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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **June 28, 2022**

Live Ventures Incorporated
(Exact Name of Registrant as Specified in Charter)

Nevada	**001-33937**	**85-0206668**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

325 E. Warm Springs Road, Suite 102
Las Vegas, NV 89119
(Address of Principal Executive Offices and Zip Code)

Registrant's telephone number, including area code: **(702) 997-5968**

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	LIVE	The NASDAQ Stock Market LLC (The NASDAQ Capital Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Introductory Note.

This Form 8-K/A is being filed for the purpose of filing the financial statements and pro forma financial information required by Item 9.01 with respect to the Current Report on Form 8-K filed by Live Ventures Incorporated (“Live Ventures” or the “Company”) with the U.S. Securities and Exchange Commission (the “SEC”) on July 5, 2022 (the “July 5, 2022 8-K”) in connection with the consummation on June 28, 2022 (the “Effective Date”) of the transactions contemplated by the Stock Purchase Agreement (“Purchase Agreement”), and the consummation on July 27, 2022 of the transactions contemplated by the Real Estate Purchase Agreement (“B-6 Real Estate Agreement”). Pursuant to the Purchase Agreement, on June 28, 2022, the Company, acquired all of the issued and outstanding shares of capital stock of The Kinetic Co., Inc., a Wisconsin corporation (“Kinetic”).

Item 1.01. Entry into a Material Definitive Agreement.

Acquisition of KINETIC

Precision Industries, Inc., a Pennsylvania corporation (the “Purchaser”) and a wholly owned subsidiary of Live Ventures, acquired 100% of the issued and outstanding shares of common stock, no par value per share (the “Purchased Shares”), of Kinetic, a Wisconsin corporation. The acquisition was accomplished through a Purchase Agreement on the Effective Date. The parties to the Purchase Agreement were Cash L. Masters Revocable Trust dated October 19, 2005 (the “Seller”) and Cash L. Masters (“Mr. Masters”, an individual residing in the State of Wisconsin, who joined with the Seller in providing certain representations and warranties, covenants, and indemnification in favor of the Purchaser). The purchase price for the Shares (the “Share Purchase Price”) was approximately $18.9 million (subject to adjustment), plus the real estate purchase of $4.5 million, both paid as set forth below. Under certain conditions, the Share Purchase Price may be increased by up to two additional contingent purchase price payments, each in the amount of $1 million.

- On or about the Effective Date, the Purchaser tendered to the Seller a cash payment of approximately $10.63 million (which amount included the “Moss Balance” (as that term is defined below));
- On or about June 30, 2022, the Purchaser tendered to the Seller a second cash payment of approximately $3.84 million;
- On or about the Effective Date, the Purchaser funded two indemnity escrow accounts in the aggregate amount of $1.45 million; and
- On or about the Effective Date, the Purchaser delivered to the Seller a subordinated promissory note (the “Note”) in the initial principal amount of $3.0 million.[1]

On June 27, 2022, and in connection with the closing of the acquisition of the Shares, the Purchaser entered into the B-6 Real Estate Agreement with Plan B-6, LLC (the "Real Estate Seller"), an affiliate of Kinetic, pursuant to which the Purchaser all of Kinetic's right, title, and interest in and to the land and improvements (collectively, the "Real Estate") that Kinetic uses in its operations. The transactions contemplated by the B-6 Real Estate Agreement also included the assignment by the Real Estate Seller to the Purchaser of all of the Real Estate Seller's rights (as landlord) under that certain lease with Kinetic (as tenant), dated December 1, 2021. The purchase price for the Real Estate was $4.5 million. On an overnight basis, the Company provided the Purchaser with the funds (the "Overnight Funding") required to consummate the transactions contemplated by the B-6 Real Estate Agreement through an advance of an equal amount to the Company by Isaac Capital Group LLC ("ICG") under its unsecured $6 million revolving line of credit promissory note that ICG had provided to the Company (the "Unsecured Revolving Credit Facility")[2].

As of the Effective Date, the Purchaser and the Moss Family Trust ("Moss") consummated a Purchase Agreement (the "Moss Real Estate Purchase Agreement"), pursuant to which the Purchaser sold the Real Estate to Moss. The sale price of the Real Estate under the Moss Real Estate Purchase Agreement was approximately $8.9 million. Of such gross sale amount, the Purchaser (i) repaid the Company the $4.5 million Overnight Funding and the Company repaid its equivalent advance to ICG and (ii) utilized the $4.4 million balance (the "Moss Balance") as a portion of the Purchase Price.

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[1] The Note bears interest at the rate of 7% per annum. Interest accrues as of the date of the Note and is payable quarterly in arrears on the first business day of each of July, October, January, and April. The principal and all then-accrued and unpaid interest is due in full on September 27, 2025. Further, in the event of a change in control of Kinetic or of the Purchaser, the then-entire unpaid principal balance owed under the Note, together with all accrued interest and any other amounts owed thereunder, shall be due and payable in full.

[2] The maximum availability of the Unsecured Revolving Credit Facility was temporarily increased from one million dollars to six million dollars for the purpose of funding the Share Purchase Price.

On the Execution Date, Moss, as lessor, and Kinetic and the Purchaser, as lessees, entered into a 20-year Lease Agreement (the "Lease Agreement") for the Real Estate. The Lease provides the lessees with two five-year options to renew. The base rent under the Lease Agreement is $50,000 per month for the first year of the term of the Lease Agreement with a 2% per annum escalator. The Lease Agreement is a "net lease," such that the lessees are also obligated to pay all taxes, insurance, assessments, and other costs, expenses, and obligations of ownership of the Real Property incurred by Moss. Due to the highly specialized nature of the leased assets, the Company currently believes that it is more likely than not that each of the two five-year options will be exercised.

On the Execution Date, Kinetic agreed to the continued employment with Mr. Masters (as Head of Equipment Operations), Rocky Sperka (as Chief Administrative Officer), and Jay Judkins (as Chief Executive Officer). Each employment agreement (or, in the case of Mr. Sperka, an amendment to his current employment agreement; collectively, the "Employment Agreements") provides that each of Messrs. Masters, Sperka, and Judkins will be entitled to, among other items, an annual base salary, a performance-based bonus, and, under certain circumstances, severance benefits contingent upon the execution of a general release of claims in favor of Kinetic following their termination of employment. Each Employment Agreement contains confidentiality, non-competition, non-solicitation, and non-disparagement provisions.

The Purchase Agreement contains customary representations, warranties, covenants, and agreements of the Purchaser, the Seller, and Mr. Masters, including indemnification rights in favor of the Purchaser.

The foregoing brief summary descriptions of certain terms and provisions of the Purchase Agreement, the B-6 Real Estate Agreement, Moss Real Estate Purchase Agreement, the Lease Agreement, and the Employment Agreements do not purport to be complete and are qualified in their entirety by reference to the full text of (i) the Purchase Agreement, a copy of which is incorporate by reference as Exhibit 10.97 to this Current Report on Form 8-K/A, (ii) the B-6 Real Estate Agreement, a copy of which is incorporated by reference as Exhibit 10.98 to this Current Report on Form 8-K/A, (iii) the Moss Real Estate Purchase Agreement, a copy of which is incorporated by reference as Exhibit 10.99 to this Current Report on Form 8-K/A, (iv) the Lease Agreement, a copy of which is incorporated by reference as Exhibit 10.100 to this Current Report on Form 8-K/A, and (v) the Employment Agreements, a copy of which are incorporated by reference as Exhibits 10.101, 10.102, and 10.103, respectively, to this Current Report on Form 8-K/A.

The Purchase Agreement, the B-6 Real Estate Agreement, Moss Real Estate Purchase Agreement, the Lease Agreement, and the Employment Agreements (collectively, the "June Agreements") and the descriptions above have been included to provide investors and securityholders with certain information regarding the terms of each agreement. They are not intended to provide any other factual information about the Company, the Purchaser, Kinetic, or their respective subsidiaries, affiliates, or stockholders or the terms and conditions of the June Agreements. The representations, warranties, and covenants contained in the June Agreements were made only for purposes of the June Agreements as of their specific dates; were solely for the benefit of the parties to the respective June Agreement; and may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made by each party to the other for the purposes of allocating contractual risk between or among them that differs from those applicable to investors or securityholders. Investors and securityholders should be aware that the representations, warranties, and covenants or any description thereof may not reflect the actual state of facts or condition of the Company, the Purchaser, Kinetic, or any of their respective subsidiaries, affiliates, businesses, or securityholders. Moreover, information concerning the subject matter of the representations, warranties, and covenants may change after the Effective Date. Accordingly, investors and securityholders should read the representations and warranties in the referenced agreements not in isolation but only in conjunction with the other information about the Company and its subsidiaries that the Company includes in reports, statements, and other filings it makes with the SEC.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The audited balance sheet of Kinetic as of November 30, 2021 and the audited consolidated statements of operations, changes in equity and cash flows for the year ended November 30, 2021, and the notes thereto, are attached hereto as Exhibit 99.1.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined statements of income for the year ended September 30, 2021 and the nine months ended June 30, 2022 for Live Ventures Incorporated are hereby filed as Exhibit 99.2 to this Current Report on Form 8-K/A and incorporated herein by reference. Such unaudited pro forma condensed combined financial statements are not necessarily indicative of the financial position that actually would have existed or the operating results that actually would have been achieved if the adjustments set forth therein had been in effect as of the dates and for the periods indicated or that may be achieved in future periods and should be read in conjunction with the historical financial statements of Live and Kinetic.

(c) Exhibits.

The following exhibits are attached hereto:

Exhibit Number	Description
10.97*	Purchase Agreement by and among Cash L. Masters Revocable Trust dated October 19, 2005, Cash L. Masters, and Precision Industries, Inc., dated June 28, 2022
10.98*	Real Estate Purchase Agreement by Plant B-6, LLC and Precision Industries, Inc., dated June 27, 2022
10.99*	Real Estate Sales Agreement by Precision Industries, Inc. and Moss Family Trust, dated June 28, 2022
10.100*	Lease Agreement between and among The Kinetic Co., Inc., Precision Industries, Inc., d/b/a Precision Marshall Steel Company and Moss Family Trust, a California Trust, dated June 28, 2022
10.101*	Employment Agreement by and between The Kinetic Co., Inc. and Cash L. Masters
10.102*	First Amendment to Employment Agreement by and between The Kinetic Co., Inc. and Rocky Sperka
10.103*	Employment Agreement by and between The Kinetic Co., Inc. and Jay Judkins
23.1	Consent of Frazier & Deeter, LLC independent auditor
99.1	Audited financial statements of The Kinetic Co, Inc. and the notes thereto as of November 30, 2021 and the year then ended.
99.2	Unaudited pro forma combined financial statements of Live Ventures Incorporated and Kinetic for the year ended September 30, 2021 and the nine months ended June 30, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Previously filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LIVE VENTURES INCORPORATED

By: /s/ Jon Isaac
Name: Jon Isaac
Title: President and Chief Executive Officer

Dated: September 14, 2022

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-198205) of Live Venture Incorporated of our report dated September 14, 2022, with respect to our audit of the financial statements of The Kinetic Co., Inc. as of and for the year ended November 30, 2021, which appears on this Form 8-K/A.

/s/ Frazier & Deeter, LLC
Atlanta, Georgia
September 14, 2022

Exhibit 99.1

THE KINETIC CO., INC.
(a subsidiary of Precision Industries, Inc.)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the year ended November 30, 2021

THE KINETIC CO., INC.

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November 30, 2021

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors of
Live Ventures Incorporated
Las Vegas, NV

Opinion

We have audited the financial statements of The Kinetic Co., Inc. (the Company), which comprise the balance sheet as of November 30, 2021, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Kinetic Co., Inc. as of November 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

/s/Frazier & Deeter, LLC
Atlanta, Georgia
September 14, 2022

THE KINETIC CO., INC.

BALANCE SHEET

November 30, 2021

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,120,954
Accounts receivable, net of allowance for doubtful accounts of $123,886	3,035,676
Inventories, net of reserve of $200,000	5,322,221
Prepaid expenses	44,983
Total current assets	9,523,834
PROPERTY, PLANT AND EQUIPMENT	
Plant equipment	13,040,253
Office equipment	2,673,919
	15,714,172
Less accumulated depreciation	(14,884,163)
Property, plant, and equipment, net	830,009
Deposits on equipment	550,759
Other assets	362,168
TOTAL ASSETS	$ 11,266,770
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	$ 561,430
Accrued expenses	2,005,713
TOTAL LIABILITIES	2,567,143
STOCKHOLDER'S EQUITY	
Common stock, 90,910 shares authorized and issued	35,000
Paid-in capital	482,237
Retained earnings	8,182,390
TOTAL STOCKHOLDER'S EQUITY	8,699,627
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 11,266,770

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

THE KINETIC CO., INC.
STATEMENT OF OPERATIONS
For the year ended November 30, 2021

REVENUE	$ 20,659,522
Cost of revenue	13,433,228
Gross profit	7,226,294
Selling, general, and administrative expense	5,641,820
Loss on disposal of assets	189,301
Operating income	1,395,173
Other expense	
Interest expense	15,091
Other	36,672
Total other expense	51,763
NET INCOME	$ 1,343,410

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

THE KINETIC CO., INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the year ended November 30, 2021

	Common Stock	Paid-in Capital	Retained Earnings	Total
Balance, December 1, 2020	$35,000	$482,237	$9,893,944	$10,411,181
Dividends paid	–	–	(3,054,964)	(3,054,964)
Net income	–	–	1,343,410	1,343,410
Balance, November 30, 2021	$35,000	$482,237	$8,182,390	$8,699,627

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

THE KINETIC CO., INC.

STATEMENT OF CASH FLOWS
For the year ended November 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$1,343,410
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	375,351
Loss on disposal of assets	189,031
Changes in assets and liabilities:	
Accounts receivable	292,254
Inventories	307,029
Prepaid expenses	1,410,654
Accounts payable and accrued expenses	(928,374)
Net cash provided by operating activities	2,989,353
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of assets	290,000
Capital expenditures	(182,886)
Deposits on equipment	(117,263)
Net cash used in investing activities	(10,149)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on term loan	(750,000)
Dividends paid	(3,054,964)
Net cash used in financing activities	(3,804,964)
Net decrease in cash and cash equivalents	(825,760)
Cash and cash equivalents - beginning of year	1,946,714
CASH AND CASH EQUIVALENTS - END OF YEAR	$1,120,954

Supplemental disclosure of cash flow information:
Cash paid during the period:
Interest $15,091

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

1.Background and Basis of Presentation

Nature of Business

The Kinetic Co., Inc. ("Kinetic" or the "Company") is a highly recognizable and regarded brand name in the production of industrial knives and hardened wear products for the tissue, metals, and wood industries and is known as a one-stop shop for in-house grinding, machining, and heat-treating. Kinetic was founded by the Masters family in 1948 and is headquartered in Greendale, Wisconsin. Kinetic manufactures more than 90 types of knives and numerous associated parts with modifications and customizations available to each. Kinetic employs approximately 100 non-union employees.

On June 28, 2022, Precision Marshall ("Purchaser") acquired 100% of the issued and outstanding shares of common stock of Kinetic (see Note 9).

Going concern

Based on our current operating plans, we believe that available cash balances, cash generated from our operating activities and funds available under our asset-based revolver lines of credit will provide sufficient liquidity to fund our operations, and pay our scheduled loan payments for the next 12 months from the issuance of these financial statements.

Coronavirus

In March 2020, there was a global outbreak of COVID-19 (Coronavirus) that has resulted in changes in global supply of certain products. The pandemic is having an unprecedented impact on the U.S. economy as federal, state, and local governments react to this public health crisis, which has created significant uncertainties. These uncertainties include, but are not limited to, the potential adverse effect of the pandemic on the economy, our supply chain partners, our employees and customers, and customer sentiment in general. As the pandemic continues to grow, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state, and local authorities to avoid large gatherings of people or self-quarantine are continuing to increase, which may impact business. The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the outbreak within the U.S., the impact on capital and financial markets and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

2.Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in connection with the accompanying financial statements include the estimated reserve for doubtful accounts receivable, the estimated reserve for excess and obsolete inventory, and estimated useful lives for property and equipment.

Financial Instruments

Financial instruments consist primarily of cash equivalents, trade and other receivables, and obligations under accounts payable and accrued expenses. The carrying amounts of cash equivalents, trade receivables and other receivables, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments.

Cash and Cash Equivalents

Cash and Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase. Fair value of cash equivalents approximates carrying value.

Trade Receivables

The Company grants trade credit to customers under credit terms that it believes are customary in the industry it operates and does not require collateral to support customer trade receivables.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts, which includes allowances for accounts, customer refunds, and other uncollectible accounts. The allowance for doubtful accounts is based upon historical bad debt experience and periodic evaluations of the aging and collectability of the trade receivables. This allowance is maintained at a level which the Company believes is sufficient to cover potential credit losses and trade receivables are only written off to bad debt expense as uncollectible after all reasonable collection efforts have been made. At November 30, 2021, the allowance for doubtful accounts was $123,886.

Inventories

Inventories are valued at the lower of the inventory's cost (first in, first out basis or "FIFO" using weighted-average cost) or net realizable value of the inventory. Management compares the cost of inventory with its net realizable value and an allowance is made to write down inventory to net realizable value, if lower. Management also reviews inventory to determine if excess or obsolete inventory is present and a reserve is made to reduce the carrying value for inventory for such excess and or obsolete inventory. At November 30, 2021, the inventory reserves were $200,000.

Property and Equipment

Property and Equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of plant and office equipment are 7 years. Depreciation expense was $303,922 for the year ended November 30, 2021.

The Company periodically reviews its property and equipment when events or changes in circumstances indicate that their carrying amounts may not be recoverable or their depreciation or amortization periods should be accelerated. An impairment loss would be recognized for the amount by which the carrying amount of the assets exceeds their fair value, as approximated by the present value of their projected discounted cash flows. There was no impairment loss in the year ended November 30, 2021.

Revenue Recognition

General

The Company accounts for its sales revenue in accordance with *Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("Topic 606")*. Topic 606 provides a five-step revenue recognition model that is applied to the Company's customer contracts. Under this model we (i) identify the contract with the customer, (ii) identify our performance obligations in the contract, (iii) determine the transaction price for the contract, (iv) allocate the transaction price to our performance obligations and (v) recognize revenue when or as we satisfy our performance obligations.

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

Revenue is recognized when the following requirements have been met: (i) there is persuasive evidence of an arrangement, (ii) the sales transaction price is fixed or determinable, (iii) title, ownership and risk of loss have been transferred to the customer, (iv) allocation of sales price to specific performance obligations, and (v) performance obligations are satisfied. At the time revenue is recognized, the Company records a provision for the estimated amount of future returns based primarily on historical experience and any known trends or conditions that exist at the time revenue is recognized. Revenues are recorded net of taxes collected from customers. All direct costs are either paid and or accrued for in the period in which the sale is recorded.

Shipping and Handling

The Company classifies shipping and handling charged to customers as revenues and classifies costs relating to shipping and handling as cost of revenues.

Advertising Expense

Advertising expense is charged to operations as incurred. Advertising expense totaled $70,416 for the fiscal year ended November 30, 2021.

Concentration of Risk

The Company maintains its cash and cash equivalents with one financial institution as of November 30, 2021. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 in coverage. The balance in this account may, at times, exceed the federally insured limits. The Company has not experienced any losses on the deposits and management believes the Company is not exposed to any significant credit risk related to this account.

There were no sales to any individual customer that exceeded 10% of the total sales.

The Company purchases from one supplier that individually exceeds 10% of total purchases. During the year ended November 30, 2021, total purchases related to that supplier were approximately $2,324,000. Net amounts payable to that supplier included in accounts payable as of November 30, 2021 were $0.

Fair Value Measurements

ASC Topic 820, “Fair Value Measurements and Disclosures,” requires disclosure of the fair value of financial instruments held by the Company. ASC topic 825, “Financial Instruments,” defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows: Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets. Level 2 – to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Income Taxes

The Company has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code and Wisconsin Statutes. Under those provisions, the Company does not pay federal and Wisconsin corporate income taxes on its taxable income. Instead, the stockholders are liable for their respective shares of the taxable income of the Company on their individual tax returns. Accordingly, no provision for income taxes has been made by the Company. The Company periodically makes distributions to the stockholders for income taxes.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases", which significantly changes the accounting for a lessee. Under previous guidance, lessees did not have to record a lease it designated as operating on its balance sheet. Under the new guidance, a lessee must record a liability for lease payments (referred to as the lease liability) and an asset for the right to use the leased asset during the lease term (referred to as the right of use asset) for all leases, regardless of whether they are designated as finance or operating leases. If a lessee has a lease with a term of 12 months or less, it may make an accounting policy election (by leased asset class) not to recognize lease assets or lease liabilities. This election generally requires the lessee to recognize lease expense on a straight-line basis over the lease term. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018 for public entities, not-for-profit entities that have issued (including conduit bond obligors) securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and employee benefit plans that file financial statements with the United States Securities and Exchange Commission (SEC). All other entities must apply the ASU to annual periods beginning after December 15, 2020, and interim periods beginning after December 15, 2021. Any entity may early adopt the ASU. Management has determined that when this guidance is adopted the impact will be properly reflected in the financial statements and notes thereto.

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which introduces a new approach to estimate credit losses on certain types of financial instruments based on expected losses instead of incurred losses. It also modifies the impairment model for available-for-sale debt securities and provides a simplified accounting model for purchased financial assets with credit deterioration since their origination. ASU No. 2016-13 is effective for non-public entities for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of adopting this new accounting standard on its consolidated financial statements and related disclosures; however, adoption of this ASU is anticipated to have no material impact on the Company's financial statements.

In March 2020, the FASB issued ASU No. 2020-04 - Reference Rate Reform (Topic 848), codified as ASC 848 ("ASC 848"). The purpose of ASC 848 is to provide optional guidance to ease the potential effects on financial reporting of the market-wide migration away from Interbank Offered Rates to alternative reference rates. ASC 848 applies only to contracts, hedging relationships, and other transactions that reference a reference rate expected to be discontinued because of reference rate reform. The guidance may be applied upon issuance of ASC 848 through December 31, 2022. The Company is currently assessing the impact of adopting this new accounting standard on its Financial Statements and related disclosures.

3. Inventories

Inventories by major components at November 30, 2021 are as follows:

Finished goods	$ 2,898,580
Semi-finished	475,967
Work in progress	784,063
Raw materials	1,363,611
	5,522,221
Less reserve	(200,000)
	$ 5,322,221

4.Line of Credit

On April 30, 2020, the Company entered into a line of credit agreement with its principal bank. The agreement was amended on May 28, 2021. Under the terms of the agreement the maximum amount of borrowing is $3,000,000 at an interest rate of 1.65% plus the one month LIBOR rate. The maturity date of the agreement is May 31 2022, at which time all outstanding principal and interest is due. The line of credit is secured by substantially all the assets of the Company and a personal guarantee from Cash Masters as defined in the Security and Loan Agreement dated April 30, 2020. There was no balance on the line of credit as of November 30, 2021.

5.Stockholder's Equity

As of November 30, 2021 there were 1,818 and 89,082 shares of Class A Voting Common Stock and Class B Nonvoting Common Stock, respectively, issued and outstanding. The Class A and Class B Common Stock, which does not have a par value, have a stated value of $35,000 as of November 30, 2021.

6.Leases

The Company leases warehouse facilities, production facilities and office space. These assets and properties are generally leased under non-cancelable agreements that expire at various dates through 2025 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for minimum and, in some cases percentage rent and require us to pay all insurance, taxes and other maintenance costs. The leases are expected to be renewed or replaced as they expire. Total rental expense was $604,217 for the fiscal year ended November 30, 2021.

Future minimum cash lease payments under operating lease agreements are as follows:

Year ending November 30,		
2022	$	516,773
2023		476,628
2024		390,000
2025		65,000
	$	1,448,401

7.Defined Contribution Plans

The Company maintains a 401(k) Profit Sharing Plan available to all eligible employees. To be eligible for the Plan, the employee must be at least 21 years of age and have completed one year of employment, which is defined as at least 1,000 hours. The Plan includes a deferral provision, whereby a participant may elect to contribute eligible compensation, up to the maximum limits allowed by the IRS. The Company's discretionary contributions are determined by the Board of Directors. There were no discretionary contributions to the Plan for the year ended November 30, 2021. The Company made matching contributions of approximately $133,300, for the year ended November 30, 2021.

8.Contingencies

The Company has a self-insurance program for medical coverage for its employees. The Company generally limits its exposure per covered individual to $25,000 in the year ended November 30, 2021 through the use of stop-loss policies from reinsurers. The Company's aggregate annual loss limitation was based on a formula that considers, among other things, the total number of employees and historical expenses. Total amount accrued for health insurance is approximately $179,800 as of November 30, 2021.

9.Related Party

The Company leases property from a partnership in which the Company exercises management control through common officers. Under the terms of the leases, annual rental expense was $480,000 for the year ended November 30, 2021. The Company also purchases finished goods inventory from a company in which the Company exercises management control through common ownership. During the year ended November 30, 2021, total purchases related to that supplier were approximately $2,324,000.

10.Subsequent Events

The Company has evaluated subsequent events in accordance with ASC 855, Subsequent Events, through September 14, 2022 which is the date the financial statements were available to be issued. Except for the purchase agreement outlined below, no material subsequent events that required recognition or additional disclosure in these financial statements were identified as a result of management evaluation.

On June 28, 2022, Precision Marshall ("Purchaser") acquired 100% of the issued and outstanding shares of common stock of Kinetic. In connection with the Purchase Agreement, the Purchaser also entered into a Real Estate Purchase Agreement with Plant B-6, LLC, an affiliate of Kinetic, pursuant to which the Purchaser received all of Kinetic's right, title, and interest in and to the land and improvements (collectively, the "Real Estate") that Kinetic uses in its operations. The combined purchase price, which is subject to certain post-closing adjustments, for the Kinetic shares and Real Estate was approximately $24.6 million, which was funded with borrowings under the company's credit facility, proceeds from sale-leaseback of the Real Estate, a subordinated promissory note to Seller of $3.0 million, contingent earn-out liability, and cash on-hand.

Unaudited Pro Forma Condensed Combined Financial Statement of Live Ventures Inc. for the nine months ended June 30, 2022 and for the year ended September 30, 2021

Introduction

Kinetic Acquisition

On June 28, 2022, Precision Marshall ("Precision") acquired 100% of the issued and outstanding shares of common stock of The Kinetic Co., Inc. ("Kinetic"), a Wisconsin corporation, which was accomplished through a Purchase Agreement (the "Purchase Agreement"). In connection with the Purchase Agreement, Precision also entered into a Real Estate Purchase Agreement with Plan B-6, LLC, an affiliate of Kinetic, pursuant to which Precision received all of Kinetic's right, title, and interest in and to the land and improvements (collectively, the "Real Estate") that Kinetic uses in its operations. The combined purchase price, which is subject to certain post-closing adjustments, for the Kinetic shares and Real Estate was approximately $24.6 million, which was funded with borrowings under the Company's credit facility, proceeds from sale-leaseback of the Real Estate, a subordinated promissory note to in the amount of $3.0 million to the Seller of Kinetic, contingent earn-out liability, valued at $997,000, and cash on-hand.

As of the date of acquisition, Precision entered into a sale and leaseback agreement with a third-party, independent of the Kinetic sellers, for the Real Estate. The sale price of the Real Estate was approximately $8.9 million, subject to closing fees of approximately $547,000.

The provisions of the lease agreement include a 20-year lease term with two five-year renewal options. The base rent under the lease agreement is $50,000 per month for the first year of the term and a 2% per annum escalator. The Lease Agreement is a "net lease," such that the lessees are also obligated to pay all taxes, insurance, assessments, and other costs, expenses, and obligations of ownership of the Real Property incurred by Moss. Due to the highly specialized nature of the leased assets, the Company currently believes that it is more likely than not that each of the two five-year options will be exercised.   The proceeds, net of closing fees, from the sale-leaseback were used to assist in funding the acquisition of Kinetic.

Proforma information

The accompanying unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of SEC Regulation S-X. The historical consolidated financial information in the unaudited pro forma condensed combined financial information has been adjusted to give effect to pro forma events that are (1) directly attributable to the acquisition, (2) factually supportable and (3) expected to have a continuing impact on the combined results of the Company. Because the Company's balance sheet filed in its 10-Q, dated June 30, 2022, included the acquisition of Kinetic, no proforma balance sheet is being presented in accordance with Article 11-02(c)(1).

The unaudited pro forma condensed combined financial information does not give effect to any operating or revenue synergies that may result from the merger or the costs to achieve any synergies.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only and is not necessarily indicative of what the combined Company's financial position or results of operations would have been had the transactions been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined Company.

The unaudited pro forma condensed combined financial information contains estimated adjustments, based upon available information and certain assumptions that we believe are reasonable under the circumstances. The assumptions underlying the pro forma adjustments are described in greater detail in the accompanying notes to the unaudited pro forma combined financial information. In many cases, these assumptions were based on preliminary information and estimates.

If the transaction had occurred on October 1, 2020, the pro forma statement of operations for the year ended September 30, 2021 would have reflected net income of approximately $34.7 million. Pro forma basic and diluted income per share would have increased by $2.25 and $1.11, respectively, to $22.17 and $10.91 per common share. Additionally, the pro forma statement of operations for the nine months ended June 30, 2022 would have reflected net income of approximately $26.5 million. Pro forma basic income per share would have increased by $0.37 to $8.48 per common share, and diluted income per share would have increased $0.37 per common share to $8.38 per common share.

LIVE VENTURES INCORPORATED
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2021
(dollars in thousands, except per share amounts)

	Live Historical	Kinetic Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenues	$ 272,981	$ 22,579	$ —		$ 295,560
Cost of revenues	173,518	14,313	—		187,831
Gross profit	99,463	8,266	—		107,729
Operating expenses:					
Sales, general and administrative expenses	63,673	4,450	(141)	a	67,982
Total operating expenses	63,673	4,450	(141)		67,982
Operating income	35,790	3,816	141		39,747
Other (expense) income:					
Interest expense, net	(5,205)	(19)	(418)	a	(5,642)
Gain on Payroll Protection Program loan forgiveness	6,150	—	—		6,150
Gain on bankruptcy settlement	1,765	—	—		1,765
Other income (expense)	1,179	—	—		1,179
Total other income, net	3,889	(19)	(418)		3,452
Income before provision for income taxes	39,679	3,797	(277)		43,199
Provision for income taxes	8,662	—	—		8,662
Net income	31,017	3,797	(277)		34,537
Net income attributable to non-controlling interest	180	—	—		180
Net income attributable to Live stockholders	$ 31,197	$ 3,797	$ (277)		$ 34,717
Loss per share:					
Basic	$ 19.92				$ 22.17
Diluted	$ 9.80				$ 10.91
Weighted average common shares outstanding:					
Basic	1,566,288				1,566,288
Diluted	3,182,546				3,182,546

LIVE VENTURES INCORPORATED
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
NINE MONTHS ENDED JUNE 30, 2022
(dollars in thousands, except per share amounts)

	Live Historical	Kinetic Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenues	$ 213,133	$ 15,418			$ 228,551
Cost of revenues	138,215	10,678			148,893
Gross profit	74,918	4,740	—		79,658
Operating expenses:					
Sales, general and administrative expenses	50,198	3,365	(106)	a	53,457
Total operating expenses	50,198	3,365	(106)		53,457
Operating income (loss)	24,720	1,375	106		26,201
Other (expense) income:					
Interest expense, net	(2,549)	(1)	(313)	a	(2,863)
Loss on debt extinguishment	(84)		—		(84)
Loss on disposal of fixed assets	(444)				(444)
Loss on write-off of ROU asset	(522)				(522)
Gain on bankruptcy settlement	11,352				11,352
Other income	751		—		751
Total other (expense) income, net	8,504	(1)	(313)		8,190
Income (loss) before provision for income taxes	33,224	1,374	(207)		34,391
Provision for income taxes	7,848		—		7,848
Net income	25,376	1,374	(207)		26,543
Net income attributable to non-controlling interest	—	—	—		—
Net income (loss)	$ 25,376	$ 1,374	$ (207)		$ 26,543
Income (loss) per share:					
Basic	$ 8.11				$ 8.48
Diluted	$ 8.01				$ 8.38
Weighted average common shares outstanding:					
Basic	3,128,813				3,128,813
Diluted	3,169,258				3,169,258

LIVE VENTURES INCORPORATED
NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1. Basis of presentation

The unaudited pro forma condensed combined financial statements are based on Live's and Kinetic's historical financial statements as adjusted to give effect to the acquisition of Kinetic.

The unaudited pro forma combined statements of operations for the year ended September 30, 2021 gives effect to the Kinetic acquisition as if it had occurred on October 1, 2020. Live's fiscal year was October 1, 2020 to September 30, 2021, and the combined proforma statement of operations represents this period.

The unaudited pro forma combined statements of operations for the nine months ended June 30, 2022 gives effect to the Kinetic acquisition as if it had occurred on October 1, 2020. The statement of operations for "Live Historical" includes proforma financial results for the period of October 1, 2021 to June 30, 2022 and include the actual financial results of Kinetic for the period of June 29, 2022 through June 30, 2022, as the transaction closed on June 28, 2022. The statement of operations for "Kinetic Historical" includes the actual results for Kinetic for the period of October 1, 2021 to June 28, 2022.

Note 2. Preliminary purchase price allocation

The following table shows the preliminary allocation of the purchase price for Kinetic to the acquired identifiable assets, liabilities assumed and pro forma goodwill (dollars in thousands):

Total purchase price	$	24,642
Accounts payable		2,592
Accrued liabilities		1,622
Total liabilities assumed		4,214
Total consideration		28,856
Cash		287
Accounts receivable		3,073
Inventory		6,958
Property, plant and equipment		12,855
Intangible assets		1,000
Other assets		2,501
Total assets acquired		26,674
Total goodwill	$	2,182

Note 3. Pro forma adjustments

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

(a) Reflects adjustments for (1) amortization expense of definite-lived intangible assets based on the preliminary fair value at the acquisition date, (2) interest expense to include proforma interest expense that would have been incurred as a result of the acquisition financing obtained by the Company, and (3) certain other expenses to reflect the post-acquisition operating environment.