Submission Data File

General Information	
Form Type*	10-Q
Contact Name	M2 Compliance
Contact Phone	310-402-2681
Filer Accelerated Status*	Non-Accelerated Filer
Filer File Number	
Filer CIK*	0001565228 (Vislink Technologies, Inc.)
Filer CCC*	**********
Filer is Shell Company*	N
Filer is Smaller Reporting Company	Yes
Confirming Copy	No
Notify via Website only	No
Return Copy	Yes
SROS*	NONE
Period*	09-30-2020
Emerging Growth Company	No
Elected not to use extended transition period	No
(End General Information)	

Document Information	
File Count*	5
Document Name 1*	form10-q.htm
Document Type 1*	10-Q
Document Description 1	
Document Name 2*	ex31-1.htm
Document Type 2*	EX-31.1
Document Description 2	
Document Name 3*	ex31-2.htm
Document Type 3*	EX-31.2
Document Description 3	
Document Name 4*	ex32-1.htm
Document Type 4*	EX-32.1
Document Description 4	
Document Name 5*	ex32-2.htm
Document Type 5*	EX-32.2
Document Description 5	
(End Document Information)	

Notifications	
Notify via Website only	No
E-mail 1	filing@m2compliance.com
(End Notifications)	

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 September 30, 2020
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)	(IRS Employer Identification No.)

101 Bilby Road, Suite 15, Bldg. 2
Hackettstown, NJ 07840
(Address of principal executive offices) (Zip Code)

(941) 953-9035
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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 Capital Market

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]

The number of shares of the registrants' common stock outstanding as of November 12, 2020, is 20,878,780.

VISLINK TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
For the nine months ended September 30, 2020

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)

	September 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets		
Cash	$ 3,123	$ 1,737
Accounts receivable, net	4,063	6,714
Inventories, net	9,532	7,674
Prepaid expenses and other current assets	964	660
Total current assets	17,682	16,785
Right of use assets, operating leases	1,616	1,925
Property and equipment, net	1,849	1,972
Intangible assets, net	2,155	2,922
Total assets	$ 23,302	$ 23,604
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,339	$ 6,784
Accrued expenses	1,873	1,912
Notes payable	96	339
Current portion of PPP loan	424	—
Operating lease obligations, current	324	821
Due to related parties	—	505
Customer deposits and deferred revenue	1,593	2,821
Derivative liabilities	29	30
Total current liabilities	7,678	13,212
Long-term portion of PPP loan	744	—
Operating lease obligations, net of current portion	1,279	1,163
Total liabilities	9,701	14,375
Commitments and contingencies (See Note 10)		
Stockholders' equity		
Preferred stock – $0.00001 par value per share: 10,000,000 shares authorized as of September 30, 2020, and December 31, 2019; -0- shares issued and outstanding as of September 30, 2020, and December 31, 2019	—	—
Common stock – $0.00001 par value per share, 100,000,000 shares authorized, 17,160,808 and 3,594,548 shares issued and 17,158,149 and 3,591,889 outstanding as of September 30, 2020 and December 31, 2019, respectively	—	—
Additional paid-in capital	274,187	261,871
Accumulated other comprehensive income	264	207
Treasury stock, at cost – 2,659 shares at September 30, 2020, and December 31, 2019, respectively	(277)	(277)
Accumulated deficit	(260,573)	(252,572)
Total stockholders' equity	13,601	9,229
Total liabilities and stockholders' equity	$ 23,302	$ 23,604

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 September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	$ 4,778	$ 5,007	$ 16,138	$ 20,565
Cost of revenue and operating expenses				
Cost of components and personnel	3,257	2,968	8,505	10,611
Inventory valuation adjustments	195	223	244	312
General and administrative expenses	3,200	5,329	12,721	16,062
Research and development expenses	616	799	1,831	2,591
Gain on lease termination	—	—	(21)	—
Amortization and depreciation	337	586	1,094	1,763
Total cost of revenue and operating expenses	7,605	9,905	24,374	31,339
Loss from operations	(2,827)	(4,898)	(8,236)	(10,774)
Other income (expense)				
Changes in fair value of derivative liabilities	82	281	1	954
Gain (loss) on conversion of debentures	—	15	—	(33)
Gain on settlement of related party obligations	—	—	331	—
Other income (expense)	5	—	5	—
Interest expense, net	(53)	(393)	(102)	(1,807)
Total other income (expense)	34	(97)	235	(886)
Net loss	$ (2,793)	$ (4,995)	$ (8,001)	$ (11,660)
Basic and diluted loss per share	$ (0.17)	$ (2.41)	$ (0.61)	$ (12.77)
Weighted average number of shares outstanding:				
Basic and diluted	16,296	2,070	13,084	913
Comprehensive loss:				
Net loss	$ (2,793)	$ (4,995)	$ (8,001)	$ (11,660)
Unrealized gain (loss) on currency translation adjustment	(192)	81	57	82
Comprehensive loss	$ (2,985)	$ (4,914)	$ (7,944)	$ (11,578)

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

VISLINK TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020
(IN THOUSANDS, EXCEPT SHARE DATA)

For the Three Months Ended September 30, 2020

	Series D Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income	Treasury Stock	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount					
Balance, June 30, 2020	—	$ —	16,103,613	$ —	$ 272,727	$ 456	$ (277)	$ (257,780)	$15,126
Net loss	—	—	—	—	—	—	—	(2,793)	(2,793)
Unrealized loss on currency translation adjustment	—	—	—	—	—	(192)	—	—	(192)
Issuance of common stock in connection with:									
Underwriting equity raise, net of offering costs	—	—	1,056,838	—	1,407	—	—	—	1,407
Exercise of common stock warrants	—	—	44	—	—	—	—	—	—
Exercise of cashless common stock warrants	—	—	313	—	—	—	—	—	—
Stock issuance commitments	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	53	—	—	—	53
Balance, September 30, 2020	—	$ —	17,160,808	$ —	$ 274,187	$ 264	$ (277)	$ (260,573)	$13,601

For the Nine Months Ended September 30, 2020

	Series D Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Income	Treasury Stock	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount					
Balance, January 1, 2020	—	$ —	3,594,548	$ —	$ 261,871	$ 207	$ (277)	$ (252,572)	$ 9,229
Net loss	—	—	—	—	—	—	—	(8,001)	(8,001)
Unrealized loss on currency translation adjustment	—	—	—	—	—	57	—	—	57
Issuance of common stock in connection with:									
Underwriting equity raise, net of offering costs	—	—	4,464,338	—	11,571	—	—	—	11,571
Exercise of common stock warrants	—	—	3,829,885	—	11	—	—	—	11
Exercise of cashless common stock warrants	—	—	5,225,913	—	—	—	—	—	—
	—	—	46,124	—	65	—	—	—	65

Stock issuance commitments									
Stock-based compensation	—	—	—	—	669	—	—	—	669
Balance, September 30, 2020	—	$ —	17,160,808	$ —	$ 274,187	$ 264	$ (277)	$ (260,573)	$13,601

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

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

For the Three Months Ended September 30, 2019

	Series D Preferred Stock		Common Stock		Additional Paid In	Accumulated Other Comprehensive	Treasury	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Income	Stock	Deficit	Total
Balance, June 30, 2019	—	$ —	375,955	$ —	$ 246,190	$ 276	$ (22)	$ (241,190)	$ 5,254
Net loss	—	—	—	—	—	—	—	(4,995)	(4,995)
Unrealized loss on currency translation adjustment	—	—	—	—	—	81	—	—	81
Issuance of common stock in connection with:									
Underwriting equity raise, net of offering costs	—	—	258,333	—	10,803	—	—	—	10,803
Exercise of common stock warrants	—	—	749,950	—	174	—	—	—	174
Exercise of cashless common stock warrants	—	—	999,317	—	—	—	—	—	—
Conversion of principal and accrued interest on convertible promissory notes	—	—	5,641	—	30	—	—	—	30
Reclassification of derivative liabilities in connection with the exercise of common stock warrants	—	—	—	—	24	—	—	—	24
Purchase of treasury stock	—	—	—	—	—	—	(255)	—	(255)
Stock-based compensation	—	—	—	—	794	—	—	—	794
Balance, September 30, 2019	—	$ —	2,389,196	$ —	$ 258,015	$ 357	$ (277)	$ (246,185)	$11,910

For the Nine Months Ended September 30, 2019

	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	—	$ —	312,950	$ —	$ 244,562	$ 275	$ (22)	$ (234,525)	$ 10,290
Net loss	—	—	—	—	—	—	—	(11,660)	(11,660)
Unrealized loss on currency translation adjustment	—	—	—	—	—	82	—	—	82
Issuance of common stock in connection with:									
Underwriting equity raise, net of offering costs	—	—	258,333	—	10,803	—	—	—	10,803

Exercise of common stock warrants	—	—	749,950	—	174	—	—	—	174
Exercise of cashless common stock warrants	—	—	999,317	—	—	—	—	—	—
Payments made in stock (payroll and consultants)	—	—	8,474	—	66	—	—	—	66
Compensation awards previously accrued	—	—	3,272	—	123	—	—	—	123
Conversion of amounts due to related parties	—	—	2,078	—	31	—	—	—	31
Conversion of principal and accrued interest on convertible promissory notes	—	—	54,822	—	529	—	—	—	529
Reclassification of derivative liabilities in connection with the exercise of common stock warrants	—	—	—	—	24	—	—	—	24
Purchase of treasury stock	—	—	—	—	—	—	(255)		(255)
Stock-based compensation	—	—	—	—	1,703	—	—	—	1,703
Balance, September 30, 2019	—	$ —	2,389,196	$ —	$ 258,015	$ 357	$ (277)	$ (246,185)	$ 11,910

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

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

	For the Nine months Ended September 30,	
	2020	**2019**
Cash flows used in operating activities		
Net loss	$ (8,001)	$ (11,660)
Adjustments to reconcile net loss to net cash used in operating activities		
Gain on lease termination	(21)	—
Gain on settlement of related party obligations	(331)	—
Stock-based compensation	669	1,703
Payment made in stock (payroll and consultants)	—	66
Stock issuance commitments	65	190
Provision for bad debt	294	120
Inventory valuation adjustments	244	312
Amortization of right of use assets, operating assets	404	586
Depreciation and amortization	1,094	1,763
Change in fair value of derivative liabilities	(1)	(954)
Loss on conversion of debentures	—	33
Amortization of debt discount	—	63
Changes in assets and liabilities		
Accounts receivable	2,295	1,152
Inventory	(2,208)	(285)
Prepaid expenses and other current assets	(103)	(189)
Accounts payable	(3,255)	(81)
Accrued expenses and interest expense	(12)	452
Operating lease liabilities	(454)	(533)
Deferred revenue and customer deposits	(1,203)	945
Due to related parties	(174)	173
Net cash used in operating activities	(10,698)	(6,144)
Cash flows used in investing activities		
Payment for purchase of treasury stock	—	(24)
Cash used in for property and equipment	(227)	(357)
Net cash used in investing activities	(227)	(381)
Cash flows provided in financing activities		
Proceeds received from equity financings	12,584	11,996
Costs incurred in connection with equity financing	(1,013)	(1,193)
Proceeds from the exercise of common stock warrants	11	174
Principal payments in connection with working capital financing note	(108)	—
Principal payments made on convertible promissory notes	—	(5,951)
Principal payments made on D&O notes payable	(348)	—
Proceeds received from PPP loan	1,168	—
Net cash provided in financing activities	12,294	5,026
Effect of exchange rate changes on cash	17	(1)
Net increase (decrease) in cash	1,386	(1,500)
Cash, beginning of period	1,737	2,005
Cash, end of period	$ 3,123	$ 505
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 104	$ 1,756
Cash paid during the period for income taxes	$ —	$ —
Supplemental disclosure of non-cash information:		
Notes payable recognized on D&O Insurance policy (Note 4)	$ 213	$ —
Reclassification of derivative liabilities to stockholders' equity upon the exercise of warrants	—	24
Financing encumbered in treasury stock purchased	—	249
Common stock issued in connection with:		
Services previously accrued	$ —	$ 123
Settlement of amounts due to related parties	—	31
Settlement of principal and interest due on convertible promissory notes	—	529
ROU assets and operating lease obligations recognized (Note 5):		
Operating lease assets recognized	$ 628	2,899
Less: non-cash changes to operating lease assets amortization		
amortization	(404)	—
lease termination	(533)	—
	$ (309)	$ 2,899
Operating lease liabilities recognized	$ 628	$ 2,955
Less: non-cash changes to operating lease liabilities		

amortization	(454)	—
lease termination	(553)	—
	$ (379)	$ 2,955

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

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Vislink is a global technology business specializing in the collection, delivery, and management of high quality, live video and associated data from the scene of the action to the viewing screen. For the broadcast markets, Vislink provides solutions for the collection of live news, sports, and entertainment events. Vislink also furnishes the surveillance and defense markets with real-time video intelligence solutions using a variety of tailored transmission products. The Vislink team also provides professional and technical services utilizing a staff of technology experts with decades of applied knowledge and real-world experience to the areas of a terrestrial microwave, satellite, fiber optic, surveillance, and wireless communications systems, to deliver a broad spectrum of customer solutions.

LIVE BROADCAST:

Vislink delivers an extensive portfolio of solutions for live news, sports, and entertainment industries. These solutions encompass the video collection, transmission, management, and distribution of content, via microwave, satellite, cellular, IP, and MESH networks. With over 50 years in operation, Vislink has the expertise and technology portfolio to deliver fully integrated, seamless, end-to-end solutions.

Vislink's live broadcast solutions are well known across the industry. A vast majority of all outside wireless broadcast video content is transmitted using our equipment, with more than 200,000 systems installed worldwide. We work closely with the majority of the world's broadcasters. Vislink wireless cameras and ultra-compact encoders help bring many of the world's most prestigious sporting and entertainment events to life. Recent examples include globally watched international sporting contests, award shows, racing events, and annual music and cultural events.

MILITARY AND GOVERNMENT:

Building on our knowledge of live video delivery, Vislink has developed high-quality solutions to meet the operational and industry challenges of the surveillance and defense markets. Vislink solutions are specifically designed with interagency cooperation in mind, utilizing a common international protocol, or IP, platform, and a web interface for video delivery. Vislink provides comprehensive video, audio, and data communications solutions to the law enforcement and public safety community, including Airborne, Unmanned Systems, Maritime and Tactical Mobile Command Posts. These solutions may include airborne downlinks, terrestrial point-to-point, tactical mobile command, maritime, UAV, and personal portable products that meet the demands of field operations, command centers, and central receiving sites. Short-range and long-range solutions are available in areas that include established infrastructure as well as extremely remote areas, helping to make valuable video intelligence available regardless of location. Vislink public safety and surveillance solutions are deployed worldwide, including throughout the US, Europe, and the Middle East, at the local, regional, and federal levels of operation, for criminal investigation, crisis management, mobile command posts, and field operations.

SATELLITE COMMUNICATIONS:

Vislink's satellite solutions are supported by more than 30 years of technical expertise. These solutions aim to ensure robust, secure communications while delivering low transmission costs for any organization that needs high quality, reliable satellite transmission. Vislink offers turnkey solutions that begin with a state-of-the-art coding, compression, and modulation engines and end with our robust, lightweight antenna systems. Vislink Satellite solutions focus heavily on being the smallest, lightest, and most efficient in their categories, making transportation and ease of use a key driver in the customer experience. Vislink offers an extensive range of satellite designs that allow customers to optimize bit rate, size, weight, and total cost. Our satellite systems are used extensively across the globe, with over 2,000 systems deployed by governments, militaries, and broadcasters alike.

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared under the United States generally accepted accounting principles ("US GAAP") for interim financial information and following 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. They 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, 2019, filed with the United States Securities and Exchange Commission (the "SEC") on April 1, 2020. 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 September 30, 2020, the results of its operations and cash flows for the nine months ended September 30, 2020, and 2019. Such adjustments are of a routine recurring nature. The results of operations for the nine months ended September 30, 2020, may not be indicative of results for a full year, any other interim period or any future year period.

Principles of Consolidation

The preparation of the accompanying financial statements conforms with US GAAP, as found in the Accounting Standards Codification ("ASC"), the Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB") and the rules and regulations of the SEC. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, IMT and Vislink.

Upon consolidation, the elimination of all intercompany accounts and transactions took place among the consolidated entities.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements. These estimates also affect the reported amounts of revenues and expenses during the reporting periods. Significant accounting estimates reflected in the Company's condensed consolidated financial statements include the useful lives of property, plant, and equipment, impairment of long-lived assets, allowance for accounts receivable doubtful accounts, allowance for inventory obsolescence reserve, allowance for deferred tax assets, valuation of warranty reserves, contingent consideration liabilities, and the accrual of potential liabilities. Actual results could differ from estimates, and any such differences may be material to our financial statements.

We are not presently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to update our estimates or judgments or revise the carrying value of our assets or liabilities. There have been no new or material changes to the accounting estimates discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, that are of significance, or potential significance, to the Company.

Risks and Uncertainties

The Company's operations will be subject to significant risks and uncertainties, including financial, operational, regulatory, and other risks associated, including the potential risk of business failure. The recent global COVID-19 outbreak has caused an economic crisis, and the extent of the impact of this pandemic on the Company's business is highly uncertain and difficult to predict, as this virus continues to grow, and state and local governments work to control this outbreak. Any economic disruption could have a disadvantageous material effect on our business and reduce our capital resources and access to capital, with possible unfavorable implications on our financial condition and results of operations. Policymakers around the globe have responded with fiscal policy actions to support their industries and economies, but the magnitude and overall effectiveness of these interventions remain uncertain.

We cannot give assurances that the COVID-19 pandemic will not in the future materially impact the Company's financial condition, or that any initiatives or programs that the Company may undertake, if any, as of the date of the issuance of these unaudited condensed consolidated financial statements will prove effective in mitigating any negative impacts from COVID-19. Also, we cannot provide assurances that the COVID-19 public health effort will not be intensified to such an extent, particularly in response to any resurgence in infections, that would prevent us from conducting any business operations in our target markets or at all for an indefinite period. The Company can give no assurance that a material impact on the Company's financial condition has not resulted or will not result in the future, particularly as the state, local and international restrictions impacting our business continues to evolve.

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

Impairment of Long-Lived Assets

Management usually evaluates indefinite-lived intangible assets for impairment annually during the fourth quarter or more frequently if an event occurs, or circumstances change ("triggering events") that would be more likely than not reduce the fair value of a reporting unit or intangible asset below its carrying value. As a result of the significant impact the COVID-19 pandemic has had on the Company's operations, we analyzed these triggering events affecting our customers and target markets in early May 2020. We record impairment losses for long-lived assets used in our business, including right-of-use operating lease assets, if the asset's carrying amount is not recoverable when the estimated undiscounted cash flows expected to result from the use of an asset and its eventual disposition is less than the carrying amount. As part of the Company's impairment analysis, the fair value of a reporting unit is determined using both the income and market approaches. The income approach requires management to estimate a number of factors for each reporting unit, including the projected future operating results, economic projections, anticipated future cash flows and discount rates considering the impact of COVID-19, among other potential consequences. The market approach estimates fair value using comparable marketplace fair value data from a similar industry grouping.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions, including the impact of COVID-19, could have a significant effect on either the fair value of the reporting units and indefinite-lived intangibles, including right-of-use operating lease assets and indefinite-lived intangible impairment charges. These estimates can be affected by several factors including, but not limited to, the impact of COVID-19, its severity, duration and its impact on global economies, general economic conditions as well as its impact on our operating results and financial conditions. The Company will continue to monitor these potential impacts, including the effects of COVID-19 and economic, industry and market trends and the impact these may have on our operations. The Company did not note any impairment for the three and nine months ended September 30, 2020, and 2019.

Inventories

The Company records inventory 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 on the face of the unaudited condensed consolidated statements of operations for the nine months ended September 30, 2020, and 2019.

Revenue Recognition

We account for the Company's operating results under ASC Topic 606 adopted on January 1, 2019. It is a comprehensive revenue recognition model that requires revenue to be recognized when the Company transfers control of the promised goods or services to our customers at an amount that reflects the consideration that we expect to receive. The application of ASC Topic 606 requires us to use more judgment and make more estimates than under previously issued guidance.

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 value-added sales taxes, and other charges we collect concurrent with revenue-producing activities.

Remaining performance obligations, or backlog, represents the aggregate amount of the transaction price allocated to the remaining obligations that the Company has not performed under its customer contracts. The Company has elected to use the optional exemption in ASC 606-10-50-14, which exempts an entity from such disclosures if a performance obligation is part of a contract with an original expected duration of one year or less.

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

Leases

We determine if an arrangement is a lease at inception. We recognize lease expense for lease payments on a straight-line basis over the lease term. The Company includes operating leases as ROU assets as “Right of use assets, operating leases” in the consolidated balance sheets. For lease liabilities, operating lease liabilities are included in “Operating lease obligations, current” and “Operating lease liabilities, net of current portion,” in the consolidated balance sheets. We recognize Operating lease ROU assets and liabilities on the commencement date based on the present value of lease payments for all leases with a term longer than 12 months. There is no separation of lease and non-lease components for all our contracts of real estate.

The ROU assets and related lease liabilities recorded under ASC 842 are calculated based on the present value of the lease payments using (1) the rate implicit in the lease or (2) the lessee’s incremental borrowing rate (“IBR”), defined as the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a comparable economic environment. As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rates based on an analysis of prior collateralized borrowings over similar terms of the lease payments at the commencement date, to estimate the IBR under ASC 842. There were no capital leases, which are now titled “finance leases” under ASC 842, in the Company’s lease portfolio as of September 30, 2020.

Stock-Based Compensation

The Company accounts for stock compensation with persons classified as employees for accounting purposes following ASC 718 “Compensation-Stock Compensation,” which recognizes awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. The fair value of stock options is determined using the Black-Scholes Option Pricing Model. The fair value of common stock issued for services is determined based on the Company’s stock price on the date of issuance.

Under ASU 2018-07, the scope of Topic 718 was expanded to include share-based payment transactions for acquiring goods and services from non-employees. Equity-classified non-employee share-based payment awards are no longer measured at the earlier of the date at which a commitment for performance by the counterparty is reached or the date at which the counterparty’s performance is complete. Instead, they are now measured at the grant date. Non-employee share-based payment awards with performance conditions are measured at the lowest aggregate fair value under today’s guidance, which often results in zero value. ASU 718 aligns the accounting for non-employee share-based payment awards with performance conditions with accounting for employee share-based payment awards under Topic 718 by requiring entities to consider the probability of satisfying performance conditions. Current guidance requires entities to use the contractual term for the measurement of the non-employee share-based payment awards. ASU 718 allows entities to make an award-by-award election to use either the expected term (consistent with employee share-based payment awards) or the contractual term for non-employee awards

Loss Per Share

The Company reports loss per share under ASC Topic 260, “Earnings Per Share,” which establishes standards for computing and presenting earnings per share. The calculation of basic loss per share of common stock divides the net loss allocable to common stockholders by the weighted-average shares of common stock outstanding during the period, without consideration of common stock equivalents. The diluted loss per share calculation adjusts the weighted-average shares of common stock outstanding for the dilutive effect of common stock equivalents, including stock options and warrants 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):

	Nine months Ended September 30,	
	2020	**2019**
Anti-dilutive potential common stock equivalents excluded from the calculation of loss per share:		
Stock options	178	97
Warrants	61	192
	239	289

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

Fair Value of Financial Instruments

GAAP requires disclosing the fair value of financial instruments to the extent practicable for financial instruments that 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, based on estimates of market conditions and risks existing at the time. For specific 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.

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of 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 September 30, 2020.

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 September 30, 2020.

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 9).

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 Dollar) 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. Included as a separate component of accumulated other comprehensive (loss)/income are gains or losses resulting from such translation. 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 is accumulated and credited or charged to other comprehensive income.

We recognize transaction gains and losses in our results of operations based on the difference between the foreign exchange rates on the transaction date and on the reporting date. The Company includes, as a component of general and administrative expenses, the foreign currency exchange gains and losses 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 September 30,		**For the Nine Months Ended September 30,**	
	2020	**2019**	**2020**	**2019**
Net foreign exchange transactions:				
Gains (Losses)	$ 414,000	$ (315,000)	$ (245,000)	$ (356,000)
Accumulated comprehensive income:				
Unrealized gains (losses) on currency translation adjustment	$ (192,000)	$ 81,000	$ 57,000	$ 82,000

The Company uses OANDA, a Canadian-based foreign exchange company and website providing currency conversion, as a source of quotes of exchange rates adopted for the foreign exchange transactions. Below are the applicable translation rates applied on amounts from British Pounds into United States dollars for the respective periods:

- As of September 30, 2020 – British Pounds $1.287060 to US Dollars $1.00.
- The average rate for the nine months ended September 30, 2020 – British Pounds $1.270846 to US Dollars $1.00.

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

Subsequent Events

See Note 14 for subsequent events occurring after the date of these consolidated financial statements.

Recently Issued Accounting Principles

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13 "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology. In November 2019, the FASB issued ASU No. 2019-10 to postpone the effective date of ASU No. 2016-13 for public business entities eligible to be smaller reporting companies defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of this ASC on its consolidated financial statements.

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.

2 — LIQUIDITY AND FINANCIAL CONDITION

The Company incurred a loss from operations of approximately $8.2 million and cash used in operating activities of $10.7 million for the nine months ended September 30, 2020. The Company had approximately $10.0 million in working capital, $260.6 million in accumulated deficits, and $3.1 million of cash on hand as of September 30, 2020. Additionally, as of November 9, 2020, our cash on hand is approximately $6.7 million.

The COVID-19 pandemic and related economic repercussions have created significant uncertainty. To mitigate any concern that the Company may not have the ability to continue as a going concern, the Company began taking liquidity preservation actions designed to dismiss doubt about our potential to fund operations.

<u>Strategic Initiatives</u>

The Company began taking liquidity preservation actions in late March and early April including:

- Implementation of proactive spending reductions to improve liquidity, including a partial workforce reduction, the furlough of employees, reduced discretionary spending, resulting in a projected annual savings of approximately $5.0 million in fiscal 2020.

- Effective May 1, 2020, the Company entered into new lease arrangements at two new locations in Hackettstown, NJ, on a 90-day cycle for each site, effectively lowering rental fees by approximately 81%.

<u>Paycheck Protection Program ("PPP") and Liquidity</u>

Further, we benefited from the support afforded to us under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which has provided temporary relief related to maintaining payroll and some overhead expenses through the period of emergency. The stated goal is to keep workers paid and employed during the period of the crisis. The Company received approximately $1.2 million on April 10, 2020, under the sponsorship of PPP, in the form of a promissory note, as discussed further in Note 5.

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

2 — LIQUIDITY AND FINANCIAL CONDITION (continued)

Capital-raising events

During the past nine months, the Company has been able to raise funds as follows successfully:

- On February 14, 2020, the Company closed on an equity financing and received gross proceeds of approximately $5,998,000, less offering costs of $560,000 for net proceeds of $5,438,000. The Company issued 2,074,167 shares of common stock, 2,074,167 warrants to purchase 1,555,625 shares of Common Stock, 2,471,200 pre-funded warrants with each pre-funded warrant exercisable for one share of Common Stock, together with 2,471,200 Warrants to purchase 1,853,400 shares of Common Stock.

- On May 5, 2020, the Company filed a shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission ("SEC") and declared effective on May 13, 2020. For the nine months ending September 30, 2020, the Company issued 2,390,171 shares of common stock and received gross proceeds of approximately $6,586,000, less offering costs of $301,000 for net proceeds of $6,285,000.

- As described in Note 14 (Subsequent Events), the Company raised approximately $5,274,000 between October 1, 2020, and November 12, 2020.

Together, with the capital raises, the PPP loan, and the Company-wide protocols invoked as a result of the worldwide consequences encountered from the COVID-19 health emergency, and based on forward-looking estimates of our business operations and results, we believe we will have sufficient funds to continue our operations for at least twelve months from the date 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. There may be material impairments in our asset's carrying value if we are incapable of closing on planned revenue-producing opportunities in the near term.

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, 2019	$12,378,000	$ (10,504,000)	$1,450,000	$ (690,000)	$2,880,000	$ (2,592,000)	$2,922,000
Additions	—	—	—	—	—	—	—
Amortization	—	(502,000)	—	(168,000)	—	(97,000)	(767,000)
Balance as of September 30, 2020	$12,378,000	$ (11,006,000)	$1,450,000	$ (858,000)	$2,880,000	$ (2,689,000)	$2,155,000

Patents and Licenses:

The Company amortizes filed patents and licenses over their useful lives, ranging between 19.8 to 20 years. The amortization of the costs incurred by processing provisional patents and pending applications begins after determining it is successfully reviewed and filed.

Other Intangible Assets:

The Company amortizes these other intangible assets over their estimated useful lives of 3 to 15 years. The prior acquisition of the Company's subsidiaries, IMT and Vislink, created these intangible assets of trade names, technology, and customer lists.

3 — INTANGIBLE ASSETS (continued

The Company has recognized net capitalized intangible costs as follows:

	September 30, 2020	December 31, 2019
Patents and Licenses	$ 1,372,000	$ 1,874,000
Trade Names and Technology	592,000	760,000
Customer Relationships	191,000	288,000
	$ 2,155,000	$ 2,922,000

The Company has recognized the amortization of intangible assets as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Patents and Licenses	$ 169,000	$ 168,000	$ 502,000	$ 500,000
Trade Names and Technology	57,000	56,000	168,000	167,000
Customer Relationships	10,000	221,000	97,000	656,000
	$ 236,000	$ 445,000	$ 767,000	$ 1,323,000

The weighted average remaining life of the amortization of the Company's intangible assets is approximately 3.3 years. The following table represents the estimated amortization expense for total intangible assets for the succeeding five years:

Period ending September 30,	
2021	$ 707,000
2022	881,000
2023	184,000
2024	119,000
2025	119,000
Thereafter	145,000
	$ 2,155,000

NOTE 4 — NOTES PAYABLE

The table below represents the Company's notes payable as of September 30, 2020, and December 31, 2019:

	Principal	
	9/30/20	12/31/19
Effective as of September 27, 2019, the Board of Directors of the Company consented to assume the remaining balance of a note held by a former related party MB Technology Holdings, LLC ("MBTH"). MBTH originally borrowed funds for the benefit of the Company with the proceeds forwarded to the Company reflecting due to a related party, ultimately converted into shares. The note matures on September 18, 2020, with an annual interest rate of 8.022% and it was satisfied in full on September 21, 2020. Interest expense for the three months and nine months ending September 30, 2020, is approximately $4,000 and $18,500, respectively. Interest expense for the three months and nine months ending September 30, 2019 was $-0-.	$ —	$ 231,000
On October 2, 2019, the Company's subsidiary, Integrated Microwave Technology ("IMT"), incurred a working capital loan of $150,000, with an annual interest rate of 1.9%, maturing on April 24, 2020. IMT has made approximately $108,000 in principal payments and the working capital loan has been satisfied in full. Interest expense for the three months and nine months ending September 30, 2020, was approximately $6,000 and $37,000, respectively. Interest expense for the three months and nine months ending September 30, 2019, was $-0-.	—	108,000
On April 13, 2020, the Company entered into a D & O insurance policy agreement for a $250,000 premium less a down payment of approximately $38,000, financing the remaining balance of approximately $230,000. The loan's terms are for nine months at a 5.95% annual interest rate at a monthly principal and interest payment of approximately $25,000. The Company has made principal payments of approximately $70,000, and interest expense for the three months and nine months ending September 30, 2020, is $3,400- and $4,600. Interest expense for the three months and nine months ending September 30, 2019, $-0-.	96,000	-0-
	$ 96,000	$ 339,000

NOTE 5 – PAYROLL PROTECTION PROGRAM LOAN

On April 5, 2020, we entered into a promissory note with Texas Security Bank, according to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The PPP Loan matures on April 5, 2022 and bears interest at a rate of 1.0% per annum. Monthly amortized principal and interest payments are deferred for nine months after the date of disbursement, commencing on November 5, 2020. On April 10, 2020, we received approximately $1,168,000 in loan proceeds. The PPP Loan contains events of default and other provisions customary for a loan of this type. The Payroll Protection Program provides that (1) the use of PPP Loan amount shall be limited to certain qualifying expenses, (2) 100 percent of the principal amount of the loan is guaranteed by the Small Business Administration and (3) an amount up to the full principal amount may qualify for loan forgiveness following the terms of CARES Act. The amount to be forgiven is indeterminate as of the issuance date of these financial statements. As of September 30, 2020, the Company was in full compliance with all covenants concerning the PPP Loan.

Management is treating the governmental grant under Topic ASC 470. The Company has recognized a liability for the full amount of the proceeds received. Any amount forgiven falls under ASC 405-20 and would be treated as a gain on loan extinguishment on the statement of operations. The PPP proceeds are cash inflows from financing activities on the statement of cash flows. Any amounts forgiven are a non-cash financing activity.

The summary of the principal balance of the PPP Loan as of September 30, 2020, is as follows:

	9/30/20	**12/31/19**
Total PPP Loan	$ 1,168,000	$ —
Less: current portion	(744,000)	—
Long-term portion	$ 394,000	$ —

NOTE 6 — LEASES

The Company's leasing arrangements include office space, deployment sites, and storage warehouses, both domestically and internationally. The operating leases contain various terms and provisions, with one month to 4.5 years remaining. 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. Additionally, the Company sublets a portion of its space under operating leases with a remaining lease term of approximately one month at our Hemel location.

The following represents lease activity for the nine months ending September 30, 2020:

Billerica, MA

On January 20, 2020, the Company terminated its former lease agreement and removed approximately $904,000 of Right-Of-Use Assets; $553,000 of Operating Lease Liabilities;$371,000 of Accumulated Amortization on the Operating Lease from the Consolidated Balance Sheet; and recognized a lease termination gain of approximately $21,000 in the Consolidated Statement of Operations and Comprehensive Loss as of September 30, 2020, under ASC Topic 842.

On January 24, 2020, the Company negotiated a new lease agreement with the landlord at our Billerica location, decreasing square footage required to 8,204 from 39,327 square feet or approximately 79%. The new lease agreement's effective date is on March 24, 2020, with a reduced monthly obligation expiring on December 31, 2026. The new lease resulted in approximately $15,300 (62%) in savings per month. The Company recognized approximately $546,000 of Right of Use Assets and Operating lease obligations, respectively, for the new lease under ASC Topic 842.

Hackettstown, New Jersey

On April 28, 2020, the Company negotiated two new leases for office and storage space, which expired on April 29, 2020. We negotiated the previous multi-year lease agreement to a one-year term with the new lease agreement's effective date stated as May 1, 2020, expiring on April 30, 2021.

Singapore

On July 3, 2020, the Company negotiated a new lease agreement with the landlord, maintaining 950 square feet. The new lease agreement's effective date is August 10, 2020, with a reduced monthly obligation expiring on August 9, 2023. The new lease resulted in approximately $400 (14%) in saving per month. The Company recognized approximately $82,000 of Right of Use Assets and Operating lease obligations, respectively, for the new lease under ASC Topic 842.

As of September 30, 2020, ROU Assets and lease liabilities were approximately $1.62 million, net, and $1.61 million ($0.33 million of which is current), respectively. The weighted-average remaining term for lease contracts was 4.7 years on September 30, 2020, with maturity dates ranging from October 2020 to December 2026. The weighted-average discount rate was 9.4% on September 30, 2020.

Adjustments for straight-line rental expense for the respective periods was not material. 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.

NOTE 6 — LEASES (continued)

The following table illustrates specific operating lease data for the three months and nine months ending September 30, 2020, and 2019:

The following table illustrates approximate specific operating lease data for the three months and nine months ending September 30, 2020, and 2019:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Lease cost:				
Operating lease cost	$ 159,000	$ 245,000	$ 524,000	$ 847,000
Short-term lease cost	218,000	—	362,000	53,000
Variable lease cost	—	—	—	—
Sublease income	(22,000)	(78,000)	(89,000)	(178,000)
Total lease cost	$ 355,000	$ 167,000	$ 797,000	$ 722,000
Cash paid for amounts in lease liabilities:				
Operating cash flows from operating leases			$ 579,000	$ 850,000
Right-of-use assets obtained in exchange for new operating lease liabilities			$ 628,000	$ 2,899,000
Weighted-average remaining lease term—operating leases			4.7 years	3.6 years
Weighted-average discount rate—operating leases			9.4%	9.3%

Maturities of our operating lease liabilities were as follows as of September 30, 2020:

	Amount
2021	$ 458,000
2022	421,000
2023	384,000
2024	362,000
2025	235,000
Thereafter	135,000
Total undiscounted operating lease payments	1,995,000
Less: amount representing an imputed interest	389,000
Total present value of operating lease liabilities	1,606,000
Less: Current operating lease liabilities	325,000
Non-current operating lease liabilities	$ 1,281,000
Sublets:	
2020	$ 7,000
2021	—
	$ 7,000

The table below lists the location and lease expiration date from 2020 through 2026:

Location	Lease-End Date		Approximate Future Payments
Colchester, UK – Waterside House	Mar	2025	$ 1,170,000
Hemel, UK	Oct	2020	14,000
Singapore	Aug	2023	87,000
Anaheim, CA	Jul	2021	26,000
Sarasota, FL	Sep	2022	69,000
Billerica, MA	Dec	2026	629,000
Sublets:			
Hemel, UK	Oct	2020	$ 7,000

NOTE 7 — RELATED PARTY TRANSACTIONS

The Company executed an amended related party agreement with MB Merchant Group, LLC ("MBMG") on February 25, 2020, agreeing to provide only the following services to the Company:

- to conduct merger and acquisition searches, negotiating and structuring deal terms and other related services in connection with suitable closing acquisitions for the Company,

- to seek and secure financing for the Company, except in those regions in which the Company had previously appointed a business representative to explore such opportunities exclusively, subject in each case to prior approval by the Company's Chief Executive Officer on a case-by-case basis.

MBMG will no longer provide strategic planning and financial structuring services or technical consulting services, review patent applications, or provide consulting services concerning specific legal matters. Lastly, the Company negotiated the final settlement of a remaining balance due to MBMG of nearly $561,000 remitting approximately $230,000, recognizing a gain on settlement of related party obligations in the amount of $331,000.

The following table represents a summary of related party transactions for the three and nine months ended September 30, 2020, and 2019:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Consulting fees incurred, recurring	$ —	$ 150,000	$ 200,000	$ 450,000
Consulting fees incurred, non-recurring	$ —	$ 239,911	$ 120,000	$ 274,504
Common stock issued in satisfaction of amounts due:				
Quantity of shares issued	—	—	—	12,469
Value of shares issued	$ —	$ —	$ —	$ 31,466
Amounts repaid to MBMG in cash	$ —	$ 250,000	$ *825,000	$ 551,000

*includes a final settlement in the amount of $230,000

The Company recorded fees incurred from related-party transactions in general and administrative expenses on the accompanying Consolidated Statements of Operations and included such payments due to related parties on the Consolidated Balance Sheet. The balances outstanding to MBMG on September 30, 2020, and December 31, 2019, were $-0- and $505,000, respectively.

NOTE 8 — DERIVATIVE LIABILITIES

Under the guidance of ASC 815, Accounting for Derivative Instruments and Hedging Activities, the Company, identified common stock warrants in various offerings containing a net cash settlement provision whereby, upon certain fundamental events, the holders could put these warrants back to the Company for cash. We identified and classified the following transactions as derivative liabilities: 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.

The Company records derivative liabilities on its consolidated balance sheet at their fair value on the issuance date. We revalue the derivative liabilities on each subsequent balance sheet until exercised or expired, with any changes in the fair value between reporting periods recorded as other income or expense. The Company uses option pricing models and assumptions based upon the instruments' characteristics on the valuation date. We use assumptions for future financings, expected volatility, expected life, yield, and risk-free interest rate to estimate these liabilities' fair value.

NOTE 8 — DERIVATIVE LIABILITIES (continued)

The following are the key assumptions that were used in connection with the valuation of the warrants exercisable into common stock as of September 30, 2020, and 2019:

	September 30, 2020	September 30, 2019
Number of shares underlying the warrants	75,891	77,082
The fair market value of stock	$ 1.36	$ 3.72
Exercise price	$ 0.906 to $ 827.78	$ 6.00 to $ 144,000.00
Volatility	147% to 184%	136% to 151%
Risk-free interest rate	0.12% to 0.15%	1.53% to 1.78%
Expected dividend yield	—	—
Warrant life (years)	0.6 to 2.7	0.3 to 3.7

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant in measuring the liabilities' fair value. 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. The Chief Financial Officer approves them.

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 that do not have fixed settlement provisions to be derivative instruments. Under US 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. To calculate fair value, the Company uses a binomial model style simulation, as the standard Black-Scholes model would not capture the value of certain features of the warrant derivative liabilities.

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Beginning balance	$ 111,000	$ 445,000	$ 30,000	$ 1,118,000
Re-classification to equity upon warrants exercised	—	(24,000)	—	(24,000)
Change in fair value of derivative liabilities	(82,000)	(281,000)	(1,000)	(954,000)
Ending balance	$ 29,000	$ 140,000	$ 29,000	$ 140,000

NOTE 9 — STOCKHOLDERS' EQUITY

Common Stock Issuances

On February 14, 2020, the Company closed on an equity financing for 2,074,167 shares of common stock, 2,074,167 warrants to purchase 1,555,625 shares of Common Stock, 2,471,200 pre-funded warrants, with each Pre-Funded Warrant exercisable for one share of Common Stock, and together with 2,471,200 Warrants to purchase 1,853,400 shares of Common Stock. The holders of these warrants are limited to settlement in shares of common stock; there is no provision for net cash settlement alternatives; therefore, the Company classified these warrants as equity. The Company received gross proceeds of approximately $5,998,000, less offering costs of $712,000 for net proceeds of $5,286,000. The Company has earmarked the net proceeds from equity financing for working capital and general corporate purposes.

During the nine months ended September 30, 2020, the Company:

- Issued 2,390,171 shares of common stock and received gross proceeds of approximately $6,586,000, less offering costs of $301,000 for net proceeds of $6,285,000 under the Company's shelf registration filed on May 5, 2020.
- Issued 3,829,885 shares of common stock upon warrant holders exercising 3,996,553 common stock warrants, receiving approximately $11,000 in net proceeds.
- Issued 5,225,913 shares of common stock upon warrant holders exercising 6,967,883 public common stock warrants.
- Issued 46,124 shares of common stock in satisfaction of amounts deferred for consultant agreements in the amount of $65,000. The determination of the fair value of the common stock is at the time of issuance.
- Recognized approximately $669,000 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

The Company granted 7,016,567 common stock warrants, warrant holders exercised 10,964,436 of their warrants, and 896 warrants expired during the nine months ended September 30, 2020. The weighted average exercise prices of warrants outstanding at September 30, 2020, is $83.40 with a weighted average remaining contractual life of 1.38 years. As of September 30, 2020, these outstanding warrants contained no intrinsic value.

The following table sets forth common stock purchase warrants outstanding as of September 30, 2020:

	Weighted Quantity of Warrants (in shares)		Weighted Average Exercise Price
Outstanding, December 31, 2019	4,188,075	$	6.60
Warrants granted	7,016,567	$	0.90
Warrants exercised	(10,964,436)	$	(1.00)
Warrants canceled/expired	(896)	$	(2,244.10)
Outstanding, September 30, 2020	239,310	$	83.40
Exercisable, September 30, 2020	239,310	$	83.40

NOTE 9 — STOCKHOLDERS' EQUITY (continued)

Common Stock Options

The following tables illustrates approximate stock-based compensation data for the three months and nine months ending September 30, 2020, and 2019:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Stock-based compensation expense:				
Total amortization of stock options issued	$ 19,000	$ 578,000	$ 592,000	$ 1,703,000

The following additional information represents employees plans on September 30, 2020:

Weighted average remaining contractual life — options outstanding	6.79 years
Weighted average remaining contractual life — options exercisable	6.69 years
Remaining expense of stock-based compensation	$ 45,000
Remaining amortization period	1.3 years
Intrinsic value per share	$ -0-

The Company used the U.S. Treasury note's rate over the expected term of the option for the risk-free rate. The expected term for employees represents the period that options granted are expected to be outstanding using the simplified method, as the Company's historical share option exercise experience does not provide a reasonable basis upon which to estimate the expected term. For non-employee options, the expected term is the full term of the option. Expected volatility is based on the average of the weekly share price changes over the shorter of the expected term or the period from the placement on Nasdaq Capital Markets Exchange to the grant's date. The Company estimates forfeiture and volatility using historical information. The risk-free interest rate is based on the implied yield on U.S. Treasury zero-coupon issues over the options' equivalent lives. 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.

The weighted average fair value of options granted during the nine months ended September 30, 2020, and 2019 was $-0- and $22.20, respectively. As of September 30, 2020, the weighted average remaining contractual life was 6.79 years for options outstanding and 6.69 years for options exercisable, respectively. The intrinsic value of options exercisable on September 30, 2020, was $-0- per share.

The compensation cost is measured based on an award's fair value at the grant's date for each option award. The Company uses the Black Scholes-Merton formula as a valuation technique under the guidance of ASC. Topic 718 for estimating the fair values of employee share options and similar instruments. For employee equity-classified awards, compensation cost is recognized over the employee's requisite service period with a corresponding credit to equity (additional paid-in capital). The employee's requisite service period begins at the service inception date and ends when the requisite service has been provided. In determining the award's grant-date fair value, the following assumptions were used (all in weighted averages):

	For the nine months ended September 30,	
	2020	2019
Exercise price	$ —	$ 22.20
Volatility	—	149.22%
Risk-free interest rate	—	2.68%
Expected dividend yield	—	0%
Expected term (years)	—	6

NOTE 9 — STOCKHOLDERS' EQUITY (continued)

Common Stock Options (continued)

A summary of the status of the Company's stock option plans on September 30, 2020, is as follows:

	Number of Options (in shares)		Weighted Average Exercise Price
Outstanding, December 31, 2019	84,175	$	88.98
Options granted	—	$	—
Options exercised	—	$	—
Options canceled/expired	(23,083)	$	(90.60)
Outstanding, September 30, 2020	61,092	$	88.33
Exercisable, September 30, 2020	57,065	$	92.24

Common Stock Options — CEO Inducement Awards

On January 22, 2020, the Company entered into an employment agreement with Carleton M. Miller in connection with his appointment as Chief Executive Officer of the Company, under which Mr. Miller received a time-based option and performance-based option. Mr. Miller received an inducement award of a time-based option to purchase 359,247 shares of the Company's stock and a performance-based option to purchase 250,000 shares of the Company's common stock, both under NASDAQ Listing Rule 5653(c)(4) outside of the Company's existing equity compensation plans, in each case to Mr. Miller's continued employment by the Company on the applicable vesting date.

<u>Time Vested Options</u>

On January 22, 2020, as part of the CEO's employment agreement, an inducement award of a ten-year, non-statutory option to purchase 359,247 shares of the Company stock was granted. The award has an exercise price of $0.285, vesting commencement date of January 22, 2020, expiration date of January 22, 2030, and the options vest as follows: 25% of such option shares shall vest on January 22, 2021; and, the remaining 75% will vest in substantially equal monthly installments over the thirty-six (36) month period after that, subject to the CEO's continued employment by the Company on the applicable vesting date.

For the time vested option award, the compensation cost is measured based on the fair value of an award at the date of the grant. The Company uses the Black Scholes-Merton formula as a valuation technique under the guidance of ASC. Topic 718 for estimating the fair values of employee share options and similar instruments. For employee equity-classified awards, compensation cost is recognized over the employee's requisite service period with a corresponding credit to equity (additional paid-in capital). The employee's requisite service period begins at the service inception date and ends when the requisite service has been provided. In determining the award's grant-date fair value, the following assumptions were used (all in weighted averages):

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Exercise price	$ 1.71	$ —
Volatility	153.02%	—
Risk-free interest rate	1.57%	—
Expected dividend yield	0%	—
Expected term (years)	6.3	—

NOTE 9 — STOCKHOLDERS' EQUITY (continued)

Common Stock Options (continued)

Common Stock Options — CEO Inducement Awards (continued)

Time Vested Options (continued)

The Company used the US Treasury note's rate over the expected term of the option for the risk-free rate. The expected term for employees represents the period that options granted are expected to be outstanding using the simplified method, as the Company's historical share option exercise experience does not provide a reasonable basis upon which to estimate the expected term. For non-employee options, the expected term is the full term of the option. Expected volatility is based on the average of the weekly share price changes over the shorter of the expected term or the period from the placement on Nasdaq Capital Markets Exchange to the grant's date. The Company estimates forfeiture and volatility using historical information. The risk-free interest rate is based on the implied yield on US Treasury zero-coupon issues over the options' equivalent lives. 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.

The weighted average fair value of options granted during the nine months ended September 30, 2020, and 2019 was $1.47 and $-0-, respectively. As of September 30, 2020, the weighted average remaining contractual life was 9.32 years for options outstanding and options exercisable, respectively. The intrinsic value of options exercisable on September 30, 2020, was $-0- per share.

During the three and nine months ended September 30, 2020, the Company recorded approximately $24,000 and $65,000, respectively, as stock compensation expense from the amortization of time vested stock options. The Company did not recognize any costs during the fiscal year 2019. As of September 30, 2020, the remaining stock compensation expense is approximately $526,000, with 3.31 years remaining for the amortization period.

A summary of the status of the Company's time vested stock options for Mr. Miller on September 30, 2020, is as follows:

	Number of Options (in shares)	Weighted Average Exercise Price
Outstanding, December 31, 2019	—	$ —
Options granted	359,247	$ 1.65
Options exercised	—	$ —
Options canceled/expired	—	$ —
Outstanding, September 30, 2020	359,247	$ 1.47
Exercisable, September 30, 2020	—	$ —

Performance-Based Options

On January 22, 2020, as part of Mr. Miller's employment agreement, an inducement award of a ten year, non-statutory, option to purchase 250,000 shares of the Company stock was granted. The award has an exercise price of $0.285, vesting commencement date of January 22, 2020, and the expiration date of January 22, 2030. The Option Shares will vest in three (3) equal tranches upon attainment of the following applicable performance conditions for each tranche, provided that the CEO remains in continuous employment with the Company through the applicable date of achievement of the performance conditions:

- Tranche 1: 83,333 Option Shares will vest upon the Company's attainment, on or before the fifth (5th) anniversary of the Vesting Commencement Date, of Cumulative EBITDA of more than $6,000,000 accumulated over four consecutive fiscal quarters.

- Tranche 2: 83,333 Option Shares will vest upon the Company's attainment, on or before the fifth (5th) anniversary of the Vesting Commencement Date, of Cumulative EBITDA of more than $15,000,000 accumulated over four consecutive fiscal quarters.

- Tranche 3: 83,333 Option Shares will vest upon the Company's attainment, on or before the fifth (5th) anniversary of the Vesting Commencement Date, of Cumulative EBITDA of more than $23,000,000 accumulated over four consecutive fiscal quarters.

NOTE 9 — STOCKHOLDERS' EQUITY (continued)

Common Stock Options (continued)

Common Stock Options — CEO Inducement Awards (continued)

Performance-Based Options

For the performance-based options award, the compensation cost is measured based on the fair value of an award at the date of the grant. The Company uses the Black Scholes-Merton formula as a valuation technique under the guidance of ASC. Topic 718 for estimating the fair values of employee share options and similar instruments. For employee equity-classified awards, compensation cost is recognized over the employee's requisite service period with a corresponding credit to equity (additional paid-in capital). The employee's requisite service period begins at the service inception date and ends when the requisite service has been provided. In determining the award's grant-date fair value, the following assumptions were used (all in weighted averages):

	For the nine months ended September 30,	
	2020	2019
Exercise price	$ 1.71	$ —
Volatility	153.02%	—
Risk-free interest rate	1.57%	—
Expected dividend yield	0%	—
Expected term (years)	6.5	—

The Company used the US Treasury note's rate over the expected term of the option for the risk-free rate. The expected term for employees represents the period that options granted are expected to be outstanding using the simplified method, as the Company's historical share option exercise experience does not provide a reasonable basis upon which to estimate the expected term. For non-employee options, the expected term is the full term of the option. Expected volatility is based on the average of the weekly share price changes over the shorter of the expected term or the period from the placement on Nasdaq Capital Markets Exchange to the grant's date. The Company estimates forfeiture and volatility using historical information. The risk-free interest rate is based on the implied yield on US Treasury zero-coupon issues over the options' equivalent lives. 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.

The weighted average fair value of options granted during the nine months ended September 30, 2020, and 2019 was $1.65 and $-0-, respectively. As of September 30, 2020, the weighted average remaining contractual life was 9.32 years for both options outstanding and options exercisable. The intrinsic value of options exercisable on September 30, 2020, was $-0-.

The probability of achieving any required metrics for vesting is inconclusive as of September 30, 2020. The unrecognized stock-based compensation expense for the performance-based award was approximately $414,000 as of September 30, 2020. When the Company determines that the remaining performance metrics' achievement becomes probable, the Company will record a cumulative catch-up stock-based compensation amount. We will record any un-recognized costs over the remaining requisite service period of the awards.

A summary of the status of the Company's performance-based stock options for Mr. Miller on September 30, 2020, is as follows:

	Number of Options (in shares)	Weighted Average Exercise Price
Outstanding, December 31, 2019	—	$ —
Options granted	250,000	$ 1.65
Options exercised	—	$ —
Options canceled/expired	—	$ —
Outstanding, September 30, 2020	250,000	$ 1.65
Exercisable, September 30, 2020	—	$ —

NOTE 9 — STOCKHOLDERS' EQUITY (continued)

Common Stock Options (continued)

Common Stock Options — CFO Inducement Awards

Time Vested Options

On February 27, 2020, the Company entered into an employment agreement with Michael Bond in connection with his appointment as Chief Financial Officer of the Company, effective as of April 1, 2020.

The Company granted an inducement award of a ten-year, non-statutory option to purchase 135,168 shares of the Company stock as part of the CFO's employment agreement. The award has an exercise price of $0.96, vesting commencement date of April 1, 2020, expiration date of April 1, 2030, and the options vest as follows: 25% of such option shares shall vest on April 1, 2021; and, the remaining 75% will vest in substantially equal monthly installments over the thirty-nine (36) month period after that, subject to the CEO's continued employment by the Company on the applicable vesting date.

For the time vested option award, the compensation cost is measured based on an award's fair value at the grant's date. The Company uses the Black Scholes-Merton formula as a valuation technique under the guidance of ASC. Topic 718 for estimating the fair values of employee share options and similar instruments. For employee equity-classified awards, compensation cost is recognized over the employee's requisite service period with a corresponding credit to equity (additional paid-in capital). The employee's requisite service period begins at the service inception date and ends when the requisite service has been provided. In determining the award's grant-date fair value, the following assumptions were used (all in weighted averages):

	For the nine months ended September 30,	
	2020	**2019**
Exercise price	$ 0.96	$ —
Volatility	155%	—
Risk-free interest rate	0.62%	—
Expected dividend yield	0%	—
Expected term (years)	6.3	—

The Company used the US Treasury note's rate over the expected term of the option for the risk-free rate. The expected term for employees represents the period that options granted are expected to be outstanding using the simplified method, as the Company's historical share option exercise experience does not provide a reasonable basis upon which to estimate the expected term. For non-employee options, the expected term is the full term of the option. Expected volatility is based on the average of the weekly share price changes over the shorter of the expected term or the period from the placement on Nasdaq Capital Markets Exchange to the grant's date. The Company estimates forfeiture and volatility using historical information. The risk-free interest rate is based on the implied yield on US Treasury zero-coupon issues over the options' equivalent lives. 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.

The weighted average fair value of options granted during the nine months ended September 30, 2020, and 2019 was $0.84 and $-0-, respectively. As of September 30, 2020, the weighted average remaining contractual life was 9.51 years for options outstanding and options exercisable, respectively. The intrinsic value of options exercisable on September 30, 2020, was $0.52 per share.

During the three and nine months ended September 30, 2020, the Company recorded approximately $10,000 as stock compensation expense. The Company did not recognize any costs during the fiscal year 2019. As of September 30, 2020, the remaining stock compensation expense is approximately $113,000, with 3.5 years remaining for the amortization period.

NOTE 9 — STOCKHOLDERS' EQUITY (continued)

Common Stock Options (continued)

Common Stock Options — CFO Inducement Awards (continued)

Time Vested Options (continued)

A summary of the status of the Company's time vested stock options for Mr. Bond on September 30, 2020, is as follows:

	Number of Options (in shares)		Weighted Average Exercise Price
Outstanding, December 31, 2019	—	$	—
Options granted	135,168	$	0.91
Options exercised	—	$	—
Options canceled/expired	—	$	—
Outstanding, September 30, 2020	135,168	$	0.84
Exercisable, September 30, 2020	—	$	—

NOTE 10 — COMMITMENTS AND CONTINGENCIES

Legal:

From time to time, the Company is subject 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. Under ASC Topic 450, the Company must accrue a loss contingency if the information is available before the financial statements' issuance.

A lawsuit filed by Hale Capital Partners, LP ("Hale") against the Company on July 19, 2019 had alleged liability by the Company for Hale's professional fees in connection with a canceled financing transaction in the amount of $140,000. The $140,000 was accrued and included in accrued expenses in the condensed consolidated balance sheet of September 30, 2020. As further described in Note 14, this matter with respect to Hale was settled in the amount of $50,000, and the Company does not expect to have further liability with respect to this matter. As of September 30, 2020, no other legal actions were pending that the Company expects to be material.

Pension:

At its discretion, the Company may make a matching contribution to the 401(k) plan in which its employees participate. We also have a Group Personal Plan in our UK Subsidiary, investing funds with Royal London. UK employees are entitled to join the plan to which the Company contributes varying amounts subject to status. Additionally, the Company operates a stakeholder pension scheme in the UK.

The table below represents the Company's matching contributions as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020		2019		2020		2019	
Company matching contributions - 401K Plan	$	-0-	$	-0-	$	-0-	$	-0-
Company matching contributions - Group Personal Pension Plan, UK	$	(34,000)	$	142,000	$	44,000	$	165,000

Nasdaq Compliance:

On August 17, 2020, the Company received a letter from the staff of The Nasdaq Stock Market LLC ("Nasdaq") stating that the Nasdaq staff determined that the Company regained compliance with the Nasdaq Capital Market minimum bid price requirement for continued listing outlined in Nasdaq Listing Rule 5550(a)(2).

NOTE 11 — CONCENTRATIONS

Customer concentration risk

During the three and nine months ended September 30, 2020, no customer accounted for more than 10% of the Company's total consolidated sales. During the three and nine months ended September 30, 2019, the Company did record sales of approximately $769,000 (14%) and $2,154,000 (11%), respectively, to a single customer above 10% of the Company's total consolidated sales.

For the period ended September 30, 2020, no customer accounted for more than 10% of the Company's total accounts receivable. On September 30, 2019, one customer for approximately $1,075,000 (19%) accounted for more than 10% of the Company's total accounts receivable.

Vendor concentration risk

During the three months ended September 30, 2020, one vendor has generated approximately $1,532,000 (76%) of the Company's inventory purchases. During the nine months ended September 30, 2020, one vendor has generated approximately $2,615,000 (34%) of the Company's consolidated inventory purchases, respectively.

During the three months ended September 30, 2019, two vendors generated approximately $942,000 (21%) and $1,605,000 (35%) of the Company's consolidated inventory purchases, respectively. During the nine months ended September 30, 2019, two vendors generated approximately $3,547,000 (29%) and $2,003,000 (16%) of the Company's consolidated inventory purchases, respectively.

On September 30, 2020, the Company recorded two vendor balances of approximately $821,000 (25%), and $494,000 (15%) of accounts payable over 10% of the Company's consolidated accounts payable. On September 30, 2019, the Company recorded one vendor balance of approximately $1,380,000 (20%) of accounts payable over 10% of the Company's consolidated accounts payable.

NOTE 12 – 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 sources.

	Three Months Ending September 30,		Nine Months Ending September 30,	
	2020	**2019**	**2020**	**2019**
Primary geographical markets:				
North America	$ 2,698,000	$ 2,273,000	$ 6,853,000	$ 8,677,000
South America	11,000	97,000	79,000	185,000
Europe	1,169,000	1,248,000	5,912,000	5,877,000
Asia	731,000	927,000	1,567,000	4,465,000
Rest of World	169,000	462,000	1,727,000	1,361,000
	$ 4,778,000	$ 5,007,000	$ 16,138,000	$ 20,565,000
Primary revenue source:				
Equipment sales	$ 4,554,000	$ 4,702,000	$ 14,171,000	$ 18,290,000
Installation, integration, and repairs	162,000	276,000	1,478,000	1,685,000
Warranties	61,000	36,000	149,000	150,000
Other (See Note 13)	1,000	**(7,000)	340,000	440,000
	$ 4,778,000	$ 5,007,000	$ 16,138,000	$ 20,565,000
Long-Lived Assets:				
United States			$ 3,813,000	$ 5,136,000
United Kingdom			1,807,000	2,333,000
			$ 5,620,000	$ 7,469,000

** This $7,000 decrease represents the weakening in the translation rate from British Pounds to U.S. dollars and a loss from the original recognition of $447,000 in the 2nd quarter of fiscal 2019.

NOTE 13 — REBATES

The amounts generated in Note 11 as part of Primary revenue source "other" resulted from rebates issued to the Company's filing appropriate governmental forms related to the research costs incurred by our U.K. subsidiary in prior fiscal years. The Company expects to continue filing applicable rebate forms for the 2020 fiscal year but can provide no assurances that such rebates will be available in future financial periods at similar levels, or at all.

NOTE 14 — SUBSEQUENT EVENTS

From October 1, 2020, to November 12, 2020, the Company:

On October 23, 2020, the Company entered into a settlement agreement with Hale Capital Partners regarding an original obligation of $140,000 now settled for payment of $50,000, resulting in a gain on settlement of debt in the amount of $90,000.

The Company issued 3,221,693 shares of common stock and received gross proceeds of approximately $5,274,000, less offering costs of $166,000 for net proceeds $5,108,000 under the May 5, 2020 shelf registration.

The Company issued 48,148 shares of common stock as part of consulting agreements valued at $65,000. The determination of the fair value of the common stock is at the time of issuance.

In November 2020, the Company implemented further reductions to its workforce and other operating expenditures. Management believes these efforts will improve the Company's current financial position and enhance its ability to meet future working capital requirements. Additional other cost-cutting measures are as follows:

- elimination of inventory related to discontinued product lines,
- the reduced usage and or the closure of individual facilities, and
- miscellaneous operational expenditures.

During the fourth quarter of the fiscal year 2020, we expect further charges related to employee payroll, asset impairments, and facility expenses.

On or about October 27, 2020, Harmony Licensing LLC ("Harmony") filed a lawsuit in the United States District Court for the District of Delaware, alleging infringement by the Company of U.S. Patent No. RE42,219, entitled "MULTIPLE-INPUT MULTIPLE-OUTPUT (MIMO) SPREAD SPECTRUM SYSTEM AND METHOD." The Company disputes Harmony's claims and intends to defend the matter vigorously. Given the uncertainty of litigation and the preliminary stage of the proceeding, the Company cannot estimate the reasonably possible loss or range of losses, if any, that may result from this action. Accordingly, the Company has not established an accrual for potential losses, if any, that could result from an unfavorable outcome from this proceeding, and there can be no assurance that this matter will not result in material defense costs and/or judgments against the Company. In the event that a court ultimately determines that the Company infringes the asserted patent, the Company may be subject to substantial damages, which may include enhanced damages and/or an injunction against the Company.

On or about October 30, 2020, the Company received notice that Macnica GmbH filed a lawsuit in Ingolstadt District Court in Germany, alleging that IMT Ltd., the UK subsidiary of the Company, had failed to pay for certain quantities of semiconductor products and seeking damages of approximately $1.043 million, plus interest and attorneys' fees. The Company disputes these claims and intends to defend the matter vigorously. Given the uncertainty of litigation and the preliminary stage of the proceeding, the Company cannot estimate the reasonably possible loss or range of losses, if any, that may result from this action. Accordingly, the Company has not established an accrual for potential losses, if any, that could result from an unfavorable outcome from this proceeding, and there can be no assurance that this matter will not result in material defense costs and/or judgments against the Company or any of its subsidiaries.

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

In preparing the discussion and analysis contained in this Item 2, we presume that readers have read or had access to the discussion and analysis contained in our Annual Report on Form 10-K for the fiscal year-end December 31, 2019, filed with the Securities and Exchange Commission (the "SEC") on April 1, 2020. You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes included elsewhere in this report. The following results of Company operations include a discussion of the nine months ended September 30, 2020, compared to the comparable periods in the prior year.

Cautionary Note About Forward-Looking Statements

This report includes forward-looking statements that, although based on assumptions that we consider reasonable, are subject to risks and uncertainties, which could cause actual events or conditions to differ materially from those currently anticipated and expressed or implied by such forward-looking statements. You should read this report and the documents that we reference in this report and have filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. You should also review the factors and risks we describe in the reports we will file or submit from time to time with the SEC after the date of this report. We qualify all of our forward-looking statements by these cautionary statements.

Results of Operations for the Year-To-Date

The following significant factors affected our results of operations for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019:

COVID-19 Update

A novel strain of coronavirus, now known as COVID-19 ("COVID-19"), was first reported in December 2019, and it persists having noteworthy response upon the global health and economic environment, such as the World Health Organization characterizing COVID-19 as a pandemic on March 11, 2020. The COVID-19 virus has spread to nearly all regions globally, sustaining weighty uncertainties and disruption in the global economy.

Beginning at the end of the first quarter of 2020 and through this filing date, customer ordering behavior during the COVID-19 pandemic has not significantly affected the Company's worldwide sales. We did not experience interruptions in our ability to provide our products, services, and support to our customers. Additionally, our supply chain experienced minimal disruptions, and we continue to look beyond first-tier and second-tier suppliers to meet our customers' requirements. All while ensuring the health and safety of our employees and consumers.

The Company formed an incident management team [in the first quarter of 2020] in response to the COVID-19 pandemic and executed a business continuity plan in the late first quarter of 2020, in order to respond to the COVID-19 pandemic and continue to deliver to our customers the Company's products, services, and support while aiming to maintain the safety of our employees, and suppliers.

As the COVID-19 pandemic progresses, the directives required by Federal, state, and local government authorities in the United States and abroad continue to evolve. Current or future directives may materially impair the Company's ability to adequately staff and maintain our operations. We continue monitoring governmental and regulatory requirements and determine their relevance to the Company's operations, cautiously conducting the Company's operations triumphantly through the COVID-19 pandemic. The Company's internal policies are aimed at mitigating risks from COVID-19, and include the encouragement of employees to wear cloth face coverings in the workplace as appropriate and the maintenance of social distancing protocols. Most of the Company's employees continue to work remotely, and we have implemented global travel restrictions for our employees until further notice. These evolutions in our business culture have been rewarding with a negligible effect on our financial results. While there have been minimal disruptions in our capacity to deliver our products, services, and support to our customers, we have experienced some COVID-19 related headwinds during the nine months ending September 30, 2020. During the third fiscal quarter of 2020, the economic downturn related to COVID-19 has decreased our order intake, particularly in the live production market. We also experienced nominal supply chain limitations, and occasionally replaced existing suppliers for select orders in order to fulfill them. Any continued weakening in order intake or limitations in the robustness of our supply chain will depend on future developments, which are highly uncertain and cannot be predicted.

We continue to work closely with our customers to provide consistent access to our products and services and have remained flexible to achieve their priorities as many implement their own contingency plans. Additionally, the Company continually evaluates its supply chain to iron out critical product urgencies and look beyond first-tier and second-tier suppliers.

Governmental action in response to the COVID-19 pandemic may influence the Company's ability to sustain it's financial liquidity and operations results. The Company may continue to endure difficulties in meeting delivery requirements and commitments due to the impacts of the COVID-19 pandemic and the resultant health emergency. The ability of the Company's customers to make timely remittances may be adversely affected as well.

As the primary drivers of an economic impact remain beyond the Company's knowledge and control, the Company cannot assess the cumulative effects, both in terms of severity and duration, that COVID-19 may have on its operating results, cash flows, and financial condition. We will continue to monitor the situation actively, and we may take further actions that alter our business operations as required by federal, state, or local authorities to further our employees, customers, suppliers, and stockholder's best interests. The continued spread of the coronavirus in areas that have previously eased quarantine requirements, or the occurrence of any other catastrophic events, may impact the Company's sales revenue for the balance of 2020, possibly and future periods.

We believe that we remain well positioned to adjust to market conditions to assist our customers as they work to manage their supply chain and inventories. We cannot give assurance that economic headwinds, whether due to COVID-19 or otherwise, will abate, or that these will not have a material impact on the Company's financial condition or our ability to adequately staff and maintain our operations. The uncertain handling of COVID-19 by the United States government makes it difficult to determine future economic risks, including but not limited to those germane to COVID-19. Economic uncertainty from the COVID-19 pandemic may also mask or worsen other economic risks, such as levels of uncertainty germane to general economic conditions and supply chain health, among others. If the economic disruptions from the COVID-19 pandemic do not normalize, if the COVID-19 pandemic continues or increases in severity, or any combination thereof occurs, particularly in the United States, our operations, liquidity, capital resources, and financial conditions may be materially impacted as we continue to be affected by the COVID-19 pandemic, and its unpredictability now and in future periods.

Overview

Vislink is a global technology business specializing in the collection, delivery, and management of high quality, live video and associated data from the scene of the action to the viewing screen. For the broadcast markets, Vislink provides solutions for the collection of live news, sports, and entertainment events. Vislink also furnishes the surveillance and defense markets with real-time video intelligence solutions using a variety of tailored transmission products. The Vislink team also provides professional and technical services utilizing a staff of technology experts with decades of applied knowledge and real-world experience to the areas of a terrestrial microwave, satellite, fiber optic, surveillance, and wireless communications systems, to deliver a broad spectrum of customer solutions.

LIVE BROADCAST:

Vislink delivers an extensive portfolio of solutions for live news, sports, and entertainment industries. These solutions encompass the video collection, transmission, management, and distribution of content, via microwave, satellite, cellular, IP, and MESH networks. With over 50 years in operation, Vislink has the expertise and technology portfolio to deliver fully integrated, seamless, end-to-end solutions.

Vislink's live broadcast solutions are well known across the industry. A vast majority of all outside wireless broadcast video content is transmitted using our equipment, with more than 200,000 systems installed worldwide. We work closely with the majority of the world's broadcasters. Vislink wireless cameras and ultra-compact encoders help bring many of the world's most prestigious sporting and entertainment events to life. Recent examples include globally watched international sporting contests, award shows, racing events, and annual music and cultural events.

MILITARY AND GOVERNMENT:

Building on our knowledge of live video delivery, Vislink has developed high-quality solutions to meet the operational and industry challenges of the surveillance and defense markets. Vislink solutions are specifically designed with interagency cooperation in mind, utilizing a common international protocol, or IP, platform, and a web interface for video delivery. Vislink provides comprehensive video, audio, and data communications solutions to the law enforcement and public safety community, including Airborne, Unmanned Systems, Maritime and Tactical Mobile Command Posts. These solutions may include airborne downlinks, terrestrial point-to-point, tactical mobile command, maritime, UAV, and personal portable products that meet the demands of field operations, command centers, and central receiving sites. Short-range and long-range solutions are available in areas that include established infrastructure as well as extremely remote areas, helping to make valuable video intelligence available regardless of location. Vislink public safety and surveillance solutions are deployed worldwide, including throughout the US, Europe, and the Middle East, at the local, regional, and federal levels of operation, for criminal investigation, crisis management, mobile command posts, and field operations.

SATELLITE COMMUNICATIONS:

Vislink's satellite solutions are supported by more than 30 years of technical expertise. These solutions aim to ensure robust, secure communications while delivering low transmission costs for any organization that needs high quality, reliable satellite transmission. Vislink offers turnkey solutions that begin with a state-of-the-art coding, compression, and modulation engines and end with our robust, lightweight antenna systems. Vislink Satellite solutions focus heavily on being the smallest, lightest, and most efficient in their categories, making transportation and ease of use a key driver in the customer experience. Vislink offers an extensive range of satellite designs that allow customers to optimize bit rate, size, weight, and total cost. Our satellite systems are used extensively across the globe, with over 2,000 systems deployed by governments, militaries, and broadcasters alike.

Results of Operations

Comparison of the three and nine months ended September 30, 2020, and 2019

Revenues

Revenues for the three months ended September 30, 2020, and 2019 were $4.8 million and $5.0 million, respectively, representing a decrease of $0.2 million or 4%. The reduction of $0.2 million can be attributed to a decline in sales of $0.2 million in Asia, $0.1 million in South America, and $0.3 million in the Rest of the World. The decrease was offset by an increase in sales of $0.4 million in Europe, and there were significant one-time orders in 2019 not repeated in the fiscal year 2020.

Revenue for the nine months ended September 30, 2020, and 2019 were $16.1 million and $20.6 million, representing a decrease of $4.5 million or 22%. The reduction of $4.5 million can be attributed to a decline in sales of $2.9 million in Asia, $1.9 million in North America, and $0.1 million in South America. The decrease was offset by an increase in sales of $0.4 million in the Rest of the World.

There were meaningful one-time customer contracts in 2019 not duplicated in the fiscal year 2020. Additionally, we evidenced a sluggishness in sales due to customer circumstances prevailing in the international marketplace because of the COVID-19 pandemic, such as "shelter-in-place" mandates, school closures, consumer behavior changes (like social distancing), and other government intervention. These circumstances could have a prolonged negative impact on an entity's financial condition and results.

Cost of Revenue and Operating Expenses

<u>Cost of Components and Personnel</u>

Cost of components and personnel for the three and nine months ended September 30, 2020, were $3.3 million and $8.5 million, respectively, compared to $3.0 million and $10.6 million for the three and nine months ended September 30, 2019, representing an increase of $0.3 million or 10% and a decrease of $2.1 million or 20%. The reduction is primarily in proportion to the decline of revenue in the first nine months of 2020, coupled with an increase in inventory levels.

<u>General and Administrative Expenses</u>

General and administrative expenses are costs incurred in the daily operations of the business, including salary and benefit expenses such as stock-based compensation and payroll taxes, as well as the costs of trade shows, marketing programs, promotional materials, professional services, facilities, general liability insurance, and travel and expenses associated with being a public company. For the three and nine months ended September 30, 2020, the Company incurred aggregate expenses of $3.2 million and $12.7 million, respectively, compared to $5.3 million and $16.1 million for the three and nine months ended September 30, 2019, representing decreases of $2.1 million or 40% and $3.4 million or 21% respectively.

The three-month decrease of $2.1 million is generally attributable to reductions of $0.8 million in foreign exchange gain and losses, $0.5 million each in freight and postage along with salaries and benefits, and $0.4 million of commissions. This reduction was offset by an increase of $0.5 million in rent and utilities and $0.4 million in other external services.

The nine-month decrease of $3.4 million is primarily contributed by reductions of $1.4 million of salaries and benefits, $1.1 million stock-based compensation, and $0.4 million each of freight and postage in addition to commissions. This reduction was offset by an increase of $0.4 million of other external services and $0.3 million in miscellaneous expense plus professional fees.

We executed a business continuity plan in the late first quarter of 2020 to respond to the COVID-19 pandemic. The program included proactive spending reductions to improve liquidity, including a partial workforce reduction, the furlough of employees, reduced discretionary spending, revealing notable savings in the Company's general and administrative costs illustrated above.

We can give no assurance that the detrimental effects of COVID-19 will diminish or that the severity of resultant interruptions will not increase. The Company faces significant uncertainty in light of the COVID-19 pandemic and may face additional risks if the COVID-19 pandemic does not improve or if economic trends, supply chain health, and other vital inputs impacted by COVID-19 do not normalize as the crisis continues in duration, increases in severity, or both, particularly in the United States.

Research and Development Expenses

Research and development expenses consist primarily of salary and benefit expenses, including stock-based compensation and payroll taxes and costs for prototypes, facilities, and travel. For the three and nine months ended September 30, 2020, the Company incurred aggregate expenses of $0.6 million and $1.8 million, respectively, compared to $0.8 million and $2.6 million for the three and nine months ended September 30, 2019, representing decreases of $0.2 million or 25% and $0.8 million or 31% respectively.

The three-month decrease of $0.2 million is primarily attributable to reductions of $1.0 million in salaries and benefits, $0.1 million each for office expense, consulting and dues, and subscriptions. The drop was offset by an increase of $1.0 million in research and $0.1 in freight and postage.

The nine-month decrease of $0.8 million is primarily attributable to reductions of $0.7 million in salaries and benefits, $0.1 million each for research and office expense, offset by an increase of $0.1 of freight and postage.

We executed a business continuity plan in the late first quarter of 2020 to respond to the COVID-19 pandemic. The program included proactive spending reductions to improve liquidity, including a partial workforce reduction, the furlough of employees, reduced discretionary spending, revealing notable savings in the Company's research and development expenses illustrated above.

We can give no assurance that the detrimental effects of COVID-19 will diminish or that the severity of resultant interruptions will not increase. The Company faces significant uncertainty in light of the COVID-19 pandemic and may face additional risks if the COVID-19 pandemic does not improve or if economic trends, supply chain health, and other vital inputs impacted by COVID-19 do not normalize as the crisis continues in duration, increases in severity, or both, particularly in the United States.

Amortization and Depreciation

Amortization and depreciation expenses for the three and nine months ended September 30, 2020, were $0.3 million and $1.1 million, respectively, compared to $0.6 million and $1.8 million, respectively for the three and nine months ended September 30, 2019, representing decreases of $0.3 million or 50% and $0.7 million or 39% respectively. The decline is attributable to an increase in fully depreciated long-lived assets.

Other (expense) income

Changes in Fair Value of Derivative Liabilities

The fair value of derivative liabilities for the three and nine months ended September 30, 2020, were a gain of $0.1 million and $-0- million, respectively, compared to gain of $0.3 million and $1.0 million for the three and nine months ended September 30, 2019, representing a decrease of $0.2 million or 67% and a decrease of $0.1 million or 100%, 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 nine months ended September 30, 2020, was $0.1 million each, respectively, compared to $0.4 million and $1.8 million, respectively, for the three and nine months ended September 30, 2019, representing a decrease of $0.3 million or 75% and $1.7 million or 94%. The decline is attributable to the payoff of approximately $6.3 million of convertible promissory notes in the fiscal year 2019.

Net (Loss) Income

For the three and nine months ended September 30, 2020, the Company had a net loss of $2.8 million and $8.0 million, respectively, compared to a net loss of $5.0 million and $11.7 million, respectively, for the three and nine months ended September 30, 2019, or a decrease in a net loss of $2.2 million or 44% and $3.7 million or 32%, respectively. The reduction in the Company's net loss has been due in part to the Company's implementation of cost-saving strategic initiatives put in place in response to uncertainties of the economic climate brought on by the COVID-19 pandemic toward the end of the first quarter of the fiscal year 2020.

Liquidity and Capital Resources

The Company incurred a loss from operations of approximately $8.2 million and cash used in operating activities of $10.7 million for the nine months ended September 30, 2020. The Company had approximately $10.0 million in working capital, $260.6 million in accumulated deficits, and $3.1 million of cash on hand as of September 30, 2020. Additionally, as of November 9, 2020, our cash on hand is approximately $6.7 million.

The COVID-19 pandemic and related economic repercussions have created significant uncertainty. Beginning in March and April of 2020, the Company began taking the following liquidity preservation actions aimed at funding our operations for the next 12 months :

- Implementation of proactive spending reductions to improve liquidity, including a partial workforce reduction, the furlough of employees, reduced discretionary spending, resulting in a projected annual savings of approximately $5.0 million in fiscal 2020.

- Effective May 1, 2020, the Company entered into new lease arrangements at two new locations in Hackettstown, NJ, on a 90-day cycle for each site, effectively lowering rental fees by approximately 81%.

Paycheck Protection Program ("PPP") and Liquidity

Further, we benefited from the support afforded to us under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which has provided temporary relief related to maintaining payroll and some overhead expenses through the period of emergency. The stated goal is to keep workers paid and employed during the period of the crisis. The Company received approximately $1.2 million on April 10, 2020, under the sponsorship of PPP, in the form of a promissory note, as discussed further in Note 5.

Capital-raising events

During the past nine months, the Company has been able to raise funds as follows successfully:

- On February 14, 2020, the Company closed on an equity financing and received gross proceeds of approximately $5,998,000, less offering costs of $560,000 for net proceeds of $5,438,000. The Company issued 12,445,000 shares of common stock, 12,445,000 warrants to purchase 9,333,750 shares of Common Stock, 14,827,200 pre-funded warrants with each pre-funded warrant exercisable for one share of Common Stock, together with 14,827,200 Warrants to purchase 11,120,400 shares of Common Stock.

- On May 5, 2020, the Company filed a shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission ("SEC") and declared effective on May 13, 2020. For the nine months ending September 30, 2020, the Company issued 2,390,171 shares of common stock and received gross proceeds of approximately $6,586,000, less offering costs of $301,000 for net proceeds of $6,285,000.

- As described in Note 14 (Subsequent Events), the Company raised approximately $4,673,000 between October 1, 2020, and November 12, 2020.

Together, with the capital raises, the PPP loan, and the Company-wide protocols invoked as a result of the worldwide consequences encountered from the COVID-19 health emergency, and based on forward-looking estimates of our business operations and results, we believe that we will have sufficient funds to continue our operations for at least twelve months from the date 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. There may be a material influence in our asset's carrying value if we are unable to close on some revenue-producing opportunities in the near term. The achievement of our efforts to maintain adequate liquidity is not assured, particularly in light of the significant uncertainty arising from the COVID-19 pandemic and the related economic downturn in the United States and abroad.

Cash Flows

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

For the Nine Months Ended
(In Thousands)

	September 30, 2020	September 30, 2019
Net cash used in operating activities	$ (10,698)	$ (6,144)
Net cash used in investing activities	(227)	(381)
Net cash provided in financing activities	12,294	5,026
Effect of exchange rate changes on cash	17	(1)
Net increase (decrease) in cash	$ 1,386	$ (1,500)

Operating Activities

Net cash used in operating activities of approximately $10.7 million during the nine months ended September 30, 2020, was principally attributable to decreases in: accounts payable of $3.3 million, accounts receivable of $2.3 million, and deferred revenue and customer deposits of $1.2 million. The reductions were substantially offset by increase in inventory of $2.2 million.

Net cash used in operating activities of approximately $6.1 million during the nine months ended September 30, 2019, was principally attributable to decreases in: accounts receivable of $1.2 million, and operating lease liabilities of $0.5 million. The reductions were substantially offset by an increase in $0.9 million of deferred revenue and customer deposits, and $0.5 million of accrued expenses and interest expense.

Investing Activities

Net cash used by investing activities for the nine months ended September 30, 2020, and 2019 were $0.2 and $0.4 million each, respectively, and principally relate to the capital expenditures for furniture and computer equipment.

Financing Activities

Net cash provided by financing activities of approximately $12.3 million during the nine months ended September 30, 2020, was principally attributable to net proceeds of $11.6 million from equity raises and $1.2 million of proceeds from a PPP governmental loan. This was offset by $0.4 million of principal payments in connection with the working capital financing and notes payable.

Net cash provided by financing activities of approximately $11.0 million during the nine months ended September 30, 2019, was principally attributable to net proceeds received from equity raises. This was offset by $6.0 million of principal payments in connection with the convertible promissory notes.

Nasdaq Compliance

Not Applicable.

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 Exchange Act). These 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 periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls, and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and the chief financial officer or officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2020, management has not completed an adequate assessment of the Company's design and operation of our disclosure controls. Management has identified control deficiencies regarding the lack of segregation of duties. These shortcomings influence the recording, processing, summarizing, and reporting information required to be disclosed within the periods specified in the SEC's rules and forms due to lack of segregation of duties. Management of the Company believes that these material weaknesses are due to the small size of the Company's accounting staff. The staff size measure may prevent the implementation of adequate controls in the future, such as segregation of duties, in effectuating a system of disclosure controls and procedures.

The Company remains committed to addressing this issue despite the effects on the worldwide economy caused by the COVID-19 pandemic. To mitigate the current circumstances, we rely heavily on direct management oversight of transactions, along with the use of highly experienced external legal and accounting professionals, including our limited number of essential accounting personnel, who continue to work from home. The Company expects to implement adequate segregation of duties within the internal control framework as the Company grows.

Until 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. The Company expects improvements, as resources permit, on the integration of information issues in the fiscal year 2020 and 2021 as we plan to move towards a more unified accounting and enterprise resource planning system.

Our Annual Report on Form 10-K for the year ended December 31, 2019, we identified material weaknesses in our internal control over financial reporting due to not appropriately performing an adequate risk assessment or monitoring of our internal controls over financial reporting. As of September 30, 2020, we concluded that some of these material weaknesses continued to exist.

The Company is continuing to remediate further the material weakness identified above as its resources permit. Despite the existence of these material weaknesses, the Company believes that the condensed consolidated financial statements included in the period covered by this Quarterly Report on Form 10-Q fairly present, in all material respects, the Company's financial condition, results of operations, and cash flows for the periods presented in conformity with the U.S. generally accepted accounting principles.

Changes in Internal Controls

During the nine months ended September 30, 2020, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to affect our internal control over financial reporting materially.

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 September 30, 2020, the Company has no pending litigation matters that it views as material.

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.

None.

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
10.1	Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2020)
10.2	Form of Non-Employee Director Restricted Shares Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2020)
31.1	Certification of Principal Executive Officer, pursuant to 18 USC. 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 USC. 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 USC. 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 USC. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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: November 12, 2020

By: */s/ Carleton Miller*

Carleton Miller
Chief Executive Officer
(Duly Authorized Officer and Principal Executive Officer)

Date: November 12, 2020

By: */s/ Michael Bond*

Michael Bond
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
10.1	Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2020)
10.2	Form of Non-Employee Director Restricted Shares Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2020)
31.1	Certification of Principal Executive Officer, pursuant to 18 USC. 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 USC. 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 USC. 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 USC. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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.

Exhibit 31.1

**CERTIFICATION
PURSUANT TO 18 USC. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Carleton M. Miller, 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 material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2020

/s/ Carleton M. Miller
Carleton M. Miller
Chief Executive Officer
(Principal Executive Officer)

Exhibit 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

I, Michael Bond, 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 material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 12, 2020

/s/ Michael Bond
Michael Bond
Chief Financial Officer
(Principal Financial Officer)

Exhibit 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

In connection with the Quarterly Report of Vislink Technologies, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020 (the “Report”), I, Carleton M. Miller, Chief Executive 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: November 12, 2020

/s/ Carleton M. Miller
Carleton M. Miller
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
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**

In connection with the Quarterly Report of Vislink Technologies, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 (the "Report"), I, Michael Bond, 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: November 12, 2020

/s/ Michael Bond
Michael Bond
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.