phasing out a business division which scaled-down payroll and associated benefits and other supporting expenses. The Company realized an additional $1.3 million of savings primarily related to facilities consolidation and severance.

On July 11, 2019, the Company closed an equity financing for 1,550,000 shares of common stock, warrants to purchase 6,000,000 shares of common stock and, pre-funded warrants to purchase common stock in place of common stock. The Company received gross proceeds of $11,995,550 from the offering, before deducting underwriting-related fees and other offering expenses payable by the Company.

The Company intends to use the net proceeds from the equity financing to satisfy outstanding principal and accrued interest due on convertible promissory notes and, provide working capital for daily operating expenditures. We believe there are enough funds from this equity raise in conjunction with cost reduction initiative to mitigate the going concern uncertainty for at least the next twelve months from the date of issuance of these financial statements. The ability to recognize revenue and ultimately cash receipts is contingent upon, but not limited to, acceptable performance of the delivered equipment and services. Our asset carrying value could be materially impacted if we are unable to close on some revenue-producing opportunities in the near term.

Nasdaq Compliance

On May 17, 2018 the Company, received a written notification from The Nasdaq Stock Market LLC ("Nasdaq") indicating that the Company was not in compliance with NASDAQ Listing Rule 5550(a)(2) as Company's closing bid price was below $1.00 per share for the previous 30 consecutive business days.

Pursuant to the Nasdaq Listing Rule 5810(c)(3)(A), the Company was granted a 180-day compliance period, or until November 13, 2018, to regain compliance with the minimum bid price requirements. During the compliance period, the Company's shares of common stock will continue to be listed and traded on Nasdaq.

The Company was afforded a second 180 calendar day grace period by Nasdaq to regain compliance with the minimum bid price requirements.

On April 30, 2019, the Company's Board of Directors (the "Board") approved a resolution to amend the Company's Certificate of Incorporation and to authorize the Company to effect a reverse split of the Company's outstanding common stock at a ratio of 1-for-10. On May 7, 2019, the Company effected the 1-for-10 reverse stock split. Upon effectiveness of the reverse stock split, every ten shares of an outstanding common stock decreased to one share of common stock. We have retroactively applied the reverse split throughout this quarterly report to all periods presented.

On May 29, 2019, we received correspondence from Nasdaq indicating that we had regained compliance with the minimum bid requirement.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). These disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to the Company's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer (Principal Executive Officer), who is also our Chief Financial Officer (Principal Financial Officer), we conducted an evaluation of our disclosure controls and procedures. Based on the foregoing evaluation, our management concluded that, as of June 30, 2019, our disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, due to a lack of segregation of duties.

We expect to be materially dependent upon limited experienced accounting personnel and a third-party consultant to provide us with accounting services for the foreseeable future. Until such time as we can remediate this situation, there are no assurances that the material weaknesses in our disclosure controls and procedures and internal control over financial reporting will not result in errors in our financial statements which could lead to a restatement of those financial statements. We expect improvements, as resources permit, to be made on the integration of information issues in the year ending December 31, 2019 as we plan to move towards one accounting and enterprise resource planning ("ERP") system. We cannot provide any assurance that we will undertake or successfully make such improvements.

In our Annual Report on Form 10-K for the year ended December 31, 2018, we identified material weaknesses in our internal control over financial reporting as a result of not properly performing an effective risk assessment or monitoring of our internal controls over financial reporting. In addition, with the acquisitions of IMT and Vislink, there are risks related to the timing and accuracy of the integration of information from various accounting and ERP systems. As of June 30, 2019, we concluded that certain of these material weaknesses continued to exist.

The Company is continuing to further remediate the material weakness identified above as its resources permit.

Changes in Internal Controls

During the three months ended June 30, 2019, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are a party to litigation and subject to claims incident to the ordinary course of business. Future litigation may be necessary to defend ourselves and our customers by determining the scope, enforceability and validity of third-party proprietary rights or to establish our proprietary rights.

As of June 30, 2019, we do not have any material litigation matters pending.

Item 1A. Risk Factors.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

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

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	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.
32.2	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.
99.1	Revised Governance and Nomination Committee Charter
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Taxonomy Presentation Linkbase

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

SIGNATURES

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

	VISLINK TECHNOLOGIES, INC.
Date: August 14, 2019	By: */s/ Roger Branton*
	Roger G. Branton Chief Executive Officer (Duly Authorized Officer and Principal Executive Officer)
Date: August 14, 2019	By: */s/ Roger Branton*
	Roger G. Branton Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

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In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

Exhibit 31.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Roger G. Branton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of VISLINK TECHNOLOGIES, Inc. (the "registrant"):

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, present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

b) Any fraud, whether material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2019

/s/ Roger G. Branton
Roger G. Branton
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Roger G. Branton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of VISLINK TECHNOLOGIES, Inc. (the “registrant”):

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

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

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: August 14, 2019

/s/ Roger G. Branton
Roger G. Branton
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of VISLINK TECHNOLOGIES, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2019 (the “Report”), I, Roger G. Branton, Chief Executive Officer and Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2019

/s/ Roger G. Branton
Roger G. Branton
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of VISLINK TECHNOLOGIES, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2019 (the “Report”), I, Roger G. Branton, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2019

/s/ Roger G. Branton
Roger G. Branton
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Vislink Technologies, Inc.

GOVERNANCE AND NOMINATION COMMITTEE CHARTER

Revised as of August 8, 2019

Role

The Governance and Nomination Committee's role is to: determine the slate of director nominees for election to the Company's Board of Directors, to identify and recommend candidates to fill vacancies occurring between annual shareholder meetings, to review, evaluate and recommend changes to the Company's corporate governance policies and to consider matters of corporate governance generally, to develop and recommend qualification standards and other criteria for selecting new Directors, and to review the Company's policies and programs that relate to matters of corporate responsibility, including public issues of significance to the Company and its stakeholders.

Membership

The membership of the Committee consists of at least two directors, each of whom shall meet the independence requirements established by the Board and applicable laws, regulations and listing requirements, provided, that if the Committee consists of at least three directors and applicable laws, regulations and listing requirements so permit, one of those directors need not meet independence requirements. The Board appoints the members of the Committee and the chairperson. The Board may remove any member from the Committee at any time with or without cause.

Operations

The Committee shall meet at least twice a year. The two established meetings for the Committee shall be in connection with the quarterly board meeting to review the second quarter financial statements and at the yearend board meeting at which time the Committee shall evaluate, establish, and recommend to the full Board of Directors candidates for the succeeding year's proxy statement. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will cause to be kept adequate minutes of all its proceedings, and will report on its actions and activities at the next quarterly meeting of the Board (or within four months, whichever occurs sooner). Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee is governed by the same rules regarding meetings (including meetings by conference telephone or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision of this Charter, (b) any provision of the Bylaws of the Company, or (c) the laws of the state of Delaware.

Authority

The Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate any search firm used to identify director candidates, or other similar experts or consultants, as it deems appropriate, including sole authority to approve such firms' fees and other retention terms. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

Responsibilities

Subject to the provisions of the Corporate Governance Guidelines, the principal responsibilities and functions of the Governance and Nomination Committee are as follows:

1. Annually evaluate and report to the Board on the performance and effectiveness of the Board to facilitate the directors fulfilling their responsibilities in a manner that serves the interests of Vislink Technologies, Inc.'s shareholders.

2. Annually present to the Board a list of individuals recommended for nomination for election to the Board at the annual meeting of shareholders.

3. Before recommending an incumbent, replacement or additional director, review his or her qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors.

4. Assist in identifying, interviewing and recruiting candidates for the Board.

5. Annually review the composition of each committee and present recommendations for committee memberships to the Board as requested by the Board.

6. Periodically review the compensation paid to non-employee directors for annual retainers (including Board and committee Chairs) and meeting fees, if any, and make recommendations to the Board for any adjustments. No member of the Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as such.

7. Develop and periodically review and recommend to the Board appropriate revisions to the Company's corporate governance policies, including, among other things, periodically reviewing the Company's General Code of Ethics; Code of Ethics for Executive Officers and Principal Accounting Personnel; confidential information and insider trading policies and any similar Company codes and policies, and, based on such periodic review, recommend changes to the Board as deemed appropriate.

8. Monitor compliance with the Company's corporate governance policies.

9. Review and discuss with management disclosure of the Company's corporate governance practices, including information regarding the operations of the Committee, director independence and the director nominations process, and to recommend that this disclosure be included in the Company's proxy statement or annual report on Form 10-K, as applicable.

10. Regularly review and make recommendations about changes to the charters of all Board committees after consultation with the respective committee chairs, in addition to the Committee charter.

11. Obtain or perform an annual evaluation of the Committee's performance and make applicable recommendations.

12. Assist the Chairman of the Board, if the Chairman is a non-management director, or otherwise the Chairman of the Committee acting as Lead Independent Director, in leading the Board's annual review of the Chief Executive Officer's performance.

Foundation

In fulfilling its responsibilities, the Committee will seek to be guided by the following principles:

1. The Board will need directors capable of satisfying the Board's oversight responsibilities, which include monitoring and/or making inquiries or ensuring: (a) the Company's performance in relation to its plans, strategies, financial and non-financial objectives; (b) the performance and effectiveness of the Company's management team; (c) succession and development plans for key Company executives; (d) through the Audit Committee, evaluating the integrity of the Company's accounting and financial reporting systems, including the audit of the Company's annual financial statements by the independent auditors, and that appropriate systems of control are in place; and (e) the Company's compliance with legal and regulatory requirements.

2. Board members are expected to: (a) become and remain informed about the Company, its business and its industry; (b) attend all meetings of the Board and of Board committees on which they serve, having read and considered any materials distributed in advance of the meeting; and (c) participate constructively in Board and committee meetings, drawing upon their individual experience, knowledge and background, as appropriate, to provide perspectives and insights.

3. The Committee will continue to monitor best practices throughout the small and microcap industry. The goal of such effort will be to ensure that:

(a) Frequency of Meetings

The Board will hold at least four regular meetings each year and may hold additional or special meetings whenever necessary. Regular Board meetings will, where appropriate and efficient, be held in person, although Board members may participate by conference call. Special meetings may be held either in person or by conference call. The Board may also act by unanimous written consent.

(b) Board Agendas

In preparation for meetings of the Board, the Chairman, in consultation with the CEO, if such positions are held separately with support from the Secretary of the Company and such other officers as the CEO or Secretary shall designate, shall disseminate to directors on a timely basis briefing materials regarding matters to be included in the meeting agenda, as well as minutes from prior meetings and any written reports by committees. Each Board member may suggest inclusion of items on the agenda and raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

(c) Board Materials Distributed in Advance

Information and materials that are important to the Board’s understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable and appropriate, be distributed sufficiently in advance of the meeting to permit prior review by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

(d) Board Committees

The Board currently has the following standing committees: Governance and Nomination Committee, Audit Committee and Compensation Committee. The committees’ charters are posted on the Company’s website. From time to time the Board may form a new committee or disband a current committee depending on the circumstances. Each committee will comply with the independence and other requirements established by applicable law and regulations, including Securities and Exchange Commission and NASDAQ (or any other exchange on which it may be listed) rules, within any required timeframes.

(e) Nominating Process

The nominating process outlined herein applies only with respect to the nomination of director candidates who will be presented to the Company’s stockholders for election at the Annual Meeting, if any.

(i) The Committee is responsible for screening and recommending to the Board nominees for election as directors of the Company, including nominees recommended by stockholders of the Company. When formulating its Board membership recommendations, the Committee will consider advice and recommendations from stockholders, management, and others as it deems appropriate, and will also take into account the performance of incumbent directors in determining whether to recommend them to stand for reelection at the annual meeting of stockholders.

(ii) After the completion of interviews (including, as appropriate, with other Board members, the CEO and other members of senior management) and reference checks of identified candidates, the Committee will meet in person or by conference call to discuss and make recommendations to the Board with respect to the candidates. The full Board will then vote on the committee’s recommendations. Those candidates approved by a majority of the Board shall be nominated for election by the Company’s stockholders at the next Annual Meeting.

The Chairman of the Board will contact any candidate(s) so approved, invite them to attend the Company’s Annual Meeting and to join the Board at its first meeting thereafter, if they are elected by the Company’s stockholders at the Annual Meeting. In the case of a Board candidate appointed between Annual Meetings, the same nominating process will generally apply except that the approved candidate will be invited to join the Board at its next meeting after his/her approval by the Board and will stand for election by stockholders at the first Annual Meeting thereafter.