

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2019
OR

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

For the transition period from _____ to _____
Commission File Number: 001-38358

INSEEGO CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

12600 Deerfield Parkway, Suite 100

Alpharetta Georgia
(Address of Principal Executive Offices)

81-3377646
(I.R.S. Employer
Identification No.)

30004
(Zip Code)

Registrant's telephone number, including area code: (858) 812-3400

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 \$0.001 per share	INSG	Nasdaq Global Select Market
Preferred Stock Purchase Rights		

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

The number of shares of the registrant's common stock outstanding as of November 1, 2019 was 80,031,491.

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PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements.*

INSEGO CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share data)

	September 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,945	\$ 31,015
Restricted cash	—	61
Accounts receivable, net of allowance for doubtful accounts of \$2,008 and \$1,841, respectively	21,533	20,633
Inventories, net	25,960	26,431
Prepaid expenses and other	10,358	6,212
Total current assets	71,796	84,352
Property, plant and equipment, net of accumulated depreciation of \$15,846 and \$18,436, respectively	7,469	6,698
Rental assets, net of accumulated depreciation of \$11,325 and \$10,879, respectively	5,033	5,769
Intangible assets, net of accumulated amortization of \$28,140 and \$22,101, respectively	39,852	31,985
Goodwill	31,477	32,942
Right-of-use assets, net	2,323	—
Other assets	743	510
Total assets	\$ 158,693	\$ 162,256
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 28,845	\$ 39,245
Accrued expenses and other current liabilities	16,596	13,024
Convertible senior notes, net	99,264	—
Term loan, net	46,165	—
DigiCore bank facilities	197	1,412
Total current liabilities	191,067	53,681
Long-term liabilities:		
Convertible senior notes, net	—	93,054
Term loan, net	—	45,046
Deferred tax liabilities, net	4,208	4,457
Other long-term liabilities	1,738	2,543
Total liabilities	197,013	198,781
Commitments and Contingencies		
Stockholders' deficit:		
Preferred stock, par value \$0.001; 2,000,000 shares authorized:		
Series E Preferred stock, par value \$0.001; 10,000 shares designated, 10,000 and 0 shares issued and outstanding, respectively, liquidation preference of \$1,000 per share	—	—
Common stock, par value \$0.001; 150,000,000 shares authorized, 79,825,651 and 73,979,882 shares issued and outstanding, respectively	80	74
Additional paid-in capital	574,485	546,230
Accumulated other comprehensive loss	(7,789)	(4,877)
Accumulated deficit	(605,018)	(577,817)
Total stockholders' deficit attributable to Inseego Corp.	(38,242)	(36,390)
Noncontrolling interests	(78)	(135)
Total stockholders' deficit	(38,320)	(36,525)
Total liabilities and stockholders' deficit	\$ 158,693	\$ 162,256

See accompanying notes to unaudited condensed consolidated financial statements.

INSEGO CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net revenues:				
IoT & Mobile Solutions	\$ 45,926	\$ 34,636	\$ 118,690	\$ 95,257
Enterprise SaaS Solutions	16,790	15,994	48,473	51,163
Total net revenues	62,716	50,630	167,163	146,420
Cost of net revenues:				
IoT & Mobile Solutions	37,873	26,793	99,459	75,168
Enterprise SaaS Solutions	6,218	6,233	18,764	20,093
Impairment of abandoned product line, net of recoveries	—	—	—	355
Total cost of net revenues	44,091	33,026	118,223	95,616
Gross profit	18,625	17,604	48,940	50,804
Operating costs and expenses:				
Research and development	6,655	5,317	15,328	15,261
Sales and marketing	7,149	5,907	20,769	16,957
General and administrative	7,135	5,837	21,036	18,634
Amortization of purchased intangible assets	847	869	2,575	2,764
Extinguishment of acquisition-related liabilities	—	(17,174)	—	(17,174)
Restructuring charges, net of recoveries	13	245	50	1,165
Total operating costs and expenses	21,799	1,001	59,758	37,607
Operating income (loss)	(3,174)	16,603	(10,818)	13,197
Other expense:				
Interest expense, net	(5,119)	(5,113)	(15,336)	(15,360)
Other expense, net	(307)	(180)	(66)	(554)
Income (loss) before income taxes	(8,600)	11,310	(26,220)	(2,717)
Income tax provision	223	473	793	1,185
Net income (loss)	(8,823)	10,837	(27,013)	(3,902)
Less: Net loss (income) attributable to noncontrolling interests	17	6	(57)	35
Net income (loss) attributable to Inseego Corp.	(8,806)	10,843	(27,070)	(3,867)
Series E preferred stock dividends	(131)	—	(131)	—
Net income (loss) attributable to common shareholders	\$ (8,937)	\$ 10,843	\$ (27,201)	\$ (3,867)
Per share data:				
Net income (loss) per common share:				
Basic	\$ (0.11)	\$ 0.16	\$ (0.35)	\$ (0.06)
Diluted	\$ (0.11)	\$ 0.15	\$ (0.35)	\$ (0.06)
Weighted-average shares used in computation of net income (loss) per common share:				
Basic	79,550,445	68,480,774	77,606,317	63,585,229
Diluted	79,550,445	71,456,346	77,606,317	63,585,229

See accompanying notes to unaudited condensed consolidated financial statements.

INSEGO CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ (8,823)	\$ 10,837	\$ (27,013)	\$ (3,902)
Foreign currency translation adjustment	(4,119)	(1,797)	(2,912)	(8,589)
Total comprehensive income (loss)	<u>\$ (12,942)</u>	<u>\$ 9,040</u>	<u>\$ (29,925)</u>	<u>\$ (12,491)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

INSEGO CORP.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In thousands)
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interests	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balance, June 30, 2018	—	\$ —	59,743	\$ 60	\$ 522,033	\$ (2,188)	\$ (584,469)	\$ (79)	\$ (64,643)
Net income (loss)	—	—	—	—	—	—	10,843	(6)	10,837
Foreign currency translation adjustment	—	—	—	—	—	(1,797)	—	—	(1,797)
Exercise of stock options, vesting of restricted stock units and shares issued under employee stock purchase plan	—	—	958	1	799	—	—	—	800
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(337)	—	—	—	(337)
Issuance of common shares	—	—	12,690	12	20,074	—	—	—	20,086
Share-based compensation	—	—	—	—	1,734	—	—	—	1,734
Balance, September 30, 2018	—	\$ —	73,391	\$ 73	\$ 544,303	\$ (3,985)	\$ (573,626)	\$ (85)	\$ (33,320)
Balance, June 30, 2019	—	\$ —	78,985	\$ 79	\$ 562,405	\$ (3,670)	\$ (596,081)	\$ (61)	\$ (37,328)
Net income (loss)	—	—	—	—	—	—	(8,806)	(17)	(8,823)
Foreign currency translation adjustment	—	—	—	—	—	(4,119)	—	—	(4,119)
Exercise of stock options, vesting of restricted stock units and shares issued under employee stock purchase plan	—	—	645	—	601	—	—	—	601
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(942)	—	—	—	(942)
Issuance of Series E preferred shares	10	—	—	—	10,000	—	—	—	10,000
Issuance of common shares	—	—	196	1	1,037	—	—	—	1,038
Share-based compensation	—	—	—	—	1,253	—	—	—	1,253
Series E preferred stock dividends	—	—	—	—	131	—	(131)	—	—
Balance, September 30, 2019	10	\$ —	79,826	\$ 80	\$ 574,485	\$ (7,789)	\$ (605,018)	\$ (78)	\$ (38,320)

INSEGO CORP.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(In thousands)
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Noncontrolling Interests	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balance, December 31, 2017	—	\$ —	58,645	\$ 59	\$ 519,531	\$ 4,604	\$ (569,759)	\$ (50)	\$ (45,615)
Net income (loss)	—	—	—	—	—	—	(3,867)	(35)	(3,902)
Foreign currency translation adjustment	—	—	—	—	—	(8,589)	—	—	(8,589)
Exercise of stock options, vesting of restricted stock units and shares issued under employee stock purchase plan	—	—	2,056	2	1,670	—	—	—	1,672
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(650)	—	—	—	(650)
Issuance of common shares	—	—	12,690	12	20,074	—	—	—	20,086
Share-based compensation	—	—	—	—	3,678	—	—	—	3,678
Balance, September 30, 2018	—	\$ —	73,391	\$ 73	\$ 544,303	\$ (3,985)	\$ (573,626)	\$ (85)	\$ (33,320)
Balance, December 31, 2018	—	\$ —	73,980	\$ 74	\$ 546,230	\$ (4,877)	\$ (577,817)	\$ (135)	\$ (36,525)
Net income (loss)	—	—	—	—	—	—	(27,070)	57	(27,013)
Foreign currency translation adjustment	—	—	—	—	—	(2,912)	—	—	(2,912)
Exercise of stock options, vesting of restricted stock units and shares issued under employee stock purchase plan	—	—	1,382	1	1,516	—	—	—	1,517
Taxes withheld on net settled vesting of restricted stock units	—	—	—	—	(1,260)	—	—	—	(1,260)
Issuance of Series E preferred shares	10	—	—	—	10,000	—	—	—	10,000
Issuance of common shares	—	—	242	1	1,278	—	—	—	1,279
Exercise of warrants	—	—	4,222	4	10,635	—	—	—	10,639
Share-based compensation	—	—	—	—	5,955	—	—	—	5,955
Series E preferred stock dividends	—	—	—	—	131	—	(131)	—	—
Balance, September 30, 2019	10	\$ —	79,826	\$ 80	\$ 574,485	\$ (7,789)	\$ (605,018)	\$ (78)	\$ (38,320)

See accompanying notes to unaudited condensed consolidated financial statements.

INSEGO CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (27,013)	\$ (3,902)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,770	10,564
Provision for bad debts, net of recoveries	691	536
Provision for excess and obsolete inventory, net of recoveries	389	1,219
Share-based compensation expense	5,955	3,678
Amortization of debt discount and debt issuance costs	7,329	7,328
Deferred income taxes	(13)	(4)
Non-cash gain on extinguishment of acquisition-related liabilities	—	(17,174)
Other	1,349	1,227
Changes in assets and liabilities:		
Accounts receivable	(1,912)	(13,038)
Inventories	(2,525)	1,779
Prepaid expenses and other assets	(4,535)	2,423
Accounts payable	(8,887)	879
Accrued expenses, income taxes, and other	1,404	616
Net cash used in operating activities	<u>(14,998)</u>	<u>(3,869)</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,169)	(936)
Proceeds from the sale of property, plant and equipment	454	109
Additions to capitalized software development costs and purchases of intangible assets	(16,800)	(1,527)
Net cash used in investing activities	<u>(20,515)</u>	<u>(2,354)</u>
Cash flows from financing activities:		
Gross proceeds received from issuance of Series E preferred stock	10,000	—
Gross proceeds received from private placement	—	19,661
Principal payments on term loans	—	(500)
Proceeds from the exercise of warrant to purchase common stock	10,639	—
Net repayment of DigiCore bank and overdraft facilities	(1,159)	(1,203)
Principal payments under finance lease obligations	(795)	(487)
Principal payments on mortgage bond	—	(241)
Proceeds from stock option exercises and employee stock purchase plan, net of taxes paid on vested restricted stock units	257	1,022
Net cash provided by financing activities	<u>18,942</u>	<u>18,252</u>
Effect of exchange rates on cash	(560)	(1,680)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(17,131)</u>	<u>10,349</u>
Cash, cash equivalents and restricted cash, beginning of period	31,076	21,259
Cash, cash equivalents and restricted cash, end of period	<u>\$ 13,945</u>	<u>\$ 31,608</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 6,231	\$ 6,605
Income taxes	\$ 583	\$ 593
Supplemental disclosures of non-cash activities:		
Transfer of inventories to rental assets	\$ 2,712	\$ 3,018
Capital expenditures financed through accounts payable	\$ 799	\$ 2,178
Right-of-use assets obtained in exchange for operating leases liabilities	\$ 3,554	\$ —
Issuance costs financed through accounts payable	\$ —	\$ 500
Issuance of common stock under settlement agreement	\$ 1,279	\$ 925

See accompanying notes to unaudited condensed consolidated financial statements.

INSEEGO CORP.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The information contained herein has been prepared by Inseego Corp. (the “Company”) in accordance with the rules of the Securities and Exchange Commission (the “SEC”). The information at September 30, 2019 and the results of the Company’s operations for the three and nine months ended September 30, 2019 and 2018 are unaudited. The condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented. These unaudited condensed consolidated financial statements and notes hereto should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The year-end condensed consolidated balance sheet data as of December 31, 2018 was derived from the Company’s audited consolidated financial statements and may not include all disclosures required by accounting principles generally accepted in the United States. Certain prior period amounts were reclassified to conform to the current period presentation. These reclassifications did not affect total revenues, costs and expenses, net income (loss), assets, liabilities or stockholders’ deficit. Except as set forth below, the accounting policies used in preparing these unaudited condensed consolidated financial statements are the same as those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The results of operations for the interim periods presented are not necessarily indicative of results to be expected for any other interim period or for the year as a whole.

As of September 30, 2019, the Company had available cash and cash equivalents totaling \$13.9 million and a working capital deficit of \$119.3 million

In order to make continued investments in its growth plan, on August 9, 2019, the Company issued and sold 10,000 shares of Fixed-Rate Cumulative Perpetual Preferred Stock, Series E, par value \$0.001 per share (the “Series E Preferred Stock”), for an aggregate purchase price of \$10.0 million. For additional information see Note 7, *Private Placements*.

Under the terms of the indenture governing the Inseego Notes (as defined below), each holder of the notes has the right to require the Company to repurchase its notes for cash on June 15, 2020 (the “Optional Repurchase Date”). Should noteholders exercise this right, in addition to the Company’s obligation to repurchase the notes, such repurchase would constitute a default under the Company’s Credit Agreement (as defined below). In addition, the Novatel Wireless Notes (as defined below) are scheduled to mature on June 15, 2020.

Based on the above, the Company’s management does not believe that its current cash and cash equivalents, together with anticipated cash flows from operations, will be sufficient to meet its working capital needs, including any required repurchase of the Inseego Notes and repayment of the Credit Agreement and Novatel Wireless Notes, without additional sources of cash. These circumstances, unless mitigated, raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s plan to mitigate the substantial doubt as to its ability to continue as a going concern is through the restructuring of its existing debt or issuance of additional debt or equity securities.

The Company’s liquidity could also be impaired if there is any interruption in its business operations, a material failure to satisfy its contractual commitments or a failure to generate revenue from new or existing products. Ultimately, the Company’s ability to attain profitability and to generate positive cash flow is dependent upon achieving a level of revenues adequate to support its evolving cost structure and increasing working capital needs. If events or circumstances occur such that the Company does not meet its operating plan as expected, the Company may be required to raise additional capital, reduce planned research and development activities, incur additional restructuring charges or reduce other operating expenses which could have an adverse impact on its ability to achieve its intended business objectives. There can be no assurance that any required or desired restructuring or financing will be available on terms favorable to the Company, or at all. In addition, in order to obtain additional borrowings, the Company must comply with certain requirements under the Credit Agreement and the Inseego Indenture (as defined below). If additional funds are raised by the issuance of equity securities, Company stockholders could experience dilution of their ownership interests and securities issued may have rights senior to those of the holders of the Company’s common stock. If additional funds are raised by the issuance of debt securities, the Company may be subject to additional limitations on its operations.

Principles of Consolidation

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

INSEEGO CORP.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Segment Information

Management has determined that the Company has one reportable segment. The Chief Executive Officer, who is also the Chief Operating Decision Maker, does not manage any part of the Company separately, and the allocation of resources and assessment of performance is based solely on the Company's consolidated operations and operating results.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results could differ materially from these estimates. Significant estimates include allowance for doubtful accounts receivable, provision for excess and obsolete inventory, valuation of intangible and long-lived assets, valuation of goodwill, valuation of debt obligations, royalty costs, accruals relating to litigation and restructuring, provision for warranty costs, income taxes, share-based compensation expense and the Company's ability to continue as a going concern.

Revenue Recognition

Sources of Revenue

The Company generates revenue from a broad range of product sales including intelligent wireless hardware products for the worldwide mobile communications and industrial Internet of Things ("IoT") markets. The Company's products principally include intelligent 4G and 5G mobile hotspots, wireless gateways and routers for IoT applications, 1 Gigabit speed 4G LTE hotspots and USB modems, integrated telematics and mobile tracking hardware devices, which are supported by applications software and cloud services designed to enable customers to easily analyze data insights and configure and manage their hardware.

The Company classifies its revenues from the sale of its products and services into two distinct groupings, specifically IoT & Mobile Solutions and Enterprise SaaS Solutions. Both IoT & Mobile Solutions and Enterprise SaaS Solutions revenues include any hardware and software required for the respective solution.

IoT & Mobile Solutions. The IoT & Mobile Solutions portfolio is comprised of end-to-end edge to cloud solutions including 4G LTE mobile broadband gateways, routers, modems, hotspots, HD quality VoLTE based wireless home phones, cloud management software and an advanced 5G portfolio of products (currently in various stages of development). The solutions are offered under the MiFi and MiFi^Q brands for consumer and business markets, and under the Skyus brand for industrial IoT markets.

Enterprise SaaS Solutions. The Enterprise SaaS Solutions consist of various subscription offerings to gain access to the Company's Ctrack telematics platforms, which provide fleet vehicle, aviation ground vehicle and asset tracking and performance information, and other telematics applications, and the Company's Device Management System ("DMS"), a hosted software-as-a-service ("SaaS") platform that helps organizations manage the selection, deployment and spend of their customer's wireless assets, helping them save money on personnel and telecom expenses.

Contracts with Customers

The Company routinely enters into a variety of agreements with customers, including quality agreements, pricing agreements and master supply agreements which outline the general commercial terms and conditions under which the Company does business with a specific customer, including shipping terms and pricing for the products and services that the Company offers. The Company also sells to some customers solely based on purchase orders. The Company has concluded, for the vast majority of its revenues, that its contracts with customers are either a purchase order or the combination of a purchase order with a master supply agreement.

INSEEGO CORP.
Notes to Condensed Consolidated Financial Statements (Unaudited)

The Company determines revenue recognition through the following five 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, performance obligations are satisfied.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company's performance obligations are established when a customer submits a purchase order notification (in writing, electronically or verbally) for goods and services, and the Company accepts the order. The Company identifies performance obligations as the delivery of the requested product or service in appropriate quantities and to the location specified in the customer's contract and/or purchase order. The Company generally recognizes revenue upon the satisfaction of these criteria when control of the product or service has been transferred to the customer at which time it has an unconditional right to receive payment. The Company's prices are fixed and have no history of being affected by contingent events that could impact the transaction price. The Company does not offer price concessions and does not accept payment that is less than the price stated when it accepts the purchase order.

Revenue Recognition

Revenue is recognized upon transfer of control of products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company enters into contracts that may include various combinations of products and services which are generally capable of being distinct and accounted for as separate performance obligations.

Hardware. Hardware revenue from the sale of the Company's IoT & Mobile Solutions devices is recognized when the Company transfers control to the customer, typically at the time when the product is delivered, shipped or installed at which time the title passes to the customer, and there are no further performance obligations with regards to the hardware device.

SaaS and Other Services. SaaS subscription revenue is recognized over time on a ratable basis over the contract term beginning on the date that its service is made available to the customer. Subscription periods range from monthly to multi-year, with the majority of contracts being one to three years. Telematics includes a device which collects and transmits the information from the vehicle or other asset. The Company's customers have an option to purchase the monitoring device or lease it over the term of the contract. If the customer purchases the hardware device, the Company recognizes the revenue at a point in time as discussed above in the hardware revenue recognition disclosure. Prior to adoption of the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"), on January 1, 2019, if the customer chose to lease the monitoring device, the Company accounted for the monitoring device lease as an operating lease, recognized the revenue for the monitoring device lease over the term of the contract and recorded such revenue in accordance with the previous lease accounting guidance in ASC 840, *Leases*. Under the new standard, because the Company's rental asset lease contracts qualify as operating leases under ASC 842 and the contracts also include services to operate the underlying asset, and to maintain the asset, the Company has elected the practical expedient to combine the lease and the non-lease components because the service is the predominant element in the eyes of the customer and the pattern of service delivery is the same for both elements. The Company recognizes revenue over time on a ratable basis over the term of the contract.

Maintenance and support services revenue. Periodically, the Company sells separately priced warranty contracts that extend beyond the Company's base warranty period. The separately priced service contracts range from 12 months to 36 months. The Company typically receives payment at the inception of the contract and recognizes revenue as earned on a straight-line basis over the term of the contract.

Professional services revenue. From time to time, the Company enters into special engineering design service agreements. Revenues from engineering design services are specifically designed to meet specifications of a particular product, and therefore do not create an asset with an alternative use. The Company recognizes revenue based on the achievement of certain applicable milestones and the amount of payment the Company believes it is entitled to at the time.

With respect to revenue related to third party product sales or other arrangements that involve the services of another party, for which the Company does not control the sale or service and acts as an agent to the transaction, the Company

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recognizes revenue on a net basis. The portion of the gross amount billed to customers that is remitted by the Company to another party is not reflected as revenue.

Multiple Performance Obligations

The Company's contracts with customers may include commitments to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. When hardware, software and services are sold in various combinations, judgment is required to determine whether each performance obligation is considered distinct and accounted for separately, or not distinct and accounted for together with other performance obligations.

In instances where the software elements included within hardware for various products are considered to be functioning together with non-software elements to provide the tangible product's essential functionality, these arrangements are accounted for as a single distinct performance obligation.

Judgment is required to determine the stand-alone selling price ("SSP") for each distinct performance obligation. When available, the Company uses observable inputs to determine SSP. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, it determines the SSP based on a cost-plus model as market and other observable inputs are seldom present based on the proprietary nature of the Company's products.

Contract Liabilities

Timing of revenue recognition may differ from the timing of invoicing to customers. If customers are invoiced for subscription services in advance of the service period, deferred revenue liabilities, or contract liabilities, are recorded. Deferred revenue liabilities, or contract liabilities, are also recorded when the Company collects payments in advance of performing the services.

Contract Assets

The Company capitalizes sales commissions earned by its sales force when they are considered to be incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized over a period of benefit. There were no significant amounts of assets recorded related to contract costs as of September 30, 2019.

Applying the practical expedient in paragraph ASC 340-40-25-4, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in selling, general, and administrative expenses.

Significant Judgments in the Application of the Guidance in ASC 606

Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. The Company considered the performance obligations in its customer master supply agreements and determined that, for the majority of its revenue, the Company generally satisfies performance obligations at a point in time upon delivery of the product to the customer.

Revenues from the Company's SaaS subscription services represent a single promise to provide continuous access to its software solutions and their processing capabilities in the form of a service through one of the Company's data centers or a hosted data center. As each day of providing access to the software is substantially the same, and the customer simultaneously receives and consumes the benefits as access is provided, the Company has determined that its subscription services arrangements include a single performance obligation comprised of a series of distinct services. The Company's SaaS subscriptions also include an unspecified volume of call center support and any remote system diagnostic and software upgrades as needed. These services are combined with the recurring monthly subscription service since they are highly interrelated and interdependent. Revenue from the Company's subscription services is recognized over time on a ratable basis over the contract term beginning on the date that the service is made available to the customer.

Shipping and Handling Charges

Fees charged to customers for shipping and handling of products are included in product revenues, and costs for shipping and handling of products are included as a component of cost of sales.

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Taxes Collected from Customers

Taxes collected on the value of transaction revenue are excluded from product and services revenues and cost of sales and are accrued in current liabilities until remitted to governmental authorities.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB, which are adopted by the Company as of the specified date. Unless otherwise discussed, management believes the impact of recently issued standards, some of which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

In June 2016, the FASB issued Accounting Standard Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held. This guidance is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of this guidance.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either financing or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less are accounted for similar to previous guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to previous guidance for sales-type leases, direct financing leases and operating leases. The Company adopted the standard on January 1, 2019, the date it became effective for public companies, using the modified retrospective approach whereby the cumulative effect of adoption was recognized on the adoption date and prior periods were not restated. There was no net cumulative effect adjustment to retained earnings as of January 1, 2019 as a result of this adoption. Upon adoption, the Company elected the package of practical expedients permitted within the standard, which among other things, allows for the carryforward of historical lease classification. The Company also elected the practical expedient provided in a subsequent amendment to the standard that removed the requirement to separate lease and non-lease components, provided certain conditions were met. Refer to Note 10, *Leases*, for the impact of the adoption of this guidance on the Company's condensed consolidated financial statements.

2. Financial Statement Details

Inventories, net

Inventories, net, consist of the following (in thousands):

	September 30, 2019	December 31, 2018
Finished goods	\$ 21,785	\$ 14,797
Raw materials and components	4,175	11,634
Total inventories, net	<u>\$ 25,960</u>	<u>\$ 26,431</u>

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Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	September 30, 2019	December 31, 2018
Royalties	\$ 1,982	\$ 1,727
Payroll and related expenses	2,684	2,415
Professional fees	611	514
Accrued interest	2,011	239
Deferred revenue	2,316	2,048
Operating lease liabilities	1,201	—
Acquisition-related liabilities	1,000	1,000
Other	4,791	5,081
Total accrued expenses and other current liabilities	\$ 16,596	\$ 13,024

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statements of cash flows (in thousands):

	September 30, 2019	December 31, 2018	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 13,945	\$ 31,015	\$ 31,547	\$ 21,198
Restricted cash	—	61	61	61
Total cash, cash equivalents and restricted cash	\$ 13,945	\$ 31,076	\$ 31,608	\$ 21,259

3. Fair Value Measurement of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). A fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model.

The Company classifies inputs to measure fair value using a three-level hierarchy 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. The categorization of financial instruments within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) and is defined as follows:

Level 1: Pricing inputs are based on quoted market prices for identical assets or liabilities in active markets (e.g., NYSE or NASDAQ). Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Pricing inputs include benchmark yields, trade data, reported trades and broker dealer quotes, two-sided markets and industry and economic events, yield to maturity, Municipal Securities Rule Making Board reported trades and vendor trading platform data. Level 2 includes those financial instruments that are valued using various pricing services and broker pricing information including Electronic Communication Networks and broker feeds.

Level 3: Pricing inputs include significant inputs that are generally less observable from objective sources, including the Company's own assumptions.

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. There have been no transfers of assets or liabilities between fair value measurement classifications during the nine months ended September 30, 2019.

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The following table summarizes the Company's financial instruments measured at fair value on a recurring basis in accordance with the authoritative guidance for fair value measurements as of September 30, 2019 (in thousands):

	Balance as of September 30, 2019	Level 1
Assets:		
Cash equivalents		
Money market funds	\$ 125	\$ 125
Total cash equivalents	\$ 125	\$ 125

The following table summarizes the Company's financial instruments measured at fair value on a recurring basis in accordance with the authoritative guidance for fair value measurements as of December 31, 2018 (in thousands):

	Balance as of December 31, 2018	Level 1
Assets:		
Cash equivalents		
Money market funds	\$ 10,085	\$ 10,085
Total cash equivalents	\$ 10,085	\$ 10,085

Other Financial Instruments

The Company's financial assets and liabilities are carried at fair value or at amounts that, because of their short-term nature, approximate current fair value, with the exception of its \$105.1 million in Convertible Notes (as defined below) (see Note 4, *Debt*). The Company carries its Convertible Notes at amortized cost. The debt and equity components of the Convertible Notes were measured using Level 3 inputs and are not measured on a recurring basis. It is not practicable to determine the fair value of the Convertible Notes due to the lack of information available to calculate the fair value of such notes. The carrying value of the liability component of the Convertible Notes was \$99.3 million and \$93.1 million as of September 30, 2019 and December 31, 2018, respectively.

4. Debt

Term Loan

On August 23, 2017, the Company and certain of its direct and indirect subsidiaries (the "Guarantors") entered into a credit agreement (the "Credit Agreement") with Cantor Fitzgerald Securities, as administrative agent and collateral agent, and certain funds managed by Highbridge Capital Management, LLC, as lenders (the "Lenders"). Pursuant to the Credit Agreement, the Lenders provided the Company with a term loan in the principal amount of \$48.0 million (the "Term Loan") with a maturity date of August 23, 2020 (the "Maturity Date"). In conjunction with the closing of the Term Loan, the Company received proceeds of \$46.9 million, \$35.0 million of which was funded to the Company in cash on the closing date, net of an original issue discount and commitment fee, and the remaining \$11.9 million of which was funded through the Company's repurchase and cancellation of approximately \$14.9 million of its outstanding Inseego Notes pursuant to the terms of the Note Purchase Agreement (as defined below). The Company paid issuance costs of approximately \$0.5 million. Additionally, the Company issued shares of its common stock and accrued an exit fee, which, when combined with the original debt discount and commitment fee, resulted in a total debt discount of approximately \$4.0 million.

The Term Loan is secured by a first priority lien on substantially all of the assets of the Company and the Guarantors, including equity interests in certain of the Company's direct and indirect subsidiaries, in each case subject to certain customary exceptions and permitted liens. The Credit Agreement includes customary representations and warranties, a material adverse change clause, as well as customary reporting and financial covenants, including a restriction on the level of capital expenditures. The Company obtained a waiver of the capital expenditure restriction from the lenders during the quarter ended September 30, 2019. As a result of the waiver, as of September 30, 2019, the Company was in compliance with all financial covenants under the Credit Agreement.

The Term Loan bears interest at a rate per annum equal to the three-month LIBOR, but in no event less than 1.00%, plus 7.625% (9.749% at September 30, 2019). Interest on the Term Loan is payable on the last business day of each calendar month and on the Maturity Date. At September 30, 2019, one month of interest due to related parties, totaling \$0.3 million, was

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deferred and is included in accrued expenses and other current liabilities on the condensed consolidated balance sheet. Principal on the Term Loan is payable on the Maturity Date.

As required by the terms of the Credit Agreement, during the year ended December 31, 2018, the Company repaid \$0.5 million of principal on the Term Loan in connection with the Settlement Agreement, as defined below (see Note 9, *Commitments and Contingencies*).

At September 30, 2019, approximately \$39.5 million of the Term Loan was held by related parties.

The Term Loan consists of the following (in thousands):

	September 30, 2019	December 31, 2018
Principal	\$ 47,500	\$ 47,500
Less: unamortized debt discount and debt issuance costs	(1,335)	(2,454)
Net carrying amount	<u>\$ 46,165</u>	<u>\$ 45,046</u>

The effective interest rate on the Term Loan was 13.67% for the nine months ended September 30, 2019. The following table sets forth total interest expense recognized related to the Term Loan (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Contractual interest expense	\$ 1,225	\$ 1,185	\$ 3,615	\$ 3,452
Amortization of debt discount	333	332	999	998
Amortization of debt issuance costs	40	40	120	120
Total interest expense	<u>\$ 1,598</u>	<u>\$ 1,557</u>	<u>\$ 4,734</u>	<u>\$ 4,570</u>

Convertible Senior Notes

Novatel Wireless Notes

On June 10, 2015, Novatel Wireless, Inc., a wholly owned subsidiary of Inseego Corp. (“Novatel Wireless”), issued \$120.0 million of 5.50% convertible senior notes due 2020 (the “Novatel Wireless Notes”). The Company incurred issuance costs of approximately \$3.9 million. The Company used a portion of the proceeds from the offering to finance its acquisition of Ctrack, to pay fees and expenses related to the acquisition, and for general corporate purposes.

The Novatel Wireless Notes are governed by the terms of an indenture, dated June 10, 2015, between Novatel Wireless, as issuer, Inseego Corp. and Wilmington Trust, National Association, as trustee, as amended by certain supplemental indentures. The Novatel Wireless Notes are senior unsecured obligations of Novatel Wireless and bear interest at a rate of 5.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2015. The Novatel Wireless Notes will mature on June 15, 2020, unless earlier repurchased or converted. The Novatel Wireless Notes will be convertible into cash, shares of the Company’s common stock, or a combination thereof, at the election of the Company, at an initial conversion price of \$5.00 per share of the Company’s common stock.

Following the settlement of the exchange offer and consent solicitation described below, approximately \$0.2 million aggregate principal amount of Novatel Wireless Notes remain outstanding.

Because the Novatel Wireless Notes will mature within the next twelve months, the Company has included such indebtedness as a current liability on its balance sheet.

Inseego Notes

On January 9, 2017, in connection with the settlement of an exchange offer and consent solicitation with respect to the Novatel Wireless Notes, the Company issued approximately \$119.8 million aggregate principal amount of 5.50% convertible senior notes due 2022 (the “Inseego Notes” and collectively with the Novatel Wireless Notes, the “Convertible Notes”). The Inseego Notes were issued in exchange for approximately \$119.8 million aggregate principal amount of outstanding Novatel Wireless Notes that were validly tendered and accepted for exchange and subsequently canceled.

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The Inseego Notes are governed by the terms of an indenture, dated January 9, 2017 (the “Inseego Indenture”), between the Company, as issuer, and Wilmington Trust, National Association, as trustee. The Inseego Notes are senior unsecured obligations of the Company and bear interest at a rate of 5.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year. The Inseego Notes will mature on June 15, 2022, unless earlier converted, redeemed or repurchased.

The Inseego Notes will be convertible into cash, shares of the Company’s common stock, or a combination thereof, at the election of the Company, at an initial conversion rate of 212.7660 shares of common stock per \$1,000 principal amount of the Inseego Notes, which corresponds to an initial conversion price of \$4.70 per share of the Company’s common stock. The conversion rate is subject to adjustment from time to time upon the occurrence of certain events, including, but not limited to, the issuance of stock dividends and payment of cash dividends. Under certain limited circumstances which are described in the Inseego Indenture, holders may convert their Inseego Notes prior to the close of business on the business day immediately preceding December 15, 2021. On or after December 15, 2021, the holders may convert any of their Inseego Notes at any time prior to the close of business on the business day immediately preceding the maturity date.

Under certain limited circumstances which are described in the Inseego Indenture, the Company may redeem all or a portion of the Inseego Notes at its option, at a redemption price equal to 100% of the principal amount of the Inseego Notes to be redeemed, plus any accrued and unpaid interest on such Inseego Notes. The Inseego Notes are subject to repurchase by the Company at the option of the holders on the Optional Repurchase Date at a repurchase price in cash equal to 100% of the principal amount of the Inseego Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the Optional Repurchase Date. If the Company undergoes a “fundamental change” (as defined in the Inseego Indenture), subject to certain conditions, holders may require the Company to repurchase for cash all or part of their Inseego Notes in principal amounts of \$1,000, or an integral multiple of \$1,000 in excess thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the Inseego Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date, subject to the right of holders as of the close of business on an interest record date to receive the related interest.

The Inseego Indenture contains certain covenants, effective until June 15, 2020, that limit the amount of debt, including secured debt, that may be incurred by the Company or its subsidiaries, and that limit the ability of the Company to pay dividends, repurchase its equity securities or make other restricted payments.

The Inseego Indenture also provides for customary events of default. Upon the occurrence of certain events of bankruptcy, insolvency or reorganization involving the Company, 100% of the principal and accrued and unpaid interest of the Inseego Notes will automatically become immediately due and payable.

Because the exchange of the Novatel Wireless Notes for the Inseego Notes described above was treated as a debt modification in accordance with applicable FASB guidance (it was between a parent and a subsidiary company and for substantially identical notes), the Company did not recognize a gain or loss with respect to the issuance of the Inseego Notes. In accordance with authoritative guidance, the Company recognized \$3.6 million as an additional component of debt discount and additional paid-in capital attributed to the increase in the fair value of the embedded conversion feature of the Inseego Notes before and after modification. The Company will amortize the debt discount on the Inseego Notes as a component of interest expense using the effective interest method through June 2020.

At September 30, 2019, approximately \$44.8 million of the Inseego Notes were held by related parties.

Because the Optional Repurchase Date will occur within the next twelve months, the Company has included such indebtedness as a current liability on its balance sheet.

Note Purchase Agreement

On August 23, 2017, in connection with the Credit Agreement described above, the Company and certain of the Lenders entered into a Note Purchase Agreement (the “Note Purchase Agreement”) pursuant to which the Company repurchased approximately \$14.9 million of outstanding Inseego Notes from such Lenders in exchange for \$11.9 million deemed to have been loaned to the Company pursuant to the Credit Agreement and the accrued and unpaid interest on such notes.

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The Convertible Notes consist of the following (in thousands):

	September 30, 2019	December 31, 2018
Liability component:		
Principal	\$ 105,125	\$ 105,125
Less: unamortized debt discount and debt issuance costs	(5,861)	(12,071)
Net carrying amount	<u>\$ 99,264</u>	<u>\$ 93,054</u>
Equity component	<u>\$ 41,905</u>	<u>\$ 41,905</u>

The effective interest rate on the liability component of the Convertible Notes was 14.17% for the nine months ended September 30, 2019. The following table sets forth total interest expense recognized related to the Convertible Notes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Contractual interest expense	\$ 1,446	\$ 1,446	\$ 4,337	\$ 4,337
Amortization of debt discount	1,955	1,955	5,866	5,866
Amortization of debt issuance costs	115	115	344	344
Total interest expense	<u>\$ 3,516</u>	<u>\$ 3,516</u>	<u>\$ 10,547</u>	<u>\$ 10,547</u>

5. Share-based Compensation

The Company included the following amounts for share-based compensation awards in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Cost of revenues	\$ 202	\$ 153	\$ 899	\$ 227
Research and development	183	564	1,315	972
Sales and marketing	307	313	1,339	761
General and administrative	561	704	2,402	1,718
Total	<u>\$ 1,253</u>	<u>\$ 1,734</u>	<u>\$ 5,955</u>	<u>\$ 3,678</u>

Stock Options

The following table summarizes the Company's stock option activity:

Outstanding — December 31, 2018	8,796,212
Granted	1,327,757
Exercised	(734,214)
Canceled	(866,105)
Outstanding — September 30, 2019	<u>8,523,650</u>
Exercisable — September 30, 2019	<u>3,955,128</u>

At September 30, 2019, total unrecognized compensation expense related to stock options was \$6.2 million, which is expected to be recognized over a weighted-average period of 2.79 years.

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Restricted Stock Units

The following table summarizes the Company's restricted stock unit ("RSU") activity:

Non-vested — December 31, 2018	454,382
Granted	781,067
Vested	(791,234)
Forfeited	(68,825)
Non-vested — September 30, 2019	375,390

At September 30, 2019, total unrecognized compensation expense related to RSUs was \$0.6 million, which is expected to be recognized over a weighted-average period of 1.13 years.

6. Earnings Per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net income (loss) attributable to Inseego Corp. by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock using the treasury stock method. Potentially dilutive securities (consisting primarily of the Convertible Notes calculated using the if-converted and treasury stock method and warrants, stock options and RSUs calculated using the treasury stock method) are excluded from the diluted EPS computation in loss periods and when the applicable exercise price is greater than the market price on the period end date as their effect would be anti-dilutive.

For the three months ended September 30, 2019, the computation of diluted EPS excluded 35,521,479 shares related to the Convertible Notes, warrants, stock options and RSUs as their effect would have been anti-dilutive. For the nine months ended September 30, 2019, the computation of diluted EPS excluded 35,514,077 shares primarily related to the Convertible Notes, warrants, stock options and RSUs as their effect would have been anti-dilutive.

7. Private Placements

Common Stock

On August 6, 2018, the Company completed a private placement of 12,062,000 shares of common stock, par value \$0.001 per share, and warrants to purchase an additional 4,221,700 shares of common stock (the "2018 Warrants"), subject to adjustment for stock splits, reverse stock splits, stock dividends and similar transactions, to certain accredited investors for gross proceeds of \$19.7 million in cash. In connection with the private placement, the Company incurred issuance costs of approximately \$0.5 million.

On March 28, 2019, the 2018 Warrants were exercised at an exercise price of \$2.52 per share, for aggregate cash proceeds to the Company of approximately \$10.6 million. In connection with the exercise of the 2018 Warrants, on March 28, 2019, the Company issued additional warrants to purchase 2,500,000 shares of common stock (the "2019 Warrants") to the accredited investors. Each 2019 Warrant has an initial exercise price of \$7.00 per share, subject to adjustment for stock splits, reverse stock splits, stock dividends and similar transactions, will be exercisable at any time on or after September 28, 2019, and will expire on June 30, 2022. The 2019 Warrants may be exercisable on a cashless exercise basis if, and only if, the shares of common stock underlying such warrants cannot be immediately resold pursuant to an effective registration statement or Rule 144 of the Securities Act of 1933, as amended, without volume or manner of sale restrictions.

The Company assessed the terms of the warrants under ASC 815, *Derivatives and Hedges*. Pursuant to this guidance, the Company has determined that the warrants do not require liability accounting and has classified the warrants as equity.

Preferred Stock

On August 9, 2019, the Company completed a private placement of 10,000 shares of Series E Preferred Stock for an aggregate purchase price of \$10.0 million in accordance with the terms and provisions of a Securities Purchase Agreement, dated August 9, 2019, by and among the Company and certain accredited investors. Each share of Series E Preferred Stock entitles the holder thereof to receive, when, as and if declared by the Company out of assets legally available therefor, cumulative cash dividends at an annual rate of 9.00% payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, beginning on October 1, 2019. If dividends are not declared and paid in any quarter, or if such dividends are declared but holders of the Series E Preferred Stock elect not to receive them in cash, the quarterly dividend will be deemed to

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accrue and will be added to the Series E Base Amount. The Series E Preferred Stock has no voting rights unless otherwise required by law. The Series E Preferred Stock is perpetual and has no maturity date. However, the Company may, at its option, redeem shares of the Series E Preferred Stock, in whole or in part, on or after July 1, 2022, at a price equal to 110% of the Series E Base Amount plus (without duplication) any accrued and unpaid dividends. The “Series E Base Amount” means \$1,000 per share, plus any accrued but unpaid dividends, whether or not declared by the Company’s board of directors, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series E Preferred Stock. In the event of a liquidation, dissolution or winding up of the Company, the holders of the Series E Preferred Stock will be entitled to receive, after satisfaction of liabilities to creditors and subject to the rights of holders of any senior securities, but before any distribution of assets is made to holders of common stock or any other junior securities, the Series E Base Amount plus (without duplication) any accrued and unpaid dividends.

8. Geographic Information and Concentrations of Risk

Geographic Information

The following table details the Company’s net revenues by geographic region based on shipping destination (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
United States and Canada	\$ 47,378	\$ 35,891	\$ 122,331	\$ 98,559
South Africa	9,237	9,145	26,164	30,038
Other	6,101	5,594	18,668	17,823
Total	<u>\$ 62,716</u>	<u>\$ 50,630</u>	<u>\$ 167,163</u>	<u>\$ 146,420</u>

Concentrations of Risk

For the three months ended September 30, 2019 and 2018, one customer accounted for 57.7% and 46.9% of net revenues, respectively. For the nine months ended September 30, 2019 and 2018, one customer accounted for 55.8% and 46.6% of net revenues, respectively.

As of September 30, 2019, one customer accounted for 33.5% of accounts receivable, net. As of December 31, 2018, two customers accounted for 30.5% and 12.8% of accounts receivable, net, respectively.

9. Commitments and Contingencies

Legal

The Company is, from time to time, party to various legal proceedings arising in the ordinary course of business. For example, the Company is currently named as a defendant or co-defendant in some patent infringement lawsuits in the U.S. and may be required to indirectly participate in other U.S. patent infringement actions pursuant to its contractual indemnification obligations to certain customers. Based on an evaluation of these matters and discussions with the Company’s intellectual property litigation counsel, the Company currently believes that liabilities arising from or sums paid in settlement of these existing matters, if any, would not have a material adverse effect on its consolidated results of operations or financial condition.

On May 11, 2017, the Company initiated a lawsuit against the former stockholders of RER in the Court of Chancery of the State of Delaware seeking recovery of damages for civil conspiracy, fraud in the inducement, unjust enrichment and breach of fiduciary duty. On January 16, 2018, the former stockholders of RER filed an answer and counterclaim in the matter seeking recovery of certain deferred and earn-out payments allegedly owed to them by the Company in connection with the Company’s acquisition of RER. On July 26, 2018, the Company and the former stockholders of RER entered into a mutual general release and settlement agreement (the “Settlement Agreement”) pursuant to which the parties agreed to release all claims against each other and the Company agreed to (i) pay the former stockholders of RER \$1.0 million in cash by August 17, 2018, (ii) immediately instruct its transfer agent to permit the transfer or sale of 973,333 shares of the Company’s common stock that the Company had issued to the former stockholders of RER in March 2017, (iii) immediately issue 500,000 shares of the Company’s common stock to the former stockholders of RER, (iv) within 12 months following the execution of the Settlement Agreement, deliver to the former stockholders of RER an additional \$1.0 million in cash, common stock, or a combination thereof, at the Company’s option, (v) within 24 months following the execution of the Settlement Agreement deliver to the former stockholders of RER an additional \$1.0 million in cash, common stock, or a combination thereof, at the Company’s

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option, and (vi) file one or more registration statements with respect to the resale of the shares of the Company's common stock issued to the former stockholders of RER pursuant to the Settlement Agreement. The Company's remaining liability under the Settlement Agreement at September 30, 2019 consists of approximately \$1.0 million in current liabilities.

Indemnification

In the normal course of business, the Company periodically enters into agreements that require the Company to indemnify and defend its customers for, among other things, claims alleging that the Company's products infringe third-party patents or other intellectual property rights. The Company's maximum exposure under these indemnification provisions cannot be estimated but the Company does not believe that there are any matters individually or collectively that would have a material adverse effect on its consolidated results of operations or financial condition.

10. Leases

Lessee

The Company is a lessee in lease agreements for office space, automobiles and certain equipment. Certain of the Company's leases contain provisions that provide for one or more options to renew at the Company's sole discretion. The majority of the Company's leases are comprised of fixed lease payments, with a small percentage of its real estate leases including lease payments subject to a rate or index which may be variable. Certain real estate leases also include executory costs such as common area maintenance (non-lease component). As a practical expedient permitted under ASC 842, the Company has elected to account for the lease and non-lease components as a single lease component. Lease payments, which may include lease components and non-lease components, are included in the measurement of the Company's lease liabilities to the extent that such payments are either fixed amounts or variable amounts based on a rate or index (fixed in substance) as stipulated in the lease contract.

None of the Company's lease agreements contain any material residual value guarantees or material restrictive covenants. As a result of the Company's election of the package of practical expedients permitted within ASC 842, which among other things, allows for the carryforward of historical lease classification, all of the Company's lease agreements in existence at the date of adoption that were classified as operating leases under ASC 840 have been classified as operating leases under ASC 842. Lease expense for payments related to the Company's operating leases is recognized on a straight-line basis over the related lease term, which includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Right-of-use assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments as specified in the lease. Right-of-use assets and lease liabilities related to the Company's operating leases are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term. When the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available surrounding the Company's borrowing rates at the lease commencement date in determining the present value of lease payments. The right-of-use asset also includes any lease payments made at or before lease commencement less any lease incentives. As of September 30, 2019, the Company had right-of-use assets of \$2.3 million and lease liabilities related to its operating leases of \$2.5 million. Right-of-use assets are included in right-of-use assets, net, on the condensed consolidated balance sheet and lease liabilities related to the Company's operating leases are included in accrued expenses and other liabilities and other long-term liabilities on the condensed consolidated balance sheet. As of September 30, 2019, the Company's weighted-average remaining lease term and weighted-average discount rate related to its operating leases were 2.4 years and 9.1%, respectively.

During the three and nine months ended September 30, 2019, the cash paid for amounts included in the measurement of lease liabilities related to the Company's operating leases was approximately \$0.6 million and \$1.6 million, respectively, which is included as an operating cash outflow within the consolidated statements of cash flows. During the three and nine months ended September 30, 2019, the operating lease costs related to the Company's operating leases were approximately \$0.5 million and \$1.4 million, respectively, which is included in operating costs and expenses in the condensed consolidated statements of operations. During the three months ended September 30, 2019, the Company did not enter into any lease agreements set to commence in the future and there were no newly leased assets for which a right-of-use asset was recorded in exchange for a new lease liability, other than those lease assets recorded upon implementation.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

The future minimum payments under operating leases were as follows at September 30, 2019 (in thousands):

2019 (remainder)	\$	527
2020		1,093
2021		693
2022		393
2023		20
Total minimum operating lease payments		2,726
Less: amounts representing interest		(271)
Present value of net minimum operating lease payments		2,455
Less: current portion		(1,201)
Long-term portion of operating lease obligations	\$	1,254

Lessor

Prior to January 1, 2019, and as previously disclosed in the Company's Form 10-K for the year ended December 31, 2018, the Company derived revenue from customers who lease the Company's monitoring devices. The Company recorded such revenue in accordance with the previous lease accounting guidance ASC 840, *Leases*, and determined that the leases qualify as operating leases.

Monitoring device leases in which the Company serves as lessor are classified as operating leases. Accordingly, rental devices are carried at historical cost less accumulated depreciation and impairment, if any, and are included in rental assets, net, on the condensed consolidated balance sheets.

Since the lease components meet the criteria for an operating lease under ASC 842, the Company has elected the practical expedient to combine the lease and the non-lease components because the service is the predominant element in the eyes of the customer and the pattern of service delivery is the same for both elements. The Company will account for the combined component as a single performance obligation under ASC 606, *Revenue from Contracts with Customers*.

11. Income Taxes

The Company's income tax provision of \$0.2 million and \$0.5 million for the three months ended September 30, 2019 and 2018, respectively, and \$0.8 million and \$1.2 million for the nine months ended September 30, 2019 and 2018, respectively, primarily consists of foreign income taxes at certain of the Company's international entities and minimum state taxes for its U.S.-based entities. The Company has income tax expense rather than an expected benefit based on statutory rates primarily due to full valuation allowances at most of its entities.

12. Restructuring

In the third quarter of 2015, the Company approved a restructuring initiative to better position the Company to operate in current market conditions and more closely align operating expenses with revenues, which included employee severance costs and facility exit related costs. In the fourth quarter of 2015, the Company commenced certain initiatives relating to the reorganization of executive level management (collectively, the "2015 Initiatives"). The Company continued these initiatives in 2016 with a reduction-in-force and the completion of the closure of its facility in Richardson, TX. The 2015 Initiatives are expected to cost a total of approximately \$6.1 million and be completed when the Richardson, TX lease expires in June 2020.

The following table sets forth activity in the restructuring liability for the nine months ended September 30, 2019 (in thousands):

	Balance at December 31, 2018	Costs Incurred	Payments	Balance at September 30, 2019	Cumulative Costs Incurred to Date
2015 Initiatives					
Employee Severance Costs	\$ —	\$ —	\$ —	\$ —	\$ 4,131
Facility Exit Related Costs	634	50	(353)	331	1,892
Total	\$ 634	\$ 50	\$ (353)	\$ 331	\$ 6,023

The balance of the restructuring liability at September 30, 2019 consists of approximately \$0.3 million in current liabilities.

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

Forward Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the views of our senior management with respect to our current expectations, assumptions, estimates and projections about Inseego and our industry. These forward-looking statements speak only as of the date of this report. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Statements that include the words "may," "could," "should," "would," "estimate," "anticipate," "believe," "expect," "preliminary," "intend," "plan," "project," "outlook," "will" and similar words and phrases identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that could cause actual results to differ materially from those anticipated in these forward-looking statements as of the date of this report. We believe that these factors include those related to:

- our ability to compete in the market for wireless broadband data access products, wireless modem products, and asset management, monitoring, telematics, vehicle tracking and fleet management products;
- our ability to develop and introduce new products and services successfully;
- our ability to meet the price and performance standards of the evolving 5G New Radio ("5G NR") products and technologies;
- our ability to expand our customer reach/reduce customer concentration;
- our ability to grow the Internet of Things ("IoT") and mobile portfolio outside of North America;
- our ability to grow our Ctrack/asset tracking solutions within North America;
- our dependence on a small number of customers for a substantial portion of our revenues;
- our ability to realize the benefits of recent restructuring activities and cost-reduction initiatives including reductions-in-force, reorganization of executive level management and the consolidation of certain of our facilities;
- our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including our term loan and convertible notes obligations;
- our ability to introduce and sell new products that comply with current and evolving industry standards and government regulations;
- our ability to develop and maintain strategic relationships to expand into new markets;
- our ability to properly manage the growth of our business to avoid significant strains on our management and operations and disruptions to our business;
- our reliance on third parties to manufacture our products;
- our contract manufacturer's ability to secure necessary supply to build our devices;
- our ability to mitigate the impact of tariffs or other government-imposed sanctions;
- our ability to accurately forecast customer demand and order the manufacture and timely delivery of sufficient product quantities;
- our reliance on sole source suppliers for some products and devices used in our solutions;
- the continuing impact of uncertain global economic conditions on the demand for our products;
- the impact of geopolitical instability on our business;
- the impact that new or adjusted tariffs may have on the costs of components or our products, and our ability to sell products internationally;
- our ability to be cost competitive while meeting time-to-market requirements for our customers;
- our ability to meet the product performance needs of our customers in wireless broadband data access in industrial IoT markets;

- demand for fleet, vehicle and asset management software-as-a-service (“SaaS”) telematics solutions;
- our dependence on wireless telecommunication operators delivering acceptable wireless services;
- the outcome of any pending or future litigation, including intellectual property litigation;
- infringement claims with respect to intellectual property contained in our solutions;
- our continued ability to license necessary third-party technology for the development and sale of our solutions;
- the introduction of new products that could contain errors or defects;
- conducting business abroad, including foreign currency risks;
- the pace of 5G wireless network rollouts globally and their adoption by customers;
- our ability to make focused investments in research and development; and
- our ability to hire, retain and manage additional qualified personnel to maintain and expand our business.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with or furnish to the Securities and Exchange Commission (“SEC”), including the information in “Item 1A. Risk Factors” included in Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 (“Form 10-K”). If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate.

Trademarks

“Inseego”, the Inseego logo, “Novatel Wireless”, the Novatel Wireless logo, “MiFi”, “MiFi^Q”, “MiFi Intelligent Mobile Hotspot”, “MiFi Freedom. My Way.”, “Ctrack”, the Ctrack logo, “Inseego North America”, “Skyus” and “Crossroads” are trademarks or registered trademarks of Inseego and its subsidiaries. Other trademarks, trade names or service marks used in this report are the property of their respective owners.

As used in this report on Form 10-Q, unless the context otherwise requires, the terms “we,” “us,” “our,” the “Company” and “Inseego” refer to Inseego Corp., a Delaware corporation, and its wholly owned subsidiaries.

The following information should be read in conjunction with the condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this report, as well as the annual consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2018, contained in our Form 10-K.

Business Overview

Inseego Corp. is a leader in the design and development of mobile (advanced 4G and 5G NR), IoT and cloud solutions for large enterprise verticals, service providers and small and medium-sized businesses around the globe. Our product portfolio consists of fixed and mobile device-to-cloud solutions that provide compelling, intelligent, reliable and secure end-to-end IoT services with deep business intelligence. Inseego's products and solutions power mission critical applications with a "zero unscheduled downtime" mandate, such as 5G fixed wireless access gateway solutions, 4G and 5G mobile broadband, industrial IoT, SD WAN failover management, asset tracking and fleet management services. Our solutions are powered by our key innovations in purpose-built SaaS cloud platforms, IoT and mobile technologies, including a suite of products employing the 5G NR standards.

We have invented and reinvented ways in which the world stays connected, accesses information and derives intelligence from that information. With multiple first-to-market innovations and a strong and growing portfolio of hardware and software innovations for IoT, Inseego has been advancing technology and driving industry transformation for over 30 years. It is this proven expertise, commitment to quality and obsession with innovation and relentless execution that makes us a preferred global partner of service providers, distributors, value-added resellers, system integrators, enterprises and small and medium-sized businesses.

Our Sources of Revenue

We provide intelligent wireless 3G, 4G and 5G hardware products for the worldwide mobile communications and industrial IoT markets. Our hardware products address multiple vertical markets including fleet and commercial telematics, aftermarket telematics, smart city infrastructure management, remote monitoring and control, wireless surveillance systems, security and connected home and fixed wireless access and mobile broadband devices. Our broad range of products principally includes intelligent 4G and 5G mobile hotspots, wireless gateways and routers for IoT applications, 1Gigabit ("Gb") speed 4G LTE hotspots and USB modems, integrated telematics and mobile tracking hardware devices, which are supported by applications software and cloud services designed to enable customers to easily analyze data insights and configure/manage their hardware remotely. Our products currently operate on most major cellular wireless technology platforms. Our mobile hotspots, sold under the MiFi and MiFi^{iQ} brands, have been sold to millions of customers to provide subscribers with secure and convenient high-speed access to corporate, public and personal information through the Internet and enterprise networks. Our wireless standalone and USB modems and gateways allow us to address the rapidly growing and underpenetrated IoT market segments. Our telematics and mobile asset tracking hardware devices collect and control critical vehicle data and driver behaviors, and can reliably deliver that information to the cloud, all managed by our services enablement platforms.

We provide intelligent mobile 4G and 5G devices primarily to wireless operators either directly or through strategic relationships. Our MiFi customer base is comprised of wireless operators, including Verizon Wireless in the United States, Rogers in Canada and Telstra in Australia, as well as distributors and various companies in other vertical markets and geographies.

We sell our wireless routers for industrial IoT, integrated telematics and mobile tracking hardware devices through our direct sales force, value-added resellers and through distributors. The customer base for our wireless products is comprised of transportation companies, industrial enterprises, manufacturers, application service providers, system integrators and distributors in various industries, including fleet and vehicle transportation, ground aviation, energy and industrial automation, security and safety, medical monitoring and government. Integrated telematics and asset tracking devices are also sold under our Ctrack brand and provided as part of our integrated SaaS solutions.

We sell SaaS, software and services solutions across multiple mobile and industrial IoT vertical markets, including fleet management, vehicle telematics, aviation (ground service) telematics, usage-based insurance, stolen vehicle recovery, asset tracking, monitoring, business connectivity and subscription management. Our SaaS platforms are device-agnostic and provide a standardized, scalable way to order, connect and manage remote assets and to improve business operations. The platforms are flexible and support both on-premise server or cloud-based deployments and are the basis for the delivery of a wide range of IoT services in multiple industries.

Our SaaS delivery platforms include our Ctrack platforms, which provide fleet, vehicle, aviation, asset and other telematics applications, and our Device Management System, a hosted SaaS platform that helps organizations manage the selection, deployment and spend of their wireless assets by helping them to save money on personnel and telecom expenses.

Factors Which May Influence Future Results of Operations

Net Revenues. We believe that our future net revenues will be influenced by a number of factors including:

- economic environment and related market conditions;
- increased competition from other fleet and vehicle telematics solutions, as well as suppliers of emerging devices that contain wireless data access or device management features;
- acceptance of our products by new vertical markets;
- growth in the aviation ground vertical;
- rate of change to new products;
- phase-out of earlier generation wireless technologies (such as 3G);
- deployment of 5G infrastructure equipment;
- adoption of 5G end point products;
- competition in the area of 5G technology;
- application of any tariffs;
- product pricing; and
- changes in technologies.

Our revenues are also significantly dependent upon the availability of materials and components used in our hardware products.

We anticipate introducing additional products during the next twelve months, including SaaS telematics solutions and additional service offerings, industrial IoT hardware and services, and other mobile and fixed wireless devices targeting the emerging 5G market. We continue to develop and maintain strategic relationships with service providers and other wireless industry leaders such as Verizon Wireless, T-Mobile, Sprint, and Qualcomm. Through strategic relationships, we have been able to maintain market penetration by leveraging the resources of our channel partners, including their access to distribution resources, increased sales opportunities and market opportunities.

Cost of Net Revenues. Cost of net revenues includes all costs associated with our contract manufacturers, distribution, fulfillment and repair services, delivery of SaaS services, warranty costs, amortization of intangible assets, royalties, operations overhead, costs associated with cancellation of purchase orders, tariffs and costs related to outside services. Also included in cost of net revenues are costs related to inventory adjustments, as well as any write downs for excess and obsolete inventory and abandoned product lines. Inventory adjustments are impacted primarily by demand for our products, which is influenced by the factors discussed above.

Operating Costs and Expenses. Our operating costs consist of three primary categories: research and development; sales and marketing; and general and administrative costs.

Research and development is at the core of our ability to produce innovative, leading-edge products. These expenses consist primarily of engineers and technicians who design and test our highly complex products and the procurement of testing and certification services.

Sales and marketing expenses consist primarily of our sales force and product-marketing professionals. In order to maintain strong sales relationships, we provide co-marketing, trade show support and product training. We are also engaged in a wide variety of marketing activities, such as awareness and lead generation programs as well as product marketing. Other marketing initiatives include public relations, seminars and co-branding with partners.

General and administrative expenses include primarily corporate functions such as accounting, human resources, legal, administrative support and professional fees. This category also includes the expenses needed to operate as a publicly-traded company, including compliance with the Sarbanes-Oxley Act of 2002, as amended, SEC filings, stock exchange fees and investor relations expense. Although general and administrative expenses are not directly related to revenue levels, certain expenses, such as legal expenses and provisions for bad debts, may cause significant volatility in future general and administrative expenses which may, in turn, impact net revenue levels.

We have undertaken certain restructuring activities and cost reduction initiatives in an effort to better align our organizational structure and costs with our strategy. Restructuring charges consist primarily of severance costs incurred in connection with the reduction of our workforce and facility exit-related costs.

As part of our business strategy, we may review acquisition or divestiture opportunities that we believe would be advantageous or complementary to the development of our business. Given our current cash position and recent losses, any additional acquisitions we make would likely involve issuing stock in order to provide the purchase consideration for the acquisitions. If we make any additional acquisitions, we may incur substantial expenditures in conjunction with the acquisition process and the subsequent assimilation of any acquired business, products, technologies or personnel.

Critical Accounting Policies and Estimates

In the notes to our consolidated financial statements and in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Form 10-K, we have disclosed those accounting policies that we consider to be significant in determining our results of operations and financial condition. Except as disclosed below, there have been no material changes to those policies that we consider to be significant since the filing of our Form 10-K. The accounting principles used in preparing our unaudited condensed consolidated financial statements conform in all material respects to accounting principles generally accepted in the U.S.

Leases

Lessee

We serve as lessee in lease agreements for office space, automobiles and certain equipment. Certain of our leases contain provisions that provide for one or more options to renew at our sole discretion. The majority of our leases are comprised of fixed lease payments, with a small percentage of our real estate leases including lease payments subject to a rate or index which may be variable. Certain real estate leases also include executory costs such as common area maintenance (non-lease component). As a practical expedient permitted under the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 842, *Leases* (“ASC 842”), we have elected to account for the lease and non-lease components as a single lease component. Lease payments, which may include lease components and non-lease components, are included in the measurement of our lease liabilities to the extent that such payments are either fixed amounts or variable amounts based on a rate or index (fixed in substance) as stipulated in the lease contract.

None of our lease agreements contain any material residual value guarantees or material restrictive covenants. As a result of our election of the package of practical expedients permitted within ASC 842, which among other things, allows for the carryforward of historical lease classification, all of our lease agreements in existence at the date of adoption that were classified as operating leases under ASC 840, *Leases*, have been classified as operating leases under ASC 842. Lease expense for payments related to our operating leases is recognized on a straight-line basis over the related lease term, which includes options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

Right-of-use assets represent our right to use an underlying asset during the lease term and lease liabilities represent our obligation to make lease payments as specified in the lease. Right-of-use assets and lease liabilities related to our operating leases are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term. When our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available surrounding our borrowing rates at the lease commencement date in determining the present value of lease payments. The right-of-use asset also includes any lease payments made at or before lease commencement less any lease incentives.

Lessor

Prior to January 1, 2019, and as previously disclosed in our Form 10-K for the year ended December 31, 2018, we derived revenue from customers who lease our monitoring devices. We recorded such revenue in accordance with the previous lease accounting guidance ASC 840, *Leases*, and determined that the leases qualify as operating leases.

Monitoring device leases in which we serve as lessor are classified as operating leases. Accordingly, rental devices are carried at historical cost less accumulated depreciation and impairment, if any, and are included in rental assets, net, on the condensed consolidated balance sheets.

Since the lease components meet the criteria for an operating lease under ASC 842, we have elected the practical expedient to combine the lease and the non-lease components because the service is the predominant element in the eyes of the customer and the pattern of service delivery is the same for both elements. We will account for the combined component as a single performance obligation under ASC 606, *Revenue from Contracts with Customers*.

Results of Operations

Three Months Ended September 30, 2019 Compared to Three Months Ended September 30, 2018

Net revenues. Net revenues for the three months ended September 30, 2019 were \$62.7 million, compared to \$50.6 million for the same period in 2018.

The following table summarizes net revenues by our two product categories (in thousands):

Product Category	Three Months Ended September 30,		Change	
	2019	2018	\$	%
IoT & Mobile Solutions	\$ 45,926	\$ 34,636	\$ 11,290	32.6%
Enterprise SaaS Solutions	16,790	15,994	796	5.0%
Total	\$ 62,716	\$ 50,630	\$ 12,086	23.9%

IoT & Mobile Solutions. The increase in IoT & Mobile Solutions net revenues is primarily a result of increased sales in our LTE gigabit hotspots and USB modems and the introduction of our 5G hotspot related to our MiFi business, partially offset by a reduction in IoT sales.

Enterprise SaaS Solutions. The increase in Enterprise SaaS Solutions net revenues is primarily a result of increased Device Management System and Ctrack system revenues, partially offset by the effect of strengthening U.S. Dollar foreign exchange rates on international sales.

Cost of net revenues. Cost of net revenues for the three months ended September 30, 2019 was \$44.1 million, or 70.3% of net revenues, compared to \$33.0 million, or 65.2% of net revenues, for the same period in 2018.

The following table summarizes cost of net revenues by our two product categories (in thousands):

Product Category	Three Months Ended September 30,		Change	
	2019	2018	\$	%
IoT & Mobile Solutions	\$ 37,873	\$ 26,793	\$ 11,080	41.4%
Enterprise SaaS Solutions	6,218	6,233	(15)	(0.2)%
Total	\$ 44,091	\$ 33,026	\$ 11,065	33.5%

IoT & Mobile Solutions. The increase in IoT & Mobile Solutions cost of net revenues is primarily a result of the increased sales in our LTE gigabit hotspots, USB modems and 5G hotspots, as well as associated expenses such as freight and royalties. In addition, the cost per unit is higher on the 5G hotspot as compared to the older generation of hotspot.

Enterprise SaaS Solutions. Enterprise SaaS Solutions cost of net revenues decreased as a result of the effect of strengthening U.S. Dollar foreign exchange rates on international costs, partially offset by costs to service the increase in Device Management System and Ctrack system revenues.

Gross profit. Gross profit for the three months ended September 30, 2019 was \$18.6 million, or a gross margin of 29.7%, compared to \$17.6 million, or a gross margin of 34.8%, for the same period in 2018. The increase in gross profit was primarily attributable to the increase in IoT & Mobile Solutions revenues, partially offset by a decline in MiFi gross margins and the effect of strengthening U.S. Dollar foreign exchange rates.

Research and development expenses. Research and development expenses for the three months ended September 30, 2019 were \$6.7 million, or 10.6% of net revenues, compared to \$5.3 million, or 10.5% of net revenues, for the same period in 2018. The increase was primarily a result of increased spending related to 5G test units, partially offset by the Company starting to capitalize certain additional research and development costs beginning in 2019.

Sales and marketing expenses. Sales and marketing expenses for the three months ended September 30, 2019 were \$7.1 million, or 11.4% of net revenues, compared to \$5.9 million, or 11.7% of net revenues, for the same period in 2018. The increase was primarily a result of an increase in employment costs attributable to an increase in headcount.

General and administrative expenses. General and administrative expenses for the three months ended September 30, 2019 were \$7.1 million, or 11.4% of net revenues, compared to \$5.8 million, or 11.5% of net revenues, for the same period in

2018. The increase was primarily a result of non-recurring legal fees and an increase in employment costs attributable to an increase in headcount.

Amortization of purchased intangible assets. Amortization of purchased intangible assets for the three months ended September 30, 2019 and 2018 was \$0.8 million and \$0.9 million, respectively.

Extinguishment of acquisition-related liabilities. During the three months ended September 30, 2018, we recorded a gain of \$17.2 million related to the extinguishment of certain acquisition-related liabilities resulting from the Settlement Agreement. We did not have an extinguishment of acquisition-related liabilities during the same period in 2019.

Restructuring charges, net of recoveries. Restructuring charges, net of recoveries, for the three months ended September 30, 2019 were \$13,000, which primarily consisted of facility exit related costs. Restructuring charges, net of recoveries, for the three months ended September 30, 2018 were \$0.2 million, which primarily consisted of severance costs incurred in connection with the reduction of our workforce.

Interest expense, net. Interest expense, net, for the three months ended September 30, 2019 and 2018 was \$5.1 million and \$5.1 million, respectively.

Other expense, net. Other expense, net, for the three months ended September 30, 2019 was \$0.3 million, which primarily consisted of foreign currency transaction gains and losses. Other expense, net, for the three months ended September 30, 2018 was \$0.2 million, which primarily consisted of foreign currency transaction gains and losses.

Income tax provision. Income tax provision for the three months ended September 30, 2019 and 2018 was \$0.2 million and \$0.5 million, respectively, which primarily related to certain of our profitable entities in foreign jurisdictions.

Net loss (income) attributable to noncontrolling interests. Net loss attributable to noncontrolling interests for the three months ended September 30, 2019 was \$17,000, compared to a net loss attributable to noncontrolling interests of \$6,000 for the same period in 2018.

Series E preferred stock dividends. During the three months ended September 30, 2019, we recorded Series E preferred stock dividends of \$0.1 million. We did not have Series E preferred stock dividends during the same period in 2018.

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Net revenues. Net revenues for the nine months ended September 30, 2019 were \$167.2 million, compared to \$146.4 million for the same period in 2018.

The following table details net revenues by product grouping (in thousands):

	Nine Months Ended September 30,		Change	
	2019	2018	\$	%
IoT & Mobile Solutions	\$ 118,690	\$ 95,257	\$ 23,433	24.6 %
Enterprise SaaS Solutions	48,473	51,163	(2,690)	(5.3)%
Total	\$ 167,163	\$ 146,420	\$ 20,743	14.2 %

IoT & Mobile Solutions. The increase in IoT & Mobile Solutions net revenues is primarily a result of increased sales in our LTE gigabit hotspots and USB modems and the introduction of our 5G hotspot related to our MiFi business, partially offset by a reduction in IoT sales.

Enterprise SaaS Solutions. The decrease in Enterprise SaaS Solutions net revenues is primarily a result of the movement in the South African Rand to U.S. Dollar foreign exchange rate, partially offset by increased Device Management System revenues.

Cost of net revenues. Cost of net revenues for the nine months ended September 30, 2019 was \$118.2 million, or 70.7% of net revenues, compared to \$95.6 million, or 65.3% of net revenues, for the same period in 2018.

The following table details cost of net revenues by product grouping (in thousands):

	Nine Months Ended September 30,		Change	
	2019	2018	\$	%
IoT & Mobile Solutions	\$ 99,459	\$ 75,168	\$ 24,291	32.3 %
Enterprise SaaS Solutions	18,764	20,093	(1,329)	(6.6)%
Impairment of abandoned product line, net of recoveries	—	355	(355)	(100.0)%
Total	\$ 118,223	\$ 95,616	\$ 22,607	23.6 %

IoT & Mobile Solutions. The increase in IoT & Mobile Solutions cost of net revenues is primarily a result of the increase in related MiFi business net revenues, partially offset by a reduction in IoT cost of sales as a result of the decrease in related net revenues.

Enterprise SaaS Solutions. The decrease in Enterprise SaaS Solutions cost of net revenues is primarily a result of the movement in the South African Rand to U.S. Dollar foreign exchange rate, partially offset by an increase resulting from the increase in related Device Management System revenues.

Impairment of abandoned product line, net of recoveries. The impairment of abandoned product line in 2018 reflects the additional write down of certain inventory related to product lines which were abandoned during the fourth quarter of 2016, net of recoveries related to the subsequent sale of such abandoned products.

Gross profit. Gross profit for the nine months ended September 30, 2019 was \$48.9 million, or a gross margin of 29.3%, compared to \$50.8 million, or a gross margin of 34.7%, for the same period in 2018. The decrease in gross profit was primarily attributable to an increase in sales of lower-margin products.

Research and development expenses. Research and development expenses for the nine months ended September 30, 2019 were \$15.3 million, or 9.2% of net revenues, compared to \$15.3 million, or 10.4% of net revenues, for the same period in 2018. The increase was primarily a result of the Company starting to capitalize certain additional research and development costs beginning in 2019, partially offset by increased spending related to 5G test units, as well as share-based compensation related to an equity bonus.

Sales and marketing expenses. Sales and marketing expenses for the nine months ended September 30, 2019 were \$20.8 million, or 12.4% of net revenues, compared to \$17.0 million, or 11.6% of net revenues, for the same period in 2018. The increase was primarily a result of an increase in employment costs attributable to an increase in headcount and an increase in share-based compensation related to an equity bonus.

General and administrative expenses. General and administrative expenses for the nine months ended September 30, 2019 were \$21.0 million, or 12.6% of net revenues, compared to \$18.6 million, or 12.7% of net revenues, for the same period in 2018. The increase was primarily a result of an increase in employment costs attributable to an increase in headcount, non-recurring legal fees, and an increase in share-based compensation related to an equity bonus.

Amortization of purchased intangible assets. The amortization of purchased intangible assets for the nine months ended September 30, 2019 and 2018 was \$2.6 million and \$2.8 million, respectively.

Extinguishment of acquisition-related liabilities. During the nine months ended September 30, 2018, we recorded a gain of \$17.2 million related to the extinguishment of certain acquisition-related liabilities resulting from the Settlement Agreement. We did not have an extinguishment of acquisition-related liabilities during the same period in 2019.

Restructuring charges, net of recoveries. Restructuring charges, net of recoveries, for the nine months ended September 30, 2019 were \$0.1 million, which consisted of facility exit related costs. Restructuring charges, net of recoveries, for the nine months ended September 30, 2018 were \$1.2 million, which primarily consisted of severance costs incurred in connection with the reduction of our workforce.

Interest expense, net. Interest expense, net, for the nine months ended September 30, 2019 and 2018 was \$15.3 million and \$15.4 million, respectively.

Other expense, net. Other expense, net, for the nine months ended September 30, 2019 was \$0.1 million, which primarily consisted of foreign currency transaction gains and losses, partially offset by gains on the sale of certain fixed assets. Other expense, net, for the same period in 2018 was \$0.6 million, which primarily consisted of foreign currency transaction gains and losses.

Income tax provision. Income tax provision for the nine months ended September 30, 2019 and 2018 was \$0.8 million and \$1.2 million, respectively, which primarily related to certain of our profitable entities in foreign jurisdictions.

Net loss (income) attributable to noncontrolling interests. Net income attributable to noncontrolling interests was \$0.1 million for the nine months ended September 30, 2019, compared to net loss attributable to noncontrolling interests of \$35,000 for the same period in 2018.

Series E preferred stock dividends. During the nine months ended September 30, 2019, we recorded Series E preferred stock dividends of \$0.1 million. We did not have Series E preferred stock dividends during the same period in 2018.

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash and cash equivalents and cash generated from operations and financing sources. As of September 30, 2019, we had cash and cash equivalents of \$13.9 million compared with cash and cash equivalents of \$31.0 million as of December 31, 2018.

On August 9, 2019, we completed a private placement of 10,000 shares of Fixed-Rate Cumulative Perpetual Preferred Stock, Series E, par value \$0.001 per share (the "Series E Preferred Stock"), for an aggregate purchase price of \$10.0 million in accordance with the terms and provisions of a Securities Purchase Agreement, dated August 9, 2019, by and among the Company and certain accredited investors. Each share of Series E Preferred Stock entitles the holder thereof to receive, when, as and if declared by the Company out of assets legally available therefor, cumulative cash dividends at an annual rate of 9.00% payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, beginning on October 1, 2019. If dividends are not declared and paid in any quarter, or if such dividends are declared but holders of the Series E Preferred Stock elect not to receive them in cash, the quarterly dividend will be deemed to accrue and will be added to the Series E Base Amount. The Series E Preferred Stock has no voting rights unless otherwise required by law. The Series E Preferred Stock is perpetual and has no maturity date. However, we may, at our option, redeem shares of the Series E Preferred Stock, in whole or in part, on or after July 1, 2022, at a price equal to 110% of the Series E Base Amount plus (without duplication) any accrued and unpaid dividends. The "Series E Base Amount" means \$1,000 per share, plus any accrued but unpaid dividends, whether or not declared by our board of directors, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series E Preferred Stock. In the event of a liquidation, dissolution or winding up of the Company, the holders of the Series E Preferred Stock will be entitled to receive, after satisfaction of liabilities to creditors and subject to the rights of holders of any senior securities, but before any distribution of assets is made to holders of common stock or any other junior securities, the Series E Base Amount plus (without duplication) any accrued and unpaid dividends.

Term Loan

On August 23, 2017, we, and certain of our direct and indirect subsidiaries (the "Guarantors"), entered into a credit agreement (the "Credit Agreement") with Cantor Fitzgerald Securities, as administrative agent and collateral agent, and certain funds managed by Highbridge Capital Management, LLC, as lenders (the "Lenders"). Pursuant to the Credit Agreement, the Lenders provided us with a term loan in the principal amount of \$48.0 million (the "Term Loan") with a maturity date of August 23, 2020 (the "Maturity Date"). In conjunction with the closing of the Term Loan, we received proceeds of \$46.9 million, \$35.0 million of which was funded to us in cash on the closing date, net of approximately \$1.1 million related to an original issue discount and commitment fee, and the remaining \$11.9 million of which was funded through our repurchase and cancellation of approximately \$14.9 million of our outstanding Inseego Notes (as defined below) pursuant to the terms of the Note Purchase Agreement (as defined below).

The Term Loan is secured by a first priority lien on substantially all of the assets of the Company and the Guarantors, including equity interests in certain of the Company's direct and indirect subsidiaries, in each case subject to certain customary exceptions and permitted liens. The Credit Agreement includes customary representations and warranties, a material adverse change clause, as well as customary reporting and financial covenants, including a restriction on the level of capital expenditures. The Company obtained a waiver of the capital expenditure restriction from the lenders during the quarter ended September 30, 2019. As a result of the waiver, as of September 30, 2019, the Company was in compliance with all financial covenants under the Credit Agreement.

The Term Loan bears interest at a rate per annum equal to the three-month LIBOR, but in no event less than 1.00%, plus 7.625% (9.749% at September 30, 2019). Interest on the Term Loan is payable on the last business day of each calendar month

and on the Maturity Date. At September 30, 2019, one month of interest due to related parties, totaling \$0.3 million, was deferred and is included in accrued expenses and other current liabilities on the condensed consolidated balance sheet. Principal on the Term Loan is payable on the Maturity Date.

As required by the terms of the Credit Agreement, during the year ended December 31, 2018, the Company repaid \$0.5 million of principal on the Term Loan in connection with the Settlement Agreement, as defined below.

At September 30, 2019, approximately \$39.5 million of the Term Loan was held by related parties.

Convertible Senior Notes

On June 10, 2015, Novatel Wireless, Inc., a wholly owned subsidiary of Inseego Corp. (“Novatel Wireless”), issued \$120.0 million of 5.50% convertible senior notes due 2020 (the “Novatel Wireless Notes”) which are governed by the terms of an indenture, dated June 10, 2015, between Novatel Wireless, as issuer, Inseego and Wilmington Trust, National Association, as trustee, as amended by certain supplemental indentures. The Novatel Wireless Notes are senior unsecured obligations of Novatel Wireless and bear interest at a rate of 5.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2015. The Novatel Wireless Notes will mature on June 15, 2020, unless earlier repurchased or converted. The Novatel Wireless Notes will be convertible into cash, shares of our common stock, or a combination thereof, at our election, at an initial conversion price of \$5.00 per share of our common stock.

On January 9, 2017, in connection with the settlement of an exchange offer and consent solicitation with respect to the Novatel Wireless Notes, the Company issued approximately \$119.8 million aggregate principal amount of 5.50% convertible senior notes due 2022 (the “Inseego Notes” and collectively with the Novatel Wireless Notes, the “Convertible Notes”). The Inseego Notes were issued in exchange for approximately \$119.8 million aggregate principal amount of outstanding Novatel Wireless Notes that were validly tendered and accepted for exchange and subsequently canceled. The Inseego Notes are governed by the terms of an indenture, dated January 9, 2017 (the “Inseego Indenture”), between the Company, as issuer, and Wilmington Trust, National Association, as trustee. The Inseego Notes are senior unsecured obligations of the Company and bear interest at a rate of 5.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2017. The Inseego Notes permit the Company to have a senior credit facility up to a maximum amount of \$48.0 million.

Under certain limited circumstances which are described in the Inseego Indenture, the Company may redeem all or a portion of the Inseego Notes at its option at a redemption price equal to 100% of the principal amount of the Inseego Notes to be redeemed, plus any accrued and unpaid interest on such Inseego Notes. The Inseego Notes are subject to repurchase by the Company at the option of the holders on June 15, 2020 (the “Optional Repurchase Date”) at a repurchase price in cash equal to 100% of the principal amount of the Inseego Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the Optional Repurchase Date.

The Inseego Notes will mature on June 15, 2022, unless earlier converted, redeemed or repurchased. The Inseego Notes will be convertible into cash, shares of our common stock, or a combination thereof, at our election, at an initial conversion price of \$4.70 per share of our common stock.

As previously discussed, the Novatel Wireless Notes mature on June 15, 2020 and the Inseego Notes mature on June 15, 2022. The Inseego Notes are subject to repurchase by the Company at the option of the holders on the Optional Repurchase Date. Because management intends to restructure the Company’s debt prior to the Optional Repurchase Date, management does not believe that the repurchase option will ultimately be exercised.

At September 30, 2019, approximately \$44.8 million of the Inseego Notes were held by related parties.

Because the Novatel Wireless Notes will mature within the next twelve months and the Optional Repurchase Date will occur within the next twelve months, the Company has included the Convertible Notes indebtedness as a current liability on its balance sheet.

Note Purchase Agreement

On August 23, 2017, in connection with the Credit Agreement described above, we entered into a Note Purchase Agreement (the “Note Purchase Agreement”) with the Lenders pursuant to which we repurchased approximately \$14.9 million of outstanding Inseego Notes from such Lenders in exchange for \$11.9 million deemed to have been loaned to us pursuant to the Credit Agreement and the accrued and unpaid interest on such notes.

Settlement Agreement

Pursuant to the amended merger agreement with respect to our acquisition of R.E.R. Enterprises, Inc. (“RER”) and its wholly-owned subsidiary and principal operating asset, Feeney Wireless, LLC (which has been renamed Inseego North America, LLC) (“FW”), the Company agreed to pay a total of \$15.0 million in deferred purchase price in five cash installments over a four-year period, beginning in March 2016. The Company also agreed to provide earn-out consideration to the former

stockholders of RER in the form of \$6.1 million in cash over a four-year period, beginning in March 2016, and issuance of up to 2,920,000 shares of the Company's common stock in three equal annual installments, beginning in March 2016, contingent upon retention of certain key personnel of RER.

On May 11, 2017, the Company initiated a lawsuit against the former stockholders of RER in the Court of Chancery of the State of Delaware seeking recovery of damages for civil conspiracy, fraud in the inducement, unjust enrichment and breach of fiduciary duty. On January 16, 2018, the former stockholders of RER filed an answer and counterclaim in the matter seeking recovery of certain deferred and earn-out payments allegedly owed to them by the Company in connection with the Company's acquisition of RER. On July 26, 2018, the Company and the former stockholders of RER entered into a mutual general release and settlement agreement (the "Settlement Agreement") pursuant to which the parties agreed to release all claims against each other and the Company agreed to (i) pay the former stockholders of RER \$1.0 million in cash by August 17, 2018, (ii) immediately instruct its transfer agent to permit the transfer or sale of 973,333 shares of the Company's common stock that the Company had issued to the former stockholders of RER in March 2017, (iii) immediately issue 500,000 shares of the Company's common stock to the former stockholders of RER, (iv) within 12 months following the execution of the Settlement Agreement, deliver to the former stockholders of RER an additional \$1.0 million in cash, common stock, or a combination thereof, at the Company's option, (v) within 24 months following the execution of the Settlement Agreement deliver to the former stockholders of RER an additional \$1.0 million in cash, common stock, or a combination thereof, at the Company's option, and (vi) file one or more registration statements with respect to the resale of the shares of the Company's common stock issued to the former stockholders of RER pursuant to the Settlement Agreement. The Company's remaining liability under the Settlement Agreement at September 30, 2019 consists of approximately \$1.0 million in current liabilities.

Historical Cash Flows

The following table summarizes our unaudited condensed consolidated statements of cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2019	2018
Net cash used in operating activities	\$ (14,998)	\$ (3,869)
Net cash used in investing activities	(20,515)	(2,354)
Net cash provided by financing activities	18,942	18,252
Effect of exchange rates on cash	(560)	(1,680)
Net increase (decrease) in cash, cash equivalents and restricted cash	(17,131)	10,349
Cash, cash equivalents and restricted cash, beginning of period	31,076	21,259
Cash, cash equivalents and restricted cash, end of period	\$ 13,945	\$ 31,608

Operating activities. Net cash used in operating activities was \$15.0 million for the nine months ended September 30, 2019, compared to net cash used in operating activities of \$3.9 million for the same period in 2018. Net cash used in operating activities for the nine months ended September 30, 2019 was primarily attributable to the net loss in the period and net cash used for working capital, partially offset by non-cash charges for depreciation and amortization, including the amortization of debt discount and debt issuance costs, and share-based compensation expense. Net cash used in operating activities for the nine months ended September 30, 2018 was primarily attributable to the net loss in the period, excluding the non-cash gain on extinguishment of acquisition-related liabilities, and net cash used for working capital, partially offset by non-cash charges for depreciation and amortization, including the amortization of debt discount and debt issuance costs, provision for excess and obsolete inventory and share-based compensation expense.

Investing activities. Net cash used in investing activities during the nine months ended September 30, 2019 was \$20.5 million, compared to net cash used in investing activities of \$2.4 million for the same period in 2018. Cash used in investing activities during the nine months ended September 30, 2019 was primarily related to the purchases of property, plant and equipment and capitalization of certain costs related to the research and development of software to be sold in our products, in large part due to the increase in development in support of 5G products and services. Cash used in investing activities during the same period in 2018 was primarily related to the purchases of property, plant and equipment and capitalization of certain costs related to the research and development of software to be sold in our solutions.

Financing activities. Net cash provided by financing activities during the nine months ended September 30, 2019 was \$18.9 million, compared to net cash provided by financing activities of \$18.3 million for the same period in 2018. Net cash provided by financing activities during the nine months ended September 30, 2019 was primarily related to proceeds received from the issuance and sale of Series E preferred stock and the exercise of warrants to purchase common stock, as well as proceeds received from stock option exercises and purchases made under the employee stock purchase plan, partially offset by

net repayments of bank and overdraft facilities of DigiCore Holdings Limited, principal payments under finance lease obligations and taxes paid on vested restricted stock units. Net cash provided by financing activities for the same period in 2018 was primarily related to gross proceeds received from a private placement and proceeds received from stock option exercises and purchases made under the employee stock purchase plan, partially offset by net repayments of bank and overdraft facilities of DigiCore Holdings Limited, principal payments under capital lease obligations and the Term Loan and taxes paid on vested restricted stock units.

Other Liquidity Needs

As of September 30, 2019, we had available cash and cash equivalents totaling \$13.9 million and a working capital deficit of \$119.3 million.

Under the terms of the indenture governing the Inseego Notes, each holder of the notes has the right to require the Company to repurchase its notes for cash on the Optional Repurchase Date. Should noteholders exercise this right, in addition to the Company's obligation to repurchase the notes, such repurchase would constitute a default under the Company's Credit Agreement. In addition, the Novatel Wireless Notes are scheduled to mature on June 15, 2020. While the Company's management acknowledges that its current cash and cash equivalents, together with anticipated cash flows from operations, will not be sufficient to meet its working capital needs, including any required repurchase of the Inseego Notes and repayment of the Credit Agreement and Novatel Wireless Notes, without additional sources of cash, management does not believe that the repurchase option will ultimately be exercised. The Company plans to address its liquidity concerns through a recapitalization or restructuring transaction prior to the Optional Repurchase Date, whereby the Company's debt obligations are reduced and/or the repurchase and maturity dates are extended, and/or a capital raising transaction involving the issuance of additional debt or equity securities.

The Company's liquidity could be further compromised if there is any interruption in its business operations, a material failure to satisfy its contractual commitments or a failure to generate revenue from new or existing products. Ultimately, the Company's ability to attain profitability and to generate positive cash flow is dependent upon achieving a level of revenues adequate to support its evolving cost structure and increasing working capital needs. If events or circumstances occur such that the Company does not meet its operating plan as expected, the Company may be required to raise additional capital, reduce planned research and development activities, incur additional restructuring charges or reduce other operating expenses which could have an adverse impact on the Company's ability to achieve its intended business objectives. There can be no assurance that any required or desired restructuring or financing will be available on terms favorable to the Company, or at all. In addition, in order to obtain additional borrowings, the Company must comply with certain requirements under the Credit Agreement and the Inseego Indenture. If additional funds are raised by the issuance of equity securities, Company stockholders could experience dilution of their ownership interests and securities issued may have rights senior to those of the holders of the Company's common stock. If additional funds are raised by the issuance of debt securities, the Company may be subject to additional limitations on its operations.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet arrangements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*

Not applicable.

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Exchange Act, that are 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 recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) promulgated under the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2019, the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2019.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the three months ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The disclosure in Note 9, *Commitments and Contingencies*, in the accompanying unaudited condensed consolidated financial statements includes a discussion of our legal proceedings and is incorporated herein by reference.

The Company is also engaged in various other legal actions arising in the ordinary course of our business and, while there can be no assurance, the Company currently believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition or cash flows.

Item 1A. Risk Factors.

Except as set forth below, there have been no material changes in our risk factors from those disclosed in “Item 1A. *Risk Factors*” of the Form 10-K.

Our outstanding Series E Preferred Stock or future equity offerings could adversely affect the holders of our common stock in some circumstances.

As of September 30, 2019, we had 10,000 shares of Series E Preferred Stock outstanding with an aggregate liquidation preference of \$10 million. The Series E Preferred Stock is senior to our shares of common stock in right of payment of dividends and other distributions. In the event of a liquidation, dissolution or winding up of the Company, the holders of the Series E Preferred Stock will be entitled to receive, after satisfaction of liabilities to creditors and subject to the rights of holders of any senior securities, but before any distribution of assets is made to holders of common stock or any other junior securities, the Series E Base Amount plus (without duplication) any accrued and unpaid dividends. In the future, we may offer additional shares of Series E Preferred Stock or other equity, equity-linked or debt securities, which may have rights, preferences or privileges senior to our common stock. As a result, our common stockholders may experience dilution. Any of the foregoing could have a material adverse effect on the holders of our common stock.

The 5G fixed wireless access gateway business is subject to a number of challenges that will be difficult to overcome.

The developing market for 5G fixed wireless access devices is very competitive. In addition to other challenges, our fixed wireless access gateway products compete against similar products offered by mature companies, including Samsung, Ericsson, Nokia and Wistron NeWeb Corporation. Failure to manage these challenges, or failure of our fixed wireless access business to grow to become successful and profitable, could have a material adverse effect on our financial condition and results of operations.

The indebtedness under our Inseego Notes and Term Loan Agreement are current liabilities on our balance sheet and will require us to restructure our debt obligations in the near term.

Our Inseego Notes are subject to repurchase by the Company at the option of the holders on June 15, 2020 unless earlier converted, and the Term Loan has a maturity date of August 23, 2020. We do not expect to generate sufficient cash flow from operations to be able to pay the repurchase price of the Inseego Notes or to pay the outstanding principal owed under the Term Loan. We will need to consider other solutions to address this indebtedness, such as selling assets, refinancing or restructuring debt or obtaining additional equity capital on terms that may be onerous or dilutive. Our ability to refinance or restructure our indebtedness or to obtain additional equity capital will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on favorable terms, which could result in a default on our debt obligations. Any such default could have a material adverse effect on our business, results of operations and financial conditions.

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

On July 26, 2019, the Company issued 196,463 shares of its common stock, par value \$0.001 per share, to the former stockholders of RER in connection with the Settlement Agreement. The shares were issued in reliance upon an exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
2.1*	<u>Agreement and Plan of Merger, dated March 27, 2015, by and among Novatel Wireless, Inc., Duck Acquisition, Inc., R.E.R. Enterprises, Inc., the stockholders of R.E.R. Enterprises, Inc. and Ethan Ralston, as the representative of the stockholders of R.E.R. Enterprises, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed April 1, 2015).</u>
2.2	<u>Amendment No. 1 to Agreement and Plan of Merger, dated January 5, 2016, by and among Novatel Wireless, Inc., Duck Acquisition, Inc., R.E.R. Enterprises, Inc., certain stockholders of R.E.R. Enterprises, Inc. and Ethan Ralston, as the representative of the R.E.R. stockholders (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed January 11, 2016).</u>
3.1	<u>Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed November 9, 2016).</u>
3.2	<u>Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed November 9, 2016).</u>
3.3	<u>Certificate of Designation of Series D Junior Participating Preferred Stock of Inseego Corp. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed January 22, 2018).</u>
3.4	<u>Certificate of Designation of Series E Fixed-Rate Cumulative Perpetual Preferred Stock filed with the Secretary of State of the State of Delaware on August 8, 2019 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed August 13, 2019).</u>
10.1	<u>Securities Purchase Agreement, dated August 9, 2019, by and among Inseego Corp. and the Investors identified on Exhibit A thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed August 13, 2019).</u>
10.2**	<u>First Amendment to Credit Agreement, dated as of August 9, 2019, by and among Inseego Corp. and certain of its direct and indirect subsidiaries, Cantor Fitzgerald Securities, as Agent, and certain funds managed by Highbridge Capital Management, LLC, as Lenders.</u>
10.3**	<u>Consulting Agreement between the Company and Robert Pons, effective as of September 30, 2019.</u>
31.1**	<u>Certification of our Principal Executive Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2**	<u>Certification of our Principal Financial Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>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.</u>
32.2**	<u>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.</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.
**	Filed herewith.

FIRST AMENDMENT TO CREDIT AGREEMENT

This First Amendment to Credit Agreement (this “**Amendment**”), dated as of August 9, 2019, is by and among INSEEGO CORP., a Delaware corporation (the “**Borrower**”), the Guarantors party hereto, the Lenders party hereto and CANTOR FITZGERALD SECURITIES, as administrative agent for the Lenders (the “**Administrative Agent**”).

WHEREAS, the Borrower, the Guarantors, the Administrative Agent and Lenders are parties to the Credit Agreement, dated as of August 23, 2017 (as amended by that certain Letter Agreement, dated July 23, 2019, and as may be further amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), pursuant to which the Lenders have, subject to the terms and conditions set forth therein, made certain credit available to the Borrower;

WHEREAS, the Loan Parties have requested certain amendments to the Credit Agreement and the Lenders party hereto have agreed to the requested amendments on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and such other consideration as the parties mutually agree, and intending to be legally bound, the parties hereto agree as follows:

1. **Defined Terms.** Capitalized terms used herein (including in the preamble and recitals above) but not otherwise defined herein shall have the meanings provided to such terms in the Credit Agreement as amended by this Amendment.

2. **Amendments.** Subject to the terms and conditions hereof, effective as of the Amendment Effective Date (as defined below) and subject to the satisfaction of the conditions precedent set forth in Section 4:

A. Section 1.1 of the Credit Agreement is hereby amended by adding the following proviso at the end of clause (g) of the defined term “**Indebtedness**”:

“; provided, however, for the avoidance of doubt, the obligations of the Borrower to purchase, redeem, retire, defease or otherwise make any payment in respect of the Series E Preferred Stock (as defined herein) shall not constitute Indebtedness hereunder.”

B. Section 1.1 of the Credit Agreement is hereby amended by adding the following new definition in appropriate alphabetical order:

““**Series E Preferred Stock**” means up to 10,000 shares (without giving effect to any additional shares permitted to be issued pursuant to Section 7.6(f)(ii)) of Series E Fixed-Rate Cumulative Perpetual Preferred Stock of Inseego Corp., par value \$0.001 per share, with the rights, preferences and privileges as set forth in the Certificate of Designation filed in connection therewith.”

C. Section 7.6 of the Credit Agreement is hereby amended by (i) deleting “and” from the end of clause (d), (ii) replacing “.” with “; and” at the end of clause (e) and (iii) adding a new clause (f) to read as follows:

“(f) (i) so long as no Default or Event of Default exists or would result therefrom, the Borrower may declare and pay regularly scheduled or accrued dividends to the holders of the Series E Preferred Stock; provided that, both before and after giving effect to such payment, the Loan Parties shall be in pro forma compliance with the financial covenant set forth in Section 7.11, and (ii) the Borrower may declare and pay regularly scheduled or accrued dividends to the holders of the Series E Preferred Stock in the form of additional shares of Series E Preferred Stock.”

D. Section 7.8 of the Credit Agreement is hereby amended by (i) replacing “and” with “;” at the end of clause (d), (ii) replacing “.” with “, and” at the end of clause (e) and (iii) adding a new clause (f) to read as follows:

“(f) the issuance or sale of Series E Preferred Stock by the Borrower to any Person that is an Affiliate and the transactions permitted by Section 7.6(f).”

3. Representations and Warranties. Each Loan Party hereby represents and warrants to the Administrative Agent and Lenders that:

A. (i) it has all requisite power and authority to execute, deliver and perform this Amendment and the Credit Agreement as amended hereby and has taken all necessary organizational, corporate and shareholder action, as applicable, to authorize such execution, delivery and performance, and (ii) this Amendment has been duly authorized, executed and delivered by it;

B. this Amendment, and the Credit Agreement as amended hereby, constitute legal, valid and binding obligations of such entity, enforceable against it in accordance with their respective terms, in each case subject to the effects of applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity;

C. the execution, delivery and performance by the Loan Parties of this Amendment and the transactions contemplated hereby (i) will not contravene the terms of such Person's Organizational Documents, (ii) will not violate any applicable Law or any judgment, order or ruling of any Governmental Authority or any arbitral award to which such Person or its property is subject, or (iii) does not conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under any Contractual Obligation (including pursuant to the Convertible Notes Documents or the Novatel Convertible Notes Documents) to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries;

D. no approval, consent, exemption, authorization, or other action by, or notice to, or filing with (except for those that have otherwise been obtained or made on or prior to the date of the effectiveness of this Amendment and which remain in full force and effect on such date) any Governmental Authority or any other Person (including, without limitation, any holder of the Convertible Senior Notes or Novatel Convertible Senior Notes) is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Amendment or the Credit Agreement as amended hereby;

E. each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents are true and correct in all material respects, in each case on and as of the Amendment Effective Date as if made on and as of such date except to the extent that such representations and warranties relate to an earlier date, in which case such representations and warranties are true and correct in all material respects as of such earlier date (provided that any representation and warranty that is qualified as to "materiality", "Material Adverse Effect" or similar language are true and correct in all respects); and

F. no Event of Default has occurred and is continuing as of the Amendment Effective Date, nor will any Event of Default exist immediately after giving effect to this Amendment.

4. Conditions Precedent. This Amendment shall become effective on the date (the "**Amendment Effective Date**") when each of the following conditions shall have been fulfilled to the satisfaction of the Administrative Agent and the Lenders:

A. the Administrative Agent shall have received counterparts of this Amendment executed and delivered by the Borrowers, the Guarantors, the Administrative Agent and the Required Lenders;

B. after giving effect to this Amendment, no Event of Default shall exist or have occurred and be continuing as of the Amendment Effective Date; and

C. the Loan Parties shall have paid on or before the Amendment Effective Date all fees, charges and disbursements required to be paid pursuant to Section 10.4 of the Credit Agreement.

5. No Modification. Except as expressly set forth herein, nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any other Loan Document or constitute a course of conduct or dealing among the parties. The Administrative Agent and the Lenders reserve all rights, privileges and remedies under the Loan Documents. Except as expressly amended hereby, the Credit Agreement and the other Loan Documents remain unmodified and in full force and effect. The parties hereto agree to be bound by the terms and conditions of the Credit Agreement and the other Loan Documents as amended by this Amendment, as though such terms and conditions were set forth herein. On and after the Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby, and each reference in any other Loan Document (including any notice, request, certificate or other document executed concurrently with or after the execution and delivery of this Amendment) to the Credit Agreement shall be deemed to be a reference to the Credit Agreement as amended hereby. This Amendment shall constitute a Loan Document.

6. Reaffirmation of Obligations. Each Loan Party (a) acknowledges and consents to all of the terms and conditions of this Amendment, (b) affirms all of its obligations under the Loan Documents and (c) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge such Loan Party's obligations under the Loan Documents.

7. Reaffirmation of Security Interests. Each Loan Party (a) affirms that each of the Liens granted in or pursuant to the Loan Documents are valid and subsisting and (b) affirms that the Collateral remains free and clear of any Liens other than Permitted Liens. Nothing herein contained is intended to impair the validity, priority and extent of the Lender's security interest in and Liens upon the Collateral.

8. Release. Each Loan Party hereby acknowledges and agrees that, as of the date hereof: (a) neither it nor any of its Subsidiaries has any claim or cause of action against the Administrative Agent or any Lender (or any of the directors, officers, employees, agent, attorneys or consultants of any of the foregoing) and (b) the Administrative Agent and the Lenders have heretofore properly performed and satisfied in a timely manner all of their obligations to the Loan Parties, and all of their Subsidiaries and Affiliates. Notwithstanding the foregoing, the Administrative Agent and the Lenders wish (and the Loan Parties agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of their rights, interests, security and/or remedies. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, each Loan Party (for itself and its Subsidiaries and Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "**Releasors**") does hereby fully, finally, unconditionally and irrevocably release, waive and forever discharge the Administrative Agent and the Lenders, together with their respective Affiliates, and each of the directors, officers, employees, agent, attorneys and consultants of each of the foregoing (collectively, the "**Released Parties**"), from any and all debts, claims, allegations, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done, in each case, on or prior to the Amendment Effective Date directly arising out of, connected with or related to this Amendment, the Credit Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of any the Administrative Agent or any Lender contained therein, or the possession, use, operation or control of any of the assets of any Loan Party, or the making of any Loans or other advances, or the management of such Loans or other advances or the Collateral. Each Loan Party represents and warrants that it has no knowledge of any claim by any Releasor against any Released Party or of any facts or acts or omissions of any Released Party which on the date hereof would be the basis of a claim by any Releasor against any Released Party which would not be released hereby.

9. Counterparts; Delivery. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of this Amendment by facsimile or other electronic imaging means shall be effective as an original.

10. Governing Law. This Amendment shall be deemed to be a contract made under, and for all purposes shall be construed in accordance with, the laws of the State of New York.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first written above.

BORROWER:

INSEEGO CORP.

By: /s/ Stephen Smith
Name: Stephen Smith
Title: Chief Financial Officer

GRANTORS:

NOVATEL WIRELESS, INC.

By: /s/ Stephen Smith
Name: Stephen Smith
Title: Chief Financial Officer

ENFORA, INC.

By: /s/ Stephen Smith
Name: Stephen Smith
Title: Chief Financial Officer

R.E.R. ENTERPRISES, INC.

By: /s/ Stephen Smith
Name: Stephen Smith
Title: Chief Financial Officer

INSEEGO NORTH AMERICA, LLC

By: /s/ Stephen Smith
Name: Stephen Smith
Title: Chief Financial Officer

NOVATEL WIRELESS SOLUTIONS, INC.

By: /s/ Stephen Smith
Name: Stephen Smith
Title: Chief Financial Officer

FEENEY WIRELESS IC-DISC, INC.

By: /s/ Stephen Smith
Name: Stephen Smith
Title: Chief Financial Officer

[SIGNATURE PAGES CONTINUE]

GADMINISTRATIVE AGENT
AND LENDERS:

CANTOR FITZGERALD SECURITIES,
as Administrative Agent

By: /s/ Nils Horning
Name: Nils Horning
Title: VP

SOUTH OCEAN FUNDING LLC,
as Lender

By: /s/ James B. Avery
Name: James B. Avery
Title: Vice President

CONSULTING AGREEMENT

This Consulting Agreement (the “*Agreement*”) is entered into effective as of September 30, 2019 (the “*Effective Date*”) by and between Inseego Corp., having its principal place of business located at 9605 Scranton Road, Suite 300, San Diego, California, 92121 (the “*Company*”), and Robert Pons (“*Consultant*”). Company and Consultant may each be referred to herein as a “Party” and collectively as the “Parties”. Exhibit A hereto is hereby incorporated into, and made a part of, this Agreement.

1. Relationship.

1.1 During the term of this Agreement, Consultant shall provide the services (the “*Services*”) to the Company as described on, and in accordance with, the Project Assignment attached as Exhibit A hereto. Consultant shall use Consultant’s best efforts to perform the Services such that the results are satisfactory to the Company. Consultant shall perform the Services in a professional manner consistent with the highest industry standards and in accordance with all federal, state and local laws, rules and regulations which relate to or govern the Services. Consultant further represents and warrants that entering into and performing under this Agreement will not violate any agreement or understanding, whether written or oral, express or implied, that Consultant has with a third party, including his current employer, if any, or any former employer. During the term of this Agreement, Consultant covenants that Consultant will not enter into any agreement or understanding, whether written or oral, express or implied, with a third party, including a future employer if Consultant’s performance under this Agreement would violate such other agreement or vice versa. Consultant agrees that during the term of this Agreement, Consultant will not serve as an employee, officer, director or consultant for any entities that are competitors of the Company.

1.2 Consultant has resigned his role as a member of the Board of Directors of the Company, however Consultant shall continue in the service of the Company under the terms of this Agreement. As a result, equity awards previously granted to Consultant are not affected by his resignation, and for purposes of the vesting and exercisability of such equity awards, Consultant’s continuous service to the Company is uninterrupted and is not deemed terminated until the termination or expiration of this Agreement.

1.3 During the term of this Agreement and for twelve (12) months following termination of this Agreement, Consultant shall not

(a) make, effect, initiate, cause or participate in (i) any acquisition of beneficial ownership of any securities or debt obligations of Company or its subsidiary or other affiliate (“Subsidiary”) or rights or options to acquire such securities or debt obligations, (ii) any acquisition of any assets of Company or its Subsidiary (other than the purchase or acquisition of products of the Company or any Subsidiary in the ordinary course of business), (iii) any tender offer, exchange offer, merger, business combination, recapitalization, restructuring, liquidation, dissolution, extraordinary transaction or any similar transaction involving Company or its Subsidiary, or involving any securities, debt obligations or assets of Company or its Subsidiary, or (iv) any “solicitation” of “proxies” (as those terms are used in the proxy rules of the Securities and Exchange Commission) or consents with respect to any securities of Company or any Subsidiary;

(b) form, join or participate in a “group” (as defined in the Securities Exchange Act of 1934 and the rules promulgated thereunder) with respect to the beneficial ownership of any securities of Company;

(c) act, alone or in concert with others, to seek to control or influence the management, board of directors or policies of Company or any Subsidiary;

(d) take any action which might force Company to make a public announcement regarding any of the types of matters set forth in clause “(a)” of this sentence;

(e) agree or offer to take, or encourage or propose (publicly or otherwise) the taking of, any action referred to in clauses “(a)”, “(b)”, “(c)” or “(d)” of this sentence;

(f) assist, induce or encourage any other person or entity to take any action referred to in clauses “(a)”, “(b)”, “(c)” or “(d)” of this sentence; or

(g) enter into any discussions or arrangements with any third party with respect to the taking of any action

referred to in clauses “(a)”, “(b)”, “(c)” or “(d)” of this sentence.

Notwithstanding any provision of this Section 1.3 to the contrary, Consultant shall not be deemed to be in violation of the provisions of this Section 1.3 by virtue of the grant of equity awards to Consultant pursuant to the terms of this Agreement or the vesting or exercise of equity awards granted to Consultant by Company pursuant to this Agreement or otherwise.

2. Fees. As consideration for the proper provision of the Services to be provided by Consultant and the other obligations set forth herein, the Company shall pay to Consultant during the term of this Agreement the amounts specified on Exhibit A hereto under the conditions specified therein.

3. Term and Termination. This Agreement shall have a term beginning on the Effective Date and expiring on June 30, 2021, unless terminated earlier in accordance with the terms of this Agreement. Should either Party default in the performance of this Agreement or breach any of its material obligations hereunder, the non-breaching Party may terminate this Agreement immediately if the breaching Party fails to completely cure the breach, and any intervening breaches that may have occurred, within three (3) calendar days after having received written notice by the non-breaching Party of the breach or default if it is capable of being cured or, if it is not so capable, then such termination shall take effect immediately upon written notice of same. Consultant shall be paid in accordance with Exhibit A hereto all fees and expenses owed to Consultant through the effective date of expiration or termination of this Agreement.

4. No Authority to Bind Company; Independent Contractor.

4.1 The Parties hereby agree that Consultant shall not have any authority to enter into contracts or other understandings that bind the Company or create obligations on the part of the Company without the prior written authorization of a duly authorized representative of the Company.

4.2 Company will provide work product requirements and deliverable requirements to Consultant. Consultant will perform the Services independently and free from control and direction from Company. Consultant represents that Consultant is customarily engaged in an independently established business performing services that are the same or similar to the Services provided to Company hereunder.

4.3 Consultant hereby acknowledges and agrees that Consultant is not an employee of the Company but is rather solely an independent contractor and therefore will not be eligible for any Company employee benefits, bonuses or otherwise. To the extent Consultant otherwise would be eligible for any Company employee benefits but for the express terms of this Agreement, Consultant hereby expressly declines to participate in such Company employee benefits and irrevocably waives any right to such benefits. The Parties acknowledge and agree that they are neither partners nor joint-venturers.

5. Confidentiality. Consultant agrees during the term of this Agreement and thereafter that he will take all steps reasonably necessary to hold Company’s Proprietary Information in trust and confidence, will not use Proprietary Information in any manner or for any purpose not expressly set forth in this Agreement, and will not disclose any such Proprietary Information to any third party without first obtaining Company’s express written consent on a case-by-case basis. By way of illustration but not limitation **“Proprietary Information”** includes (a) trade secrets, inventions, mask works, ideas, processes, formulas, source and object codes, data, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques; and (b) information regarding plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers; and (c) information regarding the skills and compensation of employees of Company; and (d) confidential information of any third party that is in Company’s care or possession. Notwithstanding the other provisions of this Agreement, nothing received by Consultant will be considered to be Company Proprietary Information if (i) it has been published or is otherwise readily available to the public other than by a breach of this Agreement; (ii) it has been rightfully received by Consultant from a third party without confidential limitations; (iii) it has been independently developed for Consultant by personnel or agents having no access to the Company Proprietary Information; or (4) it was known to Consultant prior to his first receipt from Company. Consultant shall not bring or disclose to the Company, or use in connection with the Services, any confidential information of any third party without such third party’s written authorization.

Consultant acknowledges and agrees that he may come into possession of material non- public information about the Company during his performance of the Services and that the use of such information is governed by United States securities laws including, but not limited to, the Securities Exchange Act of 1934, as amended, and that the violation of such law is a criminal offense. In connection therewith, Consultant hereby covenants that Consultant will not trade in Company securities while in possession of material non-public information.

6. Loaned Property. Consultant hereby acknowledges, agrees and covenants that any and all physical Company-owned property received by Consultant shall remain the sole and exclusive property of the Company. Upon any termination of this Agreement, or earlier request by the Company, Consultant shall immediately return such Company-owned property (including, without limitation, any Company laptop or mobile phone) to a designated Company representative.

7. Intellectual Property.

7.1 Ownership of Work Product. As used in this Agreement, the term **“Work Product”** means any deliverable or invention, whether or not patentable, and all related know-how, designs, mask works, trademarks, formulae, processes, manufacturing techniques, trade secrets, ideas, artwork, software or other copyrightable or patentable works. Consultant agrees to disclose promptly in writing to Company, or any person designated by Company, all Work Product which is solely or jointly conceived, made, reduced to practice, or learned by Consultant in the course of any work performed for Company (**“Company Work Product”**). Consultant agrees that any and all Work Product conceived, written, created or first reduced to practice in the performance of work under this Agreement shall be the sole and exclusive property of Company and Consultant shall not have any equitable or legal interest in such rights whatsoever. Consultant irrevocably assigns to Company all right, title and interest worldwide in and to the Company Work Product and all applicable intellectual property rights related to the Company Work Product, including without limitation, copyrights, trademarks, trade secrets, patents, moral rights, contract and licensing rights. Except as set forth in this Agreement, Consultant retains no rights to use the Company Work Product and agrees not to challenge the validity of Company’s ownership of the Company Work Product. In connection therewith, Consultant hereby represents and warrants that no part of the Work Product shall contain, use, reproduce or require any intellectual property rights of a third party or otherwise infringe such party’s rights.

7.2 Covenant not to Transfer. For the sake of clarity, given that the Company shall own all Work Product exclusively, Consultant hereby covenants and agrees that he shall not, either directly or indirectly, reproduce, transfer or otherwise use the Work Product or any part thereof for another customer or otherwise, other than for purposes of this Agreement.

8. Whistleblower Notice. Consultant acknowledges that pursuant to 18 U.S.C. Section 1833(b)(1), an individual cannot be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

9. Miscellaneous.

9.1 Taxes. Consultant understands and agrees that the Company is in no way responsible for any income and/or other tax obligations owed by Consultant in connection with this Agreement or otherwise, if any, and including but not limited to all reporting and payment obligations, if any, which may arise as a consequence of any payment under this Agreement or for any Services, and Consultant agrees that the Company has no duty to try to prevent any adverse determination made as to the tax treatment of any such payments. Consultant agrees to indemnify and hold the Company harmless from all such income and/or other tax obligations.

9.2 Non-Solicit. Consultant agrees that for the term of this Agreement and continuing for one (1) year thereafter (the **“Restricted Period”**), Consultant will not, directly or indirectly, in any manner (whether on Consultant’s own account, as an owner, operator, officer, director, partner, manager, employee, agent, contractor, consultant or otherwise): (a) hire or attempt to hire any current or former employee or consultant to the Company or its affiliates, unless such consultant or employee has not performed any services for the Company or its affiliates for a period of twelve (12) consecutive months; (b) recruit or solicit any current or former employee of or consultant to the Company or its affiliates, unless such consultant or employee has not performed any services for the Company or its affiliates for a period of six (6) consecutive months; or (c) induce or attempt to induce any current or former employee of, or consultant to, the Company or any of its affiliates, to leave the employ or service of the Company or its affiliates, or in any way interfere with the relationship between the Company or its affiliates and any their employees or consultants.

9.3 Limitation of Liability. In no event will the Company be liable for any consequential, indirect, exemplary, special, incidental, or punitive damages arising from or relating to this Agreement. The Company’s total cumulative liability in connection with this Agreement, whether in contract or tort or otherwise, will not exceed the aggregate amount of fees owed by Company to Consultant for Services performed under this Agreement.

9.4 Duty to Cooperate. Consultant shall, at the reasonable request of the Company and for no additional consideration, assist the Company and cooperate in the defense and/or investigation, in which Consultant has knowledge or can

be of help, of any third party claim or any investigation or any proceeding, whether actual or threatened, including, without limitation, participating as a witness and providing truthful testimony in any litigation, arbitration, hearing or other proceeding between the Company and a third party or any government body.

9.5 General Release of Claims by Consultant. In consideration for and as a condition of receiving the consideration described in Exhibit A and the Company's entering into this Agreement, Consultant, on behalf of himself and his heirs and assigns, voluntarily, knowingly, irrevocably and forever discharges, waives, and releases the Company and all of its current and former, direct and indirect parents, subsidiaries, brother-sister companies, and all other affiliates and related partnerships, joint ventures, or other entities, and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past, present, and future employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this section, and their successors (collectively, the "**Releasees**") from all actions, claims, demands, causes of actions, obligations, damages, liabilities, expenses and controversies of any nature whatsoever, whether known or not now known or suspected, which Consultant had, has or may have against any of the Releasees as of the date that Consultant signs this Agreement (the "**Claims**").

THIS MEANS THAT BY SIGNING THIS AGREEMENT, CONSULTANT UNDERSTANDS THAT, EXCEPT AS PROVIDED HEREIN, CONSULTANT WILL HAVE WAIVED ANY RIGHT CONSULTANT MAY HAVE TO BRING A LAWSUIT OR MAKE ANY CLAIM OF ANY KIND WHATSOEVER AGAINST THE COMPANY OR ANY OF THE RELEASEES BASED ON ANY ACTIONS OR OMISSIONS OF THE COMPANY OR ANY OF THE RELEASEES UP TO THE DATE OF SIGNING AGREEMENT.

Consultant expressly waives the protection of Section 1542 of the Civil Code of the State of California and any analogous rule or principle of any other jurisdiction. Section 1542 provides:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

For purposes of this Agreement, "Claims" does not include (and Consultant is not releasing): (a) any claims against the Company for promises it is making to Consultant in this Agreement; (b) any claims for indemnification; or (c) any claims that the law does not permit Consultant to release by private agreement.

Consultant is hereby advised by the Company to consult with an attorney of Consultant's choosing, at Consultant's expense, prior to entering into this Agreement.

9.6 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument. The exchange of copies of this Agreement and signature pages by facsimile transmission, by electronic mail in portable document format ("pdf"), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by combination of such means, shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes.

9.7 No Assignment; Successors. The Company may assign this Agreement to any successor to all or part of its assets or business without Consultant's consent. Except as specifically provided in this Agreement, no party may assign this Agreement without the prior written consent of the other party. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of each party's successors, permitted assignees, heirs, executors, administrators, and legal representatives.

9.8 Headings. The headings in this Agreement are solely for the convenience of reference and shall not affect its meaning or interpretation.

9.9 Amendments and Waivers. Any term of this Agreement may be amended or waived only with the written consent of Consultant and an authorized representative of the Company which writing specifically refers to this Section 9.

9.10 Sole Agreement. This Agreement, including Exhibit A hereto, constitutes the sole agreement of the Parties and supersedes all oral negotiations, and prior writings with respect to the services to be provided under Exhibit A.

EXHIBIT A

PROJECT ASSIGNMENT

Services. During the term of this Agreement, Consultant shall provide consulting Services for the Company as reasonably requested from time to time by the Company's Chairman and Chief Executive Officer.

Location of Provision of Services. Consultant shall render the Services at locations determined by Consultant, which may be at Consultant's business location.

Fees. The Company shall pay Consultant compensation as follows, which shall be the exclusive compensation payable to Consultant:

1. Cash retainer of \$17,250.00 on the date of each regularly scheduled quarterly meeting of the Company's Board of Directors between the Effective Date and June 30, 2021, up to a maximum of 7 meetings, subject to continuous service under this Agreement through the date of each such meeting;
2. On the first date in 2020 that the Company's Board of Directors grants annual equity awards to all non-employee members of the Board of Directors, restricted stock units with a value equal to \$85,000 (based on the closing price of the Company's stock as of the prior trading day), vesting on the date one year following the date of grant subject to continuous service under this Agreement through such vesting date; and
3. On the first date in 2021 that the Company's Board of Directors grants annual equity awards to all non-employee members of the Board of Directors, restricted stock units with a value equal to \$35,417 (based on the closing price of the Company's stock as of the prior trading day), vesting on June 30, 2021, subject to continuous service under this Agreement through such vesting date.

Expenses. The Company shall reimburse Consultant for reasonable business expenses incurred in connection with performance of the Services hereunder provided that the Company has pre- approved such expenses in advance in writing (which may include e-mail) and provided further that Consultant submits reasonable documentation in accordance with the Company's standard expense reimbursement policy.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Dan Mondor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inseego Corp.;

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

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

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

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

/s/ Dan Mondor

Dan Mondor

Chief Executive Officer
(principal executive officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inseego Corp.;

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

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

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

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

/s/ Stephen Smith

Stephen Smith

Chief Financial Officer
(principal financial officer)

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

I, Dan Mondor, Chief Executive Officer of Inseego Corp. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 12, 2019

/s/ Dan Mondor

Dan Mondor

Chief Executive Officer

(principal executive officer)

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

I, Stephen Smith, Chief Financial Officer of Inseego Corp. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 12, 2019

/s/ Stephen Smith

Stephen Smith

Chief Financial Officer

(principal financial officer)