

## Section 1: 10-K

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

**FORM 10-K**

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2017

OR

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

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

Commission file number: 001-37564

**BOXLIGHT CORPORATION**  
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

8211

(Primary Standard Industrial  
Classification Code Number)

46-4116523

(I.R.S. Employer  
Identification Number)

**BOXLIGHT CORPORATION**  
1045 Progress Circle  
Lawrenceville, Georgia 30043  
Phone: (678) 367-0809

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

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

**Title of each class**

**Name of each exchange on which registered**

Common Stock, \$0.0001 par value

NASDAQ Capital Market

Securities registered pursuant to section 12(g) of the Act: NONE

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 to Section 7(a)(2)(B) of the Securities Act.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$\_\_\_\_\_

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

The number of shares outstanding of the registrant's common stock on March 28, 2018 was 9,648,198.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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BOXLIGHT CORPORATION

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## FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (including the section regarding Management's Discussion and Analysis and Results of Operation) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are based on our management's belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Forward-looking statements include statements concerning the following:

- our possible or assumed future results of operations;
- our business strategies;
- our ability to attract and retain customers;
- our ability to sell additional products and services to customers;
- our cash needs and financing plans;
- our competitive position;
- our industry environment;
- our potential growth opportunities;
- expected technological advances by us or by third parties and our ability to leverage them;
- the effects of future regulation; and
- our ability to protect or monetize our intellectual property.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in the reports we file with the SEC. Actual events or results may vary significantly from those implied or projected by the forward-looking statements due to these risk factors. No forward-looking statement is a guarantee of future performance. You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits thereto with the Securities and Exchange Commission, or the SEC, with the understanding that our actual future results and circumstances may be materially different from what we expect.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as may be required by applicable law. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Unless the context otherwise requires, the terms "the Company," "we," "us," and "our" in this report refer to Boxlight Corporation and its consolidated subsidiaries.

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

We are a global leading distributor of interactive projectors, high definition interactive LED flat panels, and integrated classroom accessory products. We believe we offer the most comprehensive and integrated line of interactive display solutions, audio products, peripherals and accessories for schools and enterprises. Our products are backed by nearly 30 years of research and development. We introduced the world's first interactive projector in 2007 and received patents in 2010. We focus on developing easy-to-use solutions combining interactive displays with robust software to enhance the educational environment, ease the teacher technology burden, and focus on improving student outcomes.

Advances in technology and new options for introduction into the classroom have forced school districts to look for solutions that allow teachers and students to bring their own devices into the classroom, provide school district information technology departments with the means to access data with or without internet access, handle the demand for video, and control cloud and data storage challenges. Our design teams are able to quickly customize systems and configurations to serve the needs of clients so that existing hardware and software platforms can communicate with one another. We have created plug-ins for annotative software that make existing and legacy hardware interactive and allows interactivity with or without wires through our MimioTeach product. Our goal is to become a single source solution to satisfy the needs of educators around the globe and provide a wholistic approach to the modern classroom.

We pride ourselves in providing industry-leading service and support and have received numerous product awards. Our STEM product, Labdisc, won the BETT Awards 2018 in the tools for teaching, learning and assessment category. In 2017, our MimioStudio with MimioMobile was a BETT Awards finalist in the tools for teaching, learning and assessment area. Our Labdisc product was named Best of BETT 2017 for the Tech & Learning award. In 2017 our Labdisc product won Best In Show at TCEA. Our P12 Projector Series won the Tech & Learning best in show award at ISTE in 2017. Our MimioMobile App with Mimio Studio Classroom Software won the 2016 Cool Tool Award. We received the 2016 Award of Excellence for our MimioTeach at the 34<sup>th</sup> Tech & Learning Awards of Excellence program honoring new and upgraded software.

Since the Company launched its patented interactive projectors in 2007, we have sold them to public schools in the United States and in 49 other countries, as well as to the Department of Defense International Schools, and in approximately 3,000 classrooms in 20 countries, the Job Corp, the Library of Congress, the Center for Disease Control, the Federal Emergency Management Agency, nine foreign governments and the City of Moscow and numerous Fortune 500 companies, including Verizon, GE Healthcare, Pepsico, First Energy, ADT, Motorola, First Data and Transocean and custom built 4,000 projectors for the Israeli Defense Forces.

#### **Our Company**

Boxlight Corporation was incorporated in Nevada on September 18, 2014 for the purpose of acquiring technology companies that sell interactive products into the education market. As of the date of this Annual Report, we have three subsidiaries, consisting of Boxlight, Inc., Boxlight Latinoamerica, S.A. DE C.V. and Boxlight Latinamerica Servicios, S.A. DE C.V.

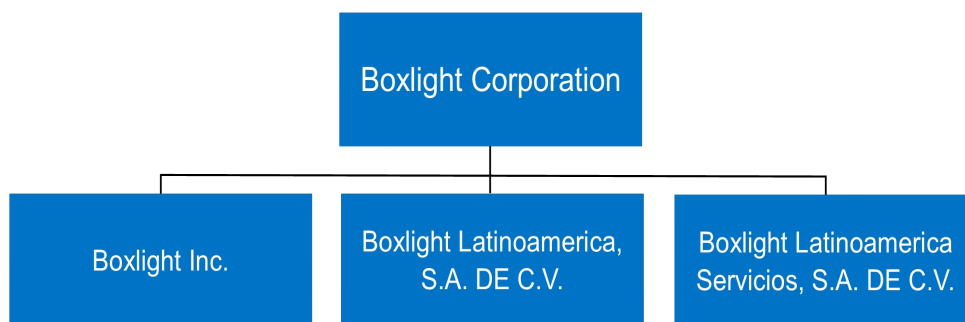
Effective April 1, 2016, Boxlight Corporation acquired Mimio LLC ("Mimio"). Mimio designs, produces and distributes a broad range of Interactive Classroom Technology products primarily targeted at the global K-12 education market. Mimio's core products include interactive projectors, interactive flat panel displays, interactive touch projectors, touchboards and MimioTeach, which can turn any whiteboard interactive within 30 seconds. Mimio's product line also includes an accessory document camera, teacher pad for remote control and an assessment system. Mimio was founded on July 11, 2013 and maintained its headquarters in Boston, Massachusetts. Manufacturing is by ODM's and OEM's in Taiwan and China. Mimio products have been deployed in over 600,000 classrooms in dozens of countries. Mimio's software is provided in over 30 languages. Effective October 1, 2016 Mimio LLC was merged into Boxlight Inc.

Effective May 9, 2016, Boxlight Corporation acquired Genesis Collaboration LLC (“Genesis”). Genesis is a value added reseller of interactive learning technologies, selling into the K-12 education market in Georgia, Alabama, South Carolina, northern Florida, western North Carolina and eastern Tennessee. Genesis also sells our interactive solutions into the business and government markets in the United States. Effective August 1, 2016, Genesis was merged into Boxlight Inc.

Effective July 18, 2016, Boxlight Corporation acquired Boxlight, Inc., Boxlight Latinoamerica, S.A. DE C.V. (“BLA”) and Boxlight Latinoamerica Servicios, S.A. DE C.V. (“BLS”) (together, “Boxlight Group”). The Boxlight Group sells and distributes a suite of patented, award-winning interactive projectors that offer a wide variety of features and specifications to suit the varying needs of instructors, teachers and presenters. With an interactive projector, any wall, whiteboard or other flat surface becomes interactive. A teacher, moderator or student can use the included pens or their fingers as a mouse to write or draw images displayed on the surface. As with interactive whiteboards, interactive projectors accommodate multiple users simultaneously. Images that have been created through the projected interactive surface can be saved as computer files. The new Company’s new ProjectoWrite 12 series, launched in February 2016, allows the simultaneous use of up to ten simultaneous points of touch.

We are a leading technology company that focuses on the education and learning industry. We produce and distribute products including interactive projectors, 65”-98” ultra hi-resolution interactive LED panels, integrated STEM (Science, Technology, Engineering, & Mathematics) data logging products, and develop new products utilizing a combination of technologies utilizing Boxlight’s intellectual property portfolio. We invest in significant research and development, leverage our international manufacturing capabilities, and utilize an established global reseller network. Our goal is to become a single source, world-leading innovator, manufacturer and integrator of interactive products for schools and universities, as well as for training and instruction for business and governmental agencies.

The organizational structure of our companies is as follows:



## Our Markets

In the United States, which is our primary market, we sell and distribute interactive educational products for K-12 to both public and private schools, the K-12 education sector represents one of the largest industry segments. In addition to its size, the U.S. K-12 education market is highly decentralized and is characterized by complex content adoption processes. The sector is comprised of approximately 15,600 public school districts across the 50 states and 132,000 public and private elementary and secondary schools. We believe this market structure underscores the importance of scale and industry relationships and the need for broad, diverse coverage across states, districts and schools. Even while we believe certain initiatives in the education sector, such as the Common Core State Standards, a set of shared math and literacy standards benchmarked to international standards, have increased standardization in K-12 education content, we believe significant state standard specific customization still exists, and we believe the need to address customization provides an ongoing need for companies in the sector to maintain relationships with individual state and district policymakers and expertise in state-varying academic standards.

U.S. K-12 education has come under significant political scrutiny in recent years, due to the recognition of its importance to U.S. society at large and concern over the perceived decline in U.S. student competitiveness relative to international peers. An independent task force report published in March 2012 by the Council on Foreign Relations, a non-partisan membership organization and think tank, observed that American students rank far behind global leaders in international tests of literacy, math and science, concluding that the current state of U.S. education severely impairs the United States' economic, military and diplomatic security as well as broader components of America's global leadership. Also, the Executive Office of the President Council of Economic Advisors, in a report titled *Unleashing the Potential of Educational Technology*, stated that "many observers are concerned about declines in the relative quality of U.S. primary and secondary education, and improving performance of our schools has become a national priority." We believe that the customization of learning programs could enhance innovative and growth strategies geared towards student performance in our nation's schools.

The global education industry is undergoing a significant transition, as primary and secondary school districts, colleges and universities, as well as governments, corporations and individuals around the world are increasingly recognizing the importance of using technology to more effectively provide information to educate students and other users.

According to "*All Global Market Education & Learning*", an industry publication, the market for hardware products is growing due to increases in the use of interactive whiteboards and simulation-based learning hardware. Educational institutions have become more receptive to the implementation of hi-tech learning tools. The advent of technology in the classroom has enabled multi-modal training and varying curricula. In general, technology based tools help develop student performance when integrated with the curriculum. The constant progression of technology in education has helped educators to create classroom experiences that are interactive, developed and collaborative.

According to market research report "*Markets and Markets Interactive Projector Market*" 2016 research report, the interactive projector market was valued at \$670 million in 2015 and is expected to reach \$2,602 million by 2022, growing at a CAGR of 21.5% between 2016 and 2022. The increasing adoption of interactive projectors in the education segment, the low cost of interactive projectors compared to interactive whiteboards, and significant advantages of interactive projectors over conventional projectors are some of the factors that are driving the growth of the interactive market. Low awareness of the consumers regarding interactive projectors in developing countries restrains the growth of the market in those areas. The major players in the interactive projector market include Seiko Epson Corp. (Japan), BenQ Corp. (Taiwan), Boxlight (U.S.), Dell Technologies Inc. (U.S.), Panasonic Corp. (Japan), CASIO COMPUTER Co., Ltd. (Japan), NEC Display Solutions, Ltd. (Japan), Optoma Technology Inc. (U.S.), Touchjet Inc. (Singapore), and Delta Electronics Inc. (Taiwan).

## **Our Opportunity**

We believe that our patented product portfolios and the software and products we intend to develop either alone or in collaboration with other technology companies positions us to be a leading manufacturer and provider of interactive educational products in the global educational and learning market. We believe that increased consumer spending driven by the close connection between levels of educational attainment, evolving standards in curriculum, personal career prospects and economic growth will increase the demand for our interactive educational products. Some of the factors that we believe will impact our opportunity include:

### *Growth in U.S. K-12 Market Expenditures*

Significant resources are being devoted to primary and secondary education, both in the United States and abroad. As set forth in the Executive Office of the President, Council of Economic Advisers report, U.S. education expenditure has been estimated at approximately \$1.3 trillion, with K-12 education accounting for close to half (\$625 billion) of this spending. Global spending is roughly triple U.S. spending for K-12 education.

While the market has historically grown above the pace of inflation, averaging 7.2% growth annually since 1969, as expenditures by school districts and educational institutions are largely dependent upon state and local funding, the world-wide economic recession caused many states and school districts to defer spending on educational materials, which materially and adversely affected our historical revenues as well as those of many of our competitors. However, expenditures and growth in the U.S. K-12 market for educational content and services now appears to be rebounding in the wake of the U.S. economic recovery. Although, the economic recovery has been slower than anticipated, and there is no assurance that any further improvement will be significant, nonetheless, states such as Florida, California and Texas were all scheduled to adopt interactive educational materials for certain subjects, including reading and math, by 2016.

### *International Catalysts Driving Adoption of Learning Technology*

According to *Ambient Insights 2012 Snapshot of the Worldwide and US Academic Digital Learning Market*, substantial growth in revenues for e-learning products in the academic market segment are anticipated throughout the world due to several convergent catalysts, including population demographics such as significant growth in numbers of 15-17 year old students and women in education in emerging markets; government-funded education policies mandating country-wide deployment of digital learning infrastructures; large scale digitization efforts in government and academic markets; significant increases in the amount of digital learning content; migration to digital formats by major educational publishers and content providers; mass purchases of personal learning devices and strong demand for learning platforms, content and technology services; and rapid growth of part-time and fulltime online student enrollments.

### *Rising Global Demand*

We expect to profit from the rising global demand for technology based learning products by offering our interactive product hardware and software in the United States and expanding into foreign countries. In recent years, the global education sector has seen movement towards the adoption of interactive learning devices. As examples:



- In 2010, the Peruvian government spent \$3.0 billion for an education technology rollout to provide all teachers and students with individual tablet computers and network infrastructure and classroom displays;
- In August 2011, the Russian government announced a plan to deploy tablets, “on a massive scale” in the Russian educational system, to replace printed textbooks;
- In October 2011, the Indian government launched its heavily subsidized school-designed tablet called Aakash; and
- In July 2011, the Thailand government announced that it intends to give every child in grades 1-6 a tablet starting with first grade students in the 2012 school year. The multi-year program is expected to equip over 5.0 million primary students with handheld devices.

#### *Growth in the E-learning Market*

According to the “*E-learning Market – Global Outlook and Forecast 2018-2023*”

The introduction of technology-enabled learning that helps organizations train human resource is driving the growth of the global e-learning market. These training modules offer continuous and effective learning at an optimal cost and provide customized course content that meets the specific requirements of end-users. The advent of cloud infrastructure, peer-to-peer problem solving, and open content creation will help to expand business opportunities for service providers in the global e-learning market.

Vendors are also focusing on offering choices on the course content at competitive prices to gain the share in the global e-learning market. The exponential growth in the number of smartphone users and internet connectivity across emerging markets is driving the e-learning market in these regions. The introduction of cloud-based learning and AR/VR mobile-based learning is likely to revolutionize the e-learning market during the forecast period.

Major vendors are introducing technology-enabled tools that can facilitate the user engagement, motivate learners, and help in collaborations, thereby increasing the market share and attracting new consumers to the market. The growing popularity of blended learning that enhances the efficiency of learners will drive the growth of the e-learning market. The e-learning market is expected to generate revenue of \$65.41 billion by 2023, growing at a CAGR of 7.07% during the forecast period.

#### *Trends in Tech-Savvy Education*

While industries from manufacturing to health care have adopted technology to improve their results, according to Stanford Business School, in its *Trends in Tech-Savvy Education*, the education field remains heavily reliant on “chalk and talk” instruction conducted in traditional settings; however, that is changing as schools and colleges adopt virtual classrooms, data analysis, online games, highly customized coursework, and other cutting-edge tools to help students learn.

#### *Demand for Interactive Projectors is on the Rise*

The interactive projector market was valued at \$670.3 million in 2015 and is expected to reach \$2.602M by 2022, growing at a CAGR of 21.5% between 2016 and 2022. The factors which are driving the growth of market include significant advantages of interactive projectors over conventional projectors, increased adoption of interactive projectors in the education segment, and the low cost of projectors compared to interactive whiteboards.

#### *Additional Technologies*

The delivery of digital education content is also driving a substantial shift in the education market. In addition to whiteboards, interactive projectors and interactive flat panels, other technologies are being adapted for educational uses on the Internet, mobile devices and through cloud-computing, which permits the sharing of digital files and programs among multiple computers or other devices at the same time through a virtual network. We intend to be a leader in the development and implementation of these additional technologies to create effective digital learning environments.

#### *Handheld Device Adoption*

Handheld devices, including smartphones, tablets, e-readers and digital video technologies, are now fundamental to the way students communicate. A 2010 FCC survey provides evidence that the rates of handheld use will increase dramatically. It reported that while 50% of respondents currently use handhelds for administrative purposes, 14% of schools and 24% of districts use such devices for academic or educational purposes. Furthermore, 45% of respondents plan to start using such devices for academic and educational purposes within the next 2 to 3 years. The survey stated that, “The use of digital video technologies to support curriculum is becoming increasingly popular as a way to improve student engagement.”

#### *Natural User Interfaces (NUIs)*

Tablets and the new class of “smart TVs” are part of a growing list of other devices built with natural user interfaces that accept input in the form of taps, swipes, and other ways of touching; hand and arm motions; body movement; and increasingly, natural language. Natural user interfaces allow users to engage in virtual activities with movements similar to what they would use in the real world, manipulating content intuitively. The idea of being able to have a completely natural interaction with a device is not new, but neither has its full potential been realized. For example, medical students increasingly rely on simulators employing natural user interfaces to practice precise manipulations, such as catheter insertions, that would be far less productive if they had to try to simulate sensitive movements with a mouse and keyboard. NUIs make devices seem easier to use and more accessible, and interactions are far more intuitive, which promotes exploration and engagement. (NMC Horizon Project *Technology Outlook STEM+ Education 2012-2017*).

### *The Business and Government Market*

The business and government market for interactive displays represents an attractive growth opportunity for us because of the desire of organizations to improve the quality of training, development and collaboration.

In meeting rooms, our solutions help achieve the following:

- Enhance brainstorming and collaboration by providing a real-time focal point upon which participants can share their ideas with the entire group of attendees, including those in remote locations;
- Add a tangible, interactive dimension to conferencing that enables attendees to visualize a situation or concept and make decisions based on that visualization;
- Save time and enhance productivity by enabling users to save and distribute their collective work product from a meeting without the inconsistencies and subjectivity that may result from individual note taking;
- Realize cost savings not only by reducing travel needs, but also by improving internal communication and team building; and
- Enable participants to access digital files and use applications in real time.

In training centers, we believe that our solutions help to enhance achievement levels with multi-modality (visual, auditory and kinesthetic) learning capabilities, improved interactivity and engagement and real-time assessment and feedback. Our solutions may also help improve an enterprise's return on investment by providing better trained employees reducing training time and getting employees back to their jobs, reduced travel expenses, improved customer service from well-trained employees and reduced employee turnover.

### *Federal and State Funding According to "State of the K-12 Market Reports 2016"*

New Student Support and Academic Enrichment Grant (SSAEG) dollars will likely begin to expand the market somewhat in the 2017-2018 school year. SSAEG is a new funding mechanism that provides flexible funding focused on efforts to promote a well-rounded education, create safe and healthy learning environments for students, and support the effective use of technology. Congress initially authorized SSAEG at \$1.6 billion.

Despite the attention paid to the federal education budget, school funding continues to come primarily from state and local sources. For the 2014-2015 school year, state funding provided nearly half (46%) of total funding for K-12 schools, with local funding providing 44% of K-12 funding. The federal contribution was an average of 10%. Overall funding for all public and private K-12 education in the United States is currently about \$665 billion.

States spend a significant amount of their overall budgets to support education. According to the National Association of State Budget Officers, states devote 20% of their overall spending to K-12 education. In FY2016, 41 states enacted spending increases for K-12 education resulting in a net increase of \$14.7 billion, up from an \$11.1 billion increase in FY2015. Thirty-five states also enacted spending increases for higher education. Only four states—Alaska, Hawaii, West Virginia, and Wisconsin—cut K-12 spending in FY2016.

Governors in 43 states called for higher spending in their FY2017 budget recommendations. As has been true for several years, governors' proposed budgets direct most additional dollars to K-12 funding and Medicaid, the two largest areas of state general fund expenditures.

The Fiscal Survey of States, Spring 2016 confirms that state budgets continue to show moderate growth and stability. FY2016 (July 1, 2015 to June 30, 2016) marked the first time that aggregate spending levels surpassed the pre-recession peak level of FY2008, adjusted for inflation. For the most part, states have been able to close budget gaps and minimize mid-year budget cuts. Unemployment rates are going down, rainy day funds are growing, and states are focused on resolving issues around unfunded pension programs, ongoing health care and education costs, and pent-up infrastructure demand. Enacted 2016 budgets showed state revenues reaching \$798 billion, an increase of 4%, compared with the 3% gain in fiscal 2015, when revenues stood at \$748 billion. Revenue growth was widespread: 43 states enacted spending increases in FY2016, compared with 2015 levels. A small number of states face revenue shortfalls brought on by the decline in oil and natural gas prices.

### *Technology Budget Outlook Per "State of the K-12 Market Reports 2016"*

The outlook for district technology budgets in the 2016-2017 school year continues the improvement seen last year, confirming schools' emergence from the long shadow of the recession. Tech directors generally have quite positive expectations about their 2016-2017 budget. Compared with the prior two years, the 2016-2017 outlook is generally strong. Clearly technology directors are making some trade-offs from year to year, increasing spending in one category and balancing that increase by holding steady or slightly decreasing other categories.

Even in the schools' worst recession years of 2010-2011 through 2012-2013, hardware and teacher training were most likely to see the largest percentage of districts planning to increase spending. The implementation of Common Core assessments likely drove some of this investment in hardware and teacher training in the past; however, the desire to increase overall student access to technology also plays a role. Districts may not be saying that one-to-one is their goal, but they continue to move in that direction. Their budget plans also reflect a clear awareness that teacher training is an essential element of any expansion of technology use.

District characteristics (size, metropolitan status, and region) are sometimes associated with differences in plans for technology spending. While no significant differences are seen by metropolitan status of region, looking at projected increases by district size reveals a difference in budget plans for hardware purchases. Medium-size districts are significantly more likely than their smaller counterparts to be planning increases in hardware budgets.

## **Our Current Products**

We currently offer the following products:

### *MimioStudio Interactive Instructional Software*

MimioStudio Interactive Instructional Software enables the creation, editing, and presentation of interactive instructional lessons and activities. These lessons and activities can be presented and managed from the front of the classroom using any of Boxlight's front of classroom display systems including MimioTeach + our non-interactive projectors, ProColor Interactive LED panels, MimioBoard Touch + our non-interactive projectors, MimioFrame + our non-interactive projectors or ProjectoWrite "P" Series interactive projectors in either pen or touch controlled versions. MimioStudio can also be operated using MimioPad as a full-featured remote control or a mobile device such as an iPad or tablet which includes a display screen that fully replicates the front-of-classroom display generated by MimioStudio. Operation with a mobile device is enabled via the three-user license for MimioMobile, see next, provided with the MimioStudio license that accompanies all front-of-classroom devices from Mimio.

### *MimioMobile Collaboration and Assessment Application*

The introduction of MimioMobile, a software accessory for MimioStudio, in 2014 introduced a new era of fully interactive student activities that are able to be directly and immediately displayed on the front-of-classroom interactive displays through MimioStudio.

MimioMobile allows fully interactive activities to be pushed to student classroom devices. The students can manipulate objects within the activities, annotate "on top" of them, and even create completely new content on their own handheld devices. MimioMobile also enables assessment using the mobile devices. The teacher can create multiple choice, true/false, yes/no, and text entry assessment questions. The students can respond at their own speed and their answers are stored within MimioStudio from which the teacher can display graphs showing student results. This "continuous assessment" allows formative assessment that can help guide the teacher as to whether to re-teach the material if understanding is low or move forward in the lesson. We believe that this interactive and student dependent instructional model can dramatically enhance student outcomes.

### *Boxlight Front-of-Classroom Interactive Displays*

Boxlight offers the broadest line of interactive displays, each of which provides large image size and interactive technology that complements the capabilities of MimioStudio and MimioMobile.

### *Boxlight Interactive Projectors*

We offer a suite of patented, award-winning interactive projectors with a wide variety of features and specifications to suit the varying needs of instructors, teachers and presenters around the world. With an interactive projector any wall, whiteboard or other flat surface can become an interactive surface and enable computer control. A user can utilize a pen stylus or finger as a mouse or to write or draw images displayed on the screen. As with interactive whiteboards, the interactive projector accommodates multiple users simultaneously. Images that have been created through the projectors can be saved as computer files. Except for the ProjectorWrite 12 series, all the Boxlight Group interactive projectors use LCD or DLP technology.

We offer interactive projectors using lamp and laser illumination technologies. Each ultra-short throw model is available with pen-based interactivity using infra-red emitting pens or touch-based technology using an emitter that generates a laser curtain over the entire surface of an associated whiteboard.

The pen versions of these interactive projectors can display images as large as 130” diagonally in 16:10 aspect ratio. The touch-based versions can display images as large as 100” in the same 16:10 aspect ratio. All models support up to ten simultaneous interactions meaning multiple students can simultaneously work. The projectors come with high quality audio and appropriate wall mounting hardware.

The **ProjectoWrite 9** series provides wired interactivity and features 60 frames per second. These projectors have built-in storage of up to 1.5 GB for on-the-go display; a USB or EZ WiFi LAN connection from the PC, Mac or mobile device to the interactive projector is required for interactivity with the projected images. The ProjectoWrite 9 interactive projector series allows for a maximum of ten interactive pens working simultaneously. Utilizing its patented embedded interactive CMOS camera at 60 frames per second, response time is less than 12 ms., and accuracy is within 3 pixels.

The **ProjectoWrite 12** series is first in the Boxlight Group’s line of patented finger-touch interactive projectors to offer a driverless installation. With the addition of a laser module, a moderator or student can use a finger, or any solid object, to interact and control the computer at the projected image. With 10-point touch, a user can capitalize on the new touch features of Microsoft Windows 10, emulating a tablet computer.

#### *Boxlight ProColor Interactive Flat Panel Displays*

Our ProColor series of interactive LED panels are available in five sizes of Interactive Flat Panel Displays – 55”, 65”, 70”, 75”, and 86” measured diagonally. Each offers a 4K resolution, and an optional PC Module slot for embedded Windows 10 and also include embedded Android computing capability for control, applications, and annotation that produce extraordinarily sharp images suitable for a range of classroom sizes. ProColor Interactive LED panels utilize infrared touch tracking technology, offering 10 points of touch for simultaneous interaction of multiple users. ProColor’s built-in speakers add room filling sound to the display’s vivid colors. The interactive LED panels feature Korean glass with optical coatings that are highly scratch resistant and improve viewing angles and ambient light interference.

#### *ProColor Display 490 Interactive Touch Table*

The ProColor Display 490 Interactive Touch Table enables up to four students to work collaboratively or individually on a horizontal surface particularly well-suited to younger students or those with motor skill limitations. The height of the table can be adjusted electrically to accommodate a wide range of student ages and even wheelchairs.

### *Boxlight's MimioBoard Interactive Touch Boards*

Boxlight's Interactive Touch Boards are available in 78" 4:3 aspect ratio and 87" 16:10 aspect ratio. These boards provide sophisticated interactivity with any projector because the touch interactivity is built into the board. Unlike many competitive products, Boxlight's touch boards are suited for use with dry erase markers. Many competitive products advise against using dry erase markers because their boards stain. Boxlight's touch boards use a porcelain-on-steel surface for durability and dry erase compatibility.

### *Boxlight's MimioTeach Interactive Whiteboard*

Boxlight's MimioTeach is one of the company's best known and longest-lived products. Hundreds of thousands of MimioTeach interactive whiteboards and its predecessor models are used in classrooms around the world. MimioTeach can turn any whiteboard (retrofit) into an interactive whiteboard in as little as 30 seconds. This portable product fits into a tote bag with room for a small desktop projector, which is attractive to teachers who move from classroom to classroom. For schools where "change is our normal," MimioTeach eliminates the high cost of moving fixed-mount implementations

### *Boxlight's MimioFrame retro-fittable Touch Board*

Boxlight's MimioFrame can turn a conventional whiteboard into a touchboard in 10-15 minutes. Millions of classrooms already have a conventional whiteboard and a non-interactive projector. MimioFrame uses infrared (IR) technology embedded in the four sides of the frame to turn that non-interactive combination into a modern 10-touch-interactive Digital Classroom. No drilling or cutting is required, MimioFrame easily and quickly attaches with industrial-strength double-sided tape.

### *Boxlight's MimioSpace ultra-wide 135" TouchBoard System*

MimioSpace combines a, eleven-foot-wide 32-touch interactive whiteboard with a 16:6 aspect ratio ultra-wide projector to produce an extraordinary combination of digital classroom technology and the extremely wide working surface of classical blackboard-based classrooms.

### ***Peripherals and accessories***

We offer a line of peripherals and accessories, including amplified speaker systems, mobile carts, installation accessories and adjustable wall-mount accessories that complement its entire line of interactive projectors, LED flat panels and standard projectors. The height and tilt adjustable DeskBoard mobile cart, which won the Best of ISTE in June 2014 for Best Hardware product, can be used as an interactive screen or interactive desktop with the ProjectoWrite 8 ultra-short throw interactive projectors.

### *Boxlight's MimioVote Student Assessment System*

Boxlight's MimioVote is a handheld "clicker" that enables student assessment with essentially zero training. MimioVote is so simple it genuinely qualifies as intuitive, an elusive and often proclaimed attribute that is actually merited by MimioVote. MimioVote fully integrates into the MimioMobile environment and offers everything from attendance to fully immersive and on-the-fly student assessment. The MimioVote was specifically designed to survive the rigors of even kindergarten and elementary classrooms where being dropped, stepped on, and kicked are all part of a normal day. The handset's non-slip coating helps keep it from sliding off desktops or out of little hands. Should they take wing, the rugged construction keeps them working.

### *Boxlight's MimioPad wireless pen tablet*

MimioPad is a lightweight, rechargeable, wireless tablet used as a remote control for the MimioStudio running on a teacher's Windows, Mac, or Linux computer. MimioPad enables the teacher to roam the classroom which significantly aids classroom management. MimioPad is a classroom management tool which can be handed off to enable a student to be part of the interactive experience – all without getting up and going to the front of the room.

### *Boxlight's MimioView document camera*

Boxlight's MimioView is a document camera that is integrated with MimioStudio to make the combination easy to use with a single cable connection that carries power, video, and control. MimioView is fully integrated into our MimioStudio software solution and is controlled through the applications menu of the quick menu. With 2 clicks, the teacher or user can turn on, auto-focus, and illuminate the included LED lights for smooth high-definition images.

### *Audio Solutions*

We offer SoundLite audio solutions as an affordable and easy-to-install amplified speaker system for use with all of our projectors. The 30 watt SoundLite product is available with a wireless RF microphone. This device produces quality stereo sound in any room.

Features in future SoundLite models will have a security-enabled system and IP addressable audio classroom solution allowing point-to-point address as well as a network wide area address. A panic switch on the wireless transmitters will enable live broadcast of classroom audio and simultaneously trigger predetermined alerts. This feature is designed to work over a school's existing network infrastructure.

### *Non-Interactive projectors*

We distribute a full line of standard, non-interactive projectors. The Cambridge Series features embedded wireless display functions and is available in short and standard throw options. Offering brightness from 2,700 to 4,000 lumens, we furnish projectors for small classrooms to large classrooms with the Cambridge platform. This series is available in both XGA and WXGA resolutions to replace projectors on existing interactive whiteboards in classrooms operating on limited budgets. The Boxlight Group has designed this platform to provide easy user maintenance with side-changing lamps and filters and developed HEPA filtration systems for harsh environments.

Over the past several years, we have together with strategic allies, provided customized products that fit specific needs of customers, such as the Israeli Ministry of Defense. Working with Nextel Systems, the Boxlight Group delivered approximately 4,000 projectors, with special kitting performance, asset tagging, custom start up screens, operating defaults appropriate for harsh environments, and other unique product specifications. The Boxlight Group also met requirements that each projector contain at least 51% U.S. content and be assembled in the United States. A service center was appointed in Israel to provide warranty service and support. The US Army in connection with the Israeli Defense Forces found the Boxlight Group to be the only manufacturer able to meet the stringent requirements, leading not only to the original multi-year contract, but to extensions for favorable execution and performance.

## **Integration Strategy**

We have centralized our business management for all acquisitions through an enterprise resource planning system. We have streamlined the process to drive front-line sales forecasting to factory production. Through the enterprise resource planning system, we have synchronized five separate accounting and customer relationship management systems through a cloud-based interface to improve inter-company information sharing and allow management at the Company to have immediate access to snapshots of the performance of each of our subsidiaries. As we grow, organically or through acquisition, we plan to move to a multi-currency model of our enterprise resource planning system.

## **Logistics; Suppliers**

Logistics is currently provided by our Lawrenceville, Georgia facility. Contract manufacturing for Boxlight's products are through ODM and OEM partners according to specific engineering specifications and utilizing IP developed and owned by Boxlight. Boxlight's factories for ODM and OEM are located in Taiwan, China and Germany.

## **Technical Support and Service**

The Company currently has its technical support and service centers located near Seattle, WA and in Atlanta, GA. Additionally, the Company's technical support division is responsible for the repair and closing of customer service cases, resulting in more than 60% of the Company's customer service calls ending in immediate closure of the applicable service case. We accomplish this as a result of the familiarity between our products and the customer service technician.

## **Sales and Marketing**

Our sales force consists of nine regional account managers in the US, two in Latin America, three in Europe, two sales support staff and one Vice President of Sales. Our marketing team consists of one Vice President of Global Marketing, One Vice President of Marketing Communications and Public Relations, one Marketing Coordinator and four contractors. Our sales force and marketing teams primarily drive sales of interactive flat panels, interactive whiteboards, interactive projectors, interactive touch table, education software, STEM data logging products and related peripherals and accessories to school districts, throughout North, Central and South America, Europe, the Middle East and Asia. In addition, we go to market through an indirect channel distribution model and utilize traditional value-added resellers and support them with training to become knowledgeable about the products we sell. We currently have approximately 800 resellers.

We believe Boxlight offers the most comprehensive product portfolio in today's education technology industry, along with best-in-class service and technical support. Boxlight's award-winning, interactive classroom technology and easy to use line of classroom hardware and software solutions provide schools and districts with the most complete line of progressive, integrated classroom technologies available worldwide.

## **Competition**

In the interactive education industry, we face substantial competition from developers, manufacturers and distributors of interactive learning products and solutions. The industry is highly competitive and characterized by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of interactive projectors and interactive whiteboards. We face increased competition from companies with strong positions in certain markets we serve, and in new markets and regions we may enter. These companies manufacture and/or distribute new, disruptive or substitute products that compete for the pool of available funds that previously could have been spent on interactive displays and associated products. Our ability to integrate our technologies and remain innovative and develop new technologies desired by our current and potential new contract manufacturing customers will determine our ability to grow our contract manufacturing divisions.

The Company competes with other developers, manufacturers and distributors of interactive projectors and personal computer technologies, tablets, television screens, smart phones. Interactive whiteboards, since first introduced, have evolved from a high-cost technology that involves multiple components, requiring professional installers, to a one-piece technology that is available at increasingly reduced price points and affords simple installations. With lowered technology entry barriers, we face heated competition from other interactive whiteboard developers, manufacturers and distributors. However, the market presents new opportunities in responding to demands to replace outdated and failing interactive whiteboards with more affordable and simpler solution interactive whiteboards. In addition, the Company has begun to see expansion in the market to sales of complementary products that work in conjunction with the interactive technology, including software, audio solutions, data capture, and tablets.

## **Employees**

As of December 31, 2017, we had approximately 43 employees, of whom 4 are executives, 5 employees are engaged in product development, engineering and research and development, 16 employees are engaged in sales and marketing, 9 employees are engaged in administrative and clerical services and 9 employees are engaged in service and production. In addition, a total of approximately 8 individuals provide sales agency services to us as independent contractors.

None of our employees are represented by labor organizations. We consider our relationship with our employees to be excellent. A majority of our employees have entered into non-disclosure and non-competition agreements with us or our operating subsidiaries.

## **ITEM 1A. RISK FACTORS**

As a "smaller reporting company," this item is not required.

## **RISKS RELATED TO OUR BUSINESS**

### **ITEM 2. PROPERTIES**

Our corporate headquarters is located at 1045 Progress Circle, Lawrenceville, Georgia 30043, in a building of approximately 48,000 square feet, for which we pay approximately \$20,000 per month as rent through March 2019. Our corporate headquarters house our administrative offices as well as distribution operations and assembly for the Boxlight brand.

We also maintain an office in Poulsbo, Washington, for sales, marketing, technical support and service staff.

### **ITEM 3. LEGAL PROCEEDINGS**

Not applicable.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

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

Our common stock commenced trading on the NASDAQ Capital Market, or NASDAQ, under the symbol "BOXL" on November 30, 2017. Prior to that time, our common stock was not traded on any exchange or quoted on any over the counter market. The prices set forth below reflect the quarterly high and low sales prices per share for our common stock, as reported by the NASDAQ:



	High	Low
<b>2018</b>		
First Quarter (through March 9)	\$ 6.97	\$ 4.00
<b>2017</b>		
First Quarter	\$ N/A	\$ N/A
Second Quarter	\$ N/A	\$ N/A
Third Quarter	\$ N/A	\$ N/A
Fourth Quarter	\$ 7.98	\$ 5.74
<b>2016</b>		
First Quarter	\$ N/A	\$ N/A
Second Quarter	\$ N/A	\$ N/A
Third Quarter	\$ N/A	\$ N/A
Fourth Quarter	\$ N/A	\$ N/A

#### **Holders**

As of March 22, 2018, we have 407 holders of record of our common stock.

#### **Dividends**

We have never paid cash dividends on our common stock. Holders of our common stock are entitled to receive dividends, if any, declared and paid from time to time by the Board of Directors out of funds legally available. We intend to retain any earnings for the operation and expansion of our business and do not anticipate paying cash dividends on our common stock in the foreseeable future. Any future determination as to the payment of cash dividends will depend upon future earnings, results of operations, capital requirements, our financial condition and other factors that our Board of Directors may consider.

#### **Equity Compensation Plans**

##### **Adoption of the 2014 Stock Option Plan**

On September 19, 2014, prior to the listing of our common stock on NASDAQ, the Board approved the Company's 2014 Stock Option Plan. The total number of underlying shares of the Company's Class A common stock available for grant to directors, officers, key employees, and consultants of the Company or a subsidiary of the Company under the plan is 2,390,438 shares.

The following table provides information as of December 31, 2017 about our equity compensation plans and arrangements.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	812,574	\$ 3.01	1,577,864
Equity compensation plans not approved by security holders	870,717	\$ 7.70	-
<b>Total</b>			

## Recent Sales of Unregistered Securities

None.

## Issuer Purchases of Equity Securities

None.

## Use of Proceeds

On January 30, 2017, a Registration Statement on Form S-1 (Reg. No. 333-204811) was declared effective with the Securities and Exchange Commission. A Post-Effective Amendment to the Registration Statement was declared effective on August 29, 2017, for the sale of up to 1,000,000 shares of Class A common stock of the Company at an initial offering price of \$7.00 per share. The offering was consummated on November 30, 2017 by the Company with Aegis Capital Corp, as the lead placement agent on a “best efforts” basis, without a firm commitment by Aegis, who had no obligation or commitment to purchase any of the Company’s shares. The Company received gross proceeds in the amount of \$7,000,000.

From the effective date of the Registration Statement to December 31, 2017, we incurred actual expenses in the amount of approximately \$1,034,000. We had net proceeds from the offering in the amount of \$5,678,609 and converted accounts payable into common stock on IPO of \$287,119.

We have used approximately \$3,500,000 of the net proceeds as of December 31, 2017. The net proceeds were used to pay the Skyview Note, purchase inventory and for general working capital requirements.

## ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

## ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following Management’s Discussion and Analysis should be read in conjunction with our financial statements and the related notes thereto included elsewhere herein. The Management’s Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and the like, and/or future-tense or conditional constructions (“will,” “may,” “could,” “should,” etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this form. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors including, but not limited to, those noted under “Risk Factors” of the reports filed with the Securities and Exchange Commission.*

*We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this transition report.*

*This Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) contains certain forward-looking statements. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in “Risk Factors.” We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.*

## Overview

We are a visual display technology company that is seeking to become a world leading innovator, and integrator of interactive products for schools, as well as for business and government conferencing. We currently design, produce and distribute interactive projectors and distribute interactive LED flat panels in the education market. We also distribute science, technology, engineering and math (or “STEM”) data logging products to the educational market.

To date, we have generated substantially all of our revenue from the sale of our software and expanding product line of projectors, LED panels, interactive whiteboards and display devices to the educational market.

In addition, we have implemented a comprehensive plan to reach profitability for our business acquisitions. Highlights of this plan include:

- We have integrated products of the acquisition companies and cross trained our sales reps to increase their offerings. The combination of products and cross training has already resulted in increased sales. The synergy we have found between the products of Boxlight and Mimio are adding opportunities to resellers for both companies to increase their sales.
- Recently hired new sales representatives with significant education technology sales experience in their respective territories and our current pipeline has reached a record high level.
- We are seeing increased demand in the US market for technology sales and have the products and infrastructure in place to handle our expected growth.

## Acquisition Strategy and Challenges

Our growth strategy includes acquiring assets and technologies of companies that have products, technologies, industry specializations or geographic coverage that extend or complement our existing business. The process to undertake a potential acquisition is time-consuming and costly. We expect to expend significant resources to undertake business, financial and legal due diligence on our potential acquisition targets, and there is no guarantee that we will complete any acquisition that we pursue.

We believe we can achieve significant cost-savings by merging the operations of the companies we acquire and after their acquisition leverage the opportunity to reduce costs through the following methods:

- Staff reductions – consolidating resources, such as accounting, marketing and human resources.
- Economies of scale – improved purchasing power with a greater ability to negotiate prices with suppliers.
- Improved market reach and industry visibility – increase in customer base and entry into new markets.

As a result, we believe that an analysis of the historical costs and expenses of our Target Sellers prior to their acquisition will not provide guidance as to the anticipated results after acquisition. We anticipate that we will be able to achieve significant reductions in our costs of revenue and selling, general and administrative expenses from the levels currently incurred by the Target Sellers operating independently, thereby increasing our EBITDA and cash flows.

## Components of our Results of Operations and Financial Condition

### *Revenue*

Our revenue is comprised of product revenue, software revenue, installation revenue and professional development revenue.

- *Product revenue.* Product revenue is derived from the sale of our interactive projectors, flat panels, peripherals and accessories, along with other third party products, directly to our customers, as well as through our network of domestic and international distributors.
- *Installation and professional development.* We receive revenue from installation and professional development that we outsource to third parties.

### *Cost of revenue*

Our cost of revenue is comprised of the following:

- third-party logistics costs;
- costs to purchase components and finished goods directly;
- inbound and outbound freight costs and duties;
- costs associated with the repair of products under warranty; and
- write-downs of inventory carrying value to adjust for excess and obsolete inventory and periodic physical inventory counts.

We outsource some of our warehouse operations and order fulfillment and purchase products from related and third parties. Our product costs will vary directly with volume and based on the costs of underlying product components as well as the prices we are able to negotiate with our contract manufacturers. Shipping costs fluctuate with volume as well as with the method of shipping chosen in order to meet customer demand. As a global company with suppliers centered in Asia and customers located worldwide, we have used, and may in the future use, air shipping to deliver our products directly to our customers. Air shipping is more costly than sea or ground shipping or other delivery options. We primarily use air shipping to meet the demand of our products during peak seasons and new product launches.

### *Gross profit and gross profit margin*

Our gross profit and gross profit margin have been, and may in the future be, influenced by several factors including: product, channel and geographical revenue mix; changes in product costs related to the release of projector models; component, contract manufacturing and supplier pricing and foreign currency exchange. As we primarily procure our product components and manufacture our products in Asia, our suppliers incur many costs, including labor costs, in other currencies. To the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us, which could have a material impact on our future average selling prices and unit costs. Gross profit and gross profit margin may fluctuate over time based on the factors described above.

### *Operating expenses*

We classify our operating expenses into two categories: research and development and general and administrative.

*Research and development.* Research and development expense consists primarily of personnel related costs, prototype and sample costs, design costs and global product certifications mostly for wireless certifications.

*General and administrative.* General and administrative expense consists of personnel related costs, which include salaries, as well as the costs of professional services, such as accounting and legal, facilities, information technology, depreciation and amortization and other administrative expenses. We expect our general and administrative expense to increase in absolute dollars following the completion of our initial public offering due to the anticipated growth of our business and related infrastructure as well as accounting, insurance, investor relations and other costs associated with becoming a public company. General and administrative expense may fluctuate as a percentage of revenue, notably in the second and third quarters of our fiscal year when we have historically experienced our highest levels of revenue.

***Other income (expense), net***

Other income (expense), net consists of interest expense associated with our debt financing arrangements and interest income earned on our cash. We do not utilize derivatives to hedge our foreign exchange risk, as we believe the risk to be immaterial to our results of operations.

***Income tax expense***

We are subject to income taxes in the United States and Mexico in which we do business. Mexico has a statutory tax rate different from those in the United States. Additionally, certain of our international earnings are also taxable in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to U.S. income, the absorption of foreign tax credits, changes in the valuation of our deferred tax assets and liabilities and changes in tax laws. We regularly assess the likelihood of adverse outcomes resulting from the examination of our tax returns by the U.S. Internal Revenue Service, or IRS, and other tax authorities to determine the adequacy of our income tax reserves and expense. Should actual events or results differ from our current expectations, charges or credits to our income tax expense may become necessary. Any such adjustments could have a significant impact on our results of operations.

**Operating Results – Boxlight Corporation (Retrospectively adjusted for the acquisitions of Mimio and Genesis)**

**For the years ended December 31, 2017 and 2016**

**Revenues.** Total revenues for the year ended December 31, 2017 were \$25,743,612 as compared to \$20,371,826 for the year ended December 31, 2016. Revenues consist of product revenue, software revenue, installation and professional development. For the year ended December 31, 2016, Boxlight Group's operating results were only included in the balances from their acquisition date on July 18, 2016 through December 31, 2016. Accordingly, the increase in revenues in 2017 is primarily attributable to the inclusion of Boxlight Group's revenues for a full year in 2017.

**Cost of Revenues.** Cost of revenues for the year ended December 31, 2017 was \$19,329,831 as compared to \$12,959,749 for the year ended December 31, 2016. Cost of revenues consists primarily of product cost, freight expenses and inventory write-downs. Cost of revenues increased due to the increase in revenues. Another factor resulting in an increase in cost of revenues was the Company sold product in some instances at a lower margin in exchange for improved payment terms. Freight expenses as a component of cost of revenues increased approximately \$1.7 million in 2017 due to alternative freight arrangements. Prior to the completion of our IPO, we had restrictive credit terms with existing freight vendors due to cash restrictions. These costs are expected to be significantly reduced in 2018.

**Gross Profit.** Gross profit for the year ended December 31, 2017 was \$6,413,781 as compared to \$7,412,077 for the year ended December 31, 2016 due to the sale of some products at lower margins to increase cash flow and increased freight costs in the amount of approximately \$1.7 million.

**General and Administrative Expense.** General and administrative expense for the year ended December 31, 2017 was \$13,086,120 as compared to \$7,689,898 for the year ended December 31, 2016. The increase resulted from the inclusion of a full year of Boxlight Group's operating expenses included for the year ended December 31, 2017, along with \$4 million of non-cash stock compensation expense.

**Research and Development Expense.** Research and development expense was \$465,940 and \$1,008,433 for the years ended December 31, 2017 and 2016, respectively. Research and development expense primarily consists of costs associated with Mimio's development of proprietary technology. The decrease was due to the company's decision to decrease research and development expenditures in 2017. The R&D investments are cyclical and we had limited major enhancements to our software products or new hardware launches. A significant portion of our research and development is now paid for by several of our contract manufacturers.

**Other income (expense), net.** Other expense for the year ended December 31, 2017 was \$158,830 as compared to \$775,729 for the year ended December 31, 2016. During 2017, the Company settled debt and other liabilities with a net gain of \$276,026. In 2016, the Company amended a note payable agreement that resulted in \$350,000 of additional interest expense in August, which resulted in a significant increase in interest expense. Additionally, the Company issued additional notes to acquire Mimio and Boxlight Group during 2016 resulting in an increase in interest expense.

**Net loss.** Net loss was \$7,297,109 and \$2,061,983 for the years ended December 31, 2017 and 2016, respectively. There were some major contributing factors to the increase in net loss in 2017, including expense incurred in the amount of \$4 million for non-cash stock compensation expense and approximately \$1.7 million in additional freight expense.

To provide investors with additional insight and allow for a more comprehensive understanding of the information used by management in its financial and decision-making surrounding operations, we supplement our consolidated financial statements presented on a basis consistent with U.S. generally accepted accounting principles and EBITDA and Adjusted EBITDA, both non-GAAP financial measures of earnings.

EBITDA represents net income before income tax expense, interest income, interest expense, depreciation and amortization. Adjusted EBITDA represents EBITDA, plus stock compensation expense and non-recurring expenses. Our management uses EBITDA and Adjusted EBITDA as financial measures to evaluate the profitability and efficiency of our business model. We use these non-GAAP financial measures to assess the strength of the underlying operations of our business. These adjustments, and the non-GAAP financial measure that is derived from them, provide supplemental information to analyze our operations between periods and over time. We find this especially useful when reviewing results of operations, which include large non-cash amortizations of intangibles assets from acquisitions. Investors should consider our non-GAAP financial measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

The following table contains reconciliations of net losses to EBITDA for the periods presented.

**Reconciliation of net loss for the year ended  
December 31, 2017 and 2016 to EBITDA**

(in thousands)	2017	2016
Net loss	\$ (7,297)	\$ (2,062)
Depreciation and amortization	747	353
Interest expense	635	818
EBITDA	<u>\$ (5,915)</u>	<u>\$ (891)</u>

The following table contains reconciliations of net losses to adjusted EBITDA for the periods presented.

**Reconciliation of net loss for the year ended  
December 31, 2017 and 2016 to Adjusted EBITDA**

(in thousands)	2017	2016
Net income (loss)	\$ (7,297)	\$ (2,062)
Depreciation and amortization	747	353
Interest expense	635	818
Stock compensation expense	4,240	464
Non-recurring IPO expenses	-	528
Adjusted EBITDA	<u>\$ (1,675)</u>	<u>\$ 101</u>

## **Discussion of Effect of Seasonality on Financial Condition**

Certain accounts on our balance sheets are subject to seasonal fluctuations. As our business and revenues grow, we expect these seasonal trends to be reduced. The bulk of our products are shipped to our educational customers prior to the beginning of the school year, usually in July, August or September. To prepare for the upcoming school year, we generally build up inventories during the second quarter of the year. Therefore, inventories tend to be at the highest levels at that point in time. In the first quarter of the year, inventories tend to decline significantly as products are delivered to customers and we do not need the same inventory levels during the first quarter. Accounts receivable balances tend to be at the highest levels in the third quarter, in which we record the highest level of sales.

We have been very proactive, and will continue to be proactive, in obtaining contracts during the fourth and first quarters that will help offset the seasonality of our business.

## **Liquidity and Capital Resources**

In 2017, the Company struggled with liquidity issues due to credit limitations and the added expenses necessary to fund the initial public offering. The liquidity issues led to a significant increase in freight costs to enable us to meet shipping demands of our customers. We also sold product, in some instances, at lower margins in exchange for improved payment terms.

Our liquidity and capital resources were significantly improved through funding from our initial public offering in November 2017, along with our ability to close on a lending agreement in August 2017 that allows us to borrow using our accounts receivable as collateral.

The Company made great strides in 2017 improving our balance sheet through debt repayments and debt conversions. Our total short-term and long-term debt was decreased from \$7,778,917 at December 31, 2016 to \$856,449 at December 31, 2017.

As of December 31, 2017, we had cash and cash equivalents of \$2,010,325. We financed our operations and our capital expenditures during the year ended December 31, 2017 primarily through our initial public offering and a financing agreement entered into with a lender.

The Company's initial public offering was completed on November 30, 2017. The Company raised the maximum amount offered of 1,000,000 shares and received net proceeds through the offering of \$5,678,609.

On August 15, 2017, the Company entered into a \$6,000,000 accounts receivable sale and purchase agreement with Sallyport Commercial Finance, LLC ("Sallyport"). Pursuant to the agreement, Sallyport agreed to purchase 85% of the eligible accounts receivable of the Company with the right of recourse.

In addition to our cash and banking arrangements, we had accounts receivable of \$3,089,932 on December 31, 2017. Our accounts receivable and our ability to borrow against accounts receivable provides an additional source of liquidity as cash payments are collected from customers in the normal course of business. Our accounts receivable balance fluctuates throughout the year based on the seasonality of the business. At December 31, 2017, we had additional borrowings available under the credit agreement of \$1.5 million.

Our other cash requirements consist primarily of day-to-day operating expenses, capital expenditures and contractual obligations with respect to facility leases and other operating leases. We lease all of our office facilities. We expect to make future payments on existing leases from cash generated from operations.

## **Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in notes of the consolidated financial statements. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain:

1. Revenue recognition
2. Acquisition of Boxlight Group
3. Common control transactions
4. Long-lived assets
5. Intangible assets
6. Share-based compensation

### **Emerging Growth Company**

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Certain specified reduced reporting and other regulatory requirements that are available to public companies that are emerging growth companies.

These provisions include:

- (1) an exemption from the auditor attestation requirement in the assessment of our internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002;
- (2) an exemption from the adoption of new or revised financial accounting standards until they would apply to private companies;
- (3) an exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about our audit and our financial statements; and
- (4) reduced disclosure about our executive compensation arrangements.



We have elected to take advantage of the exemption from the adoption of new or revised financial accounting standards until they would apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a “smaller reporting company,” this item is not required.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

All financial information required by this Item is attached hereto at the end of this report beginning on page F-1 and is hereby incorporated by reference.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

#### **ITEM 9A. CONTROLS AND PROCEDURES**

As required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures and internal control over financial reporting as of the end of the period covered by this Annual Report.

##### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. Our principal executive officer and principal financial officer evaluated the effectiveness of disclosure controls and procedures as of the end of the period covered by this Annual Report (“Evaluation Date”), pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were not effective due to insufficient personnel resources within the accounting function to segregate the duties and insufficient written policies procedures over accounting transaction processing and period end financial disclosure, resulting in ineffective oversight in the establishment and proper monitoring controls over accounting and financial reporting.

Notwithstanding the existence of the internal control deficiencies, management believes that the consolidated financial statements in this annual report on Form 10-K fairly present, in all material respects, the Company’s financial condition as of the Evaluation Date, and results of its operations and cash flows for the Evaluation Date, in conformity with United States Generally Accepted Accounting Principles (“GAAP”).

##### **Limitations on the Effectiveness of Controls**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed 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. The internal controls for the Company are provided by executive management's review and approval of all transactions. Our internal control over financial reporting also includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of these controls.

Based on this assessment, management has concluded that as of December 31, 2017, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, due to insufficient personnel resources within the accounting function to segregate the duties and insufficient written policies and procedures over accounting transaction processing and period end financial disclosure.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

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

There were no changes in our internal control over financial reporting for the year ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

##### Directors and Executive Officers

The following table sets forth information concerning our directors, executive officers and other key members of our management team as of March 29, 2018:

Name	Age	Position(s)
James Mark Elliott	66	Chief Executive Officer and Director
Henry (“Hank”) Nance	45	Chief Operating Officer
Takesha Brown	45	Chief Financial Officer
Michael Pope	37	President and Director
Tiffany Kuo	28	Non-Executive Director
Rudolph F. Crew	67	Independent Director (1) (2) (3)
Steve Hix	79	Independent Director (1) (3)
Dale Strang	58	Independent Director (1) (2) (3)
Robin D. Richards*	61	Independent Director
Harold Bevis	58	Independent Director (2) (3)

\* Mr. Richards resigned for personal reasons on February 23, 2018.

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating and Corporate Governance Committee.

Set forth below is biographical information about each of the individuals named in the tables above:

**James Mark Elliott.** Mr. Elliott has served as our Chief Executive Officer and a director since September 18, 2014. From 2012 to date, he has also served as the President of Genesis. From 2005 through 2012, he was the President of Promethean, Inc., a manufacturer and distributor of whiteboards and interactive learning devices and led the team that grew Promethean in the Americas from \$5 million in revenue to \$250 million, with over 1,300,000 interactive whiteboards installed around the world. Throughout his career, Mr. Elliott has held senior executive roles, including president, senior vice president or director roles with Apple Computer, Lawson Software, E3 Corporation, PowerCerv Technologies, Tandem Computers, and Unisys/Burroughs. Mr. Elliott received a BBA in Economics from the University of North Georgia and a Master of Science degree in Industrial Management from Georgia Institute of Technology. Based on Mr. Elliott’s position as the chief executive officer of both the Company and Genesis, and his executive level experience in interactive learning devices and computer technology industries, our board of directors believes that Mr. Elliott has the appropriate set of skills to serve as a member of the board.

**Henry (“Hank”) Nance** Mr. Nance has been our Chief Operating Officer since September 18, 2014 and served as our President from September 18, 2014 until July 15, 2015. Mr. Nance began his career with the Boxlight Group in 1999 and has served as the Boxlight Group’s President since 2009. At the Boxlight Group, he developed the company’s first business-to-consumer division, generating over \$12 million in sales within the first 24 months of inception. Shortly thereafter he took over product development, corporate relations, and negotiations for business-to-consumer and business-to-business products. Prior to Mr. Nance’s tenure at the Boxlight Group, he managed commercial and residential construction working in the San Juan Islands, Washington State and Northern California.

**Takesha Brown.** Ms. Brown was appointed by our Board on March 15, 2018 as our Chief Financial Officer. Since April 2017, Ms. Brown has served as the Company’s Contoller. Prior to that, from 2010 through 2017, Ms. Brown first served in the role as Contoller and then as Financial Reporting Manager at General Electric in Atlanta, Georgia. Ms. Brown started her career in public accounting, first with PricewaterhouseCoopers, then moving to Ernst & Young and staying there until 2010. At the time of her departure from Ernst & Young, Ms. Brown was an Audit Senior Manager. Ms. Brown is a licensed CPA with a Bachelor of Science in Commerce and Business Administration and a Masters of Accounting from The University of Alabama.

**Michael Pope.** Mr. Pope has served as our President since July 15, 2015 and has been a director of our Company since September 18, 2014. Mr. Pope served as Managing Director of Vert Capital Corp., a Los Angeles based merchant bank, and its affiliates from October 2011 to October 2016, managing portfolio holdings in education, consumer products and digital media. Prior to joining Vert Capital, from May 2008 to October 2011, Mr. Pope was Chief Financial Officer and Chief Operating Officer for the Taylor Family, managing family investment holdings in consumer products, professional services, real estate and education. Mr. Pope also held positions including senior SEC reporting at Omniture and Assurance Associate at Grant Thornton. Mr. Pope holds an active CPA license and serves on the boards of various organizations. Mr. Pope earned his undergraduate and graduate degrees in accounting from Brigham Young University with academic honors.

**Tiffany Kuo.** Ms. Kuo has been a director of our Company since September 18, 2014. Ms. Kuo has been a General Management Consultant in Strategy and Operations for Deloitte Consulting, LLP in Houston, TX since August 2011. Ms. Kuo graduated from Rice University with a Bachelor of Science and Masters of Science in Electrical Engineering in 2011 and is currently in the Sloan Masters of Business Administration Program at The Massachusetts Institute of Technology. We believe that Ms. Kuo should serve as a member of our board of directors due to her experience in business strategy and operations at Deloitte Consulting, LLP.

**Rudolph F. Crew.** Dr. Crew has been a director of our Company since April 1, 2015. Since August 2013, Dr. Crew has served as the president of Medgar Evers College. From July 2012 to July 2013, he was the chief education officer at Oregon Education Investment Board, overseeing the PK-16 system. From September 2011 to July 2012, Dr. Crew served as the president of K12 Division at Revolution Prep, a company that offers preparation courses for the SAT and ACT standardized achievement tests. Prior to that, from January 2009 to July 2013, he was a professor at USC Rossier School of Education, teaching graduate school courses. From January 2009 to September 2011, Dr. Crew also served as the president of Global Partnership Schools, an organization offers planning support services and collaborative programs to public schools and school districts. Dr. Crew received his bachelor's degree in management from Babson College in 1972. He earned his master's degree in urban education in 1973 and his degree of doctor of education in educational administration in 1978, both from University of Massachusetts. We believe that Dr. Crew's in-depth knowledge and extensive experience in education field make him a valuable member of our board of directors.

**Steve Hix.** Mr. Hix has been a director of our company since June 30, 2017. He is a business executive and founder of numerous public and private companies spanning his 40-year business career. Since 2012, Mr. Hix has served as the President of Circle Technology, a wireless presentation company. Previously, he was the Founder & CEO of InFocus Systems from 1987-1993 (projector company) which grew to nearly \$1 billion in sales and had a market value of more than \$2 billion as a public company. He was also the Founder, CEO & President of Phix Focus (R&D in Display Technology and Touch Screen Technology) 2005-2012, CEO of i3 Identification International (finger printing technology company) 2005-2010, Founder of Advan Media (Advertising Trucks with Digital Display Screens) 2003-2005, Founder & CEO of SARIF (High Temperature Poly-silicon LCD) 1993-2002, founder of Motif, Inc. (High Speed LCD Technology) 1990-1993, and co-Founder of Planar Systems (Electroluminescence Technology) 1983-1987. Mr. Hix has nearly a dozen patents in the display technology and wireless transmission space and continues to be a pioneer in the industry. He began his career serving the US Navy as Naval Intelligence and sits on the board of several companies including Melexis, Community Foundation of Southwest Washington and Puget Sound Blood Center.

**Dale Strang.** Mr. Strang has been a director of our company since August 10, 2017. He has served as a Senior Vice President of Media Strategy & Operations at Healthline Networks since 2015. Mr. Strang was President and Chief Executive officer of SpinMedia from 2013 to 2015. Mr. Strang was the Chief Executive Officer and President at Viximo from 2010 to 2012. Mr. Strang has over 25 years of media experience with successful businesses including IDG, Ziff-Davis and IGN/Fox Interactive. Mr. Strang has more than 18 years of experience in consumer technology and video game publishing, including 14 years at the senior management level. He served as Executive Vice President and General Manager, Media Division, of IGN Entertainment. In this position, he oversaw advertising sales, marketing and the production of editorial content for all IGN entertainment media properties.

**Harold Bevis.** Mr. Bevis has served as a Director since March 2018. He has 25 years of business leadership experience, including 15 years as a Chief Executive Officer. He was a business leader at both GE and Emerson Electric. He has led or directed 8 businesses in 6 industries, 148 plants in 22 countries, 12 new business/new plant startups, 11 acquisitions, 24 business/plant expansions, and over 10,000 employees. Mr. Bevis is currently President of OmniMax International, a portfolio of building products businesses, since October 2017. Mr. Bevis earned a BS degree in industrial engineering from Iowa State University and an MBA degree from Columbia Business School. He is a member of the National Association of Corporate Directors and has served on 5 Boards of Directors. Since June 2014, he has served at Commercial Vehicle Group, a NASDAQ listed company, where he serves as a member of the audit and compensation committees.

## **Family Relationships**

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

## **Involvement in Certain Legal Proceedings**

No executive officer or director is a party in a legal proceeding adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries. No executive officer or director has been involved in the last ten years in any of the following:

- Any bankruptcy petition filed by or against any business or property of such person, or of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;
- Being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- Being the subject of or a party to any judicial or administrative order, judgment, decree or finding, not subsequently reversed, suspended or vacated relating to an alleged violation of any federal or state securities or commodities law or regulation, or any law or regulation respecting financial institutions or insurance companies, including but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail, fraud, wire fraud or fraud in connection with any business entity; or
- Being the subject of or a party to any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act, any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

## **Board of Directors**

All directors hold office until the next annual meeting of shareholders and until their successors have been duly elected and qualified. Directors are elected at the annual meetings to serve for one-year terms. Officers are elected by, and serve at the discretion of, the board of directors. Our board of directors shall hold meetings on at least a quarterly basis.

## **Director Independence**

As of the date of this Annual Report, Dr. Rudy Crew, Steve Hix and Dale Strang are our current independent directors. As a Nasdaq listed company, we believe that the foregoing directors satisfy the definition of "Independent Director" under Nasdaq Rule 5605(a)(2). In making this determination, our board of directors considered the relationships that each of these non-employee directors has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence. As required under applicable NASDAQ rules, we anticipate that our independent directors will meet on a regular basis as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management.

On February 23, 2018, Mr. Robin D. Richards resigned from the Board of Directors for personal reasons and not as a result of any disagreements between Mr. Richards and the Company on any matter relating to the Company's operations, policies or practices. On March 15, 2018 the Board elected Harold Bevis to join the Board of Directors. Mr. Bevis accepted the position on March 29, 2018.

## **Board Committees**

Our board of directors has established standing committees in connection with the discharge of its responsibilities. These committees include an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Our board of directors has adopted written charters for each of these committees. Copies of the charters are available on our website at [www.boxlightcorp.com](http://www.boxlightcorp.com). Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

## **Board Leadership Structure and Role in Risk Oversight**

Mr. Elliott holds the positions of chief executive officer and chairman of the board of the Company. The board believes that Mr. Elliott's services as both chief executive officer and chairman of the board is in the best interest of the Company and its shareholders. Mr. Elliott possesses detailed and in-depth knowledge of the issues, opportunities and challenges facing us in our business and is thus best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters relating to the business. His combined role enables decisive leadership, ensures clear accountability, and enhances the Company's ability to communicate its message and strategy clearly and consistently to our shareholders, employees and customers.

The Board has not designated a lead director. The independent directors can call and plan their executive sessions collaboratively and, between meetings of the Board, communicate with management and one another directly. Under these circumstances, the directors believe designating a lead director to take on responsibility for functions in which they all currently participate might detract from rather than enhance performance of their responsibilities as directors.

## **Corporate Governance**

### **Audit Committee**

According to its charter, the Audit Committee consists of at least three members, each of whom shall be a non-employee director who has been determined by the Board to meet the independence requirements of NASDAQ, and also Rule 10A-3(b)(1) of the SEC, subject to the exemptions provided in Rule 10A-3(c). A copy of our Audit Committee Charter is located under the "Corporate Governance" tab on our website at [www.boxlight.com](http://www.boxlight.com). The Audit Committee members shall consist of Mr. Hix, serving as our Audit Chair, Mr. Strang and Dr. Crew. All members of the Audit Committee are independent directors. The Audit Committee will assist the Board by overseeing the performance of the independent auditors and the quality and integrity of our internal accounting, auditing and financial reporting practices. The Audit Committee is responsible for retaining (subject to stockholder ratification) and, as necessary, terminating the engagement of, the independent auditors, annually reviews the qualifications, performance and independence of the independent auditors and the audit plan, fees and audit results, and pre-approves audit and non-audit services to be performed by the auditors and related fees. Our board has determined that we have at least one "audit committee financial expert," as defined by the rules and regulations of the SEC and that is Mr. Hix.

### **Compensation Committee**

The Compensation Committee members are Mr. Strang, Dr. Crew and Mr. Bevis. The Compensation Committee shall make recommendations to the Board concerning salaries and incentive compensation for our officers, including our principal executive officer, and employees and administers our stock option plans. A copy of our Compensation Committee Charter is located under the "Corporate Governance" tab on our website at [www.boxlight.com](http://www.boxlight.com).

## **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee members are Dr. Crew, Mr. Hix, Mr. Bevis Steve Hix and Mr. Strang. All members of the Corporate Governance and Nominating Committee are independent directors. The Corporate Governance and Nominating Committee assists the Board in identifying qualified individuals to become board members, in determining the composition of the Board and in monitoring the process to assess Board effectiveness. A copy of our Corporate Governance and Nominating Committee Charter is located under the “Corporate Governance” tab on our website at [www.boxlight.com](http://www.boxlight.com).

### *Material Changes to the Procedures by which Security Holders May Recommend Nominees to the Board*

We do not currently have a procedure by which security holders may recommend nominees to the Board. Prior to the listing of our common stock on NASDAQ, as a private company with a limited shareholder base, we did not believe that it was important to provide such a procedure. However, in connection with our listing on NASDAQ and the requirement to hold annual shareholder meetings, we will consider implementing such a policy in the future.

### *Director Qualifications*

The Board of Directors is responsible for overseeing the Company’s business consistent with their fiduciary duty to the stockholders. This significant responsibility requires highly-skilled individuals with various qualities, attributes and professional experience. There are general requirements for service on the Board that are applicable to directors and there are other skills and experience that should be represented on the Board as a whole but not necessarily by each director. The Corporate Governance and Nominating Committee considers the qualifications of director candidates individually and in the broader context of the Board’s overall composition and the Company’s current and future needs.

In its assessment of each potential candidate, including those recommended by the stockholders, the Corporate Governance and Nominating Committee will consider the nominee’s judgment, integrity, experience, independence, understanding of the Company’s business or other related industries and such other factors it determines are pertinent in light of the current needs of the Board. The Corporate Governance and Nominating Committee also takes into account the ability of a director to devote the time and effort necessary to fulfill his or her responsibilities to the Company. evaluate the business experience, specialized skills and experience of director candidates. Diversity of background including diversity of race, ethnicity, international background, gender and age, may be considered by the Nominating and Corporate Governance Committee when evaluating candidates for Board membership.

## **Code of Business Conduct and Ethics**

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code will be made available on the Corporate Governance section of our website, which is located at [www.boxlight.com](http://www.boxlight.com). If we make any substantive amendments to, or grant any waivers from, the code of business conduct and ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission and to provide us with copies of those filings. Based solely on our review of the copies of such forms furnished to us and written representations by our officers and directors regarding their compliance with applicable reporting requirements under Section 16(a) of the Exchange Act, we believe that all Section 16(a) filing requirements for our executive officers, directors and 10% stockholders were met during the year ended December 31, 2017; except for the following:

Name	Late Reports	Transactions Covered	Number of Shares
Michael Pope	Form 3	Common stock	637,453
		Warrants	199,203
Steven Hix	Form 5	Common stock	659,987
		Common stock	-
Dale Strang	Form 3	Stock options	50,000
		Common stock	-
John Patrick Henry	Form 5	Stock options	50,000
		Common stock	-
Everest Display Inc.	Form 3	Common stock	8,990
		Form 4	565,122
		Common stock	1,903,586

## ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth information regarding the total compensation received by, or earned by, our Chief Executive Officer, our President and Chief Operating Officer and our Chief Financial Officer (collectively, the “named executive officers”) during the years ended December 31, 2017 and 2016.

Name and Principal Position	Year	Salary (\$)	Option Awards (\$)	Total (\$)
James Mark Elliott, Chief Executive Officer	2016	125,000	-(2)	125,000
James Mark Elliott, Chief Executive Officer	2017	129,884	-(2)	129,884
Michael Pope, President	2016	23,885	-	23,885
Michael Pope, President	2017	163,419	-	163,419
Henry (“Hank”) Nance, Chief Operating Officer	2016	130,545	-	130,545
Henry (“Hank”) Nance, Chief Operating Officer	2017	147,606	126,452(5)	274,058
Sheri Lofgren, former Chief Financial Officer (1)	2016	170,000	484,235(3)	654,235
Sheri Lofgren, former Chief Financial Officer (1)	2017	227,500	204,397(3)	431,897
Takesha Brown, Chief Financial Officer (1)	2016	-	-	-
Takesha Brown, Chief Financial Officer (1)	2017	98,116	6,617(4)	104,733

- (1) On March 15, 2018, Sheri Lofgren, the Chief Financial Officer of the Company tendered her resignation from such position. On the same date, the Board appointed Ms. Takesha Brown to serve as the new Chief Financial Officer of the Company.
- (2) On September 18, 2014, the Company granted 331,841 options to Mark Elliott Chief Executive Officer, with an exercise price of \$0.13 per share, a term of 5 years and vesting over a 3-year period. The options have a fair value of \$1 at grant date using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) discount rate of 2.09% (2) expected life of 5.75 years, (3) expected volatility of 69%, and (4) zero expected dividends. During the years ended December 31, 2017 and 2016, the Company recorded \$0 stock compensation expense.
- (3) On September 18, 2014, the Company granted 291,402 options to Sheri Lofgren, former Chief Financial Officer, with an exercise price of \$0.13 per share, a term of 5 years and vesting over a 3-year period. The options have a fair value of \$1 at grant date using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) discount rate of 2.09% (2) expected life of 5.75 years, (3) expected volatility of 69%, and (4) zero expected dividends.

On November 1, 2016, the Company entered into an amended employment agreement with its Chief Financial Officer, which amended the exercise price of the 291,402 options granted from \$0.13 to \$0.0001 per share. The options vesting term was changed to (i) 50% of the remaining unvested options shall vest immediately following the agreement, (ii) all remaining unvested options shall vest on March 31, 2017. Pursuant to the amendment of employment agreement, the fair value of options granted was changed to approximately \$484,000 using the Black-Scholes option-pricing model.

In November 2017, the Company granted options to purchase 29,200 options at \$0.0001 per share to its former Chief Financial Officer for services. These options vested immediately and expire 5 years from the date of grant. The options had a fair value of approximately \$204,000 on the grant date that was calculated using the Black-Scholes option-pricing model.

- (4) On April 4, 2017, the Company granted options to purchase 18,000 shares of Series A common stock at \$5.60 per share to the Chief Financial Officer for services. These options vest in four years and commenced in the quarter ended June 30, 2017 and expire 5 years from the date of grant. The options have a fair value of approximately \$7,000 that was calculated using the Black-Scholes option-pricing model.
- (5) In November 2017, the Company granted options to purchase 37,829 options at \$7.00 per share to its Chief Operating Officer for service. These options vest in 3 years and expire 5 years from the date of grant. The options had a fair value of approximately \$126,000 on grant date that was



calculated using the Black-Scholes option-pricing model.

## **Employment Agreements**

We entered into employment agreements with Mr. Elliott, Mr. Nance, Ms. Lofgren, Mr. Pope and Ms. Brown, the terms of which are set forth below.

### **James Mark Elliott**

The Company entered into an employment agreement with Mr. Elliott dated as of November 30, 2017, pursuant to which Mr. Elliott shall receive a base salary of \$195,000 per year and shall, upon evaluation of his performance and at the discretion of the Company's board of directors, be awarded a cash bonus in the amount of \$25,000 on a quarterly basis commencing on the quarter ending December 31, 2017. In addition to (and not in lieu of) the base salary, the Company shall grant Mr. Elliott employee stock options to purchase up to 100,000 shares of common stock (vesting in equal monthly installments over a one-year period, commencing on January 31, 2018), pursuant to the Corporation's 2014 Stock Incentive Plan.

Mr. Elliott's agreement contains confidentiality and non-competition and non-solicitation covenants that continue during and for two years following the expiration or termination of his employment agreement; provided, that such restrictive covenants expire immediately if Mr. Elliott terminates his employment agreement for "good reasons" or, in nine months if we elect to terminate his employment prior to the expiration of the term of the agreement without "cause".

**Henry “Hank” Nance**

The Company entered into an employment agreement with Mr. Nance, dated as of November 30, 2017, pursuant to which Mr. Nance shall receive a base salary of \$195,000 per year and shall, upon evaluation of his performance and at the discretion of the Company’s chief executive officer, be awarded a cash bonus in the amount of \$25,000 on a quarterly basis commencing on the quarter ending December 31, 2017. In addition to (and not in lieu of) the base salary, the Company shall grant Mr. Nance employee stock options to purchase up to 200,000 shares of common stock (vesting in equal monthly installments over a one-year period, commencing on January 31, 2018), pursuant to the Corporation’s 2014 Stock Incentive Plan.

Mr. Nance’s agreement contains confidentiality and non-competition and non-solicitation covenants that continue during and for two years following the expiration of his employment agreement; provided that such restrictive covenants expire immediately if we breach his employment agreement or, in nine months, if we elect to terminate his employment prior to the expiration of the term of the agreement for reasons other than cause (as defined in the employment agreement).

**Sheri Lofgren**

The Company entered into an employment agreement with Ms. Lofgren dated as of November 30, 2017, pursuant to which Ms. Lofgren shall receive a base salary of \$195,000 per year and shall, upon evaluation of her performance and at the discretion of the Company’s Chief Executive Officer, be awarded a cash bonus in the amount of \$25,000 on a quarterly basis commencing on the quarter ending December 31, 2017. In addition to (and not in lieu of) the base salary, the Company shall grant Ms. Lofgren employee stock options to purchase up to 100,000 shares of common stock (vesting in equal monthly installments over a one-year period, commencing on January 31, 2018), pursuant to the Corporation’s 2014 Stock Incentive Plan.

Ms. Lofgren’s agreement contains confidentiality and non-competition and non-solicitation covenants that continue during and for two years following the expiration of her employment agreement; provided, that such restrictive covenants expire immediately if we breach her employment agreement or, in nine months, if we elect to terminate her employment prior to the expiration of the term of the agreement for reasons other than for cause (as defined in the employment agreement).

On March 15, 2018, Sheri Lofgren, the Chief Financial Officer of the Company tendered her resignation. Ms. Lofgren’s resignation was for personal reasons and not as the result of disagreements between Ms. Lofgren and the Company on any matter relating to the Company’s operations, policies or practices.

## Michael Pope

The Company entered into an employment agreement with Mr. Pope dated as of November 30, 2017, pursuant to which Mr. Pope shall receive a base salary of \$195,000 per year and shall, upon evaluation of his performance and at the discretion of the Company's Chief Executive Officer, be awarded a cash bonus in the amount of \$25,000 on a quarterly basis commencing on the quarter ending December 31, 2017. In addition to (and not in lieu of) the base salary, the Company shall grant Mr. Pope employee stock options to purchase up to 100,000 shares of common stock (vesting in equal monthly installments over a one-year period, commencing on January 31, 2018), pursuant to the Corporation's 2014 Stock Incentive Plan.

Mr. Pope's agreement contains confidentiality and non-competition and non-solicitation covenants that continue during and for two years following the expiration of his employment agreement; provided, that such restrictive covenants expire immediately if we breach his employment agreement or, in nine months, if we elect to terminate his employment prior to the expiration of the term of the agreement for reasons other than for cause (as defined in the employment agreement).

## Takesha Brown

The Company entered into an employment agreement with Ms. Brown, dated as of March 19, 2018, pursuant to which Ms. Brown shall receive a base salary of \$165,000 per year and shall, upon evaluation of her performance and at the discretion of the Company's chief executive officer, be awarded a cash bonus in the amount of \$12,500 on a quarterly basis commencing on the quarter ending June 30, 2018. In addition to (and not in lieu of) the base salary, the Company shall grant Ms. Brown employee stock options to purchase up to 35,000 shares of common stock (vesting in equal monthly installments over a one-year period, commencing on March 19, 2018), pursuant to the Corporation's 2014 Stock Incentive Plan.

Ms. Brown's agreement contains confidentiality and non-competition and non-solicitation covenants that continue during and for two years following the expiration of her employment agreement; provided, that such restrictive covenants expire immediately if we breach her employment agreement or, in nine months, if we elect to terminate her employment prior to the expiration of the term of the agreement for reasons other than for cause (as defined in the employment agreement).

## Outstanding Equity Awards at December 31, 2017

The following table provides information regarding outstanding equity awards held by our named executive officers as of December 31, 2017. All share amounts and exercise prices in the following table reflects stock splits after grant date.

Name	Grant Date	Option Awards		Option Exercise Price (\$)	Option Expiration Date
		Number of Securities Underlying Options (#) Exercisable	Number of Securities Underlying Options (#) Unexercisable		
James Mark Elliott	September 18, 2014	331,841	-	\$ 0.13	September 18, 2024
Sheri Lofgren	September 18, 2014 and amended at November 1, 2016	29,200	-	\$ 0.0001	November 30, 2022
Henry Nance	December 31, 2014	12,001	132,091	\$ 0.13-7.00	November 30, 2022
Takesha Brown	April 4, 2017	3,375	14,625	\$ 5.60	April 4, 2022

## Director Compensation

We reimburse all members of our board of directors for their direct out of pocket expenses incurred in attending meetings of our board. This table summarizes the compensation paid to each of our independent directors who served in such capacity during the fiscal year ended December 31, 2017.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)</u>	<u>Total(\$)</u>
Rudolph F. Crew	50,000	370,995	420,995
Steve Hix	5,000	159,466	164,466
Dale Strang	-	159,466	159,466
Robin D. Richards	-	930,987	930,987
Tiffany Kuo	-	-	-

### *Director Compensation Arrangements*

#### *Rudolph F. Crew*

Dr. Crew receives an annual fee of \$50,000, payable monthly, which commenced on March 26, 2016. In addition, in connection with the listing on NASDAQ, Dr. Crew was entitled to a one-time purchase, at par value, of 53,000 shares of our Class A common stock.

Dr. Crew will not be permitted to sell any of his shares for the six months immediately following the consummation of this public offering and thereafter, not more than 50% of his shares between the seventh month and 12th month after the consummation of this public offering, and not more than 50% of the remaining shares between the 12th month and 18th months after the consummation of this public offering.

### **Steve Hix**

Mr. Hix receives an annual fee of \$10,000 for serving as the Chair of our Audit Committee. The fee is payable quarterly, with the first payment to be made on September 30, 2017. On November 30, 2017, Mr. Hix was granted stock options to purchase 50,000 shares of our Class A common stock exercisable at \$7.00 per share with vesting over one year.

### **Dale Strang**

On November 30, 2017, Mr. Strang was granted stock options to purchase 50,000 shares of our Class A common stock exercisable at \$7.00 per share with vesting over one year.

### **Robin D. Richards**

On November 30, 2017, Mr. Richards purchased, at the par value, 133,000 shares of our common stock, representing 1.25% of the number of fully diluted shares of common stock after giving effect to the acquisitions of the Boxlight Group and Genesis.

Mr. Richards is not permitted to sell any of his shares until May 30, 2018, which is six months following the consummation of our public offering and thereafter, not more than 50% of his shares between the seventh month and 12th month after the consummation of our public offering, and not more than 50% of the remaining shares between the 12th month and 18th months after the consummation of our public offering.

On February 23, 2018, Mr. Robin D. Richards resigned from the Board of Directors for personal reasons and not as a result of any disagreements between Mr. Richards and the Company on any matter relating to the Company's operations, policies or practices.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth, as of March 28, 2018, certain information with respect to the beneficial ownership of our Class A common stock, by each beneficial owner of more than 5% of the Company's Class A common stock, each director and each named executive officer and all directors and executive officers of the Company as a group, except as qualified by the information set forth in the notes to this table. As of December 31, 2017, 9,558,997 shares of our Class A common stock were issued and outstanding.

Unless otherwise noted, the address for each director and executive officer is c/o Boxlight Corporation, 1045 Progress Circle, Lawrenceville, Georgia 30043.

<b>Name of Beneficial Owner</b>	<b>Number</b>	<b>Percentage</b>
<b><u>Named Executive Officers</u></b>		
James Mark Elliott	497,618(1)	4.43%
Henry("Hank") Nance	97,715(2)	.87%
Sheri Lofgren	320,602(3)	2.85%
Michael Pope	199,203(4)	1.77%
<b><u>Directors</u></b>		
Tiffany Kuo	-0-	-
Rudolph F. Crew	53,000(6)	.47%
Robin D. Richards	133,000(7)	1.18%
Steve Hix	12,500	.11%
Dale Strang	12,500	.11%
All Directors and Executive Officers as a Group(7 persons)	1,326,138	11.80%
<b><u>Beneficial Owners of 5% or More of Our Outstanding Common Stock</u></b>		
Everest Display, Inc.	2,468,708(5)	21.97%
Sugar House Trust	577,450(8)	5.14%
AEL Irrevocable Trust	1,912,350(9)	17.02%
Dynamic Capital, LLC	597,610(10)	5.32%

(1) Represents 100% of 331,841 shares subject to a stock option granted to Mr. Elliott which have vested as of December 31, 2016. Upon completion of our initial public offering, Mr. Elliott will receive an additional 92,510 shares of our Class A common stock representing 25% of the shares to be issued to the former members of Genesis upon automatic conversion of BOXL's Series B convertible preferred stock. In addition, Mr. Elliott converted accounts payable due from Genesis into 73,267 shares of common stock.

(2) Upon completion of our initial public offering, Mr. Nance will receive 85,714 shares of our Class A common stock representing his pro-rata portion of the 2,055,873 shares to be issued to the former stockholders of Boxlight upon automatic conversion of BOXL's Series C convertible preferred stock. In addition, stock options to purchase 144,020 shares were granted to Mr. Nance under our 2014 Stock Incentive Plan. These options commenced vesting on December 31, 2017.

(3) Represents 100% of 320,602 shares subject to a stock option grant to Ms. Lofgren which have vested as of March 31, 2017.

(4) Consists of 199,203 shares issuable upon exercise of a warrant issued to an entity associated with Mr. Pope in October 2016. Does not include 82,534 shares, Mr. Pope's portion of 330,135 shares held by Mim Holdings, LLC, or 577,450 shares held by Sugar House Trust. Mim Holdings is a limited liability company owned by the Marlborough Brothers Family Trust, a trust established for the benefit of members of the families of Michael Pope and Adam Levin. Sugar House Trust is a trust established for the benefit of the family of Michael Pope. Mr. Pope does not have voting or dispositive power and authority of the shares beneficially owned by Mim Holdings or Sugar House Trust and disclaims any voting or dispositive power with respect to those shares.

(5) Represents 1,903,586 shares of Class A common stock that were issued upon the automatic conversion of our Series C preferred stock issued to Everest Display, Inc., or its wholly owned subsidiary, in connection with our July 2016 acquisition of the Boxlight Group. In June, 2017, Everest Display, Inc. agreed to convert \$1,500,000 of accounts payable into 238,095 shares of Class A common stock at a conversion price of \$6.30 per share. In August, 2017, Everest Display, Inc. converted a long-term convertible note payable and accrued interest into 327,027 shares of common stock at \$6.30 per share. K Laser is the majority stockholder of Everest Display, Inc.. Mr. Alex Kuo is the majority stockholder of K Laser and holds the power to vote and dispose of our shares issued and issuable to EDI. Such 1,903,586 shares do not include (a) 178,572 shares of Class A common stock that K Laser purchased at \$5.60 per share in the September 2016 private placement, and (b) an additional 142,857 shares of Class A common stock that Alex Kuo, K Laser or other affiliates or business associates of Mr. Kuo may elect to purchase at a price of \$7.00 per share in our initial public offering.

(6) Includes 53,000 shares of common stock that Dr. Crew purchased at par value on November 30, 2017.

(7) Includes 133,000 shares of common stock that Mr. Richards purchased at par value on November 30, 2017.

(8) Mr. Lane, 26716 Via Colina, Stevanson Ranch, CA 91381 is trustee of Sugar House Trust, established for the benefit of the family of Michael Pope, our President and a Director. Mr. Lane has sole investment and voting power with respect to the shares.

(9) Mr. Edwin Hur, 11441 Beach St., Cerritos, CA 90703 is trustee of AEL Irrevocable Trust, established for the benefit of the family of Adam Levin. Mr. Hur has sole investment and voting power with respect to the shares.

(10) Consists of 597,610 shares issuable upon exercise of a warrant issued to Dynamic Capital, LLC in October, 2016. Dynamic Capital is owned by the AEL Irrevocable Trust.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

On September 30, 2014, the Company entered into a line of credit agreement with Vert Capital. The line of credit allowed the Company to borrow up to \$500,000 for public offering expenses. On March 31, 2016, we amended the line of credit to increase it to \$900,000. The funds accrued interest at 10% per annum. The interest rate decreased to 5.75% pursuant to the amendment to purchase agreement with EDI entered in September 2016. Interest on any advanced funds was accrued monthly and all outstanding principal and accrued interest was due in full from the proceeds of our initial public offering. On December 1, 2017, the outstanding principal and accrued interest in the amount of \$775,259 was paid in full.

On July 15, 2015, the Company entered into a management agreement with VC2 Advisors LLC, a Delaware limited liability company, in which Michael Pope, our President and Director, was a manager. VC2 Advisors is owned by Sugar House Trust and AEL Irrevocable Trust, trusts established for the benefit of the families of Michael Pope and Adam Levin. Pursuant to the agreement, VC2 shall perform consulting services for the Company relating to, among other things, sourcing and analyzing strategic acquisitions and introductions to various financing sources. VC2 shall receive an annual management fee payable in cash equal to 1.5% of total consolidated revenues at the end of each fiscal year ended December 31, 2016, 2017 and 2018, payable in monthly installments, commencing as of the date of the Company's IPO. The annual fee is subject to a cap of \$1,000,000 in each of 2016, 2017 and 2018. At its option, VC2 may also defer payment until the end of each year, payable as an option to purchase shares of Class A common stock of the Company, at a price per share equal to 100% of the closing price of the Company's Class A common stock as traded on Nasdaq or any other national securities exchange as of December 31 of such year in question. Effective October 12, 2016, as a result of Adam Levin and Michael Pope no longer being employed at VC2, the consulting agreement with VC2 was terminated. Subsequently, the Company entered into new consulting agreements on identical terms with other entities which now employ Michael Pope and Adam Levin. As of December 31, 2017, the Company had a payable of \$35,632 pursuant to these agreements.

In 2018, as a result of Adam Levin and Michael Pope no longer working at VC2 Advisors, the Company canceled the VC2 Advisors agreement and entered into a new management agreement, with substantially the same terms, with Canaan Parish, LLC, an entity affiliated with Michael Pope.

On July 18, 2016, Boxlight Holdings, Inc., a newly formed Delaware subsidiary of Boxlight Parent, consummated the acquisition of the Boxlight Group under a share purchase agreement, dated May 10, 2016, with Everest Display, Inc., a Taiwan corporation (“EDI”) and its subsidiary, Guang Feng International Ltd. (“Guang Feng”) subsidiary, the former shareholder of the Boxlight Group. K Laser Technology, Ltd., a Taiwan corporation (“K Laser”) is the majority shareholder of EDI and one of our major shareholders. Under the terms of the share purchase agreement, we issued EDI 270,000 shares of our Series C Preferred Stock, that has a stated or liquidation value of \$20.00 per share. Upon completion of our initial public offering on November 30, 2017, the Series C Preferred Stock automatically converted into shares of our Class A common stock. Such newly converted shares of Class A common stock, (including certain bonus shares of Class A common stock represented 8% of the shares issuable upon conversion of the Series C Preferred Stock) to be issued to EDI or its subsidiaries, and totaled 2,055,872 shares of our Class A common stock, representing approximately 22.22% of our fully-diluted common stock as defined in the purchase agreement. Hank Nance, our Chief Operating Officer and the President of the Boxlight Group, will received 85,714 of these shares.

Under the terms of the EDI share purchase agreement, as amended on September 28, 2016, the parties agreed that the Boxlight Group and Boxlight Parent will settle and pay approximately \$5.75 million of accrued accounts payable currently owed to EDI, in the manner set forth below.

- (1) \$1,000,000 was paid at the closing of the acquisition out of the net proceeds of a note issued to Hitachi Capital America Corp. (See Note 10);
- (2) An additional \$1,500,000 of the \$5.75 million owed to EDI was to be paid by Boxlight Corporation and its subsidiaries in six monthly installments of \$250,000 each, commencing 30 days after the initial \$1,000,000 payment paid at closing. However, in view of the fact that such installment payments could than not be made by the Company, EDI agreed to convert \$1,500,000 accounts payable into 238,095 shares of Boxlight’s Class A common stock in June 2017.
- (3) \$2,000,000 of the unpaid balance of the account payable was settled with a 4% non-negotiable convertible promissory note of Boxlight Corporation payable to EDI, together with accrued interest, on March 31, 2019 (the “EDI Note”). In August 2017, the EDI Note was converted into 327,027 shares of Boxlight Corporation’s Class A common stock at a conversion price of \$6.30 pursuant to an agreement. The Company recorded no gain or loss from the conversion.

On May 5, 2016, pursuant to a membership interest purchase agreement, dated as of April 1, 2016, Boxlight Parent acquired 100% of the membership interest in Mimio, from Mim Holdings, LLC., a Delaware limited liability company wholly-owned by the Marlborough Brothers Trust, a trust established for the benefit of members of the families of Adam Levin and Michael Pope, our President and Director, in exchange for a 4% \$2,000,000 unsecured convertible promissory note due March 31, 2019, and the assumption of a 6% \$3,425,000 senior secured note of Mim Holdings that was due July 3, 2016 and was payable to Skyview Capital, LLC, (“Skyview”), the former equity owner of Mimio (the “Skyview Note”). For purposes of the purchase agreement, the sale to Boxlight Parent, was deemed to have been consummated as of April 1, 2016.



The Skyview Note was issued by Mim Holdings to Skyview on November 4, 2015 as payment for the acquisition of 100% of the membership equity of Mimio. Skyview Note was guaranteed and secured by a lien and security interest on all of the assets of Mimio. Prior to the sale of Mimio to Boxlight Parent, VC2 Partners LLC (the former owner of Mim Holdings) assigned its equity in Mim Holdings to the Marlborough Brothers Family Trust (the “Marlborough Trust”). Adam Levin and Michael Pope, our President and Director, and members of their families, are beneficiaries of the Marlborough Trust and other trusts who are principal stockholders of Boxlight Parent. See “Principal Stockholders”.

In connection with the acquisition of Mimio by Boxlight Parent, in May 2016 we issued a \$2,000,000 note payable to Mim Holdings, Inc., the former stockholder of Mimio. In June, 2017 this convertible promissory note was converted into 330,135 shares of our Class A common stock at \$6.30 per share.

Mim Holdings is wholly-owned by the Marlborough Brothers Family Trust, a trust established for the benefit of members of the families of Adam Levin and Michael Pope. Mr. Pope is the President and a member of our board of directors.

On September 28, 2016, we sold to K Laser, the principal stockholder of EDI, an aggregate of 178,572 shares of our Class A common stock at a purchase price of \$5.60 per share and received net proceeds of \$1,000,003. The per share sales price is intended to be 80% of the initial price per share of Class A common stock offered to the public. Accordingly, the 178,572 shares of Class A common stock are subject to increase in the event that the initial offering price of the shares offered is less than \$7.00. The private placement was conducted through the efforts of our management and with the assistance of K Laser and its affiliates. No commissions or other compensation was paid in connection with such private placement. The \$1,000,003 of net proceeds of such private placement was used together with advances from Crestmark under the above line of credit to retire outstanding indebtedness to Hitachi and pay the \$2,500,000 installment due under Skyview Note.

In October 2016, the Company issued 73,266 shares to Mark Elliott, the Company’s CEO, at \$1.055 per share to settle accounts payable of \$77,268.

On November 30, 2017, in connection with the listing on NASDAQ, Dr. Crew purchased, at the par value, 53,000 shares of our Class A common stock representing 0.5% of the number of fully diluted shares of Class A common stock after giving effect to the acquisitions of the Boxlight Group and Genesis and our initial public offering. If we file a registration statement registering for resale shares held by its officers or directors, Dr. Crew may request that we include his shares in such registration statement. Dr. Crew will not be permitted to sell any of his shares until May 30, 2018 (six months following the consummation of our public offering) and thereafter, not more than 50% of his shares between the seventh month and 12th month after the consummation our public offering, and not more than 50% of the remaining shares between the 12th month and 18th months after the consummation of our public offering.

On November 30, 2017, in connection with the listing on NASDAQ, Mr. Richards purchased, at the par value, 133,000 shares of our Class A common stock representing 1.25% of the number of fully diluted shares of Class A common stock after giving effect to the acquisitions of the Boxlight Group and Genesis and our initial public offering.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table represents fees for professional audit services for the audit of the Company’s annual financial statements for the fiscal years ended December 31, 2017 and 2016, respectively, rendered by GBH, CPA’s.

	<b>Fiscal year ended December 31,</b>	
	<b>2016</b>	<b>2017</b>
Audit fees <sup>1</sup>	\$ 277,987	\$ 293,075
Audit-related fees <sup>2</sup>	-	43,910
Tax fees <sup>3</sup>	-	-
Total fees	<u>\$ 277,987</u>	<u>\$ 336,985</u>

1. *Audit fees consist of fees for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and review of the financial statements included in the Company's Form 10-Q and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.*
2. *Audit-related fees consist primarily of fees for assurance and related services by the accountant that are reasonably related to the performance of the audit or review of the Company's financial statements.*
3. *Tax fees include the preparation of federal tax returns as well as tax planning and consultation on new tax legislation, regulations, rulings, and developments.*

#### **Audit Committee Pre-Approval Policies**

The Audit Committee shall pre-approve any non-audit services proposed to be provided to the Company by the independent auditors.

### **PART IV**

#### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
3.1	<u><a href="#">Eleventh Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.2 in the Draft Registration Statement on Form S-1 (Reg. No. 377-00845) filed on November 12, 2014)</a></u>
3.2	<u><a href="#">Bylaws (Incorporated by reference to Exhibit 3.3 in the Draft Registration Statement on Form S-1(Reg. No. 377-00845) filed on November 12, 2014)</a></u>
4.1	<u><a href="#">Certificate of Designations of Series A Convertible Preferred Stock (Incorporated by reference to Exhibit 4.4 in the Draft Registration Statement on Form S-1 (Reg. No. 377-00845) filed on November 12, 2014)</a></u>
4.2	<u><a href="#">Certificate of Designations of Series B Convertible Preferred (Incorporated by reference to Exhibit 34.5 in the Draft Registration Statement on Form S-1 (Reg. No. 377-00845) filed on November 12, 2014)</a></u>
4.3	<u><a href="#">Amended and Restated Certificate of Designations of Series C Convertible Preferred Stock (Incorporated by reference to Exhibit 4.6 in the Draft Registration Statement on Form S-1(Reg. No. 377-00845) filed on November 12, 2014)</a></u>
4.4	<u><a href="#">Form of Warrant Held by Vert Capital Corp. (Incorporated by reference to Exhibit 4.6 in the Draft Registration Statement on Form S-1(Reg. No. 377-00845) filed on February 12, 2015)</a></u>
4.5	<u><a href="#">Form of Warrant Held by Lackamoola, LLC (Incorporated by reference to Exhibit 4.7 in the Draft Registration Statement on Form S-1 (Reg. No. 377-00845) filed on November 12, 2014)</a></u>
4.6	<u><a href="#">Form of Subscription Agreement for \$1.00 per share (Incorporated by reference to Exhibit 4.6 in the Registration Statement on Form S-1 (Reg. No. 333-204811) filed on October 28, 2016)</a></u>
4.7	<u><a href="#">Share Purchase Agreement, dated as of May 10, 2016 by and among Everest Display, Inc., Guang Feng International Ltd., Boxlight Holdings, Inc., the registrant, Boxlight, Inc., Boxlight Latinoamerica, S.A. DE C.V. and Boxlight Latinoamerica, Servicios S.A. DE C.V. (Incorporated by reference to Exhibit 10.1 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on May 13, 2016)</a></u>
10.1	<u><a href="#">Amended and Restated Share Exchange Agreement, dated as of May 9, 2016, by and among Vert Capital Corp. and the former members of Genesis Collaboration LLC, the Delaware subsidiary of the registrant (Incorporated by reference to Exhibit 10.2 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on May 13, 2016)</a></u>
10.2	<u><a href="#">Membership Interest Purchase Agreement, dated as of April 1, 2016, by and among the registrant, Mim Holdings, Inc., Mimio LLC and the Marlborough Partners Family Trust (Incorporated by reference to Exhibit 10.13 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on May 13, 2016)</a></u>
10.3	<u><a href="#">Trademark Assignment between Herbert Myers, the registrant and Boxlight Inc. (Incorporated by reference to Exhibit 10.6 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on May 13, 2016)</a></u>
10.4	<u><a href="#">Employment Agreement by and between Boxlight Corporation and James Mark Elliott, dated November 30, 2017*</a></u>

10.5	<a href="#"><u>Employment Agreement by and between Boxlight Corporation and Michael Pope, dated November 30, 2017*</u></a>
10.6	<a href="#"><u>Employment Agreement by and between Boxlight Corporation and Sheri Lofgren, dated November 30, 2017*</u></a>
10.7	<a href="#"><u>Employment Agreement by and between Boxlight Corporation and Henry Nance, dated November 30, 2017*</u></a>
10.8	<a href="#"><u>\$2,000,000 convertible promissory note of the registrant to Mim Holdings, dated as of April 1, 2016 (Incorporated by reference to Exhibit 10.14 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on May 13, 2016)</u></a>
10.9	Agreement by and between Loeb & Loeb LLP and the registrant
10.10	<a href="#"><u>Amendment No. 2 to Membership Interest Purchase Agreement among Skyview Capital, LLC, Mimio LLC, MIM Holdings, LLC and the registrant. (Incorporated by reference to Exhibit 10.30 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on December 15, 2016)</u></a>
10.11	<a href="#"><u>Amendment No. 3 to Membership Interest Purchase Agreement among Skyview Capital, LLC, Mimio LLC, MIM Holdings, LLC and the registrant (Incorporated by reference to Exhibit 10.1 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on August 12, 2016)</u></a>
10.12	<a href="#"><u>Promissory Note between Boxlight, Inc. and AHA Inc Co Ltd. (Incorporated by reference to Exhibit 10.32 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on July 11, 2016)</u></a>
10.13	<a href="#"><u>Loan and Security agreement with Hitachi Capital America Corp (Incorporated by reference to Exhibit 10.1 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on August 12., 2016)</u></a>
10.14	<a href="#"><u>Crestmark Loan and Security Agreement (Incorporated by reference to Exhibit 10.35 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on January 12, 2017)</u></a>
10.15	<a href="#"><u>Amendment 1 to Share Purchase Agreement and Option Agreement by and Among Everest Display, Inc., Guang Feng International, Ltd., Boxlight Holdings, the Registrant, Boxlight Inc., Boxlight Latinoamerica S.A. and Boxlight Latinoamerica Servicios, S.A. DE C.V. (Incorporated by reference to Exhibit 10.36 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on October 28, 2016)</u></a>
10.16	<a href="#"><u>Subscription Agreement between K Laser International Co., Ltd. And the Registrant for \$1,000,000 equity investment at \$5.60 per share (Incorporated by reference to Exhibit 10.37 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on October 28, 2016)</u></a>
10.17	<a href="#"><u>\$2,000,000 Convertible Promissory Note between the Registrant and Everest Display, Inc., dated September 29, 2016 (Incorporated by reference to Exhibit 10.38 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on October 28, 2016)</u></a>
10.18	<a href="#"><u>Notice of Default – Skyview Capital (Incorporated by reference to Exhibit 10.39 in the Registration Statement on Form S-1(Reg. No. 333-204811) filed on January 12, 2017)</u></a>
10.19	<a href="#"><u>Account Sale and Purchase Agreement between Sallyport Commercial Finance LLC and registrant*</u></a>
21	<a href="#"><u>Subsidiaries</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2	<a href="#"><u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document



Index to Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the board of directors of  
Boxlight Corporation  
Lawrenceville, Georgia

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Boxlight Corporation (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity and cash flows for each of the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

**Other matters**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net cash used in operations that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GBH CPAs, PC

We have served as the Company’s auditor since 2014.

GBH CPAs, PC  
[www.gbhcpas.com](http://www.gbhcpas.com)  
Houston, Texas  
April 2, 2018

**Boxlight Corporation**  
**Consolidated Balance Sheets**  
**As of December 31, 2017 and December 31, 2016**

ASSETS	December 31, 2017	December 31, 2016*
<b>Current asset:</b>		
Cash and cash equivalents	\$ 2,010,325	\$ 456,502
Accounts receivable – trade, net of allowances	3,089,932	2,943,954
Inventories, net of reserve	4,626,569	4,164,116
Prepaid expenses and other current assets	388,006	447,036
Total current assets	<u>10,114,832</u>	<u>8,011,608</u>
Property and equipment, net of accumulated depreciation	29,752	60,040
Intangible assets, net of accumulated amortization	6,126,558	6,833,477
Goodwill	4,181,991	4,181,991
Other assets	292	33,262
Total assets	<u>\$ 20,453,425</u>	<u>\$ 19,120,378</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,994,918	\$ 4,453,893
Accounts payable and accrued expenses – related parties	4,391,713	3,754,050
Short-term debt	752,449	2,791,582
Short-term debt – related parties	54,000	876,550
Convertible notes payable – related party	50,000	50,000
Deferred revenues – short-term	1,127,423	495,603
Other short-term liabilities	-	251,537
Total current liabilities	<u>9,370,503</u>	<u>12,673,215</u>
Long-term convertible note payable – related parties	-	4,060,785
Deferred revenues – long-term	175,294	272,123
Total liabilities	<u>9,545,797</u>	<u>17,006,123</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.0001 par value, 50,000,000 shares authorized; 250,000 and 1,270,000 shares issued and outstanding, respectively	25	127
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 9,558,997 and 4,621,687 Class A shares issued and outstanding, respectively	956	461
Additional paid-in capital	23,740,751	7,615,732
Subscriptions receivable	(325)	(325)
Accumulated deficit	(12,785,931)	(5,488,822)
Other comprehensive loss	(47,848)	(12,918)
Total stockholders' equity	<u>10,907,628</u>	<u>2,114,255</u>
Total liabilities and stockholders' equity	<u>\$ 20,453,425</u>	<u>\$ 19,120,378</u>

\* Financial information has been retrospectively adjusted for the acquisitions of Mimio and Genesis.  
See accompanying notes to the financial statements.

**Boxlight Corporation**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016*</u>
Revenues	\$ 25,743,612	\$ 20,371,826
Cost of revenues	19,329,831	12,959,749
Gross profit	<u>6,413,781</u>	<u>7,412,077</u>
Operating expense:		
General and administrative expenses	13,086,120	7,689,898
Research and development	465,940	1,008,433
Total operating expense	<u>13,552,060</u>	<u>8,698,331</u>
Loss from operations	<u>(7,138,279)</u>	<u>(1,286,254)</u>
Other income (expense):		
Interest expense, net	(635,445)	(818,234)
Other income, net	200,589	42,505
Gain on settlement of liabilities, net	276,026	-
Total other income (expense)	<u>(158,830)</u>	<u>(775,729)</u>
Net loss	<u>\$ (7,297,109)</u>	<u>\$ (2,061,983)</u>
Comprehensive loss:		
Net loss	\$ (7,297,109)	\$ (2,061,983)
Other comprehensive loss:		
Foreign currency translation loss	(34,930)	(12,918)
Total comprehensive loss	<u>\$ (7,332,039)</u>	<u>\$ (2,074,901)</u>
Net loss per common share – basic and diluted	<u>\$ (1.34)</u>	<u>\$ (0.48)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>5,455,161</u>	<u>4,299,315</u>

\* Financial information has been retrospectively adjusted for the acquisitions of Mimio and Genesis.  
See accompanying notes to the financial statements





of preferred stock to common stock for Genesis	-	-	(1,000,000)	(100)		370,040	37	63	-	-	-	-	
Conversion of preferred stock to common stock for Boxlight Group acquisition	-	-	-	-	(270,000)	(27)	2,055,873	206	(179)	-	-	-	-
Issuance of Series A preferred stock for Genesis acquisition	250,000	25	-	-	-	-	-	-	(25)	-	-	-	-
Issuance of common shares to directors	-	-	-	-	-	-	186,000	19	1,301,981	-	-	-	1,302,000
Settlement of trademark liability	-	-	-	-	-	-	-	-	278,887	-	-	-	278,887
Issuance of common shares for legal services	-	-	-	-	-	-	138,692	14	(14)	-	-	-	-
<b>Shares issued for:</b>													
Settlement of accounts payable – related parties for common shares	-	-	-	-	-	-	238,095	24	1,499,976	-	-	-	1,500,000
Conversion of EDI note for common shares	-	-	-	-	-	-	327,027	33	2,060,241	-	-	-	2,060,274
Conversion of Marlborough note for common shares	-	-	-	-	-	-	330,135	33	2,079,820	-	-	-	2,079,853
Exercise of stock options	-	-	-	-	-	-	291,448	29	(29)	-	-	-	-
Stock compensation	-	-	-	-	-	-	-	-	2,938,670	-	-	-	2,938,670
Foreign currency translation loss	-	-	-	-	-	-	-	-	-	-	(34,930)	-	(34,930)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(7,297,109)	(7,297,109)
Balance, December 31, 2017	<u>250,000</u>	<u>\$ 25</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>9,558,997</u>	<u>\$ 956</u>	<u>\$ 23,740,751</u>	<u>\$ (325)</u>	<u>\$ (47,848)</u>	<u>\$(12,785,931)</u>	<u>\$10,907,628</u>

\* Financial information has been retrospectively adjusted for the acquisitions of Mimio and Genesis.  
See accompanying notes to the financial statements

**Boxlight Corporation**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016*</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,297,109)	\$ (2,061,983)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Bad debt expense	(88,783)	425,155
Change in allowance for sales returns and volume rebate	407,655	53,031
Change in inventory reserve	134,200	13,610
Stock compensation expense	4,240,670	464,321
Depreciation and amortization	747,208	353,386
Loss on disposal of other assets	7,108	-
Amortization of debt discount	-	17,607
Debt extension fees through increased principal for Skyview Note	-	350,000
Gain on settlement of debt	(276,026)	-
Changes in operating assets and liabilities:		
Accounts receivable – trade	(464,657)	(909,466)
Inventories	(596,653)	2,654,058
Prepaid expenses and other current assets	78,679	324,807
Accounts payable and accrued expenses	(985,986)	(8,621)
Accounts payable and accrued expenses – related parties	2,137,661	637,681
Deferred revenues	614,337	4,358
Other short-term liabilities	(1,686)	(8,346)
Accrued interest on long-term debt – related parties	-	60,785
Net cash (used in) provided by operating activities	<u>(1,343,382)</u>	<u>2,370,383</u>
<b>Cash flows from investing activities:</b>		
Cash acquired through the acquisition of Boxlight Group and Mimio	-	357,573
Payment made for purchase of intangible assets	(10,001)	-
Proceeds from sale of property and equipment and other assets	-	9,033
Net cash (used in) provided by investing activities	<u>(10,001)</u>	<u>366,606</u>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term debt	10,214,673	6,701,590
Proceeds from short-term debt – related parties	-	239,000
Principal payments on short-term debt	(12,143,023)	(10,580,414)
Principal payments on short-term debt-related party	(822,550)	-
Principal payments on convertible debt – related party	-	(60,000)
Proceeds from subscriptions receivable	-	1,750
Distributions to the member of Mimio	-	(814,625)
Proceeds from issuance of common stock at IPO	5,678,609	1,218,907
Proceeds from issuance of common stock upon exercise of options	29	-
Net cash (used in) provided by financing activities	<u>2,927,738</u>	<u>(3,293,792)</u>
Effect of currency exchange rates	<u>(20,532)</u>	<u>19,202</u>
Net increase (decrease) in cash and cash equivalents	1,553,823	(537,601)
Cash and cash equivalents, beginning of the year	<u>456,502</u>	<u>994,103</u>
Cash and cash equivalents, end of the year	<u>\$ 2,010,325</u>	<u>\$ 456,502</u>
<b>Supplemental cash flows disclosures:</b>		
Cash paid for interest	<u>\$ 518,106</u>	<u>\$ 748,261</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Non-cash investing and financing activities:</b>		
Decrease in additional paid-in capital due to the acquisitions of Mimio and Genesis under common control	\$ -	\$ 5,425,100
Intangibles and goodwill acquired through acquisitions of Mimio and Boxlight Group	\$ -	\$ 10,887,060
Issuance of note payable and long-term convertible note payable to acquire Mimio	\$ -	\$ 5,425,000
Issuance of Series A Preferred stock for the acquisition of Genesis	\$ 25	\$ -
Issuance of Series B Preferred Stock for the acquisition of Genesis	\$ -	\$ 100
Issuance of Series C Preferred Stock for the acquisition of Boxlight Group	\$ -	\$ 8,243,297
Issuance of note payable to settle accounts payable	\$ -	\$ 2,547,538
Forgiveness of short-term debt – related parties	\$ -	\$ 222,370
Conversion of Series B and C Preferred Stock to common stock upon IPO	\$ 127	\$ -
Conversion of convertible note payable – related parties to common stock	\$ 4,140,127	\$ -

Settlement of short-term debt through issuance of common stock	\$	-	\$	115,919
Settlement of accounts payable through issuance of common stock	\$	1,787,119	\$	120,910
Settlement of trademark liability at IPO date	\$	250,000	\$	-

\* Financial information has been retrospectively adjusted for the acquisition of Genesis.  
See accompanying notes to the financial statements.

**Boxlight Corporation**  
**Notes to Consolidated Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**THE COMPANY**

Boxlight Corporation (the “Company” or “Boxlight Parent”) was incorporated in the State of Nevada on September 18, 2014 with its headquarters in Atlanta, Georgia for the purpose of becoming a technology company that sells interactive educational products.

Boxlight, Inc., Boxlight Latinoamerica, S.A. DE C.V. (“BLA”) and Boxlight Latinoamerica Servicios, S.A. DE C.V. (“BLS”) (together, “Boxlight Group”) were incorporated on July 11, 2009, October 17, 2002 and October 17, 2002, respectively. The Boxlight Group is involved principally in the distribution of interactive projectors and integrated solutions that enhance learning and enable people to collaborate with each other in innovative and effective ways. On July 18, 2016, the Company acquired Boxlight Group. Boxlight Group was previously wholly owned by Everest Display Inc., a manufacturing company in Taiwan. In May 2016, Everest Display Inc. agreed to sell all of its ownership in Boxlight Group to the Company.

Mimio LLC (“Mimio”) was formed in Delaware on July 1, 2013. Mimio designs, develops and sells interactive classroom technology products, of which Mimio owns most of the design and performance patents, and which are manufactured by contract manufacturers in Hong Kong and China. Mimio also purchases and sells other non-proprietary products such as classroom projectors and flat panel displays as an original equipment manufacturer (“OEM”) from manufacturers in China and Taiwan. The primary market for Mimio’s products is classrooms K-12. All of the products are integrated in the classroom through Mimio’s award winning operating software “Mimio Studio.” Mimio’s products are distributed globally through a network of value added resellers (“VARs”) in the U.S. and Canada, and through master distributors in the rest of the world. On November 4, 2015, Mimio was acquired by Mim Holdings, Inc. (“Mim Holdings”), a Delaware corporation wholly-owned by Marlborough Trust. Marlborough Trust was established for the benefit of members of the families of Adam Levin and Michael Pope, our President and Director. On April 1, 2016, Boxlight Parent acquired 100% of the membership interests in Mimio from Mim Holdings.

Genesis Collaboration, LLC (“Genesis”) was formed as a limited liability company in September 2011 in Atlanta, Georgia, to provide solutions that enhance interactive learning in the business, government, and education markets. Genesis is a technology provider that facilitates effective communication in schools, training facilities and workplaces around the world. Genesis offers a wide range of integrated products that change the way individuals collaborate and learn. In the classroom, Genesis offers a wide range of integrated interactive solutions that transform the way teachers deliver lessons and assess progress. Genesis’ products include interactive whiteboard systems, interactive tables, interactive and standard projectors, audio systems, data loggers, software, assessment and student response systems. On October 31, 2013, Vert Capital’s subsidiary acquired all of the outstanding membership interests of Genesis. On May 12, 2016, the Company acquired Genesis from Vert Capital. Effective August 1, 2016, Genesis was merged into Boxlight Inc.

**BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION**

Acquisitions from Vert Capital and Mim Holdings are considered common control transactions. When businesses acquired from Vert Capital and Mim Holdings were consolidated by us, they were accounted for as if the transfer had occurred at the beginning of the period of transfer, with prior periods retrospectively adjusted to furnish comparative information. The acquisitions of Mimio and Genesis were transfers of businesses between entities under common control. Accordingly, the accompanying financial statements and related notes have been retrospectively adjusted to include the historical results and financial position of the acquired entities prior to the effective dates of such acquisitions. The information prior to the Company’s incorporation on September 18, 2014 represents the historical results of Genesis as Genesis was first controlled by Vert Capital and determined to be our predecessor entity for accounting purposes. The financial information for Mimio has been included in the Company’s consolidated financial statements beginning on November 4, 2015 when Mimio was acquired by Mim Holdings. Boxlight Group was acquired by the Company on July 18, 2016. The acquisition of Boxlight Group was accounted for under the acquisition method of accounting. See Note 3— Acquisitions, for additional information.

The accompanying consolidated financial statements include the accounts of Boxlight Corporation, Boxlight Group, Mimio and Genesis. Transactions and balances among Boxlight Corporation, Boxlight Group, Mimio and Genesis have been eliminated. The assets and liabilities of Mimio and Genesis in these financial statements have been reflected on a historical cost basis because the transfers of Mimio and Genesis to the Company are considered common control transactions. When the Company acquired Mimio and Genesis, the Company, Mimio and Genesis were under direct or indirect control of Vert Capital. The accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP")

#### **ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. Significant estimates include estimates of allowances for bad debts, inventory obsolescence, initial valuations and recoverability of intangible assets including goodwill, stock compensation, fair values of assets acquired and estimates for contingent liabilities related to debt obligations and litigation matters.

#### **FOREIGN CURRENCIES**

The Company's functional currency is the U.S. dollar. BLA and BLS's functional currency is the Mexican Peso. The Company translates their financial statements from their functional currencies into the U.S. dollar.

An entity's functional currency is the currency of the primary economic environment in which it operates and is generally the currency in which the business generates and expends cash. BLA and BLS, whose functional currency is the Mexican Peso, translate their assets and liabilities into U.S. dollars at the exchange rates in effect as of the balance sheet date. Revenues and expenses are translated into U.S. dollars at the average exchange rates for the year. Translation adjustments are included in accumulated other comprehensive income (loss), a separate component of equity (deficit). Foreign exchange gains and losses included in net income result from foreign exchange fluctuations on transactions denominated in a currency other than an entity's functional currency.

#### **ACQUISITION OF BOXLIGHT GROUP**

The financial statements include the operations of Boxlight Group after the completion of the acquisition on July 18, 2016. We accounted for the acquisition of Boxlight Group using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date on the balance sheet. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill. The estimated fair values of assets acquired and liabilities assumed were determined based on management's best estimates. Preliminary estimated fair values are subject to measurement period adjustments which represent updates made to the preliminary purchase price allocation based on revisions to valuation estimates in the interim period subsequent to the acquisition and initial accounting date up until the purchase price allocation is finalized which cannot be any later than one year from the acquisition date.

#### **COMMON CONTROL TRANSACTIONS**

Businesses acquired from Vert Capital are accounted for as common control transactions whereby the net assets (liabilities) acquired (assumed) are combined with the Company's at their historical carrying value. Any difference between carrying value and recognized consideration is treated as a capital transaction. Cash received from the acquired entities is presented as an investing activity in our consolidated statement of cash flows.

## **CASH AND CASH EQUIVALENTS**

The Company considers all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents. These investments are carried at cost, which approximates fair value. The Company maintains cash balances at financial institutions which, from time to time, may exceed Federal Deposit Insurance Corporation insured limits of \$250,000 for banks located in the U.S. The Company has not experienced any losses with regard to its bank accounts and believes it is not exposed to any risk of loss on its cash bank accounts.

## **ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Accounts receivable are stated at historical carrying amounts, net of write-offs and allowance for doubtful accounts. Allowance for doubtful accounts represents management's estimate of the amount that ultimately will be realized in cash. The Company reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical payment trends, the age of receivables and knowledge of the individual customers. When the analysis indicates, management increases or decreases the allowance accordingly. However, if the financial condition of our customers were to deteriorate, additional allowances might be required.

## **INVENTORIES**

Inventories are stated at the lower of cost or net realizable value and included spare parts and finished goods. Inventories are primarily determined using specific identification method and the first-in, first-out ("FIFO") cost method. Cost includes direct cost from the CM or OEM, plus material overhead related to the purchase, inbound freight and import duty costs.

The Company continuously reviews its inventory levels to identify slow-moving merchandise and markdowns necessary to clear slow-moving merchandise, which reduces the cost of inventories to its estimated net realizable value. Consideration is given to a number of quantitative and qualitative factors, including current pricing levels and the anticipated need for subsequent markdowns, aging of inventories, historical sales trends, and the impact of market trends and economic conditions. Estimates of markdown requirements may differ from actual results due to changes in quantity, quality and mix of products in inventory, as well as changes in consumer preferences, market and economic conditions.

## **PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated life of the asset. Repairs and maintenance are charged to expense as incurred.

## **LONG-LIVED ASSETS**

Long-lived assets to be held and used or disposed of other than by sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used or disposed of other than by sale are recognized based on the fair value of the asset. Long-lived assets to be disposed of by sale are reported at the lower of its carrying amount or fair value less cost to sell.

## **INTANGIBLE ASSETS**

Intangible assets are amortized using the straight-line method over their estimated period of benefit. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. No material impairments of intangible assets have been identified during any of the periods presented. Intangible assets and goodwill are tested for impairment on an annual basis, and between annual tests if indicators of potential impairment exist, using a fair-value-based approach. Goodwill is not amortized and is not deductible for tax purposes.

## **DEBT DISCOUNT AND DEBT ISSUANCE COSTS**

Debt discount is amortized over the term of the debt using the effective interest rate method. Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

## **DEFERRED REVENUE**

Deferred revenue represents amounts collected for any extended warranty that is separately priced. The Company recognizes revenue from extended warranty contracts using the straight-line method over the estimated life of the product which is three years.

## **REVENUE RECOGNITION**

Revenue is comprised of product sales and service revenue, net of sales returns, co-operative advertising credits, early payment discounts, and special incentive payments (“SPIFF”) paid to the VARs. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured.

Revenue from product sales is derived from the sale of projectors, interactive panels and related accessories. Evidence of an arrangement consists of an order from its distributors, resellers or end users. The Company considers delivery to have occurred once title and risk of loss has been transferred.

Service revenue is comprised of product installation services and training services. These service revenues are normally entered into at the time products are sold. Service prices are established depending on product equipment sold and include a cost value for the estimated services to be performed based on historical experience. The Company outsources installation and training services to third parties and recognizes revenue upon completion of the services.

The Company evaluates the criteria outlined in FASB ASC Subtopic 605-45, Principal Agent Considerations, in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as revenue. Generally, when the Company is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, revenue is recorded at the gross amount. If the Company is not primarily obligated and amounts earned are determined using a fixed percentage, a fixed-payment schedule, or a combination of the two, the Company generally records the net amounts as revenue earned.

The Company’s standard terms and conditions of sale do not allow for product returns and it generally does not allow product returns other than under warranty. However, the Company, on a case by case basis, will grant exceptions, mostly “buyer’s remorse” where the VAR’s end user customer either did not understand what they were ordering, or determined that the product did not meet their needs. An allowance for sales returns is estimated based on an analysis of historical trends.

While the Company uses resellers and distributors to sell its products, the Company’s sale agreements do not contain any special pricing incentives, right of return or other post shipment obligations.

Before Mimio was acquired by the Company, it generally provided 24 to 60 months of warranty coverage on all of its products. Mimio product’s standard warranty period is 24 months, which can be extended to 60 months upon the end user “registering” their device on-line. The Company’s warranty provides for repair or replacement of the associated products during the warranty period. The Company does not record warranty cost upon sale, and instead conducts a quarterly review of the warranty liability reserve, and based on historical cost-to-trailing revenue history, will adjust up or down the warranty liability, with the offset to this adjustment posted to cost of revenue.



After the acquisitions of Mimio, Genesis and Boxlight Group, the Company determined a new warranty policy to provide 12 to 36 months warranty coverage on projectors, displays, accessories, batteries and computers except when sold through a “Premier Education Partner” or sold to schools where the Company provides a 60 month warranty. The Company establishes a liability for estimated product warranty costs at the time product revenue is recognized, if the liability is expected to be material. The warranty obligation is affected by product failure rates and the related use of materials, labor costs and freight incurred in correcting any product failure. Should actual product failure rates, use of materials, or other costs differ from the Company’s estimates, additional warranty liabilities could be required, which would reduce its gross profit.

The Company offers sales incentives where the Company offers discounted products delivered by the Company to its resellers and distributors that are redeemable only if the resellers and distributors complete specified cumulative levels of revenue agreed to and written into their reseller and distributor agreements through an executed addendum. The resellers and distributors have to submit a request for the discounted products and cannot redeem additional discounts within 180 days from the date of the discount given on like products. The value of the award products as compared to the value of the transactions necessary to earn the award is generally insignificant in relation to the value of the transactions necessary to earn the award. The Company estimates and records the cost of the products related to the incentive as marketing expense based on analyses of historical data.

#### **RESEARCH AND DEVELOPMENT EXPENSES**

Research and development costs are expensed as incurred and consists primarily of personnel related costs, prototype and sample costs, design costs, and global product certifications mostly for wireless certifications.

#### **INCOME TAXES**

An asset and liability approach is used for financial accounting and reporting for income taxes. Deferred income taxes arise from temporary differences between income tax and financial reporting and principally relate to recognition of revenue and expenses in different periods for financial and tax accounting purposes and are measured using currently enacted tax rates and laws. In addition, a deferred tax asset can be generated by net operating loss carryforwards. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

#### **SHARE-BASED COMPENSATION**

The Company estimates the fair value of each share-based compensation award at the grant date by using the Black-Scholes option pricing model. The fair value determined represents the cost for the award and is recognized over the vesting period during which an employee is required to provide service in exchange for the award. As share-based compensation expense is recognized based on awards ultimately expected to vest. Excess tax benefits, if any, are recognized as an addition to paid-in capital.

#### **SUBSEQUENT EVENTS**

The Company has evaluated all transactions through the financial statement issuance date for subsequent event disclosure consideration.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606).” The new guidance provides new criteria for recognizing revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new guidance requires expanded disclosures to provide greater insight into both revenue that has been recognized and revenue that is expected to be recognized in the future from existing contracts. Quantitative and qualitative information will be provided about the significant judgments and changes in those judgments that management made to determine the revenue that is recorded. This accounting standard update, as amended, will be effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. Early adoption is permitted, but no earlier than fiscal 2017. The Company is currently assessing the provisions of the guidance and has not determined the impact of the adoption of this guidance on its consolidated financial statements.

In August 2014, the FASB issued ACU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new standard requires management to assess the company's ability to continue as a going concern. Disclosures are required if there is substantial doubt as to the company's continuation as a going concern within one year after the issue date of financial statements. The standard provides guidance for making the assessment, including consideration of management's plans which may alleviate doubt regarding the Company's ability to continue as a going concern. ASU 2014-15 is effective for years ending after December 15, 2016. The Company adopted this standard for the year ending December 31, 2016. There was no significant impact in the financial results.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The ASU was effective for annual periods beginning after December 15, 2015. The Company adopted this guidance 2016. There was no significant impact in the financial results.

In February 2016, a pronouncement was issued that creates new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early application permitted. The new standard is to be applied using a modified retrospective approach. The Company is currently evaluating the impact of the new pronouncement on its financial statements.

In April 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation" (topic 718). The FASB issued this update to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The updated guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company adopted this guidance for the year ending December 31, 2017. There was no significant impact in the financial results.

There were various other accounting standards and interpretations issued recently, none of which are expected to have a material impact on our financial position, operations or cash flows.

## **NOTE 2 – GOING CONCERN**

These financial statements have been prepared on a going concern basis, which assumes the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to repay its debt obligation currently in default or negotiate alternative repayment arrangements, to obtain necessary equity financing to continue operations, and the attainment of profitable operations. As of December 31, 2017, the Company had an accumulated deficit of \$12,785,931 and net working capital of \$744,329. During the year ended December 31, 2017, the Company incurred a net loss of \$7,297,109 and net cash used in operations was \$1,343,382. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company is seeking to obtain funds for operations from its initial public offering and support from its majority shareholder.

## **NOTE 3 – ACQUISITIONS**

### ***Acquisition of Mimio***

Effective April 1, 2016, pursuant to a membership interest purchase agreement, the Company acquired 100% of the membership interest in Mimio from Mim Holdings. As consideration, the Company issued a \$2,000,000 unsecured convertible promissory note (the "Marlborough Note") to Marlborough Trust. See Note 13.

Additionally, the Company assumed from Mim Holdings a \$3,425,000 senior secured note (the "Skyview Note") that is payable to Skyview Capital, LLC, ("Skyview"), the former equity owner of Mimio and interest accrued on the note. The Skyview Note was issued by Mim Holdings to Skyview on November 4, 2015 as payment for the acquisition of 100% of the membership equity of Mimio. See Note 10.

The Company's financial statements include Mimio's assets and liabilities at the historical cost of Mim Holdings. Mimio was acquired by Mim Holdings on November 4, 2015. Mim Holdings accounts for acquired businesses using the acquisition method of accounting, which requires, among other things, that most assets acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired is recorded as goodwill.

The following table shows the purchase price, acquisition-date fair values of the assets acquired and liabilities assumed and calculation of goodwill utilizing the information at November 4, 2015, when Mim Holdings acquired Mimio. Subsequently on April 1, 2016, the Company acquired Mimio from Mim Holdings in a transaction between entities under common control. Accordingly, the purchase price allocation reflects the fair value as of the date acquired by Mim Holdings. Upon acquisition by the Company, these amounts were recorded on the historical cost basis of Mim Holdings.

<b>Assets acquired:</b>	
Current assets	\$ 6,677,842
Intangible assets	179,722
Goodwill	44,931
<b>Total assets</b>	<b>6,902,495</b>
Total liabilities	(3,477,495)
<b>Net assets acquired</b>	<b>\$ 3,425,000</b>

#### ***Acquisition of Genesis***

On May 12, 2016, Vert Capital contributed 100% of the membership interests in Genesis to the Company. In connection with the Company's acquisition of Genesis, the former members of Genesis received 1,000,000 shares of the Company's Series B Preferred Stock which automatically converted into 370,040 shares that represent 4.0% of the Company's fully diluted common stock as defined in the agreement at the IPO date. Upon completion of the Company's initial public offering, an aggregate of 250,000 shares of the Company's non-voting convertible Series A preferred stock were issued to Vert Capital. Such 250,000 shares of the Company's non-voting convertible Series A preferred stock will automatically convert into 398,406 shares of our Class A common stock on November 30, 2018, which is one year from the date of the Company's initial public offering.

#### ***Common Control Transactions***

The acquisitions of Mimio and Genesis were considered as transfers of businesses between entities under common control; and therefore, the assets acquired and liabilities assumed were transferred at historical cost of Vert Capital. Because the acquisitions were common control transactions in which the Company acquired businesses, the Company's historical financial statements have been retrospectively adjusted to reflect the results of operations, financial position, and cash flows of Mimio and Genesis as if the Company owned Mimio and Genesis for all periods presented from the date Mimio, Genesis and the Company were under common control, which was November 4, 2015 and October 31, 2013, respectively.

#### ***Acquisition of Boxlight Group***

On July 18, 2016, the Company acquired 100% of the equity interest of Boxlight Group, under the terms of a Share Purchase Agreement entered into on May 10, 2016 with Everest Display, Inc. ("EDI"). Under the terms of the share purchase agreement, Boxlight Holdings, Inc., a newly formed Delaware subsidiary of Boxlight Corporation acquired the equity of Boxlight Group. The Company issued to EDI 270,000 shares of Series C Preferred Stock, that has a stated or liquidation value of \$20.00 per share. Upon completion of Boxlight Corporation's IPO and the listing of its Class A common stock on the Nasdaq Capital Market, the Series C Preferred Stock was automatically converted into 2,055,873 shares of Class A common stock. Such converted shares of Class A common stock issued to EDI or its subsidiaries represented approximately 22.22% of Boxlight Corporation's fully-diluted common stock upon the Company's IPO, excluding shares issued for private placements and debt conversions.

Under the terms of the share purchase agreement, as amended on September 28, 2016, Boxlight Corporation agreed to pay EDI approximately \$5.75 million of accrued accounts payable owed by Boxlight Group to EDI at September 28, 2016, in the manner set forth below.

- (1) \$1,000,000 was paid at the closing of the acquisition out of the net proceeds of a note issued to Hitachi Capital America Corp. (See Note 10);
- (2) An additional \$1,500,000 of the \$5.75 million owed to EDI was to be paid by Boxlight Corporation and its subsidiaries in six monthly installments of \$250,000 each, commencing 30 days after the initial \$1,000,000 payment paid at closing. However, in view of the fact that such installment payments could not then be made by the Company, EDI agreed to convert \$1,500,000 accounts payable into 238,095 shares of Boxlight's Class A common stock in June 2017.
- (3) \$2,000,000 of the unpaid balance of the account payable was settled with a 4% non-negotiable convertible promissory note of Boxlight Corporation payable to EDI, together with accrued interest, on March 31, 2019 (the "EDI Note"). In August 2017, the EDI Note was converted into 327,027 shares of Boxlight Corporation's Class A common stock at a conversion price of \$6.30 pursuant to an agreement. The Company recorded no gain or loss from the conversion.

On the acquisition date, the Company recognized the assets acquired and liabilities assumed from Boxlight Group at their fair value and the excess in purchase price over these values was allocated to goodwill. The estimated fair values of consideration paid, assets acquired and liabilities assumed were determined based on third-party valuation reports provided by specialists.

The following table shows the purchase price, estimated acquisition-date fair values of the assets acquired and liabilities assumed and calculation of goodwill for Boxlight Group utilizing the information at acquisition date.

Assets acquired:	
Current assets	\$ 5,737,836
Property and equipment	65,866
Intangible assets	7,000,000
Other assets	514,696
Goodwill	4,137,060
Total assets acquired	<u>17,455,458</u>
Total liabilities assumed	<u>(9,212,161)</u>
Net assets acquired	<u>\$ 8,243,297</u>
Consideration paid:	
Issuance of 270,000 shares of Series C preferred stock	\$ 8,828,353
Preexisting net payable to Boxlight Group	<u>(585,056)</u>
Total	<u>\$ 8,243,297</u>

The Company valued the Series C Preferred shares issued to EDI based on an entity value of the Company of approximately \$39,700,000 and 270,000 shares of the Series C Preferred Stock represents approximately 22.22% of ownership of the Company.

**Unaudited Pro Forma Results Of Operation**

The following table presents the unaudited condensed pro forma results of operations that reflect the acquisition of Boxlight Group as if the acquisition had occurred as of the first day of the period presented, adjusted for items that are directly attributable to the acquisition. This information has been compiled from historical financial statements and is not necessarily indicative of the results that actually would have been achieved had the transaction already occurred or that may be achieved in the future.

(in thousands)	<b>For the year ended December 31, 2016</b>
Revenues	\$ 25,391
Cost of revenues	(16,809)
Operating expenses	(11,240)
Other incomes (expenses)	(1,036)
Income tax expense	-
Net loss	<u>\$ (3,694)</u>
Net loss per common share	<u>\$ (0.86)</u>
Weighted average outstanding common shares – basic and diluted	<u>4,299,315</u>

The pro forma combined results of operations were adjusted to include Boxlight Group’s operating results for the period from January 1, 2016 to July 18, 2016 since Boxlight Group was acquired by the Company on July 18, 2016. In addition, the pro forma results of operations were adjusted for the following expenses:

(in thousands)	<b>For the year ended December 31, 2016</b>
Record amortization expense of intangible assets acquired from Boxlight Group	\$ 385

The Company issued 270,000 shares of Series C preferred stock to the previous owners of Boxlight Group. These shares were automatically converted into Class A common stock upon completion of the Company’s IPO and listing on NASDAQ in November 2017.

**NOTE 4 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents held by the Company at December 31, 2017 and December 31, 2016 are summarized as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
U.S. Dollars	\$ 2,007,423	\$ 450,549
Mexican Pesos	2,902	5,953
Total	<u>\$ 2,010,325</u>	<u>\$ 456,502</u>

**NOTE 5 – ACCOUNTS RECEIVABLE - TRADE**

Accounts receivable consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounts receivable - trade	\$ 3,846,724	\$ 3,562,832
Allowance for doubtful accounts	(200,874)	(453,059)
Allowance for sales returns and volume rebates	(555,918)	(165,819)
Accounts receivable - trade, net of allowances	<u>\$ 3,089,932</u>	<u>\$ 2,943,954</u>

The Company wrote off accounts receivable of \$163,402 and \$55,929 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 6 – INVENTORIES**

Inventories consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Finished goods	\$ 4,611,973	\$ 4,102,621
Spare parts	187,158	183,357
Reserves for inventory obsolescence	(172,562)	(121,862)
Inventories, net	<u>\$ 4,626,569</u>	<u>\$ 4,164,116</u>

The Company wrote off inventories of \$83,500 and \$326,984 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 7 – PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Prepayments to vendors	\$ 295,448	\$ 351,408
Employee receivables	6,203	3,571
Prepaid local taxes	1,015	16,385
Prepaid and refundable income taxes	33,435	30,879
Prepaid licenses and other	51,905	44,793
Prepaid expenses and other current assets	<u>\$ 388,006</u>	<u>\$ 447,036</u>

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2017 and 2016:

	<u>Useful lives</u>	<u>2017</u>	<u>2016</u>
Leasehold improvements	9-10 years	\$ 3,355	\$ 3,355
Office equipment	3-5 years	21,341	21,341
Other equipment	5 years	<u>42,485</u>	<u>42,485</u>
Property and equipment, at cost		67,181	67,181
Accumulated depreciation		<u>(37,429)</u>	<u>(7,141)</u>
Property and equipment, net of accumulated depreciation		<u>\$ 29,752</u>	<u>\$ 60,040</u>

For the year ended December 31, 2017 and 2016, the Company recorded depreciation expense of \$30,288 and \$7,141, respectively.

**NOTE 9 – INTANGIBLE ASSETS AND GOODWILL**

Intangible assets and goodwill consisted of the following at December 31, 2017 and 2016:

	<u>Useful lives</u>	<u>2017</u>	<u>2016</u>
Patents	10 years	\$ 67,395	\$ 67,395
Customer relationships	10 years	3,567,396	3,567,396
Trademarks	10 years	<u>3,554,932</u>	<u>3,544,931</u>
Intangible assets, at cost		7,189,723	7,179,722
Accumulated amortization		<u>(1,063,165)</u>	<u>(346,245)</u>
Intangible assets, net of accumulated amortization		<u>\$ 6,126,558</u>	<u>\$ 6,833,477</u>
Goodwill from acquisition of Mimio	N/A	\$ 44,931	\$ 44,931
Goodwill from acquisition of Boxlight	N/A	<u>4,137,060</u>	<u>4,137,060</u>
		<u>\$ 4,181,991</u>	<u>\$ 4,181,991</u>

For the year ended December 31, 2017 and 2016, the Company recorded amortization expense of \$716,920 and \$346,245, respectively.

**NOTE 10 – DEBT**

The following is debt at December 31, 2017 and 2016:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Short-term debt – third parties</b>		
Note payable – Skyview	\$ -	\$ 1,460,508
Note payable – AHA	250,000	610,783
Line of credit – Crestmark Bank	-	720,291
Accounts receivable financing – Sallyport Commercial	502,449	-
Total short-term debt –third parties	<u>752,449</u>	<u>2,791,582</u>
<b>Short-term debt – related parties</b>		
Line of credit – Vert Capital	-	822,550
Note payable – Logical Choice Corporation - Delaware	54,000	54,000
Total short-term debt –related parties	<u>54,000</u>	<u>876,550</u>
<b>Convertible debt – related party</b>		
Convertible note payable – Mark Elliott	<u>50,000</u>	<u>50,000</u>
<b>Long-term debt – related parties</b>		
Note payable – Marlborough Trust	-	2,040,183
Note payable - EDI	-	2,020,602
Total notes payable – related parties	<u>-</u>	<u>4,060,785</u>
Less: current portion	-	-
Total long-term notes payable	<u>-</u>	<u>4,060,785</u>
<b>Total debt</b>	<b>\$ <u>856,449</u></b>	<b>\$ <u>7,778,917</u></b>

**Short-Term Debt - Third Parties:***Line of Credit – Sy Silverstein*

On April 3, 2015, the Company entered into a line of credit agreement with Sy Silverstein, an individual. Pursuant to the agreement, the Company obtained the line of credit for up to a maximum of \$300,000 to complete its initial public offering (“IPO”) process. The Company borrowed \$100,000 under the agreement. The advances from this agreement accrue interest at 12% per annum, along with a \$10,000 documentation fee, and was due on the effective date of the Company’s IPO. The \$10,000 documentation fee was recorded as debt discount.

On October 4, 2016, Mr. Silverstein agreed to settle the outstanding principal of \$100,000 and accrued interest of \$15,919 with 109,915 shares of the Company’s Class A common stock. These shares were valued at \$115,919 based on the Company’s most recent trading price of the Class A common stock on the settlement date.

*Skyview Note*

On April 1, 2016, the Company assumed from Mim Holdings a \$3,425,000 senior secured note that was payable to Skyview Capital, the former equity owner of Mimio for the acquisition of Mimio. The Skyview Note accrued interest at 6% per annum and was due on July 3, 2016. The Skyview Note is secured by a lien and security interest on all of the assets of Mimio, subordinating to the Crestmark line of credit, and guaranteed by Vert Capital and VC2 Partners.

On July 5, 2016 and August 3, 2016, the Skyview Note was amended. On July 5, 2016, principal was increased to \$3,660,508 to settle \$235,508 of accounts payable owed by Mimio to Skyview’s affiliate. On August 3, 2016, the principal of the note was increased to \$4,010,508 to include an additional fee of \$350,000 to extend the maturity date to December 15, 2016. The Company recorded the \$350,000 extension fee to interest expense. Additionally, the Company agreed to pay \$2,500,000 of the note on the earlier of (1) September 30, 2016 or (2) the date the Company obtained a new debt facility. The Company made the \$2,500,000 payment on September 29, 2016 with the proceeds from a line of credit with Crestmark Bank. The remaining outstanding balance together with any unpaid accrued interest was due and unpaid on December 15, 2016. On December 28, 2016, the Company received a Notice of Default from Skyview because the Company failed to make a \$1,460,508 payment on December 15, 2016. On June 1, 2017, we were served with a lawsuit from Skyview seeking judgment on the \$1,460,508 outstanding balance due under the defaulted Skyview Note, plus accrued interest thereon, and also seeking to foreclose on the assets of Mimio that is now owned and operated by our Boxlight, Inc.



On September 11, 2017, the outstanding principal and accrued interest were settled in full with funds from the Sallyport Commercial Finance, LLC line of credit. As of December 31, 2016, outstanding principal and accrued interest for the Skyview Note were \$1,460,508 and \$1,905, respectively.

#### *AHA Note*

On June 3, 2016, prior to the Company's acquisition, Boxlight Group issued a promissory note to AHA Inc. Co Ltd. ("AHA"), a Korean corporation, in the amount of \$1,895,413 to settle unpaid accounts payable of \$1,866,418 for purchases of inventory. Interest shall be payable in the amount of 6.5% per annum. The principal was due and payable in eight equal monthly principal payments in the amount of \$236,926 beginning on June 30, 2016. Interest was to be paid in consecutive monthly installments for eight months.

On November 29, 2017, the outstanding principal and interest were reduced to \$500,000 related to a settlement agreement reached with AHA, resulting in a gain on settlement of \$304,913. Pursuant to the settlement agreement, the Company was required to pay \$250,000 in or before December 2017 and the remaining principal is due in six equal monthly payment of \$41,667 commencing January 2018. The balance on the note payable to AHA was \$250,000 and \$610,783 at December 31, 2017 and 2016, respectively. The Company have made monthly payments in 2018 pursuant to the schedule.

#### *Loan and Security Agreement – Hitachi Capital America Corp.*

Effective July 6, 2016, the Company entered into a loan and security agreement with Hitachi Capital America Corp. ("Hitachi"). The agreement allowed the Company to borrow up to \$2,500,000 based on the balance of eligible accounts receivable and inventory at an interest rate equal to 1.75% in excess of the prime rate. The loan was due and payable on demand. Under the terms of the Hitachi loan agreement, the Company applied \$1,000,000 of the initial funding to pay EDI \$1,000,000 in reduction of Boxlight Group's outstanding accounts payable. The Hitachi loan was secured by all assets of Boxlight Inc. and guaranteed by Boxlight Parent. The outstanding amount payable to Hitachi was paid in full on September 29, 2016, out of the proceeds of the line of credit financing received from Crestmark Bank. In connection with the agreement with Hitachi, the Company paid \$18,000 of loan fees which was included in interest expense.

#### *Line of Credit – Crestmark Bank*

On September 21, 2016, the Company entered into a \$5,000,000 line of credit agreement with Crestmark Bank. Advances against this agreement accrued interest at 2.25% in excess of prime rate, with a minimum rate of 5.75% per annum. The outstanding balance under this agreement was secured by all assets of the Company and its subsidiaries and was due and payable upon demand.

As of December 31, 2016, outstanding principal and accrued interest were \$720,291 and \$0, respectively. \$61,000 of loan fees related to the agreement with Crestmark Bank was included in interest expense.

On January 12, 2017, the Company received a default notice from Crestmark Bank due to the Notice of Default received from Skyview Capital and not meeting the tangible net worth covenant requirement. On February 2, 2017, the Company satisfied in full all obligations due to Crestmark and received a general release from all indebtedness.

### *Accounts Receivable Financing – Sallyport Commercial Finance*

On August 15, 2017, Boxlight Inc, and Genesis entered into a 12-month term account sale and purchase agreement with Sallyport Commercial Finance, LLC (“Sallyport”). Pursuant to the agreement, Sallyport agreed to purchase 85% of the eligible accounts receivable of the Company with right of recourse back to the Company if the receivables are not collectible. This agreement requires a minimum monthly draw of \$1,250,000 with a maximum facility limit of \$6,000,000. Advances against this agreement accrue interest at 4% in excess of highest prime rate publicly announced from time to time with a floor of 4.25%. In addition, the Company is required to pay a \$950 audit fee per day. The Company granted Sallyport a security interest to all of Boxlight Inc. and Genesis’s assets.

As of December 31, 2017, outstanding principal and accrued interest were \$502,449 and \$0, respectively. For the year ended December 31, 2017, the Company incurred interest expense and loan fees of \$220,607.

### **Short-Term Debt - Related Parties:**

#### *Line of Credit - Vert Capital*

On September 30, 2014, the Company entered into a line of credit agreement with Vert Capital. Pursuant to the agreement as amended, the Company obtained a line of credit from Vert Capital up to a maximum of \$900,000 to complete its IPO process. The funds originally accrued interest at 10% per annum. Pursuant to an amendment to the purchase agreement with EDI entered in September 2016, the funds began to accrue interest at 5.75% per annum. The advance was due on the effective date of the Company’s IPO. In connection with this agreement, the Company granted Vert Capital a security interest to all of its assets and properties, subordinated to Sallyport’s accounts receivable financing. The outstanding principle and accrued interest payable to Vert Capital of \$775,259 was paid in full on December 1, 2017 out of the proceeds of the initial public offering. As of December 31, 2016, outstanding principal and accrued interest under this agreement were \$822,550 and \$115,319 respectively.

#### *Line of Credit - Logical Choice Corporation-Delaware*

On May 21, 2014, the Company entered into a line of credit agreement with Logical Choice Corporation-Delaware (“LCC-Delaware”), former sole member of Genesis. The line of credit allowed the Company to borrow up to \$500,000 for working capital and business expansion. The funds when borrowed accrued interest at 10% per annum. Interest accrued on any advanced funds was due monthly and the outstanding principal and any accrued interest were due in full on May 21, 2015. In May 2016, the maturity date was extended to May 21, 2018. The assets of Genesis have been pledged as a security interest against any advances on the line of credit. As of December 31, 2017, outstanding principal and accrued interest under this agreement was \$54,000 and \$15,916, respectively. As of December 31, 2016, outstanding principal and accrued interest under this agreement was \$54,000 and \$10,516, respectively.

On September 30, 2014, the Company entered into a line of credit agreement with LCC-Delaware. Pursuant to the agreement, the Company obtained an additional line of credit from LCC-Delaware up to a maximum of \$500,000 for a term of 3 years. The advances from this agreement accrue interest at 10% per annum and was due on demand. In connection with this agreement, the Company granted LCC-Delaware a second lien and security interest to all of its assets and properties, subordinated to the line of credit from Vert Capital. Pursuant to an amendment to the purchase agreement with EDI entered in September 2016, LCC - Delaware forgave the entire payable balance of \$185,129 and interest of \$37,241 owed by the Company. The forgiveness of the debt total of \$222,370 was recorded as additional paid in capital.

### **Convertible Notes Payable - Third Parties:**

#### *Convertible Note Payable – Mark Elliott*

On January 16, 2015, the Company issued a note to Mark Elliott, the Company’s Chief Executive Officer, in the amount of \$50,000. The note is due on December 31, 2018 as amended and bears interest at an annual rate of 10%, compounded monthly. The note is currently in default and bears a 15% default rate. The note is convertible to the Company’s common stock at the lesser of (i) \$6.28 per share, (ii) a discount of 20% to the stock price if the Company’s common stock is publicly traded, or (iii) if applicable, such other amount negotiated by the Company. The note holder may convert all, but not less than all, of the outstanding principal and interest due under this note upon the conversion date. As of December 31, 2017, outstanding principal and accrued interest under this agreement were \$50,000 and \$14,808, respectively. As of December 31, 2016, outstanding principal and accrued interest under this agreement were \$50,000 and \$9,809, respectively.

#### *Convertible Note Payable – James Lofgren*

On August 19, 2015, the Company issued a convertible promissory note to James Lofgren, spouse of Sheri Lofgren, the Company’s Chief Financial Officer, in the amount of \$45,000. The note was due on April 30, 2016 and bears interest at an annual rate of 13%, compounded monthly. Mr. Lofgren may convert all, but not less than all, of the outstanding principal and interest due under this note into the Company’s Class A common stock, at the lesser of (i) \$6.28 per share or (ii) a discount of 20% to the trading price if the Company’s common stock is then publicly traded. The outstanding balance under this note was fully repaid on March 31, 2016.

## Long-Term Debt - Related Parties:

### *Marlborough Note Payable*

On April 1, 2016, the Company issued a \$2,000,000 unsecured convertible promissory note to Marlborough Trust for the acquisition of Mimio. The Marlborough Note is convertible by the holder into the Company's Class A common stock at a per share conversion price equal to 55% of the initial offering price. The Marlborough note bears a one-time simple interest charge of 8% and was due on March 31, 2019.

On June 27, 2017, the Marlborough Trust entered into a note conversion agreement with Boxlight Parent under which the Marlborough Trust agreed, upon the effective date of the Company's post-effective amendment to the Company's registration statement on Form S-1, to convert 100% of the \$2,000,000 Marlborough Note and \$79,853 of accrued interest into shares of our Class A common stock at a conversion price of \$6.30 per share, a total of 330,135 shares upon conversion. The effective date was August 29, 2017 at which time the outstanding note and accrued interest were converted into 330,135 shares.

As of December 31, 2016, outstanding principal and long-term accrued interest for the Marlborough Note were \$2,000,000 and \$40,183, respectively.

### *EDI Note Payable*

On September 28, 2016, the Company entered into an amendment with EDI for the acquisition of Boxlight Group. The Company agreed to issue a \$2,000,000 non-negotiable convertible promissory note (the "EDI Note") to settle the unpaid balance of the accounts payable owed by Boxlight Group to EDI. The note bears a one-time simple interest charge of 4% and all principal and accrued interest was due on March 31, 2019.

On May 11, 2017, the Company issued a \$2,000,000 unsecured convertible promissory note to EDI replacing the 4% non-negotiable convertible promissory note of \$2,000,000 issued at September 28, 2016. The new EDI Note was convertible into the Company's Class A common stock at a per share conversion price equal to 55% of the initial offering price. The new note bears a one-time simple interest charge of 4% and was due on March 31, 2019.

On June 27, 2017, EDI entered into a note conversion agreement with the Company under which EDI agreed, upon the effective date of the Company's post-effective amendment to the Company's registration statement on Form S-1, to convert 100% of the \$2,000,000 convertible promissory note and \$60,274 of accrued interest into shares of our Class A common stock at a conversion price of \$6.30 per share, a total of 327,027 shares upon conversion. The effective date was August 29, 2017, at which time the outstanding note and accrued interest were converted into 327,027 shares.

As of December 31, 2016, outstanding principal and long-term accrued interest for EDI Note were \$2,000,000 and \$20,602, respectively.

#### NOTE 11 – DEFERRED REVENUE

On July 18, 2016, upon the acquisition of Boxlight Group, the Company assumed a \$761,622 future performance obligation for separately priced extended warranties sold by Boxlight Group based on preliminary measurement of the assets acquired and liabilities assumed.

Deferred revenue consisted of the following as of December 31, 2017 and 2016:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Balance, beginning of year	\$ 767,726	\$ -
Assumed from Boxlight Group	-	761,622
Additions	1,070,528	259,744
Amortization	(535,537)	(253,640)
Balance, ending of year	<u>1,302,717</u>	<u>767,726</u>
Deferred revenue – short-term	<u>1,127,423</u>	<u>495,603</u>
Deferred revenue – long-term	<u>\$ 175,294</u>	<u>\$ 272,123</u>

#### NOTE 12 – INCOME TAXES

The Company operates in the United States and Mexico. Income taxes have been provided based upon the tax laws and rates of the countries in which operations are conducted and income is earned. The Company idled its office in Mexico in 2016. For the years ended December 31, 2017 and 2016, the Company has incurred net losses and, therefore, has no tax liability. The cumulative net operating loss carry-forward on tax basis was approximately \$7.6 and \$4.7 million at December 31, 2017 and 2016, respectively. The value of these carryforwards depends on the Company's ability to generate taxable income. A change in ownership, as defined by federal income tax regulations, could significantly limit the Company's ability to utilize our net operating loss carryforwards. Additionally, because federal tax laws limit the time during which the net operating loss carryforwards may be applied against future taxes, if the Company fails to generate taxable income prior to the expiration dates the Company may not be able to fully utilize the net operating loss carryforwards to reduce future income taxes. The Company has cumulative losses and there is no assurance of future taxable income, therefore, valuation allowances have been recorded to fully offset the deferred tax asset at December 31, 2017 and 2016.

The Company is subject to United States federal income taxes. The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows (rounded to nearest \$000):

	<u>2017</u>	<u>2016</u>
Income tax benefit computed at the statutory rate	\$ 2,554,000	\$ 722,000
Stock compensation	(1,484,000)	(163,000)
Non-deductible expenses	(21,000)	(25,000)
Depreciation and amortization expenses	(9,000)	(4,000)
Bad debt expense	(31,000)	(146,000)
Others	12,000	144,000
Effect of U.S. tax law change	(1,108,000)	-
Change in valuation allowance	<u>87,000</u>	<u>(528,000)</u>
Provision for income taxes	<u>\$ -</u>	<u>\$ -</u>

On December 22, 2017, new federal tax reform legislation was enacted in the United States (the "2017 Tax Act"), resulting in significant changes from previous tax law. The 2017 Tax Act reduces the federal corporate income tax rate to 21% from 35% effective January 1, 2018. The rate change, along with certain immaterial changes in tax basis resulting from the 2017 Tax Act, resulted in a reduction of the Company's deferred tax assets of approximately \$1.1 million and a corresponding reduction in the valuation allowance.

Significant components of the Company's deferred tax assets after applying enacted corporate income tax rates are as follows (rounded to nearest \$000):

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Depreciation and amortization expenses	\$ 8,000	\$ 4,000
Bad debt expense	106,000	146,000
Others	-	12,000
Net loss carrying forward	1,589,000	1,628,000
Valuation allowance	<u>(1,703,000)</u>	<u>(1,790,000)</u>
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

The tax years from 2014 to 2017 remain open to examination by the major taxing jurisdictions to which the Company is subject.

#### NOTE 13 – EQUITY

##### *Preferred Shares*

The Company's articles of incorporation provide that the Company is authorized to issue 50,000,000 preferred shares consisting of: 1) 250,000 shares of

voting Series A preferred stock, with a par value of \$0.0001 per share; 2) 1,200,000 shares of voting Series B preferred stock, with a par value of \$0.0001 per share; 3) 270,000 shares of voting Series C preferred stock, with a par value of \$0.0001 per share; and 4) 48,280,000 shares to be designated by the Company's Board of Directors.

As of December 31, 2016, the Company had issued 1,000,000 shares of Series B Preferred Stock for the acquisition of Genesis and 270,000 shares of Series C Preferred Stock for the acquisition of Boxlight Group. Upon the completion of IPO in November 2017, all of the shares of Series B and C Preferred stock related to the acquisitions of Genesis and Boxlight Group were converted to Class A common stock.

Upon completion of the Company's initial public offering, an aggregate of 250,000 shares of the Company's non-voting convertible Series A preferred stock were issued to Vert Capital for the acquisition of Genesis. All of the Series A Preferred Stock shall be automatically converted into Class A common stock not later than November 30, 2018.

### *Common Shares*

In January 2015, the Company amended its articles of incorporation to state that the Company's common shares consist of: 1) 150,000,000 shares of Class A voting common stock and 2) 50,000,000 shares of Class B non-voting common stock. Class A and Class B common stock have the same rights except that Class A common stock is entitled to one vote per share while Class B common stock has no voting rights. Upon any public or private sale or disposition by any holder of Class B common stock, such shares of Class B common stock shall automatically convert into shares of Class A common stock. As of December 31, 2017 and 2016, the Company had 9,558,997 and 4,621,687 shares of Class A common stock issued and outstanding, respectively. No class B shares were outstanding at December 31, 2017 and 2016.

## **Issuances in 2017:**

### ***Issuance of common stock in connection with IPO***

In November 2017, the Company completed its initial public offering and issued 958,983 and 41,017 shares of Class A common stock at \$7.00 per share for net proceeds of \$5,678,609 and conversion of accounts payable to a third party of \$287,119, respectively.

In November 2017, the Company issued 370,040 shares of Class A common stock for the conversion of 1,000,000 shares of Series B preferred stock in relation to the Genesis acquisition.

In November 2017, the Company issued 2,055,873 shares of Class A common stock for the conversion of 270,000 shares of Series C preferred stock in relation to the Boxlight Group acquisition.

### ***Issuance of common stock for directors compensation***

In March 2015, and as amended on February 26, 2016, the Company entered into agreements with two new Board members. In consideration of their agreement to serve on the Company's Board, the Company agreed to sell a number of common shares equal to 0.5% and 1.25%, respectively, of the Company's fully-diluted common shares to these members on IPO. Upon completion of the IPO, the two members were issued 186,000 shares in total at a purchase price of \$0.0001 per share. The Company recognized stock compensation expense of \$1,302,000 on the grant date. Additionally, one of the directors receives a fee payable in cash of \$50,000 per annum, which commenced on February 26, 2016.

### ***Settlement of trademark liability***

On April 16, 2009, Boxlight Inc. entered into a trademark license agreement with Herbert H. Myers whereby Boxlight Inc. agreed to pay Mr. Myers 15% of the quarterly net income of Boxlight Inc. This payment shall continue until \$1,250,000 is paid, upon which, the license fee shall drop to 10%. Upon reaching the aggregate sum of \$2,500,000 or 10 years of licensing, whichever comes first, the trademark will be sold to Boxlight Inc. for \$1. Through the period ended December 31, 2014, Boxlight Inc. paid \$32,580 related to this agreement.

In October 2014, Boxlight Inc. entered into an amendment to the trademark license agreement with Mr. Myers, whereby Mr. Myers agreed to sell the trademark for \$250,000. Payment would be made through the issuance of shares of Boxlight Corporation by dividing \$250,000 by the initial price per share of shares of Boxlight Corporation's common stock sold in the initial public offering of Boxlight Corporation. In 2014, the Company issued 39,841 shares to Mr. Myers as security deposit. The Company completed its IPO in November 2017 at \$7.00 per share. Total shares issued to Mr. Myers had a value of \$278,887 on the IPO date. Mr. Myers confirmed the trademark liability was settled but would not return the additional 4,127 shares issued to him. The Company therefore recorded a loss from settlement of \$28,887.

### ***Issuance of common stock in connection with Loeb & Loeb agreement***

On December 16, 2015, and as amended in April and November 2017, the Company agreed to pay Loeb & Loeb ("Loeb") for legal services rendered in connection with the Company's IPO for \$900,000. Pursuant to the amendment agreement, upon closing the IPO, the Company made a cash payment to Loeb of \$400,000 and issued 138,692 restricted shares of Class A common stock. Commencing with the first month after the closing of the IPO, the Company shall make six monthly cash payments to Loeb each in the amount of \$47,500 no later than the fifth day of each month for a total amount of \$285,000. Upon receipt of the total payment of \$285,000, Loeb will return 82,059 shares to the Company. No later than 12 months after the closing of IPO, the Company shall pay the remaining balance of \$215,000. Upon receipt of the final payment of \$215,000, Loeb will return 33,517 shares to the Company. Loeb will continue to beneficially own 23,116 shares of our Class A common stock. At December 31, 2017, the Company had paid \$400,000 and had a remaining payable of \$500,000.

### ***Issuances of common stock for settlement of accounts payable and debt***

In June 2017, EDI agreed to convert \$1,500,000 of accounts payable into 238,095 shares of Class A common stock at a conversion price of \$6.30 per share. No gain or loss was recorded on the conversion.

In August 2017, EDI and Marlborough converted long-term convertible notes payable and accrued interest of \$4,140,127 in total into 657,162 shares of Class A common stock at a conversion price of \$6.30 per share. See Note 10. No gain or loss was recorded on the conversion.

### ***Exercise of stock options***

In 2017, the Company issued 291,402 shares of Class A common stock upon exercise of employee's options for net cash proceeds of \$29.

## **Issuances in 2016:**

### ***Issuances of common stock to K-Laser for cash***

On September 28, 2016, pursuant to an amended agreement with EDI, K Laser, the principal stockholder of EDI, purchased 178,572 shares of Class A common stock at \$5.60 per share for cash of \$1,000,003. The Company agreed to use \$650,000 of the proceeds to retire a separate obligation owed by Boxlight Inc. to EDI.

### ***Issuances of common stock for cash***

In September 2016, the Company issued 18,014 shares of Class A common stock at \$1.055 per share for cash of \$19,000. As of December 31, 2016, the Company had received cash of \$18,900 and had subscriptions receivable of \$100.

In November 2016, the Company issued 33,865 shares of Class A common stock at \$5.906 per share for cash of \$200,004.

*Issuances of common stock for settlement of accounts payable and debt*

In October and September 2016, the Company issued an aggregate of 94,735 shares at \$1.055 per share to settle accounts payable of \$99,910 (including \$77,268 of accrued commission payable to Mark Elliott, the Company's CEO).

In October 2016, the Company issued 3,556 shares of Class A common stock to a third party at \$5.906 per share to settle accounts payable of \$21,000.

In October 2016, the Company issued 109,915 shares of Class A common stock at \$1.055 per share to settle \$100,000 of the outstanding principal short-term debt and \$15,919 of accrued interest.

### *Distribution to Vert Capital*

During the first quarter of 2016, Mimio was under the control of Vert Capital. It distributed cash of \$814,625 to Vert Capital for payments of the Skyview Note prior to the acquisition by the Company.

### *Stock Splits*

In December 2016, the Company completed a stock split of 0.948207171 for 1 of its Class A common stock increasing its outstanding Class A common stock to 4,621,687 shares. All share numbers or per share information presented give effect to the stock splits.

### **NOTE 14 – SHARE-BASED COMPENSATION**

On September 19, 2014, the Board approved the Company's 2014 Stock Option Plan. The total number of underlying shares of the Company's Class A common stock available for grant to directors, officers, key employees, and consultants of the Company or a subsidiary of the Company under the plan is 2,390,438 shares. Grants made under this plan must be approved by the Company's Board of Directors. As of December 31, 2017, the Company had 1,577,864 shares reserved for issuance under the plan. In 2018, the Board of Director approved to increase shares available for grant by 300,000 shares to 2,690,438 shares. The increase is not finalized and subject to shareholders' approvals.

### *Stock Options*

Under our stock option program, an employee receives an award that provides the opportunity in the future to purchase the Company's shares at the market price of our stock on the date the award is granted (strike price). The options become exercisable over a range of immediate to 4 year vesting period and expire 5 years from the grant date, unless stated differently in the option agreements, if they are not exercised. Stock options have no financial statement effect on the date they are granted but rather are reflected over time through recording compensation expense and increasing shareholder's equity. We record compensation expense based on the estimated fair value of the awards that vest and that amount is amortized as compensation expense on a straight-line basis over the vesting period. Accordingly, total expense related to the award is reduced by the fair value of options that are forfeited by employees that leave the Company prior to vesting.

Following is a summary of the option activities during the years ended December 31, 2017 and 2016:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding, December 31, 2015	729,434	\$ 0.12	
Granted	120,971	\$ 0.13	
Outstanding, December 31, 2016	850,405	\$ 0.08*	7.58
Granted	374,542	\$ 6.39	
Exercised	(291,402)	\$ 0.0001	
Cancelled	(120,971)	\$ 0.12	
Outstanding, December 31, 2017	812,574	\$ 3.01	5.64
Exercisable, December 31, 2017	396,596	\$ 0.57	6.42

\* Adjusted due to the change of exercise price of options issued to its Chief Financial Officer effective November 1, 2016.

The Company estimates the fair value of each stock option award on the date of grant using a Black- Scholes option pricing model. Outstanding stock option awards may be dilutive to earnings per share when they are in the money (i.e the market price of the Company's stock is greater than the strike price of the option). When an option is dilutive, it increases the number of shares used in the diluted earnings per share calculation which will decrease earnings per share. However, the effect stock options have on the number of shares added to the diluted earnings is not one-for-one. The average amount of unrecognized compensation expense (the portion of the fair value of these option awards not yet amortized) and the market price of the Company's stock during the reporting period affect how many of these potential shares are included in the calculation. The calculation assumes that proceeds received from the exercise and the unrecognized compensation expense are used to buy back shares, which reduces the dilutive impact. As of December 31, 2017, the options had an intrinsic value of \$2,097,415.



### Issuances in 2017:

On April 4, 2017, the Company granted options to purchase 18,000 shares of Series A common stock at \$5.60 per share to its then controller, currently Chief Financial Officer, for services. These options vest in 4 years and commenced in the quarter ended June 30, 2017 and expire 5 years from the date of grant. The options had a fair value of approximately \$7,000 on the grant date that was calculated using the Black-Scholes option-pricing model.

In November 2017, the Company granted options to purchase 29,200 options at \$0.0001 per share to its former Chief Financial Officer for services. These options vested immediately and expire 5 years from the date of grant. The options had a fair value of approximately \$204,000 on the grant date that was calculated using the Black-Scholes option-pricing model.

In November 2017, the Company granted options to purchase 37,829 options at \$7.00 per share to its former Chief Operating Officer for services. These options vest in 3 years and expire 5 years from the date of grant. The options had a fair value of approximately \$126,000 on the grant date that was calculated using the Black-Scholes option-pricing model.

In November 2017 and pursuant to Boxlight Group's acquisition agreement with EDI, the Company granted options to purchase 185,018 options at \$7.00 per share to its Boxlight Group's employees. These options vest in 4 years and expire 5 years from the date of grant. The options had fair value of approximately \$634,000 on grant date that was calculated using the Black-Scholes option-pricing model.

In November 2017, the Company granted options to purchase 4,495 options at \$7.00 per share to one of its employees for services. These options vest in 4 years and expire 5 years from the date of grant. The options had a fair value of approximately \$15,000 on the grant date that was calculated using the Black-Scholes option-pricing model.

In November 2017, the Company granted options to purchase 100,000 options at \$7.00 per share to two directors for services. These options vest in 1 year and expire 5 years from the date of grant. The options had a fair value of approximately \$319,000 on the grant date that was calculated using the Black-Scholes option-pricing model.

Variables used in the Black-Scholes option-pricing model for options granted during the year ended December 31, 2017 include: (1) discount rate of 1.47% - 1.90% (2) expected life of 2.5 - 3.75 years, (3) expected volatility of 65% - 69%, and (4) zero expected dividends.

### Issuances in 2016:

On May 13, 2016, the Company granted options to purchase 120,971 shares of Class A common stock at \$0.12 per share to an employee for services. These options vest in four years and commenced in the quarter ended June 30, 2016 and expire 5 years from the date of grant. The options have a fair value of \$109,000 that was calculated using the Black-Scholes option-pricing model. These options were canceled in 2017 pursuant to the termination of employment agreement.

On November 1, 2016, the Company entered into an amended employment agreement with its prior Chief Financial Officer, which amended the exercise price of the 291,402 options granted from \$0.13 to \$0.0001 per share. The options vesting term was changed to (i) 50% of the remaining unvested options shall vest immediately following the agreement, (ii) all remaining unvested options shall vest on March 31, 2017. Pursuant to the amendment of employment agreement, the fair value of options granted was changed to approximately \$484,000 using the Black-Scholes option-pricing model. In 2017, the officer exercised the options and the Company issued 291,402 shares to the officer and received \$29 cash.

Variables used in the Black-Scholes option-pricing model for options granted during the year ended December 31, 2016 include: (1) discount rate of 0.97 - 0.99% (2) expected life of 3.75 to 3.96 years, (3) expected volatility range of 66 to 69%, and (4) zero expected dividends.

### Warrants

Following is a summary of the warrants activities during the years ended December 31, 2017 and 2016:

	<u>Number of Units</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>
Outstanding, December 31, 2015	820,717	\$ 7.7	4.00
Granted	-	\$ -	
Outstanding, December 31, 2016	820,717	\$ 7.7	3.00
Granted	50,000	\$ 7.7	
Outstanding, December 31, 2017	870,717	\$ 7.7	2.15
Exercisable, December 31, 2017	820,717	\$ 7.7	2.00

On November 7, 2014, the Company issued to Vert Capital and a consultant five year warrants to purchase 796,813 and 23,904, shares of our Class A common stock respectively, at an exercise price, equal to 110% of the initial per share offering price (\$7.70). Effective as of October 12, 2016, and as a result of Adam Levin and Michael Pope no longer being employed at Vert Capital, Boxlight Parent cancelled the Vert Capital warrants and reissued 597,610 and 199,203 warrants under the same terms to entities associated with Adam Levin and to Michael Pope, respectively. These warrants expire on December 31, 2019. Among other provisions, such warrants contain "cashless" exercise rights and prohibit the holder from selling any of the shares issuable upon exercise of such warrants for a period of not less than nine months from the date of issuance. These warrants had a fair value of \$2,087,840 on measurement date using the Black-Scholes option-pricing Model and were immediately exercisable upon the closing of IPO.

On November 7, 2014, the Company granted warrants to Lackamoola, LLC for services to purchase an aggregate of 23,904 shares of common stock with an exercise price equal to 110% of the price per share of the Company's IPO (\$7.70). These warrants expire on December 31, 2019. These warrants had a fair value of \$62,634 on measurement date using Black-Scholes option-pricing Model and was immediately exercisable upon the closing of IPO.

In November 2017, the Company granted warrants to its placement agents for the IPO to purchase an aggregate of 50,000 shares of common stock with an exercise price at \$7.70 price per share of the Company's IPO. These warrants expire on August 29, 2022. These warrants had a fair value of \$192,591 on grant date using Black-Scholes option-pricing Model and will be exercisable on August 29, 2018.

Variables used in the Black-Scholes option-pricing model for warrants granted during the year ended December 31, 2017 include: (1) discount rate of 1.78% – 2.14% (2) expected life of 2.08 – 4.75 years, (3) expected volatility of 69% – 71%, and (4) zero expected dividends. As of December 31, 2017, the warrants had an intrinsic value of \$0.

**Stock compensation expense**

For the years ended December 31, 2017 and 2016, the Company recorded the following stock compensation expense:

	2017	2016
Stock options	\$ 788,196	\$ 464,321
Warrants	2,150,474	-
Class A common stock grants	1,302,000	-
	<u>4,240,670</u>	<u>464,321</u>
Total stock compensation expense	<u>\$ 4,240,670</u>	<u>\$ 464,321</u>

As of December 31, 2017, there was \$1,025,157 of unrecognized compensation expense related to unvested options, which will be amortized over the remaining vesting period. Of that total, approximately \$499,000 is estimated to be recorded as compensation expense in 2018.

**NOTE 15 – OTHER RELATED PARTY TRANSACTIONS**

**Management Agreement – VC2 Advisors, LLC**

On July 15, 2015, the Company entered into a management agreement with VC2 Advisors LLC, a Delaware limited liability company, in which Michael Pope, our President and Director, was a manager. VC2 Advisors is owned by Sugar House Trust and AEL Irrevocable Trust, trusts established for the benefit of the families of Michael Pope and Adam Levin. Pursuant to the agreement, VC2 shall perform consulting services for the Company relating to, among other things, sourcing and analyzing strategic acquisitions and introductions to various financing sources. VC2 shall receive an annual management fee payable in cash equal to 1.5% of total consolidated revenues at the end of each fiscal year ended December 31, 2016, 2017 and 2018, payable in monthly installments, commencing as of the date of the Company's IPO. The annual fee is subject to a cap of \$1,000,000 in each of 2016, 2017 and 2018. At its option, VC2 may also defer payment until the end of each year, payable as an option to purchase shares of Class A common stock of the Company, at a price per share equal to 100% of the closing price of the Company's Class A common stock as traded on Nasdaq or any other national securities exchange as of December 31 of such year in question. Effective October 12, 2016, as a result of Adam Levin and Michael Pope no longer being employed at VC2, the consulting agreement with VC2 was terminated. Subsequently, the Company entered into new consulting agreements on identical terms with other entities which now employ Michael Pope and Adam Levin. As of December 31, 2017, the Company had a payable of \$35,632 pursuant to these agreements.

In 2018, as a result of Adam Levin and Michael Pope no longer working at VC2 Advisors, the Company canceled the VC2 Advisors agreement and entered into a new management agreement, with substantially the same terms, with Canaan Parish, LLC, an entity affiliated with Michael Pope.

### *Sales and Purchases - EDI*

EDI, an affiliate of the Company's major shareholder K-Laser, is a major supplier of products to the Company. For the years ended December 31, 2017 and 2016, the Company had purchases of approximately \$5.3 and \$2.8 million, respectively, from Everest Display Inc. For the years ended December 31, 2017 and 2016, the Company had sales of approximately \$66,000 and \$160,000, respectively, to Everest Display Inc. As of December 31, 2017 and 2016, the Company had accounts payable of approximately \$4,325,000 and \$3,618,000, respectively, to Everest Display Inc.

### **NOTE 16 – COMMITMENTS AND CONTINGENCIES**

#### *Litigation*

In July 2015, a supplier filed a lawsuit against the Company for outstanding payables owed by the Company of approximately \$72,000. In February 2016, the supplier and the Company agreed to settle the indebted balance for \$43,000 provided that the Company pays on or before March 16, 2016. The Company failed to make the payment and the judgement amount was therefore increased to approximately \$70,000 and with interest and court costs of approximately \$2,300. The Company is currently negotiating new terms with the supplier. On January 29, 2018, the Company entered into a Compromise Settlement and Release agreement with the supplier, where the Company agreed to settle the indebted balance for \$39,000. On January 30, 2018 the Company paid the settlement in full and is currently waiting for a release from the Court.

On April 2017, a Garnishment Action was filed by Asahi Net, Inc. ("Asahi") against Vert. Asahi is seeking to garnish funds in the amount of \$2,180,881. The Company is listed as a garnishee in the Action because Vert had loaned money to the Company. The Company has already paid Vert in full satisfaction of the loan. The Garnishment Action is currently in the discovery phase where the Company disputes Asahi's allegations. The outcome is unknown but likely to be favorable to the Company. On March 1, 2018, the Company was served a claim under the Georgia Uniform Voidable Transactions Act by Asahi, which is seeking to void transactions between the Company and Vert. The Company disputes these allegations. The outcome is unknown, but likely to be favorable to the Company.

On June 1, 2017, the Company was served with a lawsuit from Skyview seeking judgment on the \$1,460,508 outstanding balance due under the currently defaulted Skyview Note, plus accrued interest thereon, and also seeking to foreclose on the assets of Mimio that is now owned and operated by our Boxlight, Inc. The Company paid off the \$1,460,508 outstanding balance in November 2017. Skyview filed a request for additional attorney fees in the amount of \$67,826. On March 14, 2018, the Company satisfied the claim and is currently waiting for the release in full from the Court.

#### *Operating Lease Commitments*

The Company leases two office spaces under non-cancelable lease agreements. The leases provide that the Company pays only a monthly rental and is not responsible for taxes, insurance or maintenance expenses related to the property. Future minimum lease payments of the Company's operating leases with a term over one year subsequent to December 31, 2017 are as follows:

Year ending December 31,	Amount
2018	\$ 265,050
2019	60,600
2020	-
Net Minimum Lease Payments	<u>\$ 325,650</u>

The Company also has another office lease on a month-to-month basis. For the twelve months ended December 31, 2017 and 2016, aggregate rent expense was approximately \$274,950 and \$286,999, respectively.

## NOTE 17 – CUSTOMER AND SUPPLIER CONCENTRATION

Significant customers and suppliers are those that account for greater than 10% of the Company's revenues and purchases.

The Company's revenues were concentrated among few customers for the years ended December 31, 2017 and 2016:

Customer	Total revenues from the customer to total revenues for the year ended December 31, 2017	Accounts receivable from the customer as of December 31, 2017 (rounded to 000)	Total revenues from the customer to total revenues for the year ended December 31, 2016	Accounts receivable from the customer as of December 31, 2016 (rounded to 000)
1	12%	\$ 372,000	13%	\$ 11,917
2	11%	\$ 634,000	1%	\$ 162,300

The loss of the significant customer or the failure to attract new customers could have a material adverse effect on our business, results of operations and financial condition.

The Company's purchases were concentrated among few vendors for the years ended December 31, 2017 and 2016:

Vendor	Total purchases from the vendor to total purchases for the year ended December 31, 2017	Accounts payable (prepayment) to the vendor as of December 31, 2017 (rounded to 000)	Total purchases from the vendor to total purchases for the year ended December 31, 2016	Accounts payable (prepayment) to the vendor as of December 31, 2016 (rounded to 000)
1	37%	\$ (61,000)	2%	\$ (229,000)
2*	34%	\$ 4,325,000	32%	\$ 3,618,000

\* EDI, a related party. See note 15.

The Company believes there are numerous other suppliers that could be substituted should the supplier become unavailable or non-competitive.

## NOTE 18 – SUBSEQUENT EVENTS

On January 2, 2018, the Company granted 100,000 stock options each to its President, Chief Executive Officer and former Chief Financial Officer with an exercise price of \$5.01 per share vesting monthly over one year. The expiration date is five years from the grant date.

On January 2, 2018, the Company granted 200,000 stock options each to Hank Nance, Chief Operating Officer, with an exercise price of \$5.01 per share vesting monthly over one year. The expiration date is five years from the grant date.

On January 8, 2018, K Laser purchased 60,000 shares of common stock at \$7.00 per share.

On February 14, 2018, the Company granted 367,500 employee stock options with an exercise price of \$5.40 per share vesting quarterly over four years. The expiration date is five years from the grant date.

On March 19, 2018, the Company granted 35,000 stock options to Takesha Brown, Chief Financial Officer, with an exercise price of \$4.00 per share vesting monthly over one year in accordance with the terms of her employment agreement. The expiration date is five years from the grant date.

On March 20, 2018, Sheri Lofgren, the former Chief Financial Officer, exercised 29,200 stock options at par value and issued payment of \$3.

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## Section 2: EX-10.4

### EMPLOYMENT AGREEMENT

THIS AGREEMENT (this "Agreement"), dated November 30, 2017 (the "Effective Date"), by and between **BOXLIGHT CORPORATION**, a Nevada corporation (the "Corporation") and **JAMES MARK ELLIOTT**, an individual residing at 735 Brookline Trace, Alpharetta, GA 30022 (the "CEO").

#### WITNESSETH:

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the parties hereto intending to be bound hereby, it is hereinafter agreed as follows:

**1. Term.** The Corporation hereby employs the CEO, and the CEO hereby accepts employment, for term commencing on Effective Date hereof and, subject to earlier termination as provided in Section 5 hereof, continuing for the period commencing on the Effective Date through December 31, 2020 (the "Initial Term"); which Initial Term may be renewed or extended by mutual agreement of the Corporation and the CEO (such Initial Term, as the same may be so renewed or extended, being hereinafter sometimes called the "Term of Employment"). The CEO shall perform the services specified herein, all upon the terms and conditions hereinafter stated. This Agreement may be extended only upon the written consent of the parties hereto.

#### **2. Duties and Responsibilities.**

**a. General.** The CEO shall serve as the CEO of the Corporation and subject to the general direction and control of the Board of Directors of the Corporation (the "Board of Directors") the Executive shall have responsibility for the overall day-to-day operation of the Corporation. In addition, the CEO shall have such other duties as are normally associated with and inherent in the executive capacity in which the CEO will be serving.

**b. Time.** The CEO shall devote his professional and business time, attention and energy to the Business (as defined herein) of the Corporation as necessary and appropriate to meet the requirements directed by the Board of Directors and further the interests of the Corporation. As used herein, the term "Business" shall mean and include the development and selling of education products and services.

**c. Business Opportunities.** The CEO covenants and agrees that if, during the Term of Employment, the CEO shall access an investment or business opportunity that is directly related to the Business of the Corporation (a "Business Opportunity"), the CEO shall submit full details of such Business Opportunity to the Board of Directors of the Corporation, and such Business Opportunity shall be the sole property of the Corporation.

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### 3. Salary and Bonus.

a. Base Salary. During the period commencing on the Effective Date and ending December 31, 2020, the Corporation shall pay to the CEO a base salary (the "Base Salary") at an annual rate of One Hundred and Ninety-Five Thousand (\$195,000) Dollars.

b. Bonuses. During the Term of Employment, the Board of Directors shall evaluate the performance of the Executive and, if deemed appropriate by the Board of Directors, the Executive shall be awarded each quarter a cash bonus in the amount of Twenty-Five Thousand Dollars (\$25,000), beginning on the quarter ending December 31, 2017.

### 4. Incentive Awards and Fringe Benefits.

a. Stock Options. In addition to (and not in lieu of) the Base Salary, the compensation committee of the Board of Directors of the Corporation shall grant to the CEO options (vesting in equal monthly installments over a one-year period commencing on January 2, 2018 (the "Grant Date"), entitling the CEO to purchase shares of Common Stock of the Corporation which shall represent One Hundred Thousand (100,000) shares, pursuant to the Corporation's 2014 Stock Incentive Plan (the "2014 Plan"). The compensation committee of the Board of Directors of the Corporation shall grant an additional One Hundred Thousand (100,000) shares on both January 2, 2019 and January 2, 2020 with the same twelve-month vesting schedules. The exercise price for each of the stock option grants will be the closing market price on the grant date. Upon termination, the CEO has one year from the termination date to exercise any vested options.

b. Benefit Plans. In addition to the other compensation payable to the CEO hereunder, and except as otherwise set forth herein, the CEO shall be eligible to participate in all pension, profit sharing, retirement savings plan, 401K or other similar benefit, medical, disability and other employee benefit plans and programs generally provided by the Corporation to its senior staff from time to time hereafter (other than those provided pursuant to separately negotiated individual employment agreements or arrangements), subject to, and to the extent the CEO is eligible for the respective terms of such benefit plans and programs.

c. Expenses. During the Term of Employment, the Corporation shall pay or reimburse the CEO, upon submission of appropriate documentation by him, for all out-of-pocket expenses for entertainment, travel, meals, hotel accommodations, office expenses and the like incurred by him in the interest of the Business.

d. Vacation. The CEO shall be entitled to five (5) weeks annual paid vacation days per calendar year in accordance with Corporation policies.

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e. Insurance. During the Term of Employment, the Executive shall be entitled to participate in any group insurance plan, including health insurance, term life insurance, and disability insurance policies (collectively, the “Corporation Plans”) from time to time maintained by the Corporation; provided that such insurance can be obtained on economically reasonable terms. The Corporation agrees to pay or reimburse the full amount of CEO’s premiums for disability, accident, death and dismemberment and/or life insurance coverage in the Corporation Plans. Should the Corporation not have an applicable Corporation Plan, the CEO shall be reimbursed for any economically reasonable health and welfare insurance premiums paid by the CEO.

## 5. Termination; Change of Control.

a. Death. If the CEO shall die prior to the expiration of the Term of Employment, the Corporation shall have no further obligation hereunder, other than to the CEO or his estate except to pay to the CEO’s estate the amount of the CEO’s Base Salary accrued to the date of his death. Such payment shall be made promptly after the date of death to the CEO’s estate.

b. Disability. If prior to the expiration of the Term of Employment, the CEO shall be prevented, during a continuous period of ninety (90) days (the “Disability Period”), from performing his duties by reason of “disability,” the Corporation may terminate this Agreement, in which event the CEO shall receive: (i) his Base Salary accrued to the date upon which any determination of disability shall have been made as hereinafter provided, and continuing until the date on which disability income payments commence under the Company’s long term disability plan (or the beginning of Social Security disability income, if sooner), which Base Salary payment may be reduced by the amount of any disability income payments the CEO may receive in connection with such occurrence of disability during the Disability Period under any policy or plan carried or maintained by or on behalf of the Corporation and under which the CEO is a beneficiary or participant. The CEO shall continue to have the right to receive the greater of his Current Benefits, or benefits, if any, under any Corporation Plans, but only in accordance with the terms of such plan or policy as they apply to persons whose employment has been terminated as a result of an employee’s permanent disability. Such payments shall be made to the CEO in accordance with its normal payroll policies and schedule.

For purposes of this Agreement, the CEO shall be deemed to have become disabled when the Board of Directors of the Corporation (excluding the Executive or any of his affiliates), upon the diagnosis of a reputable, licensed physician of the Corporation’s choice, in consultation with the CEO’s primary physician, shall have determined that the CEO shall have become unable to perform his duties under this Agreement, whether due to physical or mental incapacity or to infirmity caused by chronic alcoholism or drug use (excluding infrequent and temporary absences due to ordinary illness); provided that such incapacity shall have continued uninterrupted for a period of not less than ninety (90) days.

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c. **Cause.** Notwithstanding any other provision of this Agreement, if prior to the expiration of the Term of Employment, the Corporation shall have the right to discharge the CEO "for Cause," as defined below, then this Agreement shall terminate effective upon such discharge, and upon such termination, neither the Corporation nor any other member of the Corporation shall have any further obligation to the CEO or his estate, except that the Corporation will cause the Corporation to pay to the CEO, within thirty (30) days of such termination, or in the event of his subsequent death, his estate, an amount equal to the CEO's Base Salary, as provided in Section 3 hereof, accrued to the date of termination. In addition, the CEO shall not, after the date of termination, be entitled to receive any further Current Benefits, or other benefits, if any, under any Corporation Plans. In the event of termination of the CEO's employment for Cause, neither the Corporation nor any member of the Corporation shall be obligated to pay, and the CEO shall not be entitled to receive, any Bonus.

For the purposes hereof, the term "Cause" shall mean and be limited to a discharge resulting from any one of the following:

(i) the CEO's conviction of a felony or any other crime involving moral turpitude,

(ii) a breach by the CEO of his fiduciary duties to the Corporation as specified herein, or

(iii) the CEO's failure or refusal to follow the lawful policies or directives established by the Board of Directors; provided that in the case of clauses (ii) or (iii) above, the Board of Directors shall have first given written notice thereof to the CEO on each occasion describing in reasonable detail of the alleged breach, failure or refusal, and such breach or willful failure or refusal to follow written lawful policies or directives shall remain uncured for a period of sixty (60) days following receipt of each such notice.

d. **Termination Without Cause.** Notwithstanding anything to the contrary, express or implied, contained in this Agreement, the Corporation by action of its Board of Directors, may terminate the employment of the CEO at any time without Cause (a "Non-Cause Termination"); provided that the Corporation shall pay to the CEO severance pay equal to Twelve (12) months of the Base Salary then in effect (the "Severance Payment"), payable in equal monthly installments over the twelve month period following such Non-Cause Termination.

e. Other Reasons for Termination.

The CEO may terminate this Agreement prior to the end of the Term of Employment either (A) upon thirty (30) days written notice with Good Reason ("Termination With Good Reason"), or (B) for any or no reason by providing three (3) months' advance written notice is given by the CEO to the Corporation.

As used herein, the term "Termination for Good Reason" shall mean: (a) a material reduction in the scope of the CEO's title, authority, duties or responsibilities in effect as of the Effective Date, which reduction is not remedied by the Corporation within thirty (30) days after notification to the Corporation containing a reasonably detailed description of such reduction; (b) the Corporation's breach of any material obligation owed to the CEO under this Agreement, including any Base Salary or; provided that the CEO has given the Corporation notice thereof describing in reasonable detail the alleged breach or failure, and the Corporation has failed to cure such breach or failure within a period of thirty (30) days following receipt of such notice.

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In the event of a Termination Without Cause initiated by the CEO, the Corporation shall pay to the CEO, or in the event of his death, to his estate, the amount of the CEO's Base Salary accrued to the date of termination. In the event of a Termination With Good Reason initiated by the CEO, the Corporation shall additionally pay to the CEO one full year's Base Salary. The amounts set forth in this Section 5e shall be paid in full within thirty (30) days of the date of termination of employment.

## **6. Certain Covenants of the CEO**

**a. Confidential Information.** The CEO acknowledges that in the course of his employment with the Corporation he may receive certain information, knowledge and data concerning the Business of the Corporation and its affiliates or pertaining to any individual, firm, corporation, partnership, joint venture, business, organization, entity or other person which the Corporation may do business with during the Term of Employment, which is not in the public domain, including but not limited to trade secrets, employee records, names and lists of suppliers and customers, programs, statistics, processes, techniques, pricing, marketing, software and designs, or any other matters, and all other confidential information of the Corporation and its affiliates acquired in connection with your employment (hereinafter referred to collectively as "Confidential Information"), which the Corporation and its affiliates desire to protect. The CEO understands that such Confidential Information is confidential, and he agrees not to reveal or disclose or otherwise make accessible such Confidential Information to anyone outside of the Corporation or any affiliate and their respective officers, employees, directors, consultants or agents, so long as the confidential or secret nature of such Confidential Information shall continue, whether or not he is employed by the Corporation, except as may be required by law, regulation or court order.

**b. Return of Information.** At such time as the CEO shall cease to be employed by the Corporation or the Corporation for whatever reason or at any other time the Corporation may reasonably request, he shall promptly deliver and surrender to the Corporation all papers, memoranda, notes, records, reports, sketches, specifications, designs and other documents, writings (and all copies thereof), and other property produced by him or coming into his possession by or through his employment hereunder and relating to the Confidential Information referred to in this Section 6 or otherwise to the Business, and the CEO agrees that all such materials will at all times remain the property of the Corporation.

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c. Non-Competition Agreement. CEO acknowledges that the agreements and covenants contained in this Section 6(c) are essential to protect the business, goodwill, trade secrets and confidential information of the Corporation and are appropriate in scope and the Business is conducted globally (the "**Territory**"). The CEO covenants and agrees that during the period commencing on the Effective Date and ending on the earlier of the CEO's termination of employment for Good Reason or the second (2<sup>nd</sup>) anniversary following CEO's termination of employment by the Company Without Cause or by the CEO without Good Reason (the "**Restricted Period**"), CEO shall not, directly or indirectly, (i) engage in any related business activity in the Territory that competes with the Business; (ii) render any services to any person for use in competing with the Corporation in connection with the Business in the Territory; or (iii) have an interest in any person engaged in any business that competes with the Corporation in connection with the Business in the Territory, directly or indirectly, in any capacity, including as a partner, member, officer, director, manger, principal, agent, trustee or consultant or any other relationship or capacity; provided, however, that each Restricted Party may own, directly or indirectly, solely as an investment, securities of any Person which are publicly traded if such Restricted Party (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such Person; or (iv) interfere with business relationships (whether formed heretofore or hereafter) between Buyer or any of its Affiliates and customers, suppliers or prospects of the Business.

d. Agreement Not to Solicit. For so long as the CEO shall be employed with the Corporation and for a period of two (2) years following the termination of this Agreement for any reason, the CEO agrees that he will not, either directly or indirectly, through any person, firm, association, corporation, partnership, agency or other business entity or person with which he is now or may hereafter become associated, (i) cause or induce any present or future employee of the Corporation to leave the employ of the Corporation or any affiliate to accept employment with the CEO or with such person, firm, association or corporation, agency or other business entity or (ii) solicit any person or entity which is a customer of the Corporation for the purpose of directly or indirectly furnishing services competitive with the Corporation.

e. Scope. It is expressly agreed that if any restrictions set forth in this Section 6 are found by any court having jurisdiction to be unreasonable because they are too broad in any respect, then and in each such case, the remaining restrictions herein contained shall, nevertheless, remain effective, and this Agreement, or any portion thereof, shall be considered to be amended so as to be considered reasonable and enforceable by such court, and the court shall specifically have the right to restrict the business or geographical scope of such restrictions to any portion of the business or geographic areas described above to the extent the court deems such restriction to be necessary to cause the covenants to be enforceable, and in such event, the covenants shall be enforced to the extent so permitted.

f. Specific Performance. The CEO acknowledges that a remedy at law for any breach or attempted breach of Section 6 of this Agreement may be inadequate, agrees that the Corporation shall be entitled to seek specific performance and injunctive and other equitable relief in case of any such breach or attempted breach, and further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or any other equitable relief.

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**7. Indemnification.** Throughout the Term of Employment, the Corporation hereby agrees to maintain officers and directors' liability insurance with one or more recognized insurance carriers and to cover the CEO under all of such policies and to provide indemnity to the CEO, in his capacity described in this Agreement, to the fullest extent provided under Georgia Law as provided herein. In addition, throughout the Term of Employment, the Corporation hereby agrees to agree to indemnify, defend and hold harmless the CEO and her Affiliates and, if applicable, the directors, officers, shareholders, employees, attorneys, accountants, agents and representatives of any affiliate of the CEO and the heirs, successors and assigns of the CEO or his affiliates (collectively, the "Indemnified Parties") to the fullest extent permitted under Georgia law, from and against any and all claims, liabilities, costs, expenses, including without limitation the payment by the Corporation of all legal fees, court costs and filing fees, as incurred by the CEO (collectively, "Claims"), based upon, arising out of or otherwise in respect of (i) any act of omission or commission by the Corporation or its board of directors, (ii) the failure of the Corporation to perform or observe fully any covenant, agreement or provision to be performed or observed by the Corporation to any third party, or (iii) any third-party Claim arising out of or in connection with the operation of the Business of the Corporation.

**8. Severability.** In case of any term, phrase, clause, Section, section, restriction, covenant, or agreement contained in this Agreement shall be held to be invalid or unenforceable, the same shall be deemed, and it is hereby agreed that the same are meant to be several, and shall not defeat or impair the remaining provisions hereof.

**9. Waiver.** The waiver by the Corporation of a breach of any provision of this Agreement by the CEO shall not operate or be construed as a waiver of any subsequent or continuing breach of this Agreement by the CEO.

**10. Assignment; Binding Affect.** This Agreement may not be assigned under any circumstances by either party. Neither the CEO nor his estate shall have any right to commute, encumber or dispose any rights to receive payments hereunder, it being agreed that such payment and the right thereto are nonassignable and nontransferable. Subject to the provisions of this Section 9 this Agreement shall be binding upon and inure to the benefit of the parties hereto, the CEO's heirs and personal representatives, and the successors and assigns of the Corporation.

**11. Amendments.** This Agreement may not be changed, amended, terminated or superseded orally, but only by an agreement in writing, nor may any of the provisions hereof be waived orally, but only by an instrument in writing, in any such case signed by the party against whom enforcement of any change, amendment, termination, waiver, modification, extension or discharge is sought.

**12. Entire Agreement; Amendment; Governing Law.** This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the matters covered hereby. Only an instrument in writing executed by the parties hereto may amend this Agreement.

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**13. Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia. All actions and proceedings arising out of or relating to this Agreement shall be brought by the parties and heard and determined only in a Federal or state court located in the City of Atlanta and State of Georgia and the parties hereto consent to jurisdiction before and waive any objections to the venue of such courts. The parties hereto agree to accept service of process in connection with any such action or proceeding in any manner permitted for a notice hereunder.

**14. Attorneys' Fees.** Except as otherwise provided in Section 7 above, in the event that any suit or other legal proceeding is brought for the enforcement of any of the provisions of this Agreement, the parties hereto agree that the prevailing party or parties shall be entitled to recover from the other party or parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal and costs incurred in bringing such suit or proceeding.

**15. Headings.** All descriptive headings of the several Sections or Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

**16. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and same instrument. Facsimile and pdf signatures hereto shall have the same validity as original signatures hereto.

**17. Representations and Warranties.** (a) CEO represents and warrants to Corporation that (i) CEO is under no contractual or other restriction or obligation which is inconsistent with his execution of this Agreement or performance of his duties hereunder, (ii) CEO has no physical or mental disability that would hinder his performance of his duties under this Agreement, and (iii) CEO has had the opportunity to consult with an attorney of his choosing in connection with the negotiation of this Agreement.

**18. Notices.** Any notice required or permitted to be given under this Agreement shall be in writing and shall be sent by certified mail, by personal delivery or by overnight courier to the CEO at his residence (as set forth in Corporation's corporate records) or to the Corporation at its principal office and shall be effective upon receipt, if by personal delivery, three (3) business days after mailing, if sent by certified mail or one (1) business day after deposit with an overnight courier.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

**BOXLIGHT CORPORATION**

By: \_\_\_\_\_

Name: Dale Strang

Title: Board Member, Compensation Committee Chair

**CEO**

\_\_\_\_\_  
**JAMES MARK ELLIOTT**

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## Section 3: EX-10.5

### EMPLOYMENT AGREEMENT

THIS AGREEMENT (this "Agreement"), dated November 30, 2017 (the "Effective Date"), by and between **BOXLIGHT CORPORATION**, a Nevada corporation (the "Corporation") and **MICHAEL POPE**, an individual residing at 485 Havenmist Landing, Suwanee, Georgia 30024 (the "President").

#### WITNESSETH:

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto intending to be bound hereby, it is hereinafter agreed as follows:

**1. Term.** The Corporation hereby employs the President, and the President hereby accepts employment, for term commencing on Effective Date hereof and, subject to earlier termination as provided in Section 5 hereof, continuing for the period commencing on the Effective Date through December 31, 2020 (the "Initial Term"); which Initial Term may be renewed or extended by mutual agreement of the Corporation and the President (such Initial Term, as the same may be so renewed or extended, being hereinafter sometimes called the "Term of Employment"). The President shall perform the services specified herein, all upon the terms and conditions hereinafter stated. This Agreement may be extended only upon the written consent of the parties hereto.

**2. Duties and Responsibilities.**

a. General. The President shall serve as the President of the Corporation and subject to the general direction and control of the Chief Executive Officer of the Corporation (the "CEO"), the Executive shall have responsibility for fundraising, investor relations, mergers & acquisitions, corporate strategy, business development, and other duties as are normally associated with and inherent in the executive capacity in which the President will be serving.

b. Time. The President shall devote his professional and business time, attention and energy to the Business (as defined herein) of the Corporation as necessary and appropriate to meet the requirements directed by the CEO and further the interests of the Corporation. As used herein, the term "Business" shall mean and include the development and selling of education products and services. The Company understands President has other investments and interests that do not compete with the Corporation.

c. Business Opportunities. The President covenants and agrees that if, during the Term of Employment, the President shall access an investment or business opportunity that is directly related to the Business of the Corporation (a "Business Opportunity"), the President shall submit full details of such Business Opportunity to the CEO of the Corporation, and such Business Opportunity shall be the sole property of the Corporation. The President and companies affiliated with the President agree not to engage in any business activities that directly competes with the Corporation.

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### 3. Salary and Bonus.

a. Base Salary. During the period commencing on the Effective Date and ending December 31, 2020, the Corporation shall pay to the President a salary (the "Base Salary") at an annual rate of One Hundred and Ninety-Five Thousand (\$195,000) Dollars.

b. Bonuses. During the Term of Employment, the CEO shall evaluate the performance of the Executive and, if deemed appropriate by the CEO, the Executive shall be awarded each quarter a cash bonus in the amount of Twenty-Five Thousand Dollars (\$25,000), beginning on the quarter ending December 31, 2017.

### 4. Incentive Awards and Fringe Benefits.

a. Stock Options. In addition to (and not in lieu of) the Base Salary, the Corporation shall grant to the President employee stock options (vesting in equal monthly installments over a one-year period, commencing on January 2, 2018 (the "Grant Date")), entitling the President to purchase shares of Common Stock of the Corporation which shall represent One Hundred Thousand (100,000) shares, pursuant to the Corporation's 2014 Stock Incentive Plan (the "2014 Plan"). The Corporation shall grant an additional One Hundred Thousand (100,000) shares on both January 2, 2019 and January 2, 2020 with the same twelve-month vesting schedules. Upon termination, the President shall have one year from the termination date to exercise any vested options.

b. Benefit Plans. In addition to the other compensation payable to the President hereunder, and except as otherwise set forth herein, the President shall be eligible to participate in all pension, profit sharing, retirement savings plan, 401K or other similar benefit, medical, disability and other employee benefit plans and programs generally provided by the Corporation to its senior staff from time to time hereafter (other than those provided pursuant to separately negotiated individual employment agreements or arrangements), subject to, and to the extent the President is eligible for the respective terms of such benefit plans and programs.

c. Expenses. During the Term of Employment, the Corporation shall pay or reimburse the President, upon submission of appropriate documentation by him, for all out-of-pocket expenses for entertainment, travel, meals, hotel accommodations, subscription services, event fees, office expenses, and the like incurred by him in the interest of the Business.

d. Vacation. The President shall be entitled to five (5) weeks annual paid vacation days and twelve (12) paid holidays per calendar year in accordance with Corporation policies.

e. Insurance. During the Term of Employment, the Executive shall be entitled to participate in any group insurance plan, including health insurance, term life insurance, and disability insurance policies (collectively, "Corporation Plans") from time to time maintained by the Corporation; provided that such insurance can be obtained on economically reasonable terms. The Corporation agrees to pay or reimburse the full amount of President's premiums for disability, accident, death and dismemberment and/or life insurance coverage in the Corporation Plans. Should the Corporation not have an applicable Corporation Plan, the President shall be reimbursed for any economically reasonable health and welfare insurance premiums paid by the President.

f. Continuing Education. The Corporation shall pay for continuing education expenses as selected by the President subject to an annual limit of \$5,000. Attendance of such continuing education, not to exceed 5 business days, shall not constitute vacation time.

## **5. Termination; Change of Control.**

a. Death. If the President shall die prior to the expiration of the Term of Employment, the Corporation shall have no further obligation hereunder, other than to the President or his estate except to pay to the President's estate the amount of the President's Base Salary accrued to the date of his death. Such payment shall be made promptly after the date of death to the President's estate.

b. Disability. If prior to the expiration of the Term of Employment, the President shall be prevented, during a continuous period of ninety (90) days (the "Disability Period"), from performing his duties by reason of "disability," the Corporation may terminate this Agreement, in which event the President shall receive: (i) his Base Salary accrued to the date upon which any determination of disability shall have been made as hereinafter provided, and continuing until the date on which disability income payments commence under the Company's long term disability plan (or the beginning of Social Security disability income, if sooner), which Base Salary payment may be reduced by the amount of any disability income payments the President may receive in connection with such occurrence of disability during the Disability Period under any policy or plan carried or maintained by the Corporation and under which the President is a beneficiary or participant. The President shall continue to have the right to receive the greater of his Current Benefits, or benefits, if any, under any Corporation Plans, but only in accordance with the terms of such plan or policy as they apply to persons whose employment has been terminated as a result of an employee's permanent disability. Such payments shall be made to the President in accordance with its normal payroll policies and schedule.

For purposes of this Agreement, the President shall be deemed to have become disabled when the Corporation, upon the diagnosis of a reputable, licensed physician of the Corporation's choice, in consultation with the President's primary physician, shall have determined that the President shall have become unable to perform his duties under this Agreement, whether due to physical or mental incapacity or to infirmity caused by chronic alcoholism or drug use (excluding infrequent and temporary absences due to ordinary illness); provided that such incapacity shall have continued uninterrupted for a period of not less than ninety (90) days.



c. Cause. Notwithstanding any other provision of this Agreement, if prior to the expiration of the Term of Employment, the Corporation shall have the right to discharge the President “for Cause,” as defined below, then this Agreement shall terminate effective upon such discharge, and upon such termination, neither the Corporation nor any other member of the Corporation shall have any further obligation to the President or his estate, except that the Corporation will cause the Corporation to pay to the President, within thirty (30) days of such termination, or in the event of his subsequent death, his estate, an amount equal to the President’s Base Salary, as provided in Section 3 hereof, accrued to the date of termination. In addition, the President shall not, after the date of termination, be entitled to receive any further Current Benefits, or other benefits, if any, under any Corporation Plans. In the event of termination of the President’s employment for Cause, neither the Corporation nor any member of the Corporation shall be obligated to pay, and the President shall not be entitled to receive, any Bonus.

For the purposes hereof, the term “Cause” shall mean and be limited to a discharge resulting from any one of the following:

(i) the President’s conviction of a felony or any other crime involving moral turpitude,

(ii) a breach by the President of his fiduciary duties to the Corporation as specified herein, or

(iii) the President’s failure or refusal to follow the lawful policies or directives established by the CEO; provided that in the case of clauses (ii) or (iii) above, the CEO shall have first given written notice thereof to the President on each occasion describing in reasonable detail of the alleged breach, failure or refusal, and such breach or willful failure or refusal to follow written lawful policies or directives shall remain uncured for a period of thirty (30) days following receipt of each such notice.

d. Termination Without Cause. Notwithstanding anything to the contrary, express or implied, contained in this Agreement, the Corporation may terminate the employment of the President at any time without Cause (a “Non-Cause Termination”); provided that the Corporation shall pay to the President severance pay equal to Twelve (12) months of the Base Salary then in effect (the “Severance Payment”), payable in equal monthly installments over the twelve-month period following such Non-Cause Termination.

e. Other Reasons for Termination.

The President may terminate this Agreement prior to the end of the Term of Employment either (A) upon thirty (30) days written notice with Good Reason (“Termination with Good Reason”), or (B) for any or no reason by providing three (3) months’ advance written notice is given by the President to the Corporation.

As used herein, the term “Termination for Good Reason” shall mean: (a) a material reduction in the scope of the President’s title, authority, duties or responsibilities in effect as of the Effective Date, which reduction is not remedied by the Corporation within thirty (30) days after notification to the Corporation containing a reasonably detailed description of such reduction; (b) the Corporation’s breach of any material obligation owed to the President under this Agreement, including any Base Salary or; provided that the President has given the Corporation notice thereof describing in reasonable detail the alleged breach or failure, and the Corporation has failed to cure such breach or failure within a period of thirty (30) days following receipt of such notice.

In the event of a Termination Without Cause initiated by the President, the Corporation shall pay to the President, or in the event of his death, to his estate, the amount of the President’s Base Salary accrued to the date of termination. In the event of a Termination With Good Reason initiated by the President, the Corporation shall additionally pay to the President one full year’s Base Salary. The amounts set forth in this Section 5e shall be paid in full within thirty (30) days of the date of termination of employment.

**f. Public Notice.**

The Corporation and President shall mutually agree on any public communications regarding the cancellation of this Agreement by either party. Neither party shall defame, disparage or denigrate the other in public statements.

**6. Certain Covenants of the President.**

**a. Confidential Information.** The President acknowledges that in the course of his employment with the Corporation he may receive certain information, knowledge and data concerning the Business of the Corporation and its affiliates or pertaining to any individual, firm, corporation, partnership, joint venture, business, organization, entity or other person which the Corporation may do business with during the Term of Employment, which is not in the public domain, including but not limited to trade secrets, employee records, names and lists of suppliers and customers, programs, statistics, processes, techniques, pricing, marketing, software and designs, or any other matters, and all other confidential information of the Corporation and its affiliates acquired in connection with your employment (hereinafter referred to collectively as “Confidential Information”), which the Corporation and its affiliates desire to protect. The President understands that such Confidential Information is confidential, and he agrees not to reveal or disclose or otherwise make accessible such Confidential Information to anyone outside of the Corporation or any affiliate and their respective officers, employees, directors, consultants or agents, so long as the confidential or secret nature of such Confidential Information shall continue, whether or not he is employed by the Corporation, except as may be required by law, regulation or court order.

**b. Return of Information.** At such time as the President shall cease to be employed by the Corporation or the Corporation for whatever reason or at any other time the Corporation may reasonably request, he shall promptly deliver and surrender to the Corporation all papers, memoranda, notes, records, reports, sketches, specifications, designs and other documents, writings (and all copies thereof), and other property produced by him or coming into his possession by or through his employment hereunder and relating to the Confidential Information referred to in this Section 6 or otherwise to the Business, and the President agrees that all such materials will at all times remain the property of the Corporation.

c. Non-Competition Agreement. President acknowledges that the agreements and covenants contained in this Section 6(c) are essential to protect the business, goodwill, trade secrets and confidential information of the Corporation and are appropriate in scope and the Business is conducted in the United States (the "Territory"). President covenants and agrees that during the period commencing on the Effective Date and ending on the earlier of the President's termination of employment for Good Reason or the second (2<sup>nd</sup>) anniversary following President's termination of employment by the Company Without Cause or by the President without Good Reason (the "Restricted Period"), President shall not, directly or indirectly, (i) engage in any related business activity in the Territory that competes with the Business; (ii) render any services to any person for use in competing with the Corporation in connection with the Business in the Territory; or (iii) have an interest in any person engaged in any business that competes with the Corporation in connection with the Business in the Territory, directly or indirectly, in any capacity, including as a partner, member, officer, director, manger, principal, agent, trustee or consultant or any other relationship or capacity; provided, however, that each Restricted Party may own, directly or indirectly, solely as an investment, securities of any Person which are publicly traded if such Restricted Party (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such Person; or (iv) interfere with business relationships (whether formed heretofore or hereafter) between Buyer or any of its Affiliates and customers, suppliers or prospects of the Business.

d. Agreement Not to Solicit. For so long as the President shall be employed with the Corporation and for a period of two (2) years following the termination of this Agreement for any reason, the President agrees that he will not, either directly or indirectly, through any person, firm, association, corporation, partnership, agency or other business entity or person with which he is now or may hereafter become associated, (i) cause or induce any present or future employee of the Corporation to leave the employ of the Corporation or any affiliate to accept employment with the President or with such person, firm, association or corporation, agency or other business entity or (ii) solicit any person or entity which is a customer of the Corporation for the purpose of directly or indirectly furnishing services competitive with the Corporation.

e. Scope. It is expressly agreed that if any restrictions set forth in this Section 6 are found by any court having jurisdiction to be unreasonable because they are too broad in any respect, then and in each such case, the remaining restrictions herein contained shall, nevertheless, remain effective, and this Agreement, or any portion thereof, shall be considered to be amended so as to be considered reasonable and enforceable by such court, and the court shall specifically have the right to restrict the business or geographical scope of such restrictions to any portion of the business or geographic areas described above to the extent the court deems such restriction to be necessary to cause the covenants to be enforceable, and in such event, the covenants shall be enforced to the extent so permitted.

**f. Specific Performance.** The President acknowledges that a remedy at law for any breach or attempted breach of Section 6 of this Agreement may be inadequate, agrees that the Corporation shall be entitled to seek specific performance and injunctive and other equitable relief in case of any such breach or attempted breach, and further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or any other equitable relief.

**7. Indemnification.** Throughout the Term of Employment, the Corporation hereby agrees to maintain officers and directors' liability insurance with one or more recognized insurance carriers in an amount of not less than Five Million (\$5,000,000) and to cover the President under all of such policies and to provide indemnity to the President, in his capacity described in this Agreement, to the fullest extent provided under Georgia Law as provided herein. In addition, throughout the Term of Employment, the Corporation hereby agrees to agree to indemnify, defend and hold harmless the President and his Affiliates and, if applicable, the directors, officers, shareholders, employees, attorneys, accountants, agents and representatives of any affiliate of the President and the heirs, successors and assigns of the President or his affiliates (collectively, the "Indemnified Parties") to the fullest extent permitted under Georgia law, from and against any and all claims, liabilities, costs, expenses, including without limitation the payment by the Corporation of all legal fees, court costs and filing fees, as incurred by the President (collectively, "Claims"), based upon, arising out of or otherwise in respect of (i) any act of omission or commission by the Corporation or its board of directors, (ii) the failure of the Corporation to perform or observe fully any covenant, agreement or provision to be performed or observed by the Corporation to any third party, or (iii) any third-party Claim arising out of or in connection with the operation of the Business of the Corporation.

**8. Severability.** In case of any term, phrase, clause, Section, section, restriction, covenant, or agreement contained in this Agreement shall be held to be invalid or unenforceable, the same shall be deemed, and it is hereby agreed that the same are meant to be several, and shall not defeat or impair the remaining provisions hereof.

**9. Waiver.** The waiver by the Corporation of a breach of any provision of this Agreement by the President shall not operate or be construed as a waiver of any subsequent or continuing breach of this Agreement by the President.

**10. Assignment; Binding Affect.** This Agreement may not be assigned under any circumstances by either party. Neither the President nor his estate shall have any right to commute, encumber or dispose any rights to receive payments hereunder, it being agreed that such payment and the right thereto are nonassignable and nontransferable. Subject to the provisions of this Section 9 this Agreement shall be binding upon and inure to the benefit of the parties hereto, the President's heirs and personal representatives, and the successors and assigns of the Corporation.

**11. Amendments.** This Agreement may not be changed, amended, terminated or superseded orally, but only by an agreement in writing, nor may any of the provisions hereof be waived orally, but only by an instrument in writing, in any such case signed by the party against whom enforcement of any change, amendment, termination, waiver, modification, extension or discharge is sought.

**12. Entire Agreement; Amendment; Governing Law.** This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the matters covered hereby. Only an instrument in writing executed by the parties hereto may amend this Agreement.

**13. Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia. All actions and proceedings arising out of or relating to this Agreement shall be brought by the parties and heard and determined only in a Federal or state court located in the City of Atlanta and State of Georgia and the parties hereto consent to jurisdiction before and waive any objections to the venue of such Federal and New York courts. The parties hereto agree to accept service of process in connection with any such action or proceeding in any manner permitted for a notice hereunder.

**14. Attorneys' Fees.** Except as otherwise provided in Section 7 above, in the event that any suit or other legal proceeding is brought for the enforcement of any of the provisions of this Agreement, the parties hereto agree that the prevailing party or parties shall be entitled to recover from the other party or parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal and costs incurred in bringing such suit or proceeding.

**15. Headings.** All descriptive headings of the several Sections or Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

**16. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and same instrument. Facsimile and pdf signatures hereto shall have the same validity as original signatures hereto.

**17. Representations and Warranties.** (a) President represents and warrants to Corporation that (i) President is under no contractual or other restriction or obligation which is inconsistent with his execution of this Agreement or performance of his duties hereunder, (ii) President has no physical or mental disability that would hinder his performance of his duties under this Agreement, and (iii) he has had the opportunity to consult with an attorney of his choosing in connection with the negotiation of this Agreement.

**18. Notices.** Any notice required or permitted to be given under this Agreement shall be in writing and shall be sent by certified mail, by personal delivery or by overnight courier to the President at his residence (as set forth in Corporation's corporate records) or to the Corporation at its principal office and shall be effective upon receipt, if by personal delivery, three (3) business days after mailing, if sent by certified mail or one (1) business day after deposit with an overnight courier.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

**CORPORATION:**

**BOXLIGHT CORPORATION**

By: \_\_\_\_\_

Name: Mark Elliott

Title: CEO

**PRESIDENT:**

\_\_\_\_\_  
**MICHAEL POPE**

## Section 4: EX-10.6

### EMPLOYMENT AGREEMENT

THIS AGREEMENT (this "Agreement"), dated November 30, 2017 (the "Effective Date"), by and between **BOXLIGHT CORPORATION**, a Nevada corporation (the "Corporation") and **SHERI LOFGREN**, an individual residing at 1887 Misty Woods Drive, Duluth, Georgia 30097 (the "CFO").

#### WITNESSETH:

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the parties hereto intending to be bound hereby, it is hereinafter agreed as follows:

**1. Term.** The Corporation hereby employs the CFO, and the CFO hereby accepts employment, for term commencing on Effective Date hereof and, subject to earlier termination as provided in Section 5 hereof, continuing for the period commencing on the Effective Date through December 31, 2020 (the "Initial Term"); which Initial Term may be renewed or extended by mutual agreement of the Corporation and the CFO (such Initial Term, as the same may be so renewed or extended, being hereinafter sometimes called the "Term of Employment"). The CFO shall perform the services specified herein, all upon the terms and conditions hereinafter stated. This Agreement may be extended only upon the written consent of the parties hereto.

**2. Duties and Responsibilities.**

General. The CFO shall serve as the CFO of the Corporation and subject to the general direction and control of the Board of Directors of the Corporation (the "Board of Directors") the Executive shall have responsibility for the overall day-to-day operation of the Corporation. In addition, the CFO shall have such other duties as are normally associated with and inherent in the executive capacity in which the CFO will be serving.

**a. Time.** The CFO shall devote her professional and business time, attention and energy to the Business (as defined herein) of the Corporation as necessary and appropriate to meet the requirements directed by the CEO and further the interests of the Corporation. As used herein, the term "Business" shall mean and include the development and selling of education products and services. The Company understands CFO has other investments and interests that do not compete with the Corporation.

**c. Business Opportunities.** The CFO covenants and agrees that if, during the Term of Employment, the CFO shall access an investment or business opportunity that is directly related to the Business of the Corporation (a "Business Opportunity"), the CFO shall submit full details of such Business Opportunity to the CEO of the Corporation, and such Business Opportunity shall be the sole property of the Corporation. The CFO and companies affiliated with the CFO agree not to engage in any business activities that directly competes with the Corporation.

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### 3. Salary and Bonus.

a. Base Salary. During the period commencing on the Effective Date and ending December 31, 2020, the Corporation shall pay to the CFO a salary (the "Base Salary") at an annual rate of One Hundred and Ninety-Five Thousand (\$195,000) Dollars.

b. Bonuses. During the Term of Employment, the CEO shall evaluate the performance of the Executive and, if deemed appropriate by the CEO, the Executive shall be awarded each quarter a cash bonus in the amount of Twenty-Five Thousand Dollars (\$25,000), beginning on the quarter ending December 31, 2017.

### 4. Incentive Awards and Fringe Benefits.

a. Stock Options. In addition to (and not in lieu of) the Base Salary, the Corporation shall grant to the CFO employee stock options (vesting in equal monthly installments over a one-year period, commencing on January 2, 2018 (the "Grant Date")), entitling the CFO to purchase shares of Common Stock of the Corporation which shall represent One Hundred Thousand (100,000) shares, pursuant to the Corporation's 2014 Stock Incentive Plan (the "2014 Plan"), with a twelve-month vesting schedule. The Corporation shall grant an additional One Hundred Thousand (100,000) shares on both January 2, 2019 and January 2, 2020 with the same twelve-month vesting schedules. Upon termination, the CFO shall have one year from the termination date to exercise any vested options.

b. Vesting and exercise price on Options Granted Prior to Liquidity Event. The CFO was granted Twenty Nine Thousand Two Hundred (29,200) options prior to the liquidity event under the terms of her previous employment agreement, as such, these options will vest immediately on the listing date with an exercise price of par.

c. Benefit Plans. In addition to the other compensation payable to the CFO hereunder, and except as otherwise set forth herein, the CFO shall be eligible to participate in all pension, profit sharing, retirement savings plan, 401K or other similar benefit, medical, disability and other employee benefit plans and programs generally provided by the Corporation to its senior staff from time to time hereafter (other than those provided pursuant to separately negotiated individual employment agreements or arrangements), subject to, and to the extent the CFO is eligible for the respective terms of such benefit plans and programs.

d. Expenses. During the Term of Employment, the Corporation shall pay or reimburse the CFO, upon submission of appropriate documentation by her, for all out-of-pocket expenses for entertainment, travel, meals, hotel accommodations, subscription services, event fees, office expenses, and the like incurred by her in the interest of the Business.

e. Vacation. The CFO shall be entitled to five (5) weeks annual paid vacation days and twelve (12) paid holidays per calendar year in accordance with Corporation policies.



f. Insurance. During the Term of Employment, the Executive shall be entitled to participate in any group insurance plan, including health insurance, term life insurance, and disability insurance policies (collectively, "Corporation Plans") from time to time maintained by the Corporation; provided that such insurance can be obtained on economically reasonable terms. The Corporation agrees to pay or reimburse the full amount of CFO's premiums for disability, accident, death and dismemberment and/or life insurance coverage in the Corporation Plans. Should the Corporation not have an applicable Corporation Plan, the CFO shall be reimbursed for any economically reasonable health and welfare insurance premiums paid by the CFO.

g. Continuing Education. The Corporation shall pay for continuing education expenses as selected by the CFO subject to an annual limit of \$5,000. Attendance of such continuing education, not to exceed 5 business days, shall not constitute vacation time.

## **5. Termination; Change of Control.**

a. Death. If the CFO shall die prior to the expiration of the Term of Employment, the Corporation shall have no further obligation hereunder, other than to the CFO or her estate except to pay to the CFO's estate the amount of the CFO's Base Salary accrued to the date of her death. Such payment shall be made promptly after the date of death to the CFO's estate.

b. Disability. If prior to the expiration of the Term of Employment, the CFO shall be prevented, during a continuous period of ninety (90) days (the "Disability Period"), from performing her duties by reason of "disability," the Corporation may terminate this Agreement, in which event the CFO shall receive: (i) her Base Salary accrued to the date upon which any determination of disability shall have been made as hereinafter provided, and continuing until the date on which disability income payments commence under the Company's long term disability plan (or the beginning of Social Security disability income, if sooner), which Base Salary payment may be reduced by the amount of any disability income payments the CFO may receive in connection with such occurrence of disability during the Disability Period under any policy or plan carried or maintained by the Corporation and under which the CFO is a beneficiary or participant. The CFO shall continue to have the right to receive the greater of her Current Benefits, or benefits, if any, under any Corporation Plans, but only in accordance with the terms of such plan or policy as they apply to persons whose employment has been terminated as a result of an employee's permanent disability. Such payments shall be made to the CFO in accordance with its normal payroll policies and schedule.

For purposes of this Agreement, the CFO shall be deemed to have become disabled when the Corporation, upon the diagnosis of a reputable, licensed physician of the Corporation's choice, in consultation with the CFO's primary physician, shall have determined that the CFO shall have become unable to perform her duties under this Agreement, whether due to physical or mental incapacity or to infirmity caused by chronic alcoholism or drug use (excluding infrequent and temporary absences due to ordinary illness); provided that such incapacity shall have continued uninterrupted for a period of not less than ninety (90) days.

c. Cause. Notwithstanding any other provision of this Agreement, if prior to the expiration of the Term of Employment, the Corporation shall have the right to discharge the CFO "for Cause," as defined below, then this Agreement shall terminate effective upon such discharge, and upon such termination, neither the Corporation nor any other member of the Corporation shall have any further obligation to the CFO or her estate, except that the Corporation will cause the Corporation to pay to the CFO, within thirty (30) days of such termination, or in the event of her subsequent death, her estate, an amount equal to the CFO's Base Salary, as provided in Section 3 hereof, accrued to the date of termination. In addition, the CFO shall not, after the date of termination, be entitled to receive any further Current Benefits, or other benefits, if any, under any Corporation Plans. In the event of termination of the CFO's employment for Cause, neither the Corporation nor any member of the Corporation shall be obligated to pay, and the CFO shall not be entitled to receive, any Bonus.

For the purposes hereof, the term "Cause" shall mean and be limited to a discharge resulting from any one of the following:

(i) the CFO's conviction of a felony or any other crime involving moral turpitude,

(ii) a breach by the CFO of her fiduciary duties to the Corporation as specified herein, or

(iii) the CFO's failure or refusal to follow the lawful policies or directives established by the CEO; provided that in the case of clauses (ii) or (iii) above, the CEO shall have first given written notice thereof to the CFO on each occasion describing in reasonable detail of the alleged breach, failure or refusal, and such breach or willful failure or refusal to follow written lawful policies or directives shall remain uncured for a period of thirty (30) days following receipt of each such notice.

d. Termination Without Cause. Notwithstanding anything to the contrary, express or implied, contained in this Agreement, the Corporation may terminate the employment of the CFO at any time without Cause (a "Non-Cause Termination"); provided that the Corporation shall pay to the CFO severance pay equal to Twelve (12) months of the Base Salary then in effect (the "Severance Payment"), payable in equal monthly installments over the twelve-month period following such Non-Cause Termination.

**e. Other Reasons for Termination.**

The CFO may terminate this Agreement prior to the end of the Term of Employment either (A) upon thirty (30) days written notice with Good Reason ("Termination with Good Reason"), or (B) for any or no reason by providing three (3) months' advance written notice is given by the CFO to the Corporation.

As used herein, the term "Termination for Good Reason" shall mean: (a) a material reduction in the scope of the CFO's title, authority, duties or responsibilities in effect as of the Effective Date, which reduction is not remedied by the Corporation within thirty (30) days after notification to the Corporation containing a reasonably detailed description of such reduction; (b) the Corporation's breach of any material obligation owed to the CFO under this Agreement, including any Base Salary or; provided that the CFO has given the Corporation notice thereof describing in reasonable detail the alleged breach or failure, and the Corporation has failed to cure such breach or failure within a period of thirty (30) days following receipt of such notice.

In the event of a Termination Without Cause initiated by the CFO, the Corporation shall pay to the CFO, or in the event of his death, to his estate, the amount of the CFO's Base Salary accrued to the date of termination. In the event of a Termination With Good Reason initiated by the CFO, the Corporation shall additionally pay to the CFO one full year's Base Salary. The amounts set forth in this Section 5e shall be paid in full within thirty (30) days of the date of termination of employment.

**f. Public Notice.**

The Corporation and CFO shall mutually agree on any public communications regarding the cancellation of this Agreement by either party. Neither party shall defame, disparage or denigrate the other in public statements.

**6. Certain Covenants of the CFO.**

**a. Confidential Information.** The CFO acknowledges that in the course of his employment with the Corporation she may receive certain information, knowledge and data concerning the Business of the Corporation and its affiliates or pertaining to any individual, firm, corporation, partnership, joint venture, business, organization, entity or other person which the Corporation may do business with during the Term of Employment, which is not in the public domain, including but not limited to trade secrets, employee records, names and lists of suppliers and customers, programs, statistics, processes, techniques, pricing, marketing, software and designs, or any other matters, and all other confidential information of the Corporation and its affiliates acquired in connection with your employment (hereinafter referred to collectively as "Confidential Information"), which the Corporation and its affiliates desire to protect. The CFO understands that such Confidential Information is confidential, and she agrees not to reveal or disclose or otherwise make accessible such Confidential Information to anyone outside of the Corporation or any affiliate and their respective officers, employees, directors, consultants or agents, so long as the confidential or secret nature of such Confidential Information shall continue, whether or not he is employed by the Corporation, except as may be required by law, regulation or court order.

b. Return of Information. At such time as the CFO shall cease to be employed by the Corporation or the Corporation for whatever reason or at any other time the Corporation may reasonably request, he shall promptly deliver and surrender to the Corporation all papers, memoranda, notes, records, reports, sketches, specifications, designs and other documents, writings (and all copies thereof), and other property produced by her or coming into her possession by or through her employment hereunder and relating to the Confidential Information referred to in this Section 6 or otherwise to the Business, and the CFO agrees that all such materials will at all times remain the property of the Corporation.

c. Non-Competition Agreement. CFO acknowledges that the agreements and covenants contained in this Section 6(c) are essential to protect the business, goodwill, trade secrets and confidential information of the Corporation and are appropriate in scope and the Business is conducted in the United States (the "Territory"). CFO covenants and agrees that during the period commencing on the Effective Date and ending on the earlier of the CFO's termination of employment for Good Reason or the second (2<sup>nd</sup>) anniversary following CFO's termination of employment by the Company Without Cause or by the CFO without Good Reason (the "Restricted Period"), CFO shall not, directly or indirectly, (i) engage in any related business activity in the Territory that competes with the Business; (ii) render any services to any person for use in competing with the Corporation in connection with the Business in the Territory; or (iii) have an interest in any person engaged in any business that competes with the Corporation in connection with the Business in the Territory, directly or indirectly, in any capacity, including as a partner, member, officer, director, manger, principal, agent, trustee or consultant or any other relationship or capacity; provided, however, that each Restricted Party may own, directly or indirectly, solely as an investment, securities of any Person which are publicly traded if such Restricted Party (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such Person; or (iv) interfere with business relationships (whether formed heretofore or hereafter) between Buyer or any of its Affiliates and customers, suppliers or prospects of the Business.

d. Agreement Not to Solicit. For so long as the CFO shall be employed with the Corporation and for a period of two (2) years following the termination of this Agreement for any reason, the CFO agrees that she will not, either directly or indirectly, through any person, firm, association, corporation, partnership, agency or other business entity or person with which he is now or may hereafter become associated, (i) cause or induce any present or future employee of the Corporation to leave the employ of the Corporation or any affiliate to accept employment with the CFO or with such person, firm, association or corporation, agency or other business entity or (ii) solicit any person or entity which is a customer of the Corporation for the purpose of directly or indirectly furnishing services competitive with the Corporation.

**e. Scope.** It is expressly agreed that if any restrictions set forth in this Section 6 are found by any court having jurisdiction to be unreasonable because they are too broad in any respect, then and in each such case, the remaining restrictions herein contained shall, nevertheless, remain effective, and this Agreement, or any portion thereof, shall be considered to be amended so as to be considered reasonable and enforceable by such court, and the court shall specifically have the right to restrict the business or geographical scope of such restrictions to any portion of the business or geographic areas described above to the extent the court deems such restriction to be necessary to cause the covenants to be enforceable, and in such event, the covenants shall be enforced to the extent so permitted.

**f. Specific Performance.** The CFO acknowledges that a remedy at law for any breach or attempted breach of Section 6 of this Agreement may be inadequate, agrees that the Corporation shall be entitled to seek specific performance and injunctive and other equitable relief in case of any such breach or attempted breach, and further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or any other equitable relief.

**7. Indemnification.** Throughout the Term of Employment, the Corporation hereby agrees to maintain officers and directors' liability insurance with one or more recognized insurance carriers in an amount of not less than Five Million (\$5,000,000) and to cover the CFO under all of such policies and to provide indemnity to the CFO, in his capacity described in this Agreement, to the fullest extent provided under Georgia Law as provided herein. In addition, throughout the Term of Employment, the Corporation hereby agrees to agree to indemnify, defend and hold harmless the CFO and his Affiliates and, if applicable, the directors, officers, shareholders, employees, attorneys, accountants, agents and representatives of any affiliate of the CFO and the heirs, successors and assigns of the CFO or his affiliates (collectively, the "Indemnified Parties") to the fullest extent permitted under Georgia law, from and against any and all claims, liabilities, costs, expenses, including without limitation the payment by the Corporation of all legal fees, court costs and filing fees, as incurred by the CFO (collectively, "Claims"), based upon, arising out of or otherwise in respect of (i) any act of omission or commission by the Corporation or its board of directors, (ii) the failure of the Corporation to perform or observe fully any covenant, agreement or provision to be performed or observed by the Corporation to any third party, or (iii) any third-party Claim arising out of or in connection with the operation of the Business of the Corporation.

**8. Severability.** In case of any term, phrase, clause, Section, section, restriction, covenant, or agreement contained in this Agreement shall be held to be invalid or unenforceable, the same shall be deemed, and it is hereby agreed that the same are meant to be several, and shall not defeat or impair the remaining provisions hereof.

**9. Waiver.** The waiver by the Corporation of a breach of any provision of this Agreement by the CFO shall not operate or be construed as a waiver of any subsequent or continuing breach of this Agreement by the CFO.

**10. Assignment; Binding Affect.** This Agreement may not be assigned under any circumstances by either party. Neither the CFO nor her estate shall have any right to commute, encumber or dispose any rights to receive payments hereunder, it being agreed that such payment and the right thereto are nonassignable and nontransferable. Subject to the provisions of this Section 9 this Agreement shall be binding upon and inure to the benefit of the parties hereto, the CFO's heirs and personal representatives, and the successors and assigns of the Corporation.

**11. Amendments.** This Agreement may not be changed, amended, terminated or superseded orally, but only by an agreement in writing, nor may any of the provisions hereof be waived orally, but only by an instrument in writing, in any such case signed by the party against whom enforcement of any change, amendment, termination, waiver, modification, extension or discharge is sought.

**12. Entire Agreement; Amendment; Governing Law.** This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the matters covered hereby. Only an instrument in writing executed by the parties hereto may amend this Agreement.

**13. Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia. All actions and proceedings arising out of or relating to this Agreement shall be brought by the parties and heard and determined only in a Federal or state court located in the City of Atlanta and State of Georgia and the parties hereto consent to jurisdiction before and waive any objections to the venue of such Federal and New York courts. The parties hereto agree to accept service of process in connection with any such action or proceeding in any manner permitted for a notice hereunder.

**14. Attorneys' Fees.** Except as otherwise provided in Section 7 above, in the event that any suit or other legal proceeding is brought for the enforcement of any of the provisions of this Agreement, the parties hereto agree that the prevailing party or parties shall be entitled to recover from the other party or parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal and costs incurred in bringing such suit or proceeding.

**15. Headings.** All descriptive headings of the several Sections or Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

**16. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and same instrument. Facsimile and pdf signatures hereto shall have the same validity as original signatures hereto.

**17. Representations and Warranties.** (a) CFO represents and warrants to Corporation that (i) CFO is under no contractual or other restriction or obligation which is inconsistent with his execution of this Agreement or performance of her duties hereunder, (ii) CFO has no physical or mental disability that would hinder her performance of her duties under this Agreement, and (iii) she has had the opportunity to consult with an attorney of his choosing in connection with the negotiation of this Agreement.

**18. Notices.** Any notice required or permitted to be given under this Agreement shall be in writing and shall be sent by certified mail, by personal delivery or by overnight courier to the CFO at her residence (as set forth in Corporation's corporate records) or to the Corporation at its principal office and shall be effective upon receipt, if by personal delivery, three (3) business days after mailing, if sent by certified mail or one (1) business day after deposit with an overnight courier.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

**CORPORATION:**

**BOXLIGHT CORPORATION**

By: \_\_\_\_\_

Name: Mark Elliott

Title: CEO

**CFO:**

\_\_\_\_\_  
**SHERI LOFGREN**

## Section 5: EX-10.7

### EMPLOYMENT AGREEMENT

THIS AGREEMENT (this "Agreement"), dated November 30, 2017 (the "Effective Date"), by and between **BOXLIGHT CORPORATION**, a Nevada corporation ("the Corporation") and **HANK NANCE**, an individual residing at 10482 Bent Tree View, Duluth, GA 30097 ("the COO").

#### WITNESSETH:

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained herein, the parties hereto intending to be bound hereby, it is hereinafter agreed as follows:

**1. Term.** The Corporation hereby employs the COO, and the COO hereby accepts employment, for term commencing on Effective Date hereof and, subject to earlier termination as provided in Section 5 hereof, continuing for the period commencing on the Effective Date through December 31, 2020 (the "Initial Term"); which Initial Term may be renewed annually or extended by mutual agreement of the Corporation and the COO (such Initial Term, as the same may be so renewed or extended, being hereinafter sometimes called the "Term of Employment"). The COO shall perform the services specified herein, all upon the terms and conditions hereinafter stated. This Agreement may be extended only upon the written consent of the parties hereto.

#### **2. Duties and Responsibilities.**

**a. General.** The COO shall serve as the COO of the Corporation and subject to the general direction and control of the CEO of the Corporation (the "CEO") the Executive shall have responsibility for the overall day-to-day operation of the Corporation. In addition, the COO shall have such other duties as are normally associated with and inherent in the executive capacity in which the COO will be serving.

**b. Time.** The COO shall devote 100% of his professional and business time, attention and energy to the Business (as defined herein) of the Corporation as necessary and appropriate to further the interests of the Corporation, other than reasonable time spent performing non-profit and charitable community service. As used herein, the term "Business" shall mean and include the development and selling of education products and services.

**c. Business Opportunities.** The COO covenants and agrees that if, during the Term of Employment, the COO shall access, directly or indirectly, an investment or business opportunity that is directly or indirectly related to the Business of the Corporation (a "Business Opportunity"), the COO shall submit full details of such Business Opportunity to the CEO of the Corporation, and such Business Opportunity shall be the sole property of the Corporation.

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### 3. Salary and Bonus.

a. Base Salary. During the period commencing on the Effective Date and ending December 31, 2020, the Corporation shall pay to the COO a salary (the "Base Salary") at an annual rate of One Hundred and Ninety-Five Thousand (\$195,000) Dollars.

b. Bonuses. During the Term of Employment, the CEO shall evaluate the performance of the Executive and, if deemed appropriate by the CEO, the Executive shall be awarded each quarter a cash bonus in the amount of Twenty-Five Thousand Dollars (\$25,000), beginning on the quarter ending December 31, 2017.

### 4. Incentive Awards and Fringe Benefits.

a. Stock Options. In addition to (and not in lieu of) the Base Salary, the Corporation shall grant to the President employee stock options (vesting in equal monthly installments over a one-year period, commencing on January 2, 2018 (the "Grant Date")), entitling the President to purchase shares of Common Stock of the Corporation which shall represent Two Hundred Thousand (200,000) shares, pursuant to the Corporation's 2014 Stock Incentive Plan (the "2014 Plan"). The Corporation shall grant an additional One Hundred Thousand (100,000) shares on both January 2, 2019 and January 2, 2020 with the same twelve-month vesting schedules. Upon termination, the President shall have one year from the termination date to exercise any vested options.

b. Vesting on Options Granted Prior to Liquidity Event. The COO was granted One Hundred Forty-Four Thousand Twenty (144,020) options prior to the liquidity event. These options will vest quarterly over a three (3) year period beginning on December 31, 2017. If the employee is terminated (either voluntarily or non-voluntarily), all of these options will vest immediately.

c. Benefit Plans. In addition to the other compensation payable to the COO hereunder, and except as otherwise set forth herein, the COO shall be eligible to participate in all pension, profit sharing, retirement savings plan, 401K or other similar benefit, medical, disability and other employee benefit plans and programs generally provided by the Corporation to its senior staff from time to time hereafter (other than those provided pursuant to separately negotiated individual employment agreements or arrangements), subject to, and to the extent the COO is eligible for the respective terms of such benefit plans and programs.

d. Expenses. During the Term of Employment, the Corporation shall pay or reimburse the COO, upon submission of appropriate documentation by him, for all out-of-pocket expenses for entertainment, travel, meals, hotel accommodations, and the like incurred by him in the interest of the Business.

e. Vacation. The COO shall be entitled to five (5) weeks annual paid vacation days per calendar year in accordance with Corporation policies.

f. **Insurance.** During the Term of Employment, the Executive shall be entitled to participate in any group insurance plan, including health insurance, term life insurance, and disability insurance policies (collectively, "Corporation Plans") from time to time maintained by the Corporation; provided that such insurance can be obtained on economically reasonable terms. The Corporation agrees to pay or reimburse the full amount of COO's premiums for disability, accident, death and dismemberment and/or life insurance coverage in the Corporation Plans. Should the Corporation not have an applicable Corporation Plan, the COO shall be reimbursed for any economically reasonable health and welfare insurance premiums paid by the COO.

#### **5. Termination; Change of Control.**

a. **Death.** If the COO shall die prior to the expiration of the Term of Employment, the Corporation shall have no further obligation hereunder, other than to the COO or his estate except to pay to the COO's estate the amount of the COO's Base Salary accrued to the date of his death. Such payment shall be made promptly after the date of death to the COO's estate.

b. **Disability.** If prior to the expiration of the Term of Employment, the COO shall be prevented, during a continuous period of ninety (90) days (the "Disability Period"), from performing his duties by reason of "disability," the Corporation may terminate this Agreement, in which event the COO shall receive: (i) his Base Salary accrued to the date upon which any determination of disability shall have been made as hereinafter provided, and continuing until the date on which disability income payments commence under the Company's long term disability plan (or the beginning of Social Security disability income, if sooner), which Base Salary payment may be reduced by the amount of any disability income payments the COO may receive in connection with such occurrence of disability during the Disability Period under any policy or plan carried or maintained by or on behalf of the Corporation and under which the COO is a beneficiary or participant. The COO shall continue to have the right to receive the greater of his Current Benefits, or benefits, if any, under any Corporation Plans, but only in accordance with the terms of such plan or policy as they apply to persons whose employment has been terminated as a result of an employee's permanent disability. Such payments shall be made to the COO in accordance with its normal payroll policies and schedule.

For purposes of this Agreement, the COO shall be deemed to have become disabled when the CEO of the Corporation (excluding the Executive or any of his affiliates), upon the diagnosis of a reputable, licensed physician of the Corporation's choice, in consultation with the COO's primary physician, shall have determined that the COO shall have become unable to perform his duties under this Agreement, whether due to physical or mental incapacity or to infirmity caused by chronic alcoholism or drug use (excluding infrequent and temporary absences due to ordinary illness); provided that such incapacity shall have continued uninterrupted for a period of not less than ninety (90) days.

c. Cause. Notwithstanding any other provision of this Agreement, if prior to the expiration of the Term of Employment, the Corporation shall have the right to discharge the COO “for Cause,” as defined below, then this Agreement shall terminate effective upon such discharge, and upon such termination, neither the Corporation nor any other member of the Corporation shall have any further obligation to the COO or his estate, except that the Corporation will cause the Corporation to pay to the COO, within thirty (30) days of such termination, or in the event of his subsequent death, his estate, an amount equal to the COO’s Base Salary, as provided in Section 3 hereof, accrued to the date of termination. In addition, the COO shall not, after the date of termination, be entitled to receive any further Current Benefits, or other benefits, if any, under any Corporation Plans. In the event of termination of the COO’s employment for Cause, neither the Corporation nor any member of the Corporation shall be obligated to pay, and the COO shall not be entitled to receive, any Bonus. In addition, all Stock Options that have not been exercised by the COO shall be submitted to immediate cancellation.

For the purposes hereof, the term “Cause” shall mean and be limited to a discharge resulting from any one of the following:

(i) the COO’s conviction of a felony or any other crime involving moral turpitude,

(ii) a breach by the COO of his fiduciary duties to the Corporation as specified herein, or

(iii) the COO’s failure or refusal to follow the lawful policies or directives established by the CEO; provided that in the case of clauses (ii) or (iii) above, the CEO shall have first given written notice thereof to the COO on each occasion describing in reasonable detail the alleged breach, failure or refusal, and such breach or willful failure or refusal to follow written lawful policies or directives shall remain uncured for a period of twenty (20) days following receipt of each such notice.

d. Termination Without Cause. Notwithstanding anything to the contrary, express or implied, contained in this Agreement, the Corporation by action of its CEO, may terminate the employment of the COO at any time without Cause (a “Non-Cause Termination”); provided that the Corporation shall pay to the COO severance pay equal to Twelve (12) months of the Base Salary then in effect (the “Severance Payment”), payable in equal monthly installments over the twelve month period following such Non-Cause Termination.

e. Other Reasons for Termination.

The COO may terminate this Agreement prior to the end of the Term of Employment either (A) upon thirty (30) days written notice with Good Reason (“Termination With Good Reason”), or (B) for any or no reason by providing three (3) months’ advance written notice is given by the COO to the Corporation.

As used herein, the term "Termination for Good Reason" shall mean: (a) a material reduction in the scope of the COO's title, authority, duties or responsibilities in effect as of the Effective Date, which reduction is not remedied by the Corporation within twenty (20) days after notification to the Corporation containing a reasonably detailed description of such reduction; (b) the Corporation's breach of any material obligation owed to the COO under this Agreement, including any Base Salary or; provided that the COO has given the Corporation notice thereof describing in reasonable detail the alleged breach or failure, and the Corporation has failed to cure such breach or failure within a period of forty-five ( 45) days following receipt of such notice.

In the event of a Termination Without Cause initiated by the COO, the Corporation shall pay to the COO, or in the event of his death, to his estate, the amount of the COO's Base Salary accrued to the date of termination. In the event of a Termination With Good Reason initiated by the COO, the Corporation shall additionally pay to the COO one full year's Base Salary. The amounts set forth in this Section 5e shall be paid in full within thirty (30) days of the date of termination of employment.

## **6. Certain Covenants of the COO**

a. Confidential Information. The COO acknowledges that in the course of his employment with the Corporation he may receive certain information, knowledge and data concerning the Business of the Corporation and its affiliates or pertaining to any individual, firm, corporation, partnership, joint venture, business, organization, entity or other person which the Corporation may do business with during the Term of Employment, which is not in the public domain, including but not limited to trade secrets, employee records, names and lists of suppliers and customers, programs, statistics, processes, techniques, pricing, marketing, software and designs, or any other matters, and all other confidential information of the Corporation and its affiliates acquired in connection with your employment (hereinafter referred to collectively as "Confidential Information"), which the Corporation and its affiliates desire to protect. The COO understands that such Confidential Information is confidential, and he agrees not to reveal or disclose or otherwise make accessible such Confidential Information to anyone outside of the Corporation or any affiliate and their respective officers, employees, directors, consultants or agents, so long as the confidential or secret nature of such Confidential Information shall continue, whether or not he is employed by the Corporation, except as may be required by law, regulation or court order.

b. Return of Information. At such time as the COO shall cease to be employed by the Corporation or the Corporation for whatever reason or at any other time the Corporation may reasonably request, he shall promptly deliver and surrender to the Corporation all papers, memoranda, notes, records, reports, sketches, specifications, designs and other documents, writings (and all copies thereof), and other property produced by him or coming into his possession by or through his employment hereunder and relating to the Confidential Information referred to in this Section 6 or otherwise to the Business, and the COO agrees that all such materials will at all times remain the property of the Corporation.

c. Non-Competition Agreement. COO acknowledges that the agreements and covenants contained in this Section 6(c) are essential to protect the business, goodwill, trade secrets and confidential information of the Corporation and are appropriate in scope and the Business is conducted in the United States (the “**Territory**”). COO covenants and agrees that during the period commencing on the Effective Date and ending on the earlier of the COO’s termination of employment for Good Reason or the second (2<sup>nd</sup>) anniversary following COO’s termination of employment by the Company Without Cause or by the COO without Good Reason (the “**Restricted Period**”), COO shall not, directly or indirectly, (i) engage in any related business activity in the Territory that competes with the Business; (ii) render any services to any person for use in competing with the Corporation in connection with the Business in the Territory; or (iii) have an interest in any person engaged in any business that competes with the Corporation in connection with the Business in the Territory, directly or indirectly, in any capacity, including as a partner, member, officer, director, manger, principal, agent, trustee or consultant or any other relationship or capacity; provided, however, that each Restricted Party may own, directly or indirectly, solely as an investment, securities of any Person which are publicly traded if such Restricted Party (A) is not a controlling person of, or a member of a group which controls, such person and (B) does not, directly or indirectly, own 5% or more of any class of securities of such Person; or (iv) interfere with business relationships (whether formed heretofore or hereafter) between Buyer or any of its Affiliates and customers, suppliers or prospects of the Business.

d. Agreement Not to Solicit. For so long as the COO shall be employed with the Corporation and for a period of two (2) years following the termination of this Agreement for any reason, the COO agrees that he will not, either directly or indirectly, through any person, firm, association, corporation, partnership, agency or other business entity or person with which he is now or may hereafter become associated, (i) cause or induce any present or future employee of the Corporation to leave the employ of the Corporation or any affiliate to accept employment with the COO or with such person, firm, association or corporation, agency or other business entity or (ii) solicit any person or entity which is a customer of the Corporation for the purpose of directly or indirectly furnishing services competitive with the Corporation.

e. Scope. It is expressly agreed that if any restrictions set forth in this Section 6 are found by any court having jurisdiction to be unreasonable because they are too broad in any respect, then and in each such case, the remaining restrictions herein contained shall, nevertheless, remain effective, and this Agreement, or any portion thereof, shall be considered to be amended so as to be considered reasonable and enforceable by such court, and the court shall specifically have the right to restrict the business or geographical scope of such restrictions to any portion of the business or geographic areas described above to the extent the court deems such restriction to be necessary to cause the covenants to be enforceable, and in such event, the covenants shall be enforced to the extent so permitted.

f. Specific Performance. The COO acknowledges that a remedy at law for any breach or attempted breach of Section 6 of this Agreement may be inadequate, agrees that the Corporation shall be entitled to seek specific performance and injunctive and other equitable relief in case of any such breach or attempted breach, and further agrees to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or any other equitable relief.

**7. Indemnification.** Throughout the Term of Employment, the Corporation hereby agrees to maintain officers and directors' liability insurance with one or more recognized insurance carriers and to cover the COO under all of such policies and to provide indemnity to the COO, in his capacity described in this Agreement, to the fullest extent provided under Georgia Law as provided herein. In addition, throughout the Term of Employment, the Corporation hereby agrees to agree to indemnify, defend and hold harmless the COO and her Affiliates and, if applicable, the directors, officers, shareholders, employees, attorneys, accountants, agents and representatives of any affiliate of the COO and the heirs, successors and assigns of the COO or his affiliates (collectively, the "Indemnified Parties") to the fullest extent permitted under Georgia law, from and against any and all claims, liabilities, costs, expenses, including without limitation the payment by the Corporation of all legal fees, court costs and filing fees, as incurred by the COO (collectively, "Claims"), based upon, arising out of or otherwise in respect of (i) any act of omission or commission by the Corporation or its CEO, (ii) the failure of the Corporation to perform or observe fully any covenant, agreement or provision to be performed or observed by the Corporation to any third party, or (iii) any third-party Claim arising out of or in connection with the operation of the Business of the Corporation..

**8. Severability.** In case of any term, phrase, clause, Section, section, restriction, covenant, or agreement contained in this Agreement shall be held to be invalid or unenforceable, the same shall be deemed, and it is hereby agreed that the same are meant to be several, and shall not defeat or impair the remaining provisions hereof.

**9. Waiver.** The waiver by the Corporation of a breach of any provision of this Agreement by the COO shall not operate or be construed as a waiver of any subsequent or continuing breach of this Agreement by the COO.

**10. Assignment; Binding Affect.** This Agreement may not be assigned under any circumstances by either party. Neither the COO nor his estate shall have any right to commute, encumber or dispose any rights to receive payments hereunder, it being agreed that such payment and the right thereto are nonassignable and nontransferable. Subject to the provisions of this Section 9 this Agreement shall be binding upon and inure to the benefit of the parties hereto, the COO's heirs and personal representatives, and the successors and assigns of the Corporation.

**11. Amendments.** This Agreement may not be changed, amended, terminated or superseded orally, but only by an agreement in writing, nor may any of the provisions hereof be waived orally, but only by an instrument in writing, in any such case signed by the party against whom enforcement of any change, amendment, termination, waiver, modification, extension or discharge is sought.

**12. Entire Agreement; Amendment; Governing Law.** This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the matters covered hereby. Only an instrument in writing executed by the parties hereto may amend this Agreement.

**13. Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia. All actions and proceedings arising out of or relating to this Agreement shall be brought by the parties and heard and determined only in a Federal or state court located in the City of Atlanta and State of Georgia and the parties hereto consent to jurisdiction before and waive any objections to the venue of such Federal and New York courts. The parties hereto agree to accept service of process in connection with any such action or proceeding in any manner permitted for a notice hereunder.

**14. Attorneys' Fees.** Except as otherwise provided in Section 7 above, in the event that any suit or other legal proceeding is brought for the enforcement of any of the provisions of this Agreement, the parties hereto agree that the prevailing party or parties shall be entitled to recover from the other party or parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal and costs incurred in bringing such suit or proceeding.

**15. Headings.** All descriptive headings of the several Sections or Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

**16. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and same instrument. Facsimile and pdf signatures hereto shall have the same validity as original signatures hereto.

**17. Representations and Warranties.** (a) COO represents and warrants to Corporation that (i) COO is under no contractual or other restriction or obligation which is inconsistent with his execution of this Agreement or performance of his duties hereunder, (ii) COO has no physical or mental disability that would hinder his performance of his duties under this Agreement, and (iii) he has had the opportunity to consult with an attorney of his choosing in connection with the negotiation of this Agreement.

**18. Notices.** Any notice required or permitted to be given under this Agreement shall be in writing and shall be sent by certified mail, by personal delivery or by overnight courier to the COO at his residence (as set forth in Corporation's corporate records) or to the Corporation at its principal office and shall be effective upon receipt, if by personal delivery, three (3) business days after mailing, if sent by certified mail or one (1) business day after deposit with an overnight courier.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

**Corporation:**

**BOXLIGHT CORPORATION**

By: \_\_\_\_\_

Name: Mark Elliott

Title: CEO

**COO:**

\_\_\_\_\_  
**HANK NANCE**



## Section 6: EX-10.19



SALLYPORT COMMERCIAL FINANCE, LLC

ACCOUNT SALE AND PURCHASE AGREEMENT

THIS ACCOUNT SALE AND PURCHASE AGREEMENT (this "Agreement") is entered into in Houston, Texas, between Sallyport Commercial Finance, LLC ("Purchaser"), with offices at 14100 Southwest Freeway, Suite 210, Sugar Land, Texas 77478 and Boxlight, Inc. ("Seller"), whose office is located at 1045 Progress Circle, Lawrenceville, GA. 30043 ("Seller's Address").

**1. Definitions and Index to Definitions.** The following terms used herein shall have the following meaning. All capitalized terms not herein defined shall have that meaning as set forth in the Uniform Commercial Code as enacted in the State of Texas (the "UCC").

**1.1. "Account Payment"** - means that portion of the purchase price paid by Purchaser to Seller from time to time for the Accounts purchased hereunder.

**1.2. "Account Debtor"** - means the person or entity which is obligated on an Account, together with anything else defined as an "account debtor" in the UCC.

**1.3. "Accounts"** - shall have the meaning as set forth in the UCC, plus all contract rights, documents, notes, instruments and all other forms of obligations owed to or owned by Seller, all general intangibles relating thereto, all proceeds thereof, all guaranties, supporting obligations and security therefore, and all goods and rights represented thereby and arising therefrom, including, but not limited to, returned, reclaimed and repossessed goods and the rights of stoppage in transit, replevin and reclamation.

**1.5 "ACH"** - the Automated Clearing House.

**1.6 "Additional Factoring Fee"** - See Schedule A, No. 1

**1.7 "Additional Fee Period"** - See Schedule A, No. 2.

**1.8 "Advance Rate"** - See Schedule A, No. 3.

**1.9 "Assignment Schedule"** - means a list of Accounts Seller is selling and assigning to Purchaser in form and with information sufficient and acceptable to Purchaser in Purchaser's sole discretion.

**1.10 "Audit Fee"** - See Schedule A, No. 4.

**1.11 "Avoidance Claim"** - means the assertion, complaint, judgment or otherwise against Purchaser, any payment Purchaser received with respect to any Account, whether the amount related thereto was paid by the Account Debtor, the Seller, on behalf of Seller or for its benefit, or any lien granted to Purchaser is avoidable (or recoverable from Purchaser) under the Bankruptcy Code, any other debtor relief statute, including, but not limited to, preference claims, fraudulent transfer claims, or through receivership, assignment for the benefit of creditors or any equivalent recovery law, rule or regulation which relates to the adjustment of debtor and creditor relations.

**1.12 "Base Rate"** - The highest prime rate publically announced from time to time by The Wall Street Journal as its prime or base rate or equivalent rate, or if The Wall Street Journal ceases to publish the prime rate, such other published prime rate as chosen by Purchaser, in its sole discretion.

**1.13 "Collateral"** - all of Seller's now owned or hereafter acquired Accounts, Equipment, Inventory, Financial Assets, Chattel Paper, Electronic Chattel Paper, Letters of Credit, Letter of Credit Rights, General Intangibles, Investment Property Goods, Deposit Accounts, Instruments, the Reserve, Commercial Tort Claims, Supporting Obligations, motor vehicles, all books, records, files and computer data related to the foregoing, and all proceeds of the foregoing.

**1.14 "Daily Balance"** - The aggregate total of Account Payments made to Seller as advances of the Purchase Price relating to Purchased Accounts which remain unpaid by Account Debtors on any given day.

**1.15 "Default Factoring Fee"** - See Schedule A, No. 5.

**1.16 "Dispute"** - any dispute, deduction, claim, offset, defense or counterclaim of any kind whatsoever, real or imagined, regardless of whether the same is in an amount greater than, equal to or less than the Account concerned, regardless of whether the same is valid or bona fide, regardless of whether the same in whole or in part relates to the Account on which payment is being withheld or other Accounts or goods or services already paid for, and regardless of whether the same arises by reason of an act of God, civil strife, war, currency restriction, foreign political restriction or regulation, or the like, or any other reason.



**1.16 “Effective Date”** – See signature page.

**1.17 “Eligible Accounts”** – means an Account which is acceptable for an advance of the Purchase Price or portion thereof to be paid prior to its due date, all as determined by Purchaser, in its sole discretion.

**1.18 “Environmental Laws”** – any federal, state or local law, rule, regulation or order relating to pollution, waste disposal, industrial hygiene, land use or the protection of human health, safety, or welfare, plant life or animal life, natural resources, the environment or property.

**1.19 “Events of Default”** – shall have that meaning as set forth in Section 7.1 herein.

**1.20 “Initial Factoring Fee”** - See Schedule A, No. 6.

**1.21 “Initial Factoring Fee Period”** - See Schedule A, No. 7.

**1.22 “Initial Setup Fee”** - See Schedule A, No. 8.

**1.23 “Invalid Invoice Fee”** – fifteen percent (15%) of the face amount of any purchased Account or \$1,000.00, whichever is higher, as liquidated damages for failure to comply with Section 4.6(a) herein.

**1.24 “Maximum Facility Limit Amount”** – See Schedule A, No. 9.

**1.25 “Minimum Monthly Sales Shortfall Fee”** – See Schedule A, No. 10.

**1.26 “Minimum Monthly Sales Volume”** – See Schedule A, No. 11.

**1.27 “Missing Notation Fee”** – fifteen percent (15%) of the face amount of any purchased Account, or \$1,000.00 the higher thereof, as liquidated damages for failure to comply with Section 2.7.

**1.28 “Misdirected Payment Fee”** – fifteen percent (15%) of the amount of any payment on account of a purchased Account, or \$1,000, the higher thereof which has been received by Seller and not delivered to Purchaser on the business day following receipt by Seller.

**1.29 “Obligations”** – shall mean and include each and all of the following: the obligation to pay and perform when due all debts and all obligations, liabilities, covenants, agreements, guaranties, warranties and representations of Seller to Purchaser, of any and every kind and nature, whether heretofore, now or hereafter owing, arising, due or payable from Seller to Purchaser; howsoever created, incurred, acquired, arising or evidenced; whether primary, secondary, direct, absolute, contingent, fixed, secured, unsecured, or otherwise; whether as principal or guarantor; liquidated or unliquidated; certain or uncertain; determined or undetermined; due or to become due; as a result of present or future advances or otherwise; joint or individual; pursuant to or caused by Seller’s breach of this Agreement, or any other present or future agreement or instrument, or created by operation of law or otherwise; evidenced by a written instrument or oral; created directly between Purchaser and Seller or owed by Seller to a third party and acquired by Purchaser from such third party; monetary or nonmonetary.

**1.30 “Online Reporting Service”** – shall mean the system set up on Purchaser’s website where Seller provides Purchaser with the pertinent data necessary for Purchaser to purchase Accounts under this Agreement and otherwise administer this Agreement.

**1.31 “Online Statement of Account”** – shall have that meaning as described in Section 2.8 herein.

**1.32 “Original Term”** – shall mean the term of this Agreement commencing on the Effective Date and concluding within the time frame as provided for in Schedule A, No. 12.

**1.33 “Place of Business, Location of Collateral”** – See Schedule A, No. 13.

**1.34 “Purchase Price”** – shall have that meaning as described in Section 2.2 herein.

**1.35 “Records”** – shall have that meaning set forth in Section 5.4 herein.

**1.36 “Renewal Term”** – shall mean each consecutive term as provided for in Schedule A, No. 14, and automatically renewing for each consecutive period thereafter.

**1.37 “Reserve”** – a bookkeeping account on the books of Purchaser representing an unpaid portion of the Purchase Price, maintained by Purchaser to ensure Seller’s performance with the provisions hereof.

**1.38 “Trade Names and Styles”** – Shall mean the trade names and styles set forth in Schedule A. No. 15.

## **2. Factoring.**

**2.1. Sale of Accounts.** Seller shall present to Purchaser Accounts for purchase pursuant to this Agreement in the Assignment Schedule. Seller agrees that it will do all of its business through Purchaser as Seller’s sole factor and Seller hereby assigns and sells to Purchaser, as absolute owner, all Accounts. Purchaser shall be under no obligation to purchase Seller’s Accounts and shall only purchase Accounts in its sole discretion. Unless Purchaser notifies Seller to the contrary as to a specific Account, all Accounts shall be deemed purchased by Purchaser upon presentment by Seller. Although an Account may appear on an Assignment Schedule multiple times, the Account is being purchased the first time such Account appears on an Assignment Schedule.

**2.2. Purchase Price of Accounts.** The Purchase Price for Accounts is the gross amount of the Account (the “Gross Invoice Amount”) less all credits, discounts and allowances at any time issued, owing or granted to, or claimed or taken by the Account Debtor. The Purchase Price is due at the time an Account has been paid by the Account Debtor. However, the Purchase Price for an Eligible Account, or any portion thereof, shall be paid in advance of the due date, provided, that the amount of such advance payment will be made in Purchaser’s sole discretion. Any payment of any portion of the Purchase Price in advance of its due date shall not obligate the Purchaser to advance the Purchase Price, or any portion thereof, of any other Eligible Account at any time. Advances of the Purchase Price hereunder shall be made in amounts determined by Purchaser in its sole discretion and at no time exceed the Maximum Facility Limit Amount. All Accounts purchased during any time in which any portion of the Purchase Price for the Account has not been given to Seller in advance of its due date shall be deemed to be an ineligible Account for which the Purchase Price shall be due Seller as provided in the second sentence of this Subsection.

**2.3. Factoring Fees.** Purchaser shall charge Seller the Initial Factoring Fee and Additional Factoring Fee according to the Initial Fee Period and Additional Fee Period, as provided for in Schedule A. Each Account purchased by Purchaser shall be subject to the Discount Fee, as provided for in Schedule A, which shall be fully earned upon its assessment. All factoring fees under this Agreement shall be computed and earned on the gross face amount of each Account purchased under this Agreement. The Initial Setup Fee shall be fully earned and payable upon execution of this Agreement.

**2.4. Calculation of Factoring Fees.** Seller will pay Purchaser Factoring Fees (hereinafter referred to as “Interest”) on the Daily Balance. Interest will be calculated daily at a rate per annum equal to the amount provided for in Schedule A, No.

16, plus the Base Rate (the “Interest Rate”) and will be charged to Seller’s account on the last day of the month. However, the Base Rate will not be lower than the amount provided for in Schedule A, No. 17, at any time. The Interest Rate will also be charged to Seller on all Obligations, except those specifying a different rate, from the date incurred through the date paid. Any publicly announced decrease or increase in the Base Rate will result in an adjustment to the Interest Rate on the next business day. After the occurrence of an Event of Default and for so long as such Event of Default continues, all the Obligations will, at Purchaser’s option, with or without the notice to Seller, bear interest at a rate per annum equal to the amount provided for in Schedule A, No. 17, plus the Interest Rate. Interest will be calculated on the basis of a 360-day year for the actual number of days elapsed. In no event will the total amount of interest received by Purchaser exceed the amount of interest permitted by applicable law and in the event excess interest is determined by a court of competent jurisdiction to have been paid by Seller to Purchaser, such excess interest will be applied as a credit against the outstanding Obligations and Seller will not have any action against Purchaser or any damages arising out of the payment or collection of such excess interest. If an Account or any payment is charged back to Seller after the collection date, Seller will pay Purchaser interest at the Interest Rate on such Account or on such payment.

**2.5. Reserve.** Purchaser shall charge and retain an amount equal to the inverse of the Advance Rate, of the gross face amount of each Account purchased from Seller, which amount shall be held as the Reserve. Purchaser may, from time to time, at its sole discretion, charge the aggregate Reserve with: (a) any losses which may be incurred in relation to any Account purchased hereunder; (b) any Account or portion thereof that Purchaser determines are not Eligible Accounts; (c) anticipated fees identified and payable under this Agreement; (d) any other obligation due to Purchaser under this Agreement; or (e) other amounts that Purchaser deems appropriate in its sole discretion. Purchaser agrees to maintain the Reserve mentioned herein, the maintenance of which, however, shall not vest the Seller any right, title, or interest herein, it being understood that the account shall be kept as a reserve to pay the Obligations of the Seller incurred under the provisions of this Agreement. Provided that there is no Event of Default, Purchaser, in its sole discretion, may initiate rebates to Seller from the Reserve. Purchaser, in its sole discretion, may adjust the percentage of the Reserve.

**2.6. Repurchase Rights.** Purchaser may require that Seller immediately repurchase, by payment of the then unpaid face amount of any purchased Account, together with any unpaid fees and other amounts owed relating to the purchased Account on demand, or at Purchaser’s option, by Purchaser’s charge to the Reserve, upon the following events: (a) an Account is not paid by the Account Debtor within ninety (90) days of the date set forth on the invoice for the purchased Account; (b) Seller has breached any warranties or promises in this Agreement with regard to an unpaid Account; (c) Seller and Account Debtor are involved in a Dispute of any kind, regardless of validity; (d) the Account Debtor asserts a claim of loss of any kind against Seller and/or Purchaser; and/or (e) an insolvency or other financial inability of the Account Debtor to pay. Any Accounts not paid within ninety (90) days of purchase and not repurchased by Seller, shall incur the Default Factoring Fee, as provided for in Schedule A.

**2.7. Assignments and Other Documentation.** All bills and invoices for all Accounts assigned to or purchased by Purchaser hereunder shall bear the following legend: “This account has been assigned to and payable only to Sallyport Commercial Finance, LLC. Any concerns about this invoice must be reported to Sallyport Commercial Finance, LLC, at said address”. In the event that Seller sends to an Account Debtor any invoice evidencing a purchased Account which does not contain such notation (or such other notation otherwise acceptable to Purchaser as provided for in this Section), it will be impracticable or extremely difficult to determine the resulting damages suffered by Purchaser. It is therefore agreed that Seller shall immediately pay to Purchaser as liquidated damages the Missing Notation Fee. Seller shall immediately provide to Purchaser such additional information as requested by Purchaser relating to any Account. All bills and invoices for all Accounts shall be in a form acceptable to Purchaser containing such terms and conditions as Purchaser requires.

**2.8. Online Statement of Account.** Purchaser shall post all of Seller’s account activity on Purchaser’s website, which shall constitute Seller’s Online Statement of Account. Purchaser shall not send Seller any hard copies of any activities which constitute Seller’s Online Statement of Account. Provided that there is no Event of Default, Purchaser shall provide Seller with continuous access to view the Online Statement of Account. Seller shall be solely responsible for checking its Online Statement of Account. If Seller disputes any entry on the Online Statement of Account it shall, within thirty (30) days after the first posting of the event, send to Purchaser a written exception to such event. Unless Purchaser receives a timely written exception to the activity posted to the Online Statement of Account, within thirty (30) days after it is first posted, the Online Statement of Account shall become an account stated and be deemed accepted by Seller and shall be conclusive and binding upon the Seller.

**2.9. Credits and Returns.** Seller will issue credits only with Purchaser’s prior written approval, and only if claimed by the Account Debtor. In addition to the Accounts, Seller hereby sells, assigns and transfers to Purchaser all of its right, title and interest in and to the goods the sale of which resulted in the creation of Accounts, and in all such goods that may be returned by Account Debtors, and all causes of action and rights in connection therewith which Seller now has or may hereafter acquire, including its rights of reclamation, replevin and stoppage in transit and the rights as an unpaid vendor or lienor. Any goods so recovered shall be treated as returned goods, and shall be set aside, marked with Purchaser’s name and held for Purchaser’s account as owner. Seller shall notify Purchaser promptly of all such returns.

**2.10. Term of this Agreement, Minimum Monthly Sales Shortfall Fee.** This Agreement shall be in effect for the Original Term and shall automatically renew for consecutive Renewal Terms unless terminated by Seller or Purchaser as follows. Seller may terminate this Agreement upon providing Purchaser with written notice not more than ninety (90) days and not less than thirty (30) days prior to the end of the Original Term or any Renewal Term, which written notice shall clearly state its intention to terminate at the end of the current term. Purchaser may terminate this Agreement upon providing Seller written notice of not less than Thirty (30) days prior to the end of the Original Term or any Renewal Term, which notice shall clearly state its intention to terminate at the end of the Current Term. In addition, Purchaser may terminate this Agreement at any time if an Event of Default shall occur and shall be continuing. As consideration for Purchaser making the necessary financial accommodations and foregoing other factoring opportunities available in the market place, Seller agrees to pay the Purchaser during the Original Term and for each Renewal Term, the Minimum Monthly Sales Shortfall Fee if, at the end of each monthly period, the actual monthly sales volume is less than the Minimum Monthly Sales Volume. Purchaser may charge Seller with the amount of such deficiency in the form of an assessment of the Minimum Monthly Sales Shortfall Fee. If Seller terminates this Agreement at any time prior to the expiration of the Original Term, or any subsequent Renewal Term, or if the Purchaser terminates this Agreement at any time upon the occurrence of an Event of Default, Seller shall remain obligated to pay the total of the Minimum Monthly Sales Shortfall Fee for the time remaining for the Original Term or Renewal Term, as the case may be.

**2.11 Other Operational Fees and Costs.** Seller shall pay Purchaser all other fees and costs incurred hereunder immediately when due, including but not limited to all fees and costs set forth in Schedule A.

### **3. Collateral, Grant of Security Interest, ACH Authorization.**

**3.1. Collateral.** As security and collateral for the Obligations, Seller hereby grants Purchaser a continuing security interest in, and assigns to Purchaser, all of Seller’s right, title and interest in and to the Collateral.

**3.2. Filing Authorization.** Seller hereby authorizes Purchaser to file any document it deems necessary to perfect its security interest in the Collateral, including but not limited to UCC-1 financing statements and any applicable amendments or continuation statements.

**3.3. ACH Authorization.** In order to satisfy any of the Obligations and facilitate the purchase of Accounts, Purchaser is hereby authorized by Seller to initiate electronic debit or credit entries through the ACH. This authorization is irrevocable.

**4. Representations, Warranties and Covenants of Seller.** To induce Purchaser to enter into this Agreement, Seller represents and warrants that each of the following representations and warranties now is and hereafter will continue to be true and correct in all respects and Seller has and will timely perform each of the following covenants:

**4.1. Existence and Power.** If Seller is a partnership, limited liability company or corporation, Seller is and will continue to be duly authorized, validly existing and in good standing under the laws of the jurisdiction of its organization. Seller is and will continue to be qualified and licensed in all jurisdictions in which the nature of the business transacted by it, or the ownership or leasing of its property, make such qualification of licensing necessary, and Seller has and will continue to have all requisite power and authority to carry on its business as it is now, or may hereafter be, conducted.

**4.2. Authority.** Seller is, and will continue to be, duly empowered and authorized to enter into, and grant security interests in its property, pursuant to and perform its obligations under this Agreement, and all other instruments and transactions contemplated hereby or relating hereto. The execution, delivery and performance by Seller of this Agreement, and all other instruments and transactions contemplated hereby or relating hereto, have been duly and validly authorized, are enforceable against the Seller in accordance with their terms, and do not and will not violate any law or any provision of, nor be grounds for acceleration under, any agreement, indenture, note or instrument which is binding upon Seller, or any of its property, including without limitation, Seller's Operating Agreement, Partnership Agreement, Articles of Incorporation, By-Laws and any Shareholder Agreements (as applicable).

**4.3. Name, Trade Names and Styles.** Seller has set forth above its absolutely true and correct name. Set forth in Schedule A, No. 16, is each prior true name of Seller and each fictitious name, trade name and trade style by which Seller has been, or is now known, or has previously transacted, or now transacts business.

Seller shall provide Purchaser with thirty (30) days' advance written notice before doing business under any other name, fictitious name, trade name or trade style. Seller has complied, and will hereafter comply, with all laws relating to the conduct of business under, the ownership of property in, and the renewal or continuation of the right to use, a corporate, fictitious or trade name or trade style.

**4.4. Place of Business; Location of Collateral.** Seller's books and records, including, but not limited to, the books and records relating to Seller's Accounts are and will be kept and maintained at Seller's Address unless and until Purchaser shall otherwise consent in writing. In addition to Seller's Address, Seller has places of Business and Collateral located only at the following locations: See Schedule A, No. 13.

Seller will provide Purchaser with at least thirty (30) days advance written notice in the event Seller moves the Collateral, or obtains, opens or maintains any new or additional place(s) for the conduct of Seller's business or the location of any Collateral, or closes any existing place of business.

**4.5. Title to Collateral; Liens.** With the exception of Accounts purchased hereunder where title vests with Purchaser, Seller is now, and will at all times hereafter be, the true, lawful and sole owner of all the Collateral. Except for the security interest granted to Purchaser, the Collateral now is and will hereafter remain, free and clear of any and all liens, charges, security interests, encumbrances and adverse claims. Except as expressly provided to the contrary in this Section, Purchaser now has, and will hereafter continue to have, a fully perfected and enforceable first priority security interest in all of the Collateral, and Seller will at all times defend Purchaser and the Collateral against all claims and demands of others.

**4.6. Accounts.** Each and every Account assigned to Purchaser shall, on the date the assignment is made and thereafter, comply with all of the following representations, warranties and covenants: (a) each Account represents an undisputed bona fide existing unconditional obligation of the Account Debtor created by the sale, delivery, and acceptance of goods or the rendition of services in the ordinary course of Seller's business; (b) each Account is owned by Seller free and clear of any and all deductions, Disputes, liens, security interests and encumbrances; (c) the Account Debtor has received and accepted the goods sold and services rendered which created the Account and the invoice therefore and will pay the same without any Dispute; (d) no Account Debtor on any Account is a shareholder, director, partner or agent of Seller, or is a person or entity controlling, controlled by or under common control with Seller; and (e) no Account is owed by an Account Debtor to whom Seller is or may become liable in connection with goods sold or services rendered by the Account Debtor to Seller or any other transaction or dealing between the Account Debtor and Seller. Immediately upon discovery by Seller that any of the foregoing representations, warranties, or covenants are or have become untrue with respect to any Account, Seller shall immediately give written notice thereof to Purchaser. In the event that Seller breaches the warranty contained in Section 4.6(a), it will be impracticable or extremely difficult to determine the resulting damages suffered by Purchaser. It is, therefore, agreed that Seller shall immediately pay to Purchaser as liquidated damages the Invalid Invoice Fee for each Purchased Account which violates the warranty contained in Section 4.6(a). Seller will promptly notify Purchaser of any Dispute and settle all Disputes, at Seller's own cost and expense (including attorneys' fees), and Seller will immediately pay Purchaser the amount of all Accounts affected by any Dispute. Any Dispute not settled by Seller within thirty (30) days after the maturity of the invoice affected thereby may, if Purchaser so elects, be settled, compromised, adjusted or litigated by Purchaser directly with the Account Debtor or other complainant for Seller's account and risk and upon such terms and conditions as Purchaser, in Purchaser's sole discretion, deems advisable. Purchaser is under no duty to investigate the validity or merits of any Dispute. Purchaser may also, in Purchaser's discretion, take possession of and sell or cause the sale of any returned or recovered merchandise, at such prices, upon such terms and to such purchasers as Purchaser deems proper, and, in any event, to charge the deficiency, costs and expenses thereof, including attorneys' fees, to Seller. In addition to all other rights Purchaser has hereunder, whenever there is any Dispute, or if any Account as to which Purchaser has not assumed the risk of nonpayment is unpaid at its maturity, Purchaser may charge the amount of the Account so affected or unpaid (as well as all other Accounts due and owing from that Account Debtor) to Seller; but such chargeback shall not be deemed nor shall it constitute a reassignment to Seller of the Account affected thereby, and title thereto and to the Goods giving rise thereto shall remain with Purchaser until Purchaser is fully reimbursed, regardless of the date or dates on which Purchaser charges back the amount of any Account with respect to which there is any Dispute, or the amount owing from an Account Debtor which has raised any Dispute.

**4.7. Documents Genuine, Legal Compliance, Disposition.** All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Accounts are and shall be true and correct and all such invoices, instruments and other documents and all of Seller's books and records are and shall be genuine and in all respects what they purport to be and all signatories and endorsers have full capacity to contract. All sales and other transactions underlying or giving rise to each Account shall fully comply with all applicable laws and governmental rules and regulations. All signatures and endorsements on all documents, instruments, and agreements relating to all Accounts are and shall be genuine and all such documents, instruments and agreements are and shall be legally enforceable in accordance with their terms. Seller has not, and shall not hereafter sell, assign, pledge, encumber, forgive (completely or partially), settle for less than payment in full, or transfer or dispose of any Account, or agree to do any of the foregoing.

**4.8. Maintenance of Collateral.** Seller has maintained and will hereafter maintain the Collateral and all of Seller's assets useful or necessary in the conduct of Seller's business in good working order and condition, at Seller's sole cost and expense. Seller will not use the Collateral or any of Seller's other properties, or any part thereof, in any unlawful business or for any unlawful purpose and will not secrete or abandon the Collateral, such properties, or any part thereof. Seller will not store any of the Collateral with any warehouseman or any other third party without Purchaser's prior written consent. Seller will immediately advise Purchaser in writing of any event causing loss or depreciation and of any material adverse change in the condition of the Collateral or of any of Seller's other properties.

**4.9. Books and Records.** Seller has maintained and will continue to maintain at Seller's Address complete and accurate books and records comprising a standard and modern accounting system in accordance with generally accepted accounting principles that accurately and correctly record and reflect Seller's income, expenses, liabilities, operations, accounts, and ownership and location of the Collateral and any other asset now or hereafter belonging to Seller. All reserves (including, without limitation, reserves for bad debts, depreciation and taxes) provided for upon Seller's books and records are now, and will hereafter be, maintained in sufficient amounts in accordance with generally accepted accounting principles consistently applied. All such books and records and all documents relating to any of the Collateral are and will continue to be genuine and in all respects what they purport to be and will contain such information as may be requested by Purchaser.

**4.10. Financial Condition and Statements.** All financial statements (including, but not limited to, balance sheets, profit and loss figures, and accountants' comments) now or hereafter delivered to Purchaser have been, and will be, prepared in conformity with generally accepted accounting principles and now and hereafter will completely and accurately reflect the financial condition, contingent liabilities and results of Seller and Seller's operations at the times and for the periods therein stated. Seller is now, and, at all times hereafter, will continue to be solvent. The covenant set forth in the preceding sentence shall be deemed breached if at any time Purchaser estimates that the value of all Seller's assets, if sold in bulk for liquidation purposes, would not be sufficient to pay the total of Seller's liabilities (whether or not such liabilities are then due) or if Purchaser has determined that Seller has failed to pay promptly when due all loans and all debts to trade and other creditors (unless Purchaser is satisfied that the reason for such nonpayment is a bona fide Dispute between Seller and any of its creditors concerning the amount due). Seller shall provide Purchaser with copies of all financial statements and any other documents reflecting Seller's financial situation within five (5) days after Purchaser's request.

**4.11. Tax Returns.** Seller has timely filed, and will hereafter timely file, all tax returns and reports required by foreign, federal, state or local law. Seller has timely paid, and will hereafter timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions now or hereafter owed by Seller (including, but not limited to, income, franchise, personal property, real property, FICA, excise, withholding, sales and use taxes). Seller may defer payment of any contested taxes provided that Seller: (i) in good faith contests Seller's obligation to pay such taxes by appropriate proceedings promptly and diligently instituted and conducted; (ii) notifies Purchaser in writing of the commencement and of any material development in such proceedings; and (iii) posts bonds or takes any other steps required to keep such contested taxes from becoming a lien against or charge upon any of the Collateral or other properties of Seller. Seller is unaware of any claims or adjustments proposed for any of Seller's prior tax years which could result in additional taxes becoming due and payable by Seller. When requested, Seller will furnish Purchaser with proof satisfactory to Purchaser of Seller's making the payment or deposit of all such taxes, such proof to be delivered within five (5) days after the due date established by law for each such payment or deposit. In the event Seller fails or is unable to pay or deposit such taxes, Purchaser may, but is not obligated to, pay the same and treat all such advances as an additional advance to Seller. Such advances shall incur fees as outlined in this Agreement.

**4.12. Compliance with Law, and Environmental Laws.** Seller has complied, and will hereafter comply, with all provisions of all foreign, federal, state and local law relating to Seller, including, but not limited to, those relating to Seller's ownership of real or personal property, conduct and licensing of Seller's business and employment of Seller's personnel. Seller has been and is currently in compliance with all applicable Environmental Laws, including obtaining and maintaining in effect all permits, licenses or other authorizations required by applicable Environmental Laws. There are no claims, liabilities, investigations, litigation, administrative proceedings, whether pending or threatened, or judgments or orders relating to any hazardous materials asserted or threatened against Seller or relating to any real property currently or formerly owned, leased or operated by Seller.

**4.13. Litigation.** Except for the Skyview Litigation as set forth on Schedule 4.13 annexed hereto, there is no claim, suit, litigation, proceeding or investigation pending or threatened by or against or affecting Seller in any court or before any regulatory commission, board or other governmental agency (or any basis therefore known to Seller) which might result, either separately or in the aggregate, in any adverse change in the business, prospects or condition of Seller, or in any impairment in the ability or right of Seller to carry on its business in substantially the same manner as it is now being conducted. Seller will immediately inform Purchaser in writing of any claim, proceeding, litigation or investigation hereafter threatened or instituted by or against Seller. Seller will utilize a portion of the initial Purchase Price received from the sale of Eligible Accounts to Purchaser to repay or settle its indebtedness to Skyview Capital LLC.

**4.14. Complete Disclosure.** There is no fact which Seller has not disclosed to Purchaser in writing which could materially adversely affect the properties, business or financial condition of Seller or any of the Collateral or which is necessary to disclose in order to keep the foregoing representations and warranties from being misleading.

**4.15. Continuing Effect.** All representations, warranties and covenants of Seller contained in this Agreement and any other agreement with Purchaser shall be true and correct at the time of the effective date of each such agreement and shall be deemed continuing and shall remain true, correct and in full force and effect until payment and satisfaction in full of all of the Obligations, and Seller acknowledges that Purchaser is and will be expressly relying on all such representations, warranties and covenants in making advances to Seller.

**4.16. No Violation of Federal or State Law.** No Account or any contract related thereto in any manner contravenes any federal, state or local law, rule or regulation applicable thereto.

**4.17. Notification of Violations.** Seller shall within five (5) business days notify Purchaser in writing of any violation of any law, statute, regulation or ordinance of any governmental entity, or any agency thereof, applicable to Seller which may materially affect the Collateral or Seller's operations.

## **5. Additional Continuing Duties of Seller.**

### **5.1. Duties Regarding Accounts.**

5.1.1. Seller shall deliver to Purchaser schedules and assignments of all Accounts on Purchaser's standard form; provided, however, that Seller's failure to execute and deliver the same shall not affect or limit Purchaser's security interest and other rights in and to all of Seller's Accounts, nor shall Purchaser's failure to purchase a specific Account affect or limit Purchaser's security interest and other rights therein. Together with each such schedule and assignment, or later if requested by Purchaser, Seller shall furnish Purchaser with copies (or, at Purchaser's request, originals) of all contracts, orders, invoices, and other similar documents, and all original shipping instructions, delivery receipts, bills of lading, other evidence of delivery, time records, and any other documents requested by Purchaser for any goods or services which gave rise to such Accounts, and Seller warrants the genuineness of all of the foregoing. Seller shall also furnish to Purchaser an aged accounts receivable trial balance in such form and as often as Purchaser requests, and Seller agrees that Purchaser may from time to time verify directly with the respective Account Debtors the validity, amount and any other matters relating to the Accounts by means of mail, email, telephone or otherwise, either in the name of Seller or Purchaser or such other name as Purchaser may choose. In addition, Seller shall, at Purchaser's request, immediately deliver to Purchaser the originals of all instruments, chattel paper, security agreements, guaranties and other documents and property evidencing or securing any Accounts, along with all necessary endorsements (all of which shall be with recourse).

5.1.2. Purchaser shall have the sole and exclusive right to collect the Accounts. All monies, checks, notes, drafts, money orders, acceptances and other things of value and items of payment, together with any and all related vouchers, identifications, communications and other data, documents and instruments, which for any reason may be received by Seller (or by any receiver, trustee, custodian or successor in interest of Seller, or any person acting on behalf of Seller) in payment of, or in reference to, the Accounts shall belong to Purchaser, and, not later than one (1) day after receipt thereof by Seller, Seller shall deliver the same to Purchaser, at Purchaser's office in the original form in which the same are received, together with any necessary endorsements, including, without limitation, the endorsement of Seller, all of which endorsements shall be with full recourse. Seller shall have no right, and agrees not to commingle any of the proceeds of any of the collections of the Accounts with Seller's own funds and Seller agrees not to use, divert or withhold any such proceeds. Seller hereby divests itself of all dominion over the Accounts and the proceeds thereof and collections received thereon. The parties hereto agree that if any payment on account of a purchased Account which has been received by Seller is not delivered in kind to Purchaser on the next business day following the date of receipt by Seller; it will be impracticable or extremely difficult to determine the resulting damages suffered by Purchaser. It is therefore agreed that in the event of such a breach by Seller, Seller shall immediately pay Purchaser the Misdirected Payment Fee as liquidated damages for Seller's breach of the foregoing warranty. Seller shall make entries on its books and records in form satisfactory to Purchaser disclosing the absolute and unconditional assignment of all Accounts to Purchaser. Purchaser may charge to the Obligations all costs and expenses incurred by Purchaser in collecting Accounts, including, without limitation, travel expenses, postage, telephone and telegraph charges, salaries of Purchaser personnel, and attorneys' fees.



5.1.3. Any goods which are returned by an Account Debtor or otherwise recovered by or for the benefit of Seller shall be physically segregated, posted with written notice that they are subject to Purchaser's security interest, and held in trust for Purchaser for such disposition as Purchaser shall direct. Seller shall promptly notify Purchaser of all such returns and recoveries. No return of merchandise shall be accepted by Seller and no sale of returned goods shall be made by Seller without Purchaser's prior written consent. Purchaser shall have the right acting alone to accept the return of any goods directly from an Account Debtor, without notice to or consent by Seller, and neither the delivery by Seller of returned or recovered goods to Purchaser, nor the acceptance by Purchaser of returns directly from an Account Debtor shall in any way affect Seller's liability to Purchaser on account of the Obligations.

5.1.4. Seller shall promptly notify Purchaser of all Disputes and claims with respect to the Accounts. Seller shall not, without Purchaser's prior written consent, compromise or adjust any Account, or grant any discount, credit, allowance, or extension of time for payment to any Account Debtor. Purchaser shall have the right, in its sole and absolute discretion, to settle, accept reduced amounts and adjust Disputes and claims directly with, and give releases on behalf of Seller to Account Debtors for cash, credit or otherwise, upon terms which Purchaser, in its sole and absolute discretion, considers advisable, and in such case, Purchaser will credit Seller's account with only the net amounts of cash received by Purchaser in payment of the Accounts, less all costs and expenses (including, without limitation, attorneys' fees) incurred by Purchaser in connection with the settlement or adjustment of such Disputes and the collection of such Accounts.

**5.2. Insurance.** Seller shall, at all times, and for such periods of time as Purchaser may require, at Seller's expense, insure all of the insurable Collateral, and all of Seller's books and records, by financially sound and reputable insurers acceptable to Purchaser, in the form of extended coverage policies against loss or damage by theft, embezzlement, fire, explosion, flood, sprinkler, or any other insurable event or risk that Purchaser may require, to the fullest extent of the insurable value thereof. All such insurance policies shall name Purchaser as the exclusive loss payee, shall provide that proceeds payable thereunder shall be payable directly to Purchaser unless notarized written authority to the contrary is obtained from Purchaser, and shall also provide that no act or default of Seller or any other person shall affect the right of Purchaser to recover thereunder. Upon receipt of the proceeds of any such insurance, Purchaser shall apply such proceeds in reduction of the Obligations, whether or not then due, in such order and manner as Purchaser shall determine, in its sole discretion. Seller shall provide Purchaser with the original or a certificate of each such policy of insurance which shall contain a provision requiring the insurer to give not less than twenty (20) days advance written notice to Purchaser in the event of cancellation or termination of the policy for any reason whatsoever. If Seller fails to provide or pay for any such insurance, Purchaser is authorized (but not obligated) to procure the same at Seller's expense. Seller agrees to deliver to Purchaser, promptly as rendered, true and correct copies of all reports made to all insurance companies.

**5.3. Reports, Certificates.** At its sole cost and expense, Seller shall report, in form satisfactory to Purchaser, such information as Purchaser may request regarding the Collateral; such reports shall be for such periods, shall reflect Seller's records at such time and shall be rendered with such frequency as Purchaser may designate. At its sole cost and expense, Seller shall promptly provide Purchaser with all such other information concerning its affairs as Purchaser may request from time to time hereafter, and shall immediately notify Purchaser of any adverse change in Seller's financial condition and or any condition or event which constitutes a breach or an Event of Default under this Agreement. All reports furnished to Purchaser shall be complete, accurate and correct in all respects at the time furnished.

**5.4. Access to Collateral, Books and Records.** At any and all times, Purchaser, and any person designated by Purchaser, shall have free access to, and the right without hindrance or delay, to inspect, audit, examine and test the Collateral and any other property of Seller, wherever located, and to inspect, audit, check, copy and make extracts from Seller's and Seller's accountants' books, records and accounts (hereinafter collectively the "Records") and all computer data containing the same, no matter where the Records are stored. Seller hereby irrevocably authorizes and directs any person including, but not limited to, any of Seller's directors, members, officers, employees, agents, accountants and attorneys having possession or control of any of the Records to physically deliver them to Purchaser or any person designated by Purchaser upon Purchaser's request or, at the option of Purchaser, make them available to Purchaser wherever the Records may be located. Seller waives the benefit of any evidentiary privilege precluding or limiting the disclosure, divulgence or delivery of any of the Records. Seller shall pay Purchaser the Audit Fee immediately upon its accrual.

**5.5. Prohibited Transactions.** Seller shall not hereafter, without Purchaser's prior written consent: merge, consolidate, dissolve, acquire any other corporation; enter into any transaction not in the usual course of business; make any investment in any securities other than securities of the United States of America; guarantee or otherwise become in any way liable with respect to the obligations of another party or entity; pay or declare any dividends upon Seller's stock; redeem, retire, purchase or otherwise acquire, directly or indirectly, any of Seller's stock; make any change in Seller's name, identity, corporate or capital structure; alter any of Seller's business objectives, purposes, or operations or financial structure in such a manner as to adversely affect the ability of Seller to pay or perform any of the Obligations; lend or distribute any of Seller's property or assets; incur any debts, outside of the ordinary course of Seller's business, except extensions of existing debts and interest thereon; sell, lease, transfer, assign or otherwise dispose of any of the Collateral; or make any capital expenditures or leasehold improvements at a cost in the aggregate in any twelve-month period of more than \$75,000.

**5.6. Notification of Changes.** Seller will promptly notify Purchaser in writing of any change of its officers, members, directors, partners, or key employees, a death of any partner or joint venturer (if Seller is a partnership or joint venture), any purchase out of the regular course of Seller's business and any adverse or material change in the business or financial affairs of Seller.

**5.7. Litigation Cooperation.** Should any suit or proceeding be instituted by or against Purchaser with respect to any Collateral or for the collection or enforcement of any Account, or in any manner relating to Seller, Seller shall, without expense to Purchaser, and wherever and whenever designated by Purchaser, make available Seller and its officers, employees and agents and Seller's books, records and accounts to the extent that Purchaser may deem necessary in order to prosecute or defend any such suit or proceeding.

**5.8. Execute Additional Documentation.** Seller agrees, at its sole cost and expense, on demand by Purchaser, to do all things and to execute all such security agreements, control agreements, deeds of trust, mortgages, assignments, certificates of title, applications for vehicle titles, affidavits, reports, notices, schedules of Accounts and all other documents, in form satisfactory to Purchaser, as Purchaser, in its sole and absolute discretion, may deem necessary or useful in order to perfect and maintain Purchaser's perfected first- priority security interest in the Collateral, and in order to fully consummate all of the transactions contemplated under this Agreement.

**6. Application of Payments.** As Accounts are paid by Account Debtors, such sums shall be applied to satisfy the Account due from the Account Debtor that Purchaser purchased from Seller hereunder, as further clarified below. The Purchaser shall be entitled to all such collections. Seller shall not have any interest in such payments made by Account Debtors once the Account is sold to Purchaser hereunder. Once Purchaser receives payment on an Account, Purchaser will apply the amount due Seller against the amount Seller owes Purchaser for Obligations. Checks, instruments and all other non-cash payments delivered to Purchaser in payment or on account of the Accounts or the Obligations constitute conditional payment only until such items are actually paid in cash to Purchaser. For the purpose of computing fees earned by Purchaser, credit therefore and for bank wire transfers, shall be given after receipt by Purchaser, as provided for in Schedule A, No. 18. All payments made by or on behalf of, and all credits due to Seller, may be applied and reapplied in whole or in part to any of the Obligations to such extent and in such manner as Purchaser shall determine in its sole discretion. Purchaser shall have the continuing exclusive right to apply and reapply any and all such payments in such manner as Purchaser shall determine in its sole discretion, notwithstanding any entry by Purchaser upon any of its books and records. Any payments received on any Account not eligible to be factored by Purchaser shall be placed in the Reserve. Any payments received on any Account eligible to be factored by Purchaser, but not received by Purchaser, will be assessed an Initial Factoring Fee.

## **7. Events of Default and Remedies.**

**7.1. Events of Default.** The occurrence and continuation of any one of more of the following shall constitute an Event of Default hereunder: (a) Seller fails to pay or perform any Obligation as and when due; (b) there shall be commenced by or against Seller any voluntary or involuntary case under the United States Bankruptcy Code, or any assignment for the benefit of creditors, or appointment of a receiver or custodian for any of its assets, or Seller makes or sends notice of a bulk transfer; (c) Seller or any guarantor of the Obligations shall become insolvent in that its debts are greater than the fair value of its assets, or Seller is generally not paying its debts as they become due or is left with unreasonably small capital; (d) any lien, garnishment, attachment, execution or the like is issued against or attaches to the Seller, Accounts purchased under this Agreement, or the Collateral; (e) Seller shall breach any covenant, agreement, warranty, or representation set forth herein; (f) Seller delivers any document, financial statement, schedule or report to Purchaser which is false or incorrect in any material respect; (g) Purchaser, at any time, acting in good faith and in a commercially reasonable manner, deems itself insecure; or (h) any present or future guarantor of the Obligations revokes, terminates or fails to perform any of the terms of any guaranty, endorsement or other agreement of such party in favor of Purchaser or any affiliate of Purchaser.

**7.2. Remedies.** Upon the occurrence and during the continuation of any Event of Default, Purchaser, at its option, and without notice or demand of any kind (all of which are hereby expressly waived by Seller) may do any one or more of the following: (a) cease advancing money or extending credit to or for the benefit of Seller under this Agreement, and any other document or agreement; (b) accelerate and declare all or any part of the Obligations to be immediately due, payable, and performable, notwithstanding any deferred or installment payments allowed by any instrument evidencing or relating to any Obligation; (c) take possession of any or all of the Collateral wherever it may be found, and for that purpose Seller hereby authorizes Purchaser without judicial process to enter onto any of the Seller's premises without hindrance to search for, take possession of, keep, store, or remove any of the Collateral and remain on such premises or cause a custodian to remain thereon in exclusive control thereof without charge for so long as Purchaser deems necessary in order to complete the enforcement of its rights under this Agreement or any other agreement; provided, however, that should Purchaser seek to take possession of any or all of the Collateral by Court process or through a receiver, Seller hereby irrevocable waives: (i) any bond and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession; (ii) any demand for possession prior to the commencement of any suit or action to recover possession thereof; and (iii) any requirement that Purchaser retain possession of and not dispose of any such Collateral until after trial or final judgment; (d) require Seller to assemble any or all of the Collateral and make it available to Purchaser at a place or places to be designated by Purchaser which is reasonably convenient to Purchaser and Seller, and to remove the Collateral to such locations as Purchaser may deem advisable; (e) place a receiver in exclusive control of Seller's business and/or any or all of the Collateral, in order to assist Purchaser in enforcing its rights and remedies; (f) sell, ship, reclaim, lease or otherwise dispose of all or any portion of the Collateral in its condition at the time Purchaser obtains possession or after further manufacturing, processing or repair; at any one or more public and/or private sale(s) (including execution sales); in lots or in bulk; for cash, exchange for other property or on credit; and to adjourn any such sale from time to time without notice other than oral announcement at the time scheduled for sale. Purchaser shall have the right to conduct such disposition on Seller's premises without charge for such time or times as Purchaser deems fit, or on Purchaser's premises, or elsewhere and the Collateral need not be located at the place of disposition. Purchaser may directly or through any affiliated company purchase or lease any Collateral at any such public disposition and, if permissible under applicable law, at any private disposition. Any sale or other disposition of Collateral shall not relieve Seller of any liability Seller may have if any Collateral is defective as to title or physical condition at the time of sale; (g) demand payment of, and collect any Accounts, Instruments, Chattel Paper, Supporting Obligations and General Intangibles comprising part or all of the Collateral; or (h) demand and receive possession of any of Seller's federal and state income tax returns and the books, records and accounts utilized in the preparation thereof or referring thereto. Any and all attorneys' fees, expenses, costs, liabilities and obligations incurred by Purchaser with respect to the foregoing shall be added to and become part of the Obligations, and shall be due on demand. In the event that Seller commits any Event of Default, and Purchaser elects to terminate this Agreement or this Agreement is otherwise terminated early for any reason, it will be impracticable or extremely difficult to calculate the resulting damages upon such termination. Therefore, the parties agree that Seller shall pay Purchaser an Early Termination Fee, calculated as five percent (5%) of the Maximum Facility Limit, as liquidated damages for any early termination of this Agreement (the "Early Termination Fee").



**7.3. Application of Proceeds from Disposition or Collection of Collateral.** The proceeds received by Purchaser from the disposition of or collection of any of the Collateral shall be applied to such extent and in such manner as Purchaser shall determine in its sole discretion. If any deficiency shall arise, Seller shall remain liable to Purchaser therefore. In the event that, as a result of the disposition of any of the Collateral, Purchaser directly or indirectly enters into a credit transaction with any third party, Purchaser shall have the option, exercisable at any time, in its sole discretion, of either reducing the Obligations by the principal amount of such credit transaction or deferring the reduction thereof until the actual receipt by Purchaser of cash therefore from such third party.

**7.4. Online Access.** Upon an Event of Default, all of Seller's rights and access to any online internet services that Purchaser makes available to Seller shall be provisional pending Seller's curing of all such Events of Default and Purchaser may elect to terminate Seller's online access as provided for herein. During such period of time, Purchaser may limit or terminate Seller's access to online services. Seller acknowledges that the information Purchaser makes available to Seller through online internet access, both before and after an Event of Default, constitutes and satisfies any duty to respond to a request for accounting or request regarding a statement of account that is referenced in the UCC.

**7.5. Standards of Commercial Reasonableness.** After an Event of Default, the parties acknowledge that it shall be presumed commercially reasonable and Purchaser shall have no duty to undertake to collect any Account, including those in which Purchaser receives information from an Account Debtor that a Dispute exists. Furthermore, in the event Purchaser undertakes to collect or enforce an obligation of an Account Debtor or any other person obligated on the Collateral and ascertains that the possibility of collection is outweighed by the likely costs and expenses that will be incurred, Purchaser may at any such time cease any further collection efforts and such action shall be considered commercially reasonable. Before Seller may, under any circumstances, seek to hold Purchaser responsible for taking any uncommercially reasonable action, Seller shall first notify Purchaser in writing, of all of the reasons why Seller believes Purchaser has acted in any uncommercially reasonable manner and advise Purchaser of the action that Seller believes Purchaser should take.

**7.6. Formation of New Entity.** In the event Seller or any one or more of its principals, officers or directors during the term of this Agreement or while Seller remains liable to Purchaser for any Obligations under the Agreement or arising out of or related to the Agreement, (i) forms a new entity; or (ii) has failed to disclose to Purchaser at the time of the Effective Date of this Agreement an existing entity, that does business similar to that of Seller, whether in the form of a corporation, partnership, limited liability company or otherwise, such entity shall be deemed to have expressly assumed the obligations due Purchaser by Seller under the Agreement. Upon the formation of any such entity, Purchaser, in addition to all of its available remedies, shall be deemed to have been granted an irrevocable power of attorney with authority to file a new financing statement with the appropriate secretary of state or UCC filing office naming the newly formed successor business or undisclosed existing business, as a debtor or new debtor. Purchaser shall have the right to notify the successor entity's or undisclosed existing entity's Account Debtors of Purchaser's security interest, its right to collect all Accounts, and to notify any new secured party who has sought to obtain a competing security interest of Purchaser's right in such entity's assets. Seller shall indemnify Purchaser, pursuant to Section 10.5 herein, from any claims against Purchaser which arises out of Purchaser exercising any of its rights hereunder.

**7.7. Remedies Cumulative.** In addition to the rights and remedies set forth in this Agreement, Purchaser shall have all the other rights and remedies accorded a secured party under the UCC and under any and all other applicable laws and in any other instrument or agreement now or hereafter entered into between Purchaser and Seller and all of such rights and remedies are cumulative and none is exclusive. Exercise or partial exercise by Purchaser of one or more of its rights or remedies shall not be deemed an election, nor bar Purchaser from subsequent exercise or partial exercise of any other rights or remedies. The failure or delay of Purchaser to exercise any rights or remedies shall not operate as a waiver thereof, but all rights and remedies shall continue in full force and effect until all of the Obligations have been fully paid and performed.

**8. Power of Attorney.** Seller grants to Purchaser an irrevocable power of attorney coupled with an interest authorizing and permitting Purchaser (acting through any of its employees, attorneys or agents) at any time, at its option but without obligation, with or without notice to Seller, and at Seller's sole expense, to do any or all of the following, in Seller's name or otherwise: (a) execute on behalf of Seller any document that Purchaser may, in its sole discretion, deem advisable in order to perfect, maintain or improve Purchaser's security interests in the Collateral or other real or personal property intended to constitute Collateral, or in order to exercise a right of Seller or Purchaser, or in order to fully consummate all the transactions contemplated under this Agreement, and all other present and future agreements; (b) at any time after the occurrence of an Event of Default, execute on behalf of Seller any document exercising, transferring or assigning any option to purchase, sell or otherwise dispose of or to lease (as lessor or lessee) any real or personal property; (c) execute on behalf of Seller, any invoices relating to any Account, any draft against any Account Debtor and any notice to any Account Debtor, any proof of claim in bankruptcy, any notice of lien, claim of mechanic's, materialman's or other lien, or assignment of satisfaction of mechanic's, materialman's or other lien; (d) take control in any manner of any cash or non-cash items of payment or proceeds of Collateral; endorse the name of Seller upon any instruments, notes, acceptances, checks, drafts, money orders, bills of lading, freight bills, chattel paper or other documents, evidence of payment or Collateral that may come into Purchaser's possession; (e) upon the occurrence of any Event of Default, to receive and open all mail addressed to Seller; and, in the exercise of such right, Purchaser shall have the right, in the name of Seller, to notify the Post Office authorities to change the address for the delivery of mail addressed to Seller to such other address as Purchaser may designate, including, but not limited to, Purchaser's own address; Purchaser shall turn over to Seller all of such mail not relating to the Collateral; such right to redirect mail granted to Purchaser is irrevocable and Seller shall not have the right to notify the Post Office to change the address for delivery after Purchaser has exercised such right; (f) upon the occurrence of any Event of Default, to direct any financial institution which is a participant with Purchaser in extensions of financing to or for the benefit of Seller, or which is the institution with which any deposit account is maintained, to pay to Purchaser all monies on deposit by Seller with said financial institution which are payable by said financial institution to Seller, regardless of any loss of interest, charge or penalty as a result of payment before maturity; (g) endorse all checks and other forms of remittances received by Purchaser "Pay to the Order of (Purchaser)," or in such other manner as Purchaser may designate; (h) pay, contest or settle any lien, charge, encumbrance, security interest and adverse claim in or to any of the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (i) grant extensions of time to pay, compromise claims and settle Accounts and the like for less than face value and execute all releases and other documents in connection therewith; (j) pay any sums required on account of Seller's taxes or to secure the release of any liens therefore, or both; (k) settle and adjust, and give releases of, any insurance claim that relates to any of the Collateral and obtain payment therefore, and make all determinations and decisions with respect to any such policy of insurance and endorse Seller's name on any check, draft, instrument or other item of payment or the proceeds of such policies of insurance; (l) instruct any accountant or other third party having custody or control of any books or records belonging to, or relating to, Seller to give Purchaser the same rights of access and other rights with respect thereto as Purchaser has under Section 5.4 of this Agreement; and (m) take any action or pay any sum required of Seller pursuant to this Agreement, and any other present or future agreements. Any and all sums paid and any and all costs expenses, liabilities, obligations and attorneys' fees incurred by Purchaser with respect to the foregoing shall be added to and become part of the Obligations. In no event shall Purchaser's rights, under the foregoing power of attorney or any of Purchaser's other rights under this Agreement be deemed to indicate that Purchaser is in control of the business, management or properties of Seller.

## **9. Online User Standards.**

**9.1. Online Conducting of Business.** Purchaser and Seller intend to conduct business contemplated by this Agreement through the internet and through Purchaser's Online Reporting Service. Purchaser is the sole and exclusive owner of the Online Reporting Service. Seller hereby accepts a non-exclusive, non-transferable right to access the Online Reporting Service, upon the terms and subject to the conditions contained herein.

**9.2. Standards Regarding Conducting Business Online.** Seller and Purchaser agree as follows:

9.2.1. Purchaser shall have the right to terminate Seller's access to the Online Reporting Service upon the occurrence and during the continuation of an Event of Default or at any other time within Purchaser's discretion.

9.2.2. Seller shall not: (i) copy the Online Reporting Service nor otherwise reproduce the same other than for normal system operation backup; (ii) translate, adapt, vary, or modify the Online Reporting Service; or (iii) disassemble, decompile or reverse engineer the Online Reporting Service.

9.2.3. Purchaser shall not be liable to Seller for any loss or damage whatsoever or howsoever caused, whether caused by tort (including negligence), breach of contract, or otherwise arising directly or indirectly in connection with the use of the Online Reporting Service.

9.2.4. Purchaser expressly excludes liability for any indirect, special, incidental or consequential loss or damage whether caused by tort (including negligence), breach of contract or otherwise, which may arise in respect of the Online Reporting Service, its use, or in respect of equipment or property, or for loss of profit, business, revenue, goodwill or anticipated savings.

9.2.5. Seller acknowledges that any and all of the copyright, trademarks, trade names, patents and other intellectual property rights subsisting in or used in connection with the Online Reporting Service, including all documentation and manuals relating thereto, are, and shall remain, the sole property of the Purchaser. Seller shall not, during or at any time after the expiry or termination of its use of the Online Reporting Service, in any way question or dispute the ownership by Purchaser thereof.

9.2.6. To the extent permitted by applicable law, Purchaser excludes all warranties with respect to the Online Reporting Service, either express or implied, including, but not limited to, any implied warranties of satisfactory quality or fitness for any particular purpose.

9.2.7. Seller is solely responsible for virus scanning the Online Reporting Service, and Purchaser makes no representations or warranties regarding any virus associated with the Online Reporting Services.

9.2.8. All information, data, drawings, specifications, documentation, software listings, source or object code which Purchaser may have imparted and may from time to time impart to the Seller relating to the Online Reporting Service is proprietary and confidential. Seller hereby agrees that it shall use the same solely in accordance with the provisions of this Agreement and that it shall not, at any time during or after expiry or termination of this Agreement, disclose the same, whether directly or indirectly, to any third party.

## **10. General.**

**10.1. True Sale.** Seller and Purchaser acknowledge and agree that the sale of Accounts contemplated and covered under this Agreement fully intended by the parties hereto as true sales governed by the provisions of Section 306.103 of the Texas Finance Code and Section 9.109(e) of the Texas Business and Commerce Code, as each may be amended from time to time, and, accordingly, legal and equitable title in all of Seller's accounts sold to and purchased by Purchaser from time to time hereunder will pass to Purchaser."

**10.2. Notices.** Any Written Notice to be given under this Agreement will be in writing addressed to the respective party as set forth in the heading to this Agreement and will be personally served, telecopied or sent by overnight courier service or United States mail and will be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by telecopy or e-mail, on the date of transmission if transmitted on a business day before 4:00 p.m. (Central Time) or, if not, on the next succeeding business day; (c) if delivered by overnight courier, two (2) days after delivery to such courier properly addressed; or (d) if by U.S. Mail, four (4) business days after depositing in the United States mail, with postage prepaid and properly addressed. If there is more than one Seller, notice to any shall constitute notice to all; if Seller is a corporation, partnership or limited liability company, the service upon any member of the Board of Directors, general partner, managing member, officer, employee or agent shall constitute service upon Seller.

**10.3. Payment in Full Checks.** Seller authorizes Purchaser to accept, endorse and deposit on behalf of Seller any checks tendered by an Account Debtor "in full payment" of its obligation to Seller. Seller shall not assert against Purchaser any claim arising therefrom, irrespective of whether such action by Purchaser affects an accord and satisfaction of Seller's claims, under Section 3-311 of the UCC.

**10.4. Lien Termination.** In recognition of the Purchaser's right to have its attorneys' fees and other expenses incurred in connection with this Agreement secured by Collateral, notwithstanding payment in full of all obligations by Seller, Purchaser shall not be required to record any terminations or satisfactions of any of Purchaser's liens on the Collateral unless and until Seller has paid in full all of Purchaser's legal fees and other actual expenses incurred in connection with this Agreement. Seller understands that this provision constitutes a waiver of its rights under Section 9-513 of the UCC. Once all Obligations, legal fees and expenses of Purchaser have been paid in full, Purchaser shall promptly deliver to Seller for recordation all necessary UCC-3 Termination Statements and other termination documents reasonably required to terminate and satisfy all of Purchaser's liens on the Collateral.

**10.5. Indemnity.** Seller shall indemnify and hold Purchaser harmless from and against any and all claims, debts, losses, demands, actions, causes of action, lawsuits, Avoidance Claims, damages, penalties, judgments, liabilities, costs and expenses (including, without limitation, attorneys' fees), of any kind or nature which Purchaser may sustain or incur in connection with, or arising from, this Agreement, any other present or future agreement, or the breach by Seller of any representation, warranty, covenant or provision contained herein or therein, or any other transaction contemplated hereby or thereby or relating hereto or thereto, or any other matter, cause or thing whatsoever, occurred, done, omitted or suffered to be done by Purchaser relating in any way to Seller. Notwithstanding any other provision of this Agreement to the contrary, the indemnity agreement set forth in this Section shall survive termination of this Agreement. If Seller fails to honor this Section of the Agreement after termination thereof, Purchaser shall have the right to re-file its UCC-1 financing statement and shall have the right to pursue any and all rights and remedies against Seller as contemplated by this Agreement, the UCC or any law or in equity. Purchaser may, in its sole discretion, hold or supplement a Reserve to account for any Avoidance Claim.

**10.6. Attorneys' Fees and Costs.** Seller shall forthwith pay to Purchaser the amount of all actual attorneys' fees and all other costs incurred by Purchaser under and pursuant to this Agreement, or any other present or future agreement, or in connection with any transaction, or with respect to the Collateral or the defense or enforcement of Purchaser's interests (whether or not Purchaser files a lawsuit against Seller), including any proceedings in Bankruptcy Court. In the event Purchaser files any lawsuit predicated on a breach of this Agreement or is in any way related to this Agreement, the Purchaser shall be entitled to recover its costs and attorneys' fees, including, but not limited to, attorneys' fees and costs incurred. All attorneys' fees and costs to which Purchaser may be entitled pursuant to this Section shall immediately become part of Seller's Obligations and shall be due on demand.

**10.7. Benefit of Agreement.** The provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors, assigns, heirs, beneficiaries and representatives of the parties hereto; provided, however, that Seller may not assign or transfer any of its rights under this Agreement without the prior written consent of Purchaser, and any prohibited assignment shall be void. No consent by Purchaser to any assignment shall relieve Seller or any guarantor from its liability for the Obligations. Without limiting the generality of the foregoing, all rights and benefits of Purchaser under this Agreement may be exercised by any institution with which Purchaser maintains any rediscount, factoring or other relationship and by any other person or entity designated by Purchaser.

**10.8. Joint and Several Liability.** The liability of each Seller shall be joint and several and the compromise of any claim with, or the release of, any Seller shall not constitute a compromise with, or a release of, any other Seller.

**10.9. General Waivers.** The failure of Purchaser at any time or times hereafter to require Seller strictly to comply with any of the provisions, warranties, terms or conditions of this Agreement or any other present or future instrument or agreement between Seller and Purchaser shall not waive or diminish any right of Purchaser thereafter to demand and receive strict compliance therewith and with any other provision warranty, term and condition; and any waiver of any default shall not waive or affect any other default, whether prior or subsequent thereto and whether of the same or of a different type. None of the provisions, warranties, terms or conditions of this Agreement or other instrument or agreement now or hereafter executed by Seller and delivered to Purchaser shall be deemed to have been waived by any act or knowledge of Purchaser or its agents or employees, but only by a specific written waiver signed by an officer of Purchaser and delivered to Seller. Seller waives any and all notices or demands which Seller might be entitled to receive with respect to this Agreement, or any other agreement by virtue of any applicable law. Seller hereby waives demand, protest, notice of protest and notice of default or dishonor, notice of payment and nonpayment, release, compromise, settlement, extension or renewal of any commercial paper, instrument, Account, general intangible, document or guaranty at any time held by Purchaser on which Seller is or may in any way be liable, and notice of any action taken by Purchaser unless expressly required by this Agreement. Seller hereby ratifies and confirms whatever Purchaser may do pursuant to this Agreement and agrees that Purchaser shall not be liable for the safekeeping of the Collateral or any loss or damage thereto, or diminution in value thereof, from any cause whatsoever, any act or omission of any carrier, warehouseman, bailee, forwarding agent or other person, or any act of commission or any omission by Purchaser or its officers, employees, agents, or attorneys, or any of its or their errors of judgment or mistakes of fact or of law.

**10.10. Section Headings, Construction.** Section headings are used herein for convenience only. Seller acknowledges that the same may not describe completely the subject matter of the applicable Section, and the same shall not be used in any manner to construe, limit, define or interpret any term or provision hereof. This Agreement has been fully reviewed and negotiated between the parties and no uncertainty or ambiguity in any term or provision of this Agreement shall be construed strictly against Purchaser or Seller under any rule of construction or otherwise.

**10.11. Destruction of Seller's Documents, Limitation of Actions.** Any documents, schedules, invoices or other papers delivered to Purchaser may be destroyed or otherwise disposed of by Purchaser six (6) months after the same are delivered to Purchaser, unless Seller makes written request therefore and pays all expenses attendant to their return, in which event Purchaser shall return same when Purchaser's actual or anticipated need therefore has terminated. Seller agrees that any claim or cause of action by Seller against Purchaser, its directors, officers, employees, agents, accountants or attorneys, based upon, arising from, or relating to this Agreement, or any other present or future agreement, or any other transaction contemplated hereby or thereby or relating hereto or thereto, or any other matter, cause or thing whatsoever, occurred, done, omitted or suffered to be done by Purchaser, its directors, officers, employees, agents, accountants, or attorneys, relating in any way to Seller, shall be barred unless asserted by Seller by the commencement of an action or proceeding in a court of competent jurisdiction by the filing of a complaint within six (6) months after the first act, occurrence or omission upon which such claim or cause of action, or any part thereof, is based, and the service of a summons and complaint on an officer of Purchaser, or on any other person authorized to accept service on behalf of Purchaser, within thirty (30) days thereafter. Seller agrees that such six-month period provided herein shall not be waived, tolled, or extended except by the written consent of Purchaser, in its sole and absolute discretion. This provision shall survive any termination, however arising, of this Agreement and any other present or future agreement.

**10.12. Severability.** Should any provision, clause or condition of this Agreement be held by any court of competent jurisdiction to be void, invalid, inoperative, or otherwise unenforceable, such defect shall not affect any other provision, clause or condition, and the remainder of this Agreement shall be effective as though such defective provision, clause or condition had not been a part hereof.

**10.13. Integration.** This Agreement and such other written agreements, documents and instruments as may be executed in connection herewith shall be construed together and constitute the entire, only and complete agreement between Seller and Purchaser, and all representations, warranties, agreements, and undertakings heretofore or contemporaneously made, which are not set forth herein or therein, are superseded hereby.

**10.14. Amendment.** The terms and provisions of this Agreement may not be waived, altered, modified or amended except in a writing executed by Seller and a duly authorized officer of Purchaser.

**10.15. Time of Essence.** Time is of the essence in the performance by Seller of each and every obligation under this Agreement.

**10.16. Electronic Signatures.** The parties intend to conduct business contemplated by this Agreement by electronic means. Each document, which is the subject of this Agreement, that a party has transmitted electronically to the other shall be intended as and constitute an original and deemed to contain a valid signature of the party for all purposes acknowledging, consenting to, authorizing and approving the terms of this Agreement or any subject matter applicable thereto. In furtherance of the above, Seller hereby authorizes Purchaser to regard the Seller's printed name or electronic approval for any document, agreement, assignment schedule or invoice as the equivalent of a manual signature by one of the Seller's authorized officers or agents. Seller's failure to promptly deliver to Purchaser any schedule, report, statement or other information required by this Agreement or any document related thereto shall not affect, diminish, modify or otherwise limit Purchaser's security interests in the Collateral or rights and remedies under this Agreement. Purchaser may rely upon, and assume the authenticity of, any such approval and material applicable to such approval as the duly confirmed, authorized and approved signature of Seller by the person approving same which constitute an Authenticated Record for purposes of the UCC and shall satisfy the requirements of any applicable statute of frauds.



**10.17. Credit Reports.** Seller authorizes Purchaser to obtain credit reports for Seller and all guarantors at any time, in Purchaser's sole discretion.

**10.18. Governing Law, Jurisdiction; Venue.** This Agreement and all acts and transactions hereunder and thereunder and all rights and obligations of Purchaser and Seller shall be governed, construed and interpreted in accordance with the internal laws of the State of Texas. Seller: (i) agrees that all actions or proceedings relating directly or indirectly hereto shall, at the option of Purchaser, be litigated in courts located within said state, and, that, at the option of Purchaser, the exclusive venue therefore shall be Harris County, State of Texas; (ii) consents to the jurisdiction and venue of any such court and consents to service of process in any such action or proceeding by personal delivery or any other method permitted by law; and (iii) waives any and all rights Seller may have to object to the jurisdiction of any such court, or to transfer or change the venue of any such action or proceeding.

**10.19. Waiver of Right to Jury Trial.** PURCHASER AND SELLER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL IN ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN PURCHASER AND SELLER, AND ANY CONDUCT, ACTS OR OMISSIONS OF PURCHASER OR SELLER OR ANY OF THEIR DIRECTORS, MEMBERS, PARTNERS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH PURCHASER OR SELLER. PURCHASER AND SELLER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. PURCHASER AND SELLER FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement through their duly authorized officers. Dated: \_\_\_\_\_, 2017 (the "Effective Date")

**Sallyport Commercial Finance, LLC**

Signature: \_\_\_\_\_

Print Name: Nick Hart

Title: President

**Boxlight, Inc.**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Document to be notarized**







### SCHEDULE A TO ACCOUNT SALE AND PURCHASE AGREEMENT

1. Additional Factoring Fee: 0.6 %.
2. Additional Fee Period: 30 shall be days after the Initial Factoring Period, with an Additional Factoring Fee Period accruing after the next 30 days, up to a maximum of ninety (100) days, when the Account must be repurchased.
3. Advance Rate: up to 85% of the gross face amount of each Eligible Account purchased under this Agreement that was funded to Seller in advance of its due date. Purchaser may adjust the Advance Rate upward or downward at any time, in its sole discretion.
4. Audit Fee – will be charged to client at \$950 per day.
5. Default Factoring Fee: 3% plus the Interest Rate.
6. Initial Factoring Fee: 0.6%.
7. Initial Factoring Fee Period: 30 Days
8. Initial Setup Fee: 0.75 % of Maximum Facility Limit Amount. (earned and charged at first funding)
9. Maximum Facility Limit Amount: \$6,000,000 (comprising \$ 6,000,000 AR and PO combined, with PO being max \$2,000,000).
10. Minimum Monthly Sales Shortfall Fee: shall be calculated as follows Minimum Monthly Sales Volume for the particular month minus the actual Monthly Sales Volume for the particular month multiplied by the Initial Factoring Fee.
11. Minimum Monthly Sales Volume: \$1,250,000
12. Original Term: 12 Months.
13. Place of Business, Location of Collateral: 1045 Progress Circle, Lawrenceville, GA. 30043 / 19472 Powder Hill Place, Suite 110, Poulsbo, WA 98370
14. Renewal Term: 12 Months
15. Trade Names and Styles Boxlight, Inc. / Boxlight Co./Boxlight / Mimio LLC / Boxlight Corporation / Genesis Collaboration LLC.
16. Interest Rate [Base Rate + 4 %]
17. Base Rate Floor: 4.25%
18. Application of Payments 3 days.

Signature:

Print Name:

Title:

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## **Section 7: EX-21**

### **LIST OF SUBSIDIARIES**

1. Boxlight Inc.
  2. Boxlight Latinoamerica, S.A. DE C.V.
  3. Boxlight Latinoamerica Servicios, S.A. DE C.V.
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## Section 8: EX-31.1

Exhibit 31.1

### Certification

I, James Mark Elliott, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Boxlight Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers 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 fourth fiscal quarter 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: April 2, 2018

/s/ James Mark Elliott

James Mark Elliott

Chief Executive Officer (Principal Executive Officer)

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## Section 9: EX-31.2

Exhibit 31.2

### CERTIFICATION

I, Takesha Brown, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Boxlight Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers 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 fourth fiscal quarter 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: April 2, 2018

*/s/ Takesha Brown*

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Takesha Brown  
Chief Financial Officer

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## Section 10: EX-32.1

Exhibit 32.1

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

In connection with the Annual Report of Boxlight Corporation (the "Company") on Form 10-K pursuant for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Mark Elliott, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 2, 2018

*/s/ James Mark Elliott*

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James Mark Elliott  
Chief Executive Officer

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## Section 11: EX-32.2

Exhibit 32.2

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

In connection with the Annual Report of Boxlight Corporation (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Takesha Brown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 2, 2018

*/s/ Takesha Brown*

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Takesha Brown  
Chief Financial Officer

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