

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

**FORM 10-K**

(Mark one)

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

For the fiscal year ended September 30, 2019

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

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33937

**Live Ventures Incorporated**

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of Incorporation or Organization)

85-0206668

(IRS Employer Identification No.)

325 E Warm Springs Road, Suite 102, Las Vegas, Nevada

89119

(Address of principal executive offices)

(Zip Code)

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

Securities registered under Section 12(b) of the Exchange 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)

Securities registered under Section 12(g) of the Exchange 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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If any 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 pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's common stock held by non-affiliates computed based on the closing sales price of such stock on March 30, 2019 was \$15,200,000.

The number of shares outstanding of the registrant's common stock, as of January 29, 2020, was 1,765,196 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

LIVE VENTURES INCORPORATED

FORM 10-K

For the year ended September 30, 2019

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As used in this Annual Report on Form 10-K (this “Form 10-K”), unless otherwise stated or the context otherwise requires, references to “we,” “us,” “our,” the “Company,” “Live Ventures” and similar references refer collectively to Live Ventures Incorporated and its subsidiaries.

## Forward-Looking Statements

This Form 10-K contains “forward-looking statements” within the meaning of the federal securities laws, which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates” or “anticipates” or similar expressions that concern our strategy, plans or intentions. Any statements we make relating to our future operations, performance and results, and anticipated liquidity are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results.

Important factors that could cause actual results to differ materially from our expectations, including, without limitation, in conjunction with the forward-looking statements included in this Form 10-K are disclosed in Item 1-Business, Item 1A – Risk Factors and Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations. Some of the factors that we believe could affect our results include:

- competitive and cyclical factors relating to the floor covering and retail industries;
- dependence of some of Marquis’ business on key customers;
- requirements of capital;
- requirements of our lenders;
- risks and uncertainties relating to the ApplianceSmart Chapter 11 filing;
- availability of raw materials;
- product liabilities in excess of insurance;
- our ability to continue to make acquisitions and to successfully integrate and operate acquired businesses;
- risks of downturns in general economic conditions and in the floor covering and retail industries that could affect our business segments;
- technological developments;
- our ability to attract and retain key personnel;
- changes in governmental regulation and oversight;
- domestic or international hostilities and terrorism; and
- the future trading prices of our common stock.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Form 10-K may not in fact occur. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Any information contained on our website ([www.liveventures.com](http://www.liveventures.com)) or any other websites referenced in this Form 10-K are not a part of this Form 10-K.

## PART I

### ITEM 1. Business

#### Our Company

Live Ventures Incorporated, a Nevada corporation originally incorporated in the State of New Mexico in 1968 as Nuclear Corporation of New Mexico, is a publicly traded (NASDAQ: LIVE) holding company for diversified businesses. In fiscal year 2015, we commenced a strategic shift in our business plan away from solely providing online marketing solutions for small and medium business to acquiring profitable companies in various industries that have demonstrated a strong history of earnings power.

Under the Live Ventures brand, we seek opportunities to acquire profitable and well-managed companies. We work closely with third parties to help us identify target companies that fit within the criteria we have established for opportunities.

#### Products and Services

##### Manufacturing Segment

###### *Marquis Industries, Inc.*

Marquis Industries, Inc. (“Marquis”) is a leading carpet manufacturer and a manufacturer of innovative yarn products, as well as a reseller of hard surface flooring products. Over the last decade, Marquis has been an innovator and leader in the value-oriented polyester carpet sector. We focus on the residential, niche commercial, and hospitality end-markets and serve over 2,000 customers.

Since commencing operations in 1995, Marquis has built a strong reputation for outstanding value, styling, and customer service. Its innovation has yielded products and technologies that differentiate its brands in the flooring marketplace. Marquis’s state-of-the-art operations enable high quality products, unique customization, and exceptionally short lead-times.

On December 21, 2018, Marquis sold its A-O division to a third party for approximately \$5.5 million in cash plus \$0.10 per pound of nylon sold by the purchaser during the 36-month period immediately following the closing of such sale.

###### *Recent Developments*

On November 1, 2019, Marquis entered into a purchase agreement, as amended (as amended, the “LOTC Purchase Agreement”), to acquire the outstanding capital stock of Lonesome Oak Trading Co., Inc. (“Lonesome Oak”). Pursuant to the LOTC Purchase Agreement, Marquis will acquire from the sole shareholder of Lonesome Oak (the “LOTC Shareholder”) all of the issued and outstanding shares of capital stock of Lonesome Oak. The transaction value under the Purchase Agreement is approximately \$14.0 million. In addition, following the closing of the transaction, Lonesome Oak will be leasing back from the LOTC Shareholder certain properties owned by affiliates of the LOTC Shareholder that will be used in Lonesome Oak’s operations. Marquis will hold back \$1.2 million of the purchase price (the “Holdback Amount”) to satisfy claims for indemnity arising out of breaches of certain representations, warranties, and covenants, and certain other enumerated items, if any. In connection with the closing of the transaction, the LOTC Shareholder will enter into an employment agreement with a five-year term and will serve as Lonesome Oak’s Executive Vice President pursuant to the terms thereof. Lonesome Oak had gross revenues of approximately \$48.0 million for its 2018 fiscal year. At November 1, 2019, Lonesome Oak had approximately 280 employees. The parties expect that the transaction will close within the Company’s second fiscal quarter, subject to customary closing conditions. The LOTC Purchase Agreement contains customary representations, warranties, and covenants. Subject to certain exceptions, the LOTC Shareholder has agreed to indemnify Marquis for breaches of certain representations, warranties, and covenants, and certain other enumerated items, if any. Indemnification by the LOTC Shareholder for breaches of certain representations and warranties is generally limited to the Holdback Amount. The LOTC Purchase Agreement contains a three-year non-competition covenant and non-solicitation covenant that apply to the LOTC Shareholder. The transaction closed on January 31, 2020.

At September 30, 2019, Marquis operated its business through 10 divisions, each specializing in a distinct area of the business. Marquis' flooring source division is the largest of all of the operating divisions, with sales to over 2,000 floor covering dealers. The following is a breakdown of each division and the specialized products sold:

Division	Products and/or Services
Marquis Industries	All forms of floor covering to dealers and home centers
Marquis Hard Surfaces	Hard surface products provided to dealers
Omega Pattern Works	Specialty printed carpet to the entertainment industry (bowling alleys, fun centers, movie theaters, and casinos)
Astro Carpet Mills	Specialty printed carpet to the entertainment industry and artificial turf
Artisans Hospitality	Carpets to commercial and hospitality markets
Dalton Carpet Depot	Sells specials and off grade carpet products to dealers
M&M Fibers	Internal extrusion carpet fiber division supplying raw material to Marquis
Quantum Textiles	Internal twisting and heat set yarn plant
B&H Tufters	Internal tufting operations
Constellation Industries	Contract commission printing

## Products

### *Carpets & Rugs*

Marquis produces innovative residential and commercial floorcovering products. Marquis has 26 running line styles offering outstanding quality and value. It also offers special value in polyester and nylon styles. Marquis products feature high twist yarns produced with ultra-soft fibers and are designed to perform well in high traffic areas.

Marquis's specialty print divisions offer printed patterned carpet designed for commercial applications. Patterns are tailored to a variety of end uses from fun centers, movies theatres, hotels, casinos and corporate. All products are printed on high performance nylon and are soil and stain resistant.

### *Hard Surfaces*

The Marquis Hard Surface product lineup includes products designed for both residential and commercial end uses. Marquis's product offering has remained on the cutting edge of this rapidly evolving segment of the flooring industry and will continue to be an innovator in new technology and design. Marquis Hard Surface currently offers dry back, click and lock luxury vinyl plank and hundreds of rolls of vinyl flooring.

## Industry and Market

Marquis is an integrated carpet manufacturer, seller of hard surface products and manufacturer of nylon yarn within a fragmented industry composed of a wide variety of companies from small privately held firms to large multinationals. In 2018, the U.S. floor covering industry had an estimated \$27.1 billion in sales.

Floor covering sales are influenced by the homeowner remodeling and residential builder markets, existing home sales and housing starts, average house size and home ownership. In addition, the level of sales in the floor covering industry is influenced by consumer confidence, spending for durable goods, the condition of residential and commercial construction, and overall strength of the economy.

## ***Our Market***

### Carpet and Rugs

The carpet and rug industry had shipments of \$11.5 billion in 2018. The carpet and rugs industry has two primary markets, residential and commercial, with the residential market making up the largest portion of the industry. The industry has two primary sub-markets, replacement and new construction, with the replacement market making up the larger portion of the sub-markets. Approximately 59% of industry shipments are made in response to residential replacement demand.

Residential products consist of broadloom carpets and rugs in a broad range of styles, colors and textures. Commercial products consist primarily of broadloom carpet and modular carpet tile for a variety of institutional applications including office buildings, restaurant chains, schools and other commercial establishments. The carpet industry also manufactures carpet for the automotive, recreational vehicle, small boat and other industries.

The Carpet and Rug Institute (the "CRI") is the national trade association representing carpet and rug manufacturers. Information compiled by the CRI suggests that the domestic carpet and rug industry is comprised of fewer than 100 manufacturers, with a meaningful percentage of the industry's production concentrated in a limited number of manufacturers focused on the lower end of the price curve.

### Hard Surfaces

Hard flooring surfaces such as ceramic, luxury vinyl tile, hardwood, stone, and laminate had shipments of \$15.5 billion in 2018. As with carpet and rugs, the market is split between residential and commercial and replacement and new construction, with residential replacement being the largest segment of the market.

### **Competition**

The North American flooring industry is highly competitive with an increasing variety of product categories, shifting consumer preferences and pressures from imported products, particularly in the rug and hard surface categories. Marquis competes with other flooring manufacturers and resellers. Marquis is a fully integrated carpet mill, and, as a result, is able to produce carpet at the lowest cost possible for its target price point. Marquis is a one stop shop for soft and hard surface products, allowing its customers to save time and receive exceptional service. Marquis offers innovative products and has quick turnaround times turning a new product in two weeks from order to delivery. The principal methods of competition are service, quality, price, product innovation and technology. Marquis' lean operating structure plus investments in manufacturing equipment, computer systems and marketing strategy contribute to its ability to provide exceptional value on the basis of performance, quality, style and service.

### **Raw Materials and Suppliers**

We believe that we will have access to an adequate supply of raw material on satisfactory commercial terms for the foreseeable future. We are not dependent on any one supplier.

### **Customers**

Marquis sells products to flooring dealers, home centers, other flooring manufacturers and directly to end users. Approximately 70% of sales are to a network of over 2,000 flooring dealers across several different end markets, geographies, and product lines. Management believes that the dealer market is the most profitable market for its products because it's a diversified customer base that values innovation, style, and service. Dealer networks typically allow Marquis to achieve higher margin, lower volume accounts.

## **Manufacturing**

Marquis has a manufacturing facility with state-of-the-art equipment in all phases of its vertically integrated production, from extrusion of yarn to yarn processing to tufting carpet. Marquis manufactures high quality products and offer unique customization with exceptionally short lead-times. Marquis has recently invested in new, efficient equipment to expand the yarn extrusion capacity to enter new markets. The new equipment allows Marquis to reduce production costs and increase margins.

## **Marketing**

Marquis has a team of 29 full-time salespeople who deepen customer relationships throughout its markets.

## **Retail and Online Segment**

### *Vintage Stock*

Vintage Stock is an award-winning specialty entertainment retailer with 62 storefronts across the Midwest and Southwest. Vintage Stock enjoys a wide customer base comprised of electronic entertainment enthusiasts, avid collectors, female gamers, children, seniors and more. Vintage Stock offers a large selection of entertainment products including new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles all available in a single location. With its integrated buy-sell-trade business model, Vintage Stock buys, sells and trades new and pre-owned movies, music, video games, electronics and collectibles through 35 Vintage Stock, 13 Movie Trading Company, 11 EntertainMart and 3 V-Stock retail locations strategically positioned across Missouri, Texas, Oklahoma, Kansas, Arkansas, Utah, Colorado, Illinois, Idaho, and New Mexico. Stores range in size from 3,000 square feet to as large as 46,000 square feet depending on market draw and population density. In addition to offering a wide array of products, Vintage Stock also offers services to customers, such as rentals, special orders, disc and video game hardware repair and more. Vintage Stock also sells new and used movies, video games, music, and toys through <http://www.vintagestock.com>. Vintage Stock's "Cooler Than Cash" program rewards loyal customers. When Vintage Stock customers bring in items to sell, the customer has two options: (i) sell their pre-owned products for cash or (ii) opt for store credit and receive a fifty percent bonus.

Vintage Stock sources its products through purchasing and trade-ins from customers as well as through distributors, including Ingram Entertainment, Inc., Alliance Entertainment, Inc., Ingram Book Company, Inc., and Diamond Comics, Inc.

### *ApplianceSmart*

At September 30, 2019, ApplianceSmart operated 4 stores: two in Minnesota; one Ohio; and one in Georgia. ApplianceSmart is a major household appliance retailer with two product categories: one consisting of typical and commonly available, innovative appliances, and the other consisting of affordable value-priced, niche offerings such as close-outs, factory overruns, discontinued models, and special-buy appliances, including open box merchandise and others. One example of a special-buy appliance may be due to manufacturer product redesign, in which a current model is updated to include a few new features and is then assigned a new model number. Because the major manufacturers—primarily Whirlpool, General Electric, and Electrolux—ship only the latest models to retailers, a large quantity of the previous models often remain in the manufacturers' inventories. Special-buy appliances typically are not integrated into the manufacturers' normal distribution channels and require a different method of management, which we provide. For many years, manufacturers relied on small appliance dealers to buy these specialty products to sell in their stores. However, today small retailers are struggling to compete with large appliance chains as the ten largest retailers of major appliances account for more than 85% of the sales volume. At the same time, expansion of big-box retailers that sell appliances has created an increase in the number of special-buy units, further straining the traditional outlet system for these appliances. Because these special-buy appliances have value, manufacturers and retailers need an efficient management system to recover their worth.

ApplianceSmart has entered into contracts for purchasing appliances that it sells in ApplianceSmart stores and in its commercial contracts. These contracts and arrangements are with the following five major manufacturers:

1. Electrolux
2. GE Appliances
3. LG
4. Samsung
5. Whirlpool

There are no guarantees on the number of units any of the manufacturers will sell us. However, we believe purchases from these manufacturers will provide an adequate supply of high-quality appliances for our ApplianceSmart stores and our commercial division.

Key components of our current agreements include:

1. We have no guarantees for the number or type of appliances that we purchase.
2. The agreements may be terminated by either party with 30 days' prior written notice.
3. We have agreed to indemnify certain manufacturers for certain claims, allegations or losses concerning the appliances we sell.

#### *Recent Developments*

On December 9, 2019, ApplianceSmart filed a voluntary petition (the "Chapter 11 Case") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") seeking relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The bankruptcy affects Live Ventures' indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, or Live Ventures itself. ApplianceSmart expects to continue to operate its business in the ordinary course of business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, the Company reserves its right to file a motion seeking authority to use cash collateral of the lenders under the reserve-based revolving credit facility. The case is being administrated under the caption *In re: ApplianceSmart, Inc.* (case number 19-13887). Court filings and other information related to the Chapter 11 Case are available at the PACER Case Locator website for those registered to do so or at the Courthouse located at One Bowling Green, Manhattan, New York 10004.

#### **Marketing**

*Vintage Stock.* Vintage Stock markets its stores primarily via social media apps including but not limited to individual store & corporate Facebook and Twitter accounts. We have an approximately 550,000 customer list for distribution of our digital new release catalog and promotion of online and brick and mortar sales and coupons. In early 2018, Vintage Stock started converting accounts to mobile numbers to better engage its customers with offers and sales. Vintage Stock also uses guerrilla marketing by partnering and setting up booths with movie theaters for blockbuster releases, various trade fairs, and school donations.

*ApplianceSmart.* Our ApplianceSmart concept includes establishing large showrooms in metropolitan locations where we offer consumers a selection of hundreds of appliances at each of our stores. Our visual branding consists of ample display of product, manufacturers' signage and custom-designed ApplianceSmart materials. We advertise our stores through television, radio, print media, social media and direct mail. Through [www.ApplianceSmart.com](http://www.ApplianceSmart.com), consumers can also search our inventory and purchase appliances online.



## **Our Market**

*Vintage Stock.* According to the Entertainment Software Association, today's video games provide rich, engaging entertainment for players across all platforms. The 2019 Essential Facts About the Computer and Video Game Industry Report (the "Video Game Industry Report") underscores how video games have evolved into a mass medium, noting that over 164 million adults in the United States play video games, and three-quarters of Americans have at least one gamer in their household. In addition, the Video Game Industry Report also stated that in 2018, the industry generated \$35.8 billion in video game content spending, up from \$30.4 billion in 2017. Total video game content spending included purchases of digital content such as online subscriptions, downloadable content, mobile applications, and social networking games. Total consumer spending in the video game industry reached \$43.4 billion in 2018, representing a 20% rise over 2017's \$36 billion, per recent data released by the Entertainment Software Association (ESA) and The NPD Group/Retail Tracking Service/Digital Games Tracking Service.

Separately, sixty-five percent (65%) of American adults play video games up from 45% in 2015, according to Entertainment Software Association (ESA). Gamers are spending an average of 11% of their leisure time with video games this year, a figure that has remained largely consistently over the past few years. The overall average age of gamers is 33 years and they have been playing video games for 14 years on average. These figures are a continuation of the trend that the average gamer age has been decreasing while the number of years playing has increased.

*ApplianceSmart.* The U.S. major appliance industry is increasing, growing by 2.9% over the course of the last five years. The Company also believes that the market is undergoing a significant advancement of "smart" or "connected" appliances. According to Grand View Research, manufacturers are investing substantially in research and development in the connected appliance space. With integrated computer chip and screens in refrigerators, consumers can sync up grocery lists, recipes, and even play a Pandora playlist through their appliance. According to Statista, these so called "smart appliances" generated approximately \$887 million in 2016, which is a significant increase over 2011 (approximately \$105 million). According to Grand View Research, the two major distribution channels for consumers to purchase appliances are brick and mortar retail and ecommerce. Brick and mortar retail holds the majority share in revenue and the Company believes will continue to increase through 2025.

## **Competition**

*Vintage Stock.* Our industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. Competition is based on the ability to adopt new technology, aggressive franchising, establishment of brand names and quality of collections. We compete with mass merchants and regional chains; computer product and consumer electronics stores; other video game and PC software specialty stores; toy retail chains; direct sales by software publishers; and online retailers and game rental companies. We have, however, established a presence in areas where we can take a greater portion of market share. Video game products are also distributed through other methods such as digital delivery. We also compete with sellers of pre-owned and value video game products. Additionally, we compete with other forms of entertainment activities, including casual and mobile games, movies, television, theater, sporting events and family entertainment centers.

*ApplianceSmart.* Our competition comes mainly from new-appliance and other special-buy retailers. Each ApplianceSmart store competes with local and national retail appliance chains, as well as with independently owned retailers. Many of these retailers have been in business longer than us and may have significantly greater assets. Many factors, including obtaining adequate resources to create and support the infrastructure required to operate large-scale appliance recycling and replacement programs, affect competition in the industry.

## **Intellectual Property**

Our success will depend significantly on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing upon the intellectual property rights of third parties. We currently rely primarily on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions, and similar measures to protect our intellectual property.

We estimate that reliance upon trade secrets and unpatented proprietary know-how will continue to be our principal method of protecting our trade secrets and other proprietary technologies. While we have hired third-party contractors to help develop our proprietary software and to provide various fulfillment services, we generally own (or have permissive licenses for) the intellectual property provided by these contractors. Our proprietary software is not substantially dependent on any third-party software, although our software does utilize open source code. Notwithstanding the use of this open source code, we do not believe our usage requires public disclosure of our own source code nor do we believe the use of open source code will have a material impact on our business.

We register some of our product names, slogans and logos in the United States. In addition, we generally require our employees, contractors and many of those with whom we have business relationships to sign non-disclosure and confidentiality agreements. Neither intellectual property laws, contractual arrangements, nor any of the other steps we have taken to protect our intellectual property, can ensure that third parties will not exploit our technologies or develop similar technologies.

Our proprietary publishing system provides an advanced set of integrated tools for design, service, and modifications to support our mobile web app services. Our mobile web app builder software enables easy and efficient design, end user modification and administration, and includes a variety of other tools accessible by our team members.

### **Services Segment**

We continue to generate revenue from servicing our existing customers under our legacy product offerings, primarily our InstantProfile® line of products and services. These services primarily consist of directory listing services. Because of the change in our business strategy and product lines, we no longer accept new customers under our legacy product and service offerings.

### **Corporate Offices**

Our principal offices are located at 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119, our telephone number is (702) 939-0231, and our corporate website (which does not form part of this Form 10-K) is located at [www.liveventures.com](http://www.liveventures.com).

### **Employees**

As of September 30, 2019, we had approximately 1,000 employees, of which approximately 650 were full-time employees, in the United States, none of whom were covered by a collective bargaining agreement.

## ITEM 1A. Risk Factors

The following are certain risks that could affect our business and our results of operations. The risks identified below are not all encompassing but should be considered in establishing an opinion of our future operations.

### RISKS RELATING TO OUR COMPANY GENERALLY

#### *Our results of operations could fluctuate due to factors outside of our control.*

Our operating results have historically fluctuated significantly, and we could continue to experience fluctuations or revert to declining operating results due to factors that may or may not be within our control. Such factors include the following:

- fluctuating demand for our products and services;
- changes in economic conditions and the amount of consumers' discretionary spending,
- changes in technologies favored by consumers,
- the effect of the Chapter 11 Case on the Company and on the interests of various constituents;
- customer refunds or cancellations, and
- our ability to continue to bill through existing means;
- market acceptance of new or enhanced versions of our services or products;
- new product offerings or price competition (or pricing changes) by us or our competitors;
- with respect to our retail and online segment, the opening of new stores by competitors in our markets;
- with respect to our manufacturing segment, changes in import tariffs;
- the amount and timing of expenditures for the acquisition of new businesses and the expansion of our operations, including the hiring of new employees, capital expenditures, and related costs (including wage cost increases due to historically low unemployment);
- technical difficulties or failures affecting our systems in general;
- the fixed nature of a significant amount of our operating expenses; and
- the ability of our check processing service providers to continue to process and provide billing information.

*If we do not effectively manage our growth and business, our management, administrative, operational, and financial infrastructure and results of operations may be materially adversely affected.*

We have expanded our business over the past few years through the acquisition of different businesses in different industries and we intend to continue to acquire additional businesses (and possibly in different industries) in the future. Significant expansion of our present operations will be required to capitalize on potential growth in market opportunities and will require us to add additional management personnel and continue to upgrade our financial and management systems and controls and information technology infrastructure. Any further expansion will also place a significant strain on our existing management, operational, and financial resources. In order to manage our growth, we will be required to continue to implement and improve our operational, marketing and financial systems, to expand existing operations, to attract and retain superior management and personnel, and to train, manage, and expand our employee base. There is no assurance that we will be able to expand our operations effectively, our systems, procedures and controls may be inadequate to support our expanded operations, and our management may fail to implement our business plan successfully.

***We may not be able to secure additional capital to expand our existing operations.***

Although we currently have no material long-term needs for capital expenditures at our existing operating subsidiaries, we will likely be required to make increased capital expenditures to fund our anticipated growth of operations, infrastructure, and personnel. In the future, we may need to seek additional capital through the issuance of debt (including convertible debt) or equity, depending upon our results of operations, market conditions, or unforeseen needs or opportunities. Our future liquidity and capital requirements will depend on numerous factors, including:

- the pace of expansion of our operations;
- our need to respond to competitive pressures; and
- future acquisitions of complementary products, technologies or businesses.

The sale of equity or convertible debt securities could result in additional dilution to existing stockholders. There is no assurance that any financing arrangements will be available in amounts or on terms acceptable to us, if at all.

***We are and may be exposed to litigation, claims and other legal proceedings relating to our company as a whole or our individual products and services, which could have a material adverse effect on our business and/or our stock price.***

In the ordinary course of business, we are and may be subject to a variety of legal proceedings, including the SEC investigation described below, and those relating to product liability, product warranty, product recall, personal injury, intellectual property infringement, and other matters and/or claims relating to our Company, including securities class action matters. A very large claim or several similar claims asserted by a large class of plaintiffs could have a material adverse effect on our business and cause our stock price to decline if we are unable to successfully defend against or resolve these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. In addition, any insurance we may have may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels. Moreover, adverse publicity arising from claims made against us, even if the claims are not successful, could adversely affect our reputation or the reputation and sales of our products and cause our stock price to decline.

***We have identified and disclosed in this Form 10-K material weaknesses in our internal control over financial reporting, which have resulted in a restatement of our financial statements for fiscal year 2019. If we are not able to remediate these material weaknesses and maintain an effective system of internal controls, we may not be able to accurately or timely report our financial results, which could cause our stock price to fall or result in our stock being delisted.***

We need to devote significant resources and time to comply with the requirements of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) with respect to internal control over financial reporting. In addition, Section 404 under Sarbanes-Oxley requires that we assess the design and operating effectiveness of our controls over financial reporting, which are necessary for us to provide reliable and accurate financial reports.

As reported in Part II – Item 9A, Controls and Procedures, there were material weaknesses in our internal controls over financial reporting at September 30, 2019. Specifically, management’s assessment concluded that the company has the following material weaknesses: (a) lack of sufficient controls around the financial reporting process; (b) lack of proper segregation of duties within the financial reporting process; (c) lack of evaluation of internal controls; and (d) and lack of review of reconciliations surrounding the financial reporting process.

We expect our systems and controls to become increasingly complex to the extent that we integrate acquisitions and as our business grows. To effectively manage our company today and this anticipated complexity, we need to remediate these material weaknesses and continue to improve our operational, financial, and management controls and our reporting systems and procedures. Any failure to remediate these material weaknesses and implement required new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results or cause us to fail to meet our financial reporting obligations, which could

adversely affect our business and jeopardize our listing on the NASDAQ Capital Market, either of which would harm our stock price.

***If we do not introduce new or enhanced offerings to our customers, we may be unable to attract and retain those customers, which would significantly impede our ability to generate revenue.***

Management actively evaluates and improves our marketing efforts and our product and service offerings, as well as contracts with new partners and hire and train personnel for management, sales, and fulfillment. Any new product offering is subject to certain risks, including customer acceptance, competition, product differentiation, challenges relating to economies of scale and the ability to attract and retain qualified personnel, including management and designers. Many of our contracts with third party vendors permit our partners to terminate the contract, with short or no prior notice, for convenience, as well as in the event we default under the terms of the contract for failing to meet our contractual obligations.

The development of new products involves considerable costs and any new product may not generate sufficient customer interest and sales to become a profitable brand or to cover the costs of its development and subsequent promotions. There can be no assurance that any of our businesses will be able to develop and grow our current offerings, or any other new offerings, to a point where the new offerings will become profitable or generate positive cash flow. We may modify or terminate our current product and services offerings if our management determines that they are not yielding or will not yield desired results.

Our product introductions and improvements, along with our other marketplace initiatives, are designed to capitalize on customer demands and trends. In order to be successful, we must anticipate and react to changes in these demands and trends, and to modify existing products or develop new products or processes to address them. Potential customers may not subscribe to our current offerings or other online marketing products and services that we may offer in the future or may discontinue use if they find these products and services to be too costly, or ineffective for meeting their business needs than other methods of advertising and marketing. Our business, prospects, financial condition or results of operations will be materially and adversely affected if we do not execute our strategy or our products and services are not adopted by a sufficient number of customers.

***Our failure to comply with various applicable federal and state employment and labor laws and regulations could have a material, adverse impact on our business.***

Various federal and state employment and labor laws and regulations govern our relationships with our employees. These laws and regulations relate to matters such as employment discrimination, wage and hour laws, requirements to provide meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers' compensation rules, healthcare laws, and anti-discrimination and anti-harassment laws. Complying with these laws and regulations subjects us to substantial expense and non-compliance could expose us to significant liabilities. We could suffer losses from these and similar cases, and the amount of such losses or costs could be significant. In addition, several states and localities in which we operate, and the federal government have from time to time enacted minimum wage increases, changes to eligibility for overtime pay, paid sick leave and mandatory vacation accruals, and similar requirements. These changes have increased our labor costs and may have a further negative impact on our labor costs in the future.

In addition, a significant number of our employees are paid at rates related to the applicable minimum wage. Federal, state and local proposals that increase minimum wage requirements or mandate other employee matters could, to the extent implemented, materially increase our labor and other costs. Several states in which we operate have approved minimum wage increases that are above the federal minimum. As more jurisdictions implement minimum wage increases, we expect our labor costs will continue to increase. Our ability to respond to minimum wage increases by prices depends on willingness of our customers to pay the higher prices and our perceived value relative to competitors. Our distributors and suppliers could also be affected by higher minimum wage, benefit standards and compliance costs, which could result in higher costs for goods and services supplied to us.

***We may not be able to adequately protect our intellectual property rights.***

Our success depends both on our internally developed technology and licensed third-party technology. We rely on a variety of trademarks, service marks, and designs to promote our brand names and identity. We also rely on a combination of contractual provisions, confidentiality procedures, and trademark, copyright, trade secrecy, unfair competition, and other intellectual property laws to protect the proprietary aspects of our products and services. The steps we take to protect our intellectual property rights may not be adequate to protect our intellectual property and may not prevent our competitors from gaining access to our intellectual property and proprietary information. In addition, we cannot provide assurance that courts will always uphold our intellectual property rights or enforce the contractual arrangements that we have entered into to obtain and protect our proprietary technology.

Third parties, including our partners, contractors, or employees may infringe or misappropriate our copyrights, trademarks, service marks, trade dress, and other proprietary rights. Any such infringement or misappropriation could have a material adverse effect on our business, prospects, financial condition, and results of operations. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights, which may result in the dilution of the brand identity of our services.

We may decide to initiate litigation in order to enforce our intellectual property rights or to determine the validity and scope of our proprietary rights. Any such litigation could result in substantial expense and may not adequately protect our intellectual property rights. In addition, we may be exposed to future litigation by third parties based on claims that our products or services infringe or misappropriate their intellectual property rights. Any such claim or litigation against us, whether or not successful, could result in substantial costs and harm our reputation. In addition, such claims or litigation could force us to do one or more of the following:

- cease selling or using any of our products and services that incorporate the subject intellectual property, which would adversely affect our revenue;
- attempt to obtain a license from the holder of the intellectual property right alleged to have been infringed or misappropriated, which license may not be available on reasonable terms; and
- attempt to redesign or, in the case of trademark claims, rename our products or services to avoid infringing or misappropriating the intellectual property rights of third parties, which may be costly and time-consuming.

Even if we were to prevail, such claims or litigation could be time-consuming and expensive to prosecute or defend and could result in the diversion of our management's time and attention. These expenses and diversion of managerial resources could have a material adverse effect on our business, prospects, financial condition, and results of operations.

***We may be subject to intellectual property claims that create uncertainty about ownership or use of technology essential to our business and divert our managerial and other resources.***

Our success depends, in part, on our ability to operate without infringing the intellectual property rights of others. Third parties may, in the future, claim our current or future services, products, trademarks, technologies, business methods or processes infringe their intellectual property rights, or challenge the validity of our intellectual property rights. We may be subject to patent infringement claims or other intellectual property infringement claims that would be costly to defend and could limit our ability to use certain critical technologies or business methods. We may also become subject to interference proceedings conducted in the patent and trademark offices of various countries to determine the priority of inventions.

The defense and prosecution, if necessary, of intellectual property suits, interference proceedings and related legal and administrative proceedings can become very costly and may divert our technical and management personnel from their normal responsibilities. We may not prevail in any of these suits or proceedings. An adverse determination of any litigation or defense proceedings could require us to pay substantial compensatory and exemplary damages, could restrain us from using critical technologies, business methods or processes, and could result in us losing, or not gaining, valuable intellectual property rights.

Furthermore, due to the voluminous amount of discovery frequently conducted in connection with intellectual property litigation, some of our confidential information could be disclosed to competitors during this type of litigation. In addition, public announcements of the results of hearings, motions or other interim proceedings or developments in the litigation could be perceived negatively by investors, and thus have an adverse effect on the trading price of our common stock.

***We may be required to expand or upgrade our infrastructure.***

Our ability to provide high-quality services largely depends upon the efficient and uninterrupted operation of our internal controls and computer and communications systems. We (or our third-party service providers) may be required to expand or upgrade our (or their) technology, infrastructure, fulfillment capabilities, or customer support capabilities in order to accommodate any significant growth in customers or to replace aging or faulty equipment or technologies. We (or they) may not be able to project accurately the rate or timing of increases, if any, in the use of our services or expand and upgrade our (or their) systems and infrastructure to accommodate these increases in a timely manner.

Any expansion of our (or our third-party service providers') infrastructure may require us (or them) to make significant upfront expenditures for servers, routers, computer equipment, and additional internet and intranet equipment, as well as to increase bandwidth for internet connectivity. Any such expansion or enhancement may cause system disruptions.

Our (or our third-party service providers') inability to expand or upgrade our technology, infrastructure, fulfillment capabilities, customer support capabilities, or equipment as required or without disruptions could impair the reputation of our brand and our services and diminish the attractiveness of our service offerings to our clients.

***We depend upon third parties to provide certain services and software, and our business may suffer if the relationships upon which we depend fail to produce the expected benefits or are terminated.***

We depend upon third-party software to operate certain of our services. The failure of this software to perform as expected could have a material adverse effect on our business. Additionally, although we believe that several alternative sources for this software are available, any failure to obtain and maintain the rights to use such software could have a material adverse effect on our business, prospects, financial condition, and results of operations. We also depend upon third parties who provide the cloud computing services which host our customers' websites, including the mobile web apps, to be sufficiently reliable and provide sufficient capacity and bandwidth so that our business can function properly, and our customers' websites are responsive to current and anticipated traffic. Any restrictions or interruption in those providers' services or connection to the internet could have a material adverse effect on our business, prospects, financial condition, and results of operations. If we are forced to switch hosting facilities, we may not be successful in finding an alternative service provider on acceptable terms or in hosting the required computer servers and implementing the required technology ourselves. We may also be limited in our remedies against these providers in the event of a failure of service.

***Our business could be negatively impacted if the security of our or our partners' equipment becomes compromised.***

To the extent that our activities involve the storage and transmission of proprietary information about our customers or users, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. Our (or our third-party service providers') security measures may not prevent security breaches. The failure to prevent these security breaches or a misappropriation of proprietary information may have a material adverse effect on our business, prospects, financial condition, and results of operations.

***Tax matters, including the changes in corporate tax rates, disagreements with taxing authorities and imposition of new taxes could impact our results of operations and financial condition.***

We are subject to income and other taxes in the U.S. and our operations, plans and results are affected by tax and other initiatives. As a result of the passage of the Tax Cuts and Jobs Act, corporate tax rates in the United States decreased in 2018, which resulted in changes to our valuation of our deferred tax asset and liabilities. These changes in valuation were material to our income tax expense and deferred tax balances.

We are also subject to regular reviews, examinations, and audits by the Internal Revenue Service and other taxing authorities with respect to our taxes. Although we believe our tax estimates are reasonable, if a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties. There can be no assurance that payment of such additional amounts upon final adjudication of any disputes will not have a material impact on our results of operations and financial position.

We also need to comply with new, evolving or revised tax laws and regulations. The enactment of or increases in tariffs, or other changes in the application or interpretation of the Tax Cuts and Jobs Act, or on specific products that we sell or with which our products compete, may have an adverse effect on our business or on our results of operations.

***Our business is subject to the risks of earthquakes, fires, tornados, floods and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.***

Our service systems and operations are vulnerable to damage or interruption from earthquakes, fires, tornados, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, fire, tornado or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage will likely be insufficient to compensate us for losses that may occur. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential intellectual property or client data. We may not have sufficient protection or recovery plans in certain circumstances, such as the tornado that struck Tulsa, Oklahoma in August 2017 and damaged one of Vintage Stock's stores in our Retail and Online business, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Such disruptions could negatively impact our ability to operate our business, which could have a material and adverse effect on our operating results and financial condition.

**RISKS RELATED TO OUR BUSINESS STRATEGY**

***We may not be able to identify, acquire or establish control of, or effectively integrate previously acquired businesses, which could materially adversely affect our growth.***

As part of our business strategy, we intend to pursue a wide array of potential strategic transactions, including acquisitions of new businesses, as well as strategic investments and joint ventures. Although we regularly evaluate such opportunities, we may not be able to successfully identify suitable acquisition candidates or investment opportunities, obtain sufficient financing on acceptable terms or at all to fund such strategic transactions, complete acquisitions and integrate acquired businesses with our existing businesses, or manage profitable acquired businesses or strategic investments.



The acquisition of a company or business is accompanied by a number of risks, including:

- failure of due diligence during the acquisition process;
- adverse short-term effects on reported operating results;
- the potential loss of key partners or key personnel in connection with, or as the result of, a transaction;
- the impairment of relationships with clients of the acquired business, or our own customers, partners or employees, as a result of any integration of operations or the expansion of our offerings;
- the recording of goodwill and intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges;
- the diversion of management's time and resources;
- the risk of entering into markets or producing products where we have limited or no experience, including the integration or removal of the acquired or disposed products with or from our existing products; and
- the inability to properly implement or remediate internal controls, procedures and policies appropriate for a public company at businesses that prior to our acquisition were not subject to federal securities laws and may have lacked appropriate controls, procedures and policies.

***The acquisition of new businesses is costly and such acquisitions may not enhance our financial condition.***

Our growth strategy is to acquire companies and identify and acquire assets and technologies from companies in various industries that have a demonstrated history of strong earnings potential. The process to undertake a potential acquisition is time-consuming and costly. We expend significant resources to undertake business, financial, and legal due diligence on our potential acquisition target and there is no guarantee that we will acquire the company after completing due diligence.

Our acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities or convertible debt securities, significant amortization expenses related to goodwill, and other intangible assets and exposure to undisclosed or potential liabilities of the acquired companies. To the extent that the goodwill arising from the acquisitions carried on the financial statements do not pass the annual goodwill impairment test, excess goodwill will be charged to, and reduce, future earnings.

***Because we do not intend to use our own employees or members of management to run the daily operations at our acquired companies, business operations might be interrupted if employees at the acquired businesses were to resign.***

As part of our acquisition strategy, we do not use our own employees or members of our management team to operate the acquired companies. Key members of management at these acquired companies have been in place for several years and have established relationships with their customers. Competition for executive-level personnel is strong and we can make no assurance that we will be able to retain these key members of management. Although we have entered into employment agreements with certain of these key members of management and provide incentives to stay with the business after it's been acquired, if such key persons were to resign, we might face impairment of relationships with remaining employees or customers, which might cause long-term customers to terminate their relationships with the acquired companies, which may materially adversely affect our business, financial condition, and results of operations.

## RISKS RELATED TO OUR FLOORING MANUFACTURING BUSINESS

*The floor covering industry is sensitive to changes in general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. Significant or prolonged declines in the U.S. or global economies could have a material adverse effect on the Company's flooring manufacturing business.*

Downturns in the U.S. and global economies, along with the residential and commercial markets in such economies, negatively impact the floor covering industry and our flooring manufacturing business. Although the difficult economic conditions have improved in the U.S., there may be additional downturns that could cause the industry to deteriorate in the foreseeable future. A significant or prolonged decline in residential or commercial remodeling or new construction activity could materially adversely affect our business, financial condition and results of operations.

*We may be unable to predict customer preferences or demand accurately, or to respond to technological developments.*

We operate in a market sector where demand is strongly influenced by rapidly changing customer preferences as to product design and technical features. Failure to quickly and effectively respond to changing customer demand or technological developments could materially adversely affect our business, financial condition and results of operations.

*We face intense competition in the flooring industry that could decrease demand for our products or force us to lower prices, which could have a material adverse effect on our business.*

The floor covering industry is highly competitive. We face competition from a number of manufacturers and independent distributors. Maintaining our competitive position may require substantial investments in our product development efforts, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for our products or force us to lower prices. Moreover, a strong U.S. dollar combined with lower fuel costs may contribute to more attractive pricing for imports that compete with our products, which may put pressure on our pricing. The occurrence of one or more of these factors could materially adversely affect our business, financial condition and results of operations.

*In periods of rising costs, we may be unable to pass raw materials, energy and fuel-related cost increases on to its customers, which could have a material adverse effect on our business.*

The prices of raw materials and fuel-related costs vary significantly with market conditions. Although we generally attempt to pass on increases in raw material, energy and fuel-related costs to our customers, our ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for our products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be recovered. During such periods of time, the occurrence of such events may materially adversely affect our business, financial condition and results of operations.

## RISKS RELATED TO OUR RETAIL AND ONLINE BUSINESS

### *ApplianceSmart Specific Risk Factors*

***ApplianceSmart is subject to risks and uncertainties with respect to the actions and decisions of its creditors and other third parties who have interests in the Chapter 11 Case that may be inconsistent with ApplianceSmart's plans.***

ApplianceSmart is subject to risks and uncertainties associated with its voluntary proceedings under Chapter 11 of the Bankruptcy Code filed with the Bankruptcy Court on December 9, 2019 (the "Commencement Date"). For the duration of the bankruptcy proceedings, ApplianceSmart's operations and our ability to execute the ApplianceSmart business strategy will be subject to risks and uncertainties associated with bankruptcy. These risks include:

- ApplianceSmart's ability to continue as a going concern;
- ApplianceSmart's ability to obtain Bankruptcy Court approval with respect to motions filed in the Chapter 11 Case from time to time;
- ApplianceSmart's ability to develop, execute, confirm and consummate a plan of reorganization with respect to the Chapter 11 Case, views and objections of creditors and other parties in interest that may make it difficult to develop and consummate a plan in a timely manner;
- ApplianceSmart's ability to obtain and maintain normal payment and other terms with credit card companies, customers, vendors, and service providers;
- ApplianceSmart's ability to maintain contracts that are critical to its operations;
- ApplianceSmart's ability to attract, motivate and retain management and other key employees;
- ApplianceSmart's ability to retain key vendors or secure alternative supply sources;
- ApplianceSmart's ability to fund and execute its business plan; and
- ApplianceSmart's ability to obtain acceptable and appropriate financing.

These risks and uncertainties could significantly affect its business and operations in various ways. For example, negative publicity or events associated with the Chapter 11 Case could adversely affect its relationships with its vendors and employees, as well as with customers, which in turn could adversely affect its operations and financial condition. Also, pursuant to the Bankruptcy Code, ApplianceSmart requires Bankruptcy Court approval for transactions outside the ordinary course of business, which may limit its ability to respond to certain events in a timely manner or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Case, we cannot predict or quantify the ultimate impact that events occurring during the pendency of the Chapter 11 Case will have on ApplianceSmart's or the Company's consolidated business, financial condition, results of operations, or the certainty as to ApplianceSmart's ability to continue as a going concern. As a result of the Chapter 11 Case, realization of assets and liquidation of liabilities are subject to uncertainty. While operating under the protection of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business, ApplianceSmart may sell or otherwise dispose of a portion or all of our assets and liquidate or settle liabilities for amounts other than those reflected in our consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications reported in our consolidated historical financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

### ***ApplianceSmart's businesses could suffer from a long and protracted restructuring.***

ApplianceSmart's future results are dependent upon the successful confirmation and implementation of a Chapter 11 plan of reorganization. Failure to obtain this approval in a timely manner could adversely affect ApplianceSmart's operating results and cash flows, as its ability to obtain financing to fund its operations may be adversely affected by protracted bankruptcy proceedings. If a protracted reorganization or liquidation is to occur, there is a significant risk that ApplianceSmart's enterprise value would be substantially eroded to the detriment of all stakeholders.

Furthermore, we cannot predict the ultimate amount of all settlement terms for the liabilities of ApplianceSmart that will be subject to the plan of reorganization. Even if a plan of reorganization is approved and implemented, our operating results and cash flows may be adversely affected by the possible reluctance of prospective lenders to do business with a company that may have recently emerged from bankruptcy.

***Operating as a Debtor in Possession under Chapter 11 of the Bankruptcy Code may restrict ApplianceSmart's ability to pursue its business strategies.***

Under Chapter 11 of the Bankruptcy Code, transactions outside the ordinary course of business will be subject to the prior approval of the Bankruptcy Court, which may limit ApplianceSmart's ability to respond to certain events in a timely manner or take advantage of certain opportunities. ApplianceSmart must obtain Bankruptcy Court approval to, among other things:

- engage in certain transactions with its various stakeholders;
- buy or sell assets outside the ordinary course of business; and
- borrow funds for our operations, investments or other capital needs or to engage in other business activities that would be in our best interest.

***Sufficient debtor-in-possession financing may not be available and ApplianceSmart's emergence from the Chapter 11 Case is not assured.***

If cash flows and borrowings under any debtor-in-possession financing are not sufficient to meet our liquidity requirements, it is uncertain whether we would be able to reorganize our business. The amount of distributions that will be available to our creditors and other holders of claims against and interests in us and our businesses, including holders of secured claims, in connection with our reorganization and consummating a plan of reorganization is uncertain. We will likely incur significant costs in connection with developing and seeking approval of a plan of reorganization, and financing, which may not be supported by certain of our stakeholders. If we were unable to develop a feasible plan of reorganization, or if we were unable to gain access to financing to operate our businesses during the Chapter 11 Case, it is possible that ApplianceSmart would have to liquidate a portion or all of its assets, in which case it is likely that holders of claims would receive substantially less favorable distributions than they would receive if ApplianceSmart were to emerge as a viable, reorganized business.

***Our senior management team and other key personnel may not be able to execute the ApplianceSmart business plan as currently developed, given the substantial attention required of such individuals by the Chapter 11 Case.***

The execution of the ApplianceSmart business plan also depends on the efforts of our senior management team and other key personnel to execute the ApplianceSmart business plan. Such individuals may be required to devote significant efforts to the prosecution of the Chapter 11 Case, thereby potentially impairing their abilities to execute the ApplianceSmart business plan and the business plan of the Company generally. Accordingly, our business plan may not be implemented as anticipated, which may cause its financial results to materially deviate from the current projections.

***ApplianceSmart may be subject to claims that will not be discharged in the Chapter 11 Case, which could have a material adverse effect on its results of operations and profitability.***

The Bankruptcy Code generally provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation and specified debts arising afterwards. With few exceptions, all claims that arose prior to the Commencement Date and before confirmation of the plan of reorganization (i) would be subject to compromise and/or treatment under the plan of reorganization or (ii) would be discharged in accordance with the Bankruptcy Code and the terms of the plan of reorganization. Any material claims not ultimately discharged by the Bankruptcy Court could have an adverse effect on ApplianceSmart's results of operations and profitability.

***In certain limited instances, a Chapter 11 case may be converted to a case under Chapter 7 of the Bankruptcy Code.***

Upon a showing of cause, the Bankruptcy Court may convert our Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code. In such event, a Chapter 7 trustee would be appointed or elected to liquidate our assets for distribution in accordance with the priorities established by the Bankruptcy Code. We believe that liquidation under Chapter 7 would result in significantly smaller distributions being made to our creditors than those provided for under a Chapter 11 proceeding because of (i) the likelihood that the assets would have to be sold or otherwise disposed of in a distressed fashion over a short period of time rather than in a controlled manner and as a going concern, (ii) additional administrative expenses involved in the appointment of a Chapter 7 trustee, and (iii) additional expenses and claims, some of which would be entitled to priority, that would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of operations.

***ApplianceSmart's, and our consolidated, financial results may be volatile and may not reflect historical trends.***

While in Chapter 11, we expect that ApplianceSmart's, and our consolidated, financial results may be volatile as asset impairments and dispositions, restructuring activities, contract terminations and rejections, and claims assessments may significantly impact our consolidated financial statements. As a result, our historical financial performance may not be indicative of our financial performance after the Commencement Date. In addition, if ApplianceSmart emerges from Chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, as a result of revisions to ApplianceSmart's operating plans pursuant to a plan of reorganization. Moreover, if ApplianceSmart emerges from Chapter 11, we may be required to adopt fresh-start accounting. If fresh-start accounting is applicable, our assets and liabilities will be recorded at fair value as of the fresh-start reporting date. The fair value of our assets and liabilities may differ materially from the recorded values of assets and liabilities on our consolidated balance sheets. If fresh-start accounting is required, our financial results after the application of fresh-start accounting may be materially different from historical trends.

***ApplianceSmart may not have sufficient cash to maintain its operations during the Chapter 11 Case or fund its emergence from the bankruptcy.***

Because of ApplianceSmart's financial condition, it will have heightened exposure to, and less ability to withstand, the operating risks that are customary in its industry, such as fluctuations in raw material prices and currency exchange rates. Any of these factors could result in the need for substantial additional funding. A number of other factors, including the Chapter 11 Case, ApplianceSmart's financial results in recent years and the competitive environment it faces, adversely affect the availability and terms of funding that might be available to ApplianceSmart during, and upon emergence from, Chapter 11. As such, ApplianceSmart may not be able to source capital at rates acceptable to it, or at all, to fund its current operations or our exit from bankruptcy. The inability to obtain necessary additional funding on acceptable terms would have a material adverse impact on ApplianceSmart and on its ability to sustain our operations, both currently and upon emergence from bankruptcy.

***A disruption in ApplianceSmart's relationships with, or in the operations of, any of ApplianceSmart's key suppliers could cause ApplianceSmart's, and our, net sales and profitability to decline.***

The success of ApplianceSmart's business and growth strategy depends to a significant degree on the availability of open box and b-line product from our suppliers. Our largest suppliers include GE Appliances, Whirlpool, Electrolux, LG, and Samsung. ApplianceSmart does not have long-term supply agreements or exclusive arrangements with its major suppliers. ApplianceSmart typically orders its inventory through the issuance of individual purchase orders to vendors allowing ApplianceSmart to remain selective of the quality and type of product it purchases. ApplianceSmart has no contractual assurance of the continued supply of merchandise in the amount and assortment currently offered to its customers and may be subjected to rationing by suppliers. In addition, ApplianceSmart relies heavily on a relatively small number of suppliers. The top three suppliers represented the majority of its appliance purchases in fiscal 2019.

ApplianceSmart's suppliers also provide it with specific types of marketing allowances and volume rebates. If ApplianceSmart's suppliers fail to continue these incentives, it could have a materially adverse effect on the breadth at which the Company can achieve brand awareness that translates to net sales.

The financial condition of ApplianceSmart's suppliers may also adversely affect their access to capital liquidity with which to maintain their inventory, production levels and product quality and to operate their businesses, all of which could adversely affect its supply chain. Negative impacts on the financial condition of any of ApplianceSmart's suppliers may cause suppliers to reduce their offerings of customer incentives and vendor allowances, cooperative marketing expenditures and product promotions. It may also cause them to change their pricing policies, which could impact the demand for their products.

#### *Vintage Stock Specific Risk Factors*

##### ***Economic conditions in the U.S. could adversely affect demand for the products we sell.***

Sales of products by Vintage Stock are driven, in part, by discretionary spending by consumers. Consumers are typically more likely to make discretionary purchases, including purchasing movies, games, music and other discretionary products when there are favorable economic conditions. Consumer spending may be affected by many economic factors outside of our control. Some of these factors include consumer disposable income levels, consumer confidence in current and future economic conditions, levels of employment, consumer credit availability, consumer debt levels, inflation, political conditions and the effect of weather, natural disasters, and civil disturbances. These and other economic factors could adversely affect demand for Vintage Stock's products, which may negatively impact our business, results of operations and financial condition.

##### ***The video game industry is cyclical and affected by the introduction of next-generation consoles, which could negatively impact the demand for existing products or Vintage Stock's pre-owned business.***

The video game industry has been cyclical in nature in response to the introduction and maturation of new technology. Following the introduction of new video game platforms, sales of these platforms and related software and accessories generally increase due to initial demand, while sales of older platforms and related products generally decrease as customers migrate toward the new platforms. If the new video game platforms do not continue to be successful, Vintage Stock's sales of video game products could decline. The introduction of these next-generation consoles could negatively impact the demand for existing products or Vintage Stock's pre-owned business, which could have a negative impact on our business, results of operations, financial condition, cash flow and liquidity. It is anticipated that Sony and Microsoft will release new consoles in December 2020.

##### ***Technological advances in the delivery and types of video, video games and PC entertainment software, as well as changes in consumer behavior related to these new technologies, could lower Vintage Stock's sales***

While it is currently possible to download video, video game content and music to the current generation of video and gaming systems, downloading is somewhat constrained by bandwidth capacity and video game and movie file sizes. However, broadband speeds are increasing and downloading technology is becoming more prevalent and continues to evolve rapidly. The current game consoles from Sony and Microsoft have facilitated download technology. If these consoles and other advances in technology continue to expand our customers' ability to access and download the current format of video, music and games and incremental content from their games and videos through these and other sources, our customers may no longer choose to purchase videos, DVDs, video games and music in our stores or reduce their purchases in favor of other forms of video, digital and game delivery. As a result, our sales and earnings could decline.

##### ***Vintage Stock may not compete effectively as browser, mobile and social video viewing and gaming becomes more popular.***

Listening to music, gaming and viewing video and digital content continues to evolve rapidly. The popularity of browser, mobile and social viewing and gaming have increased greatly, and this popularity is expected to continue to grow. Browser, mobile and social video viewing, listening to music and gaming is accessed through hardware other than the game consoles and traditional hand-held video and game devices we currently sell. If there is continued growth in popularity of browser, mobile and social viewing and gaming, our financial position, results of operations, cash flows and liquidity could be impacted negatively.

***Sales of video games containing graphic violence may decrease as a result of actual violent events or other reasons, and Vintage Stock's, and our, financial results may be adversely affected as a result.***

Many popular video games contain material with graphic violence. These games receive an "M" or "T" rating from the Entertainment Software Ratings Board. As actual violent events occur and are publicized, or for other reasons, public acceptance of graphic violence in video games may decline. Consumer advocacy groups may increase their efforts to oppose sales of graphically-violent video games and may seek legislation prohibiting their sales. As a result, our sales of those games may decrease, which could negatively impact our results of operations.

***Risk Factors Specific to Both ApplianceSmart and Vintage Stock***

***As a seller of certain consumer products, Vintage Stock and ApplianceSmart are subject to various federal, state and local laws, regulations, and statutes related to product safety and consumer protection.***

While we take steps to comply with these laws, there can be no assurance that we will be in compliance, and failure to comply with these laws could result in penalties which could have a negative impact on our business, financial condition and results of operations, cash flows and liquidity. We may also be subject to involuntary or voluntary product recalls or product liability lawsuits. Direct costs or reputational damage associated with product recalls or product liability lawsuits, individually or in the aggregate, could have a negative impact on future revenues and results of operations, cash flows and liquidity.

***International events could delay or prevent the delivery of products to our suppliers.***

Some of our suppliers rely on foreign sources to manufacture a portion of the products we purchase from them. As a result, any event causing a disruption of imports, including natural disasters or the imposition of import restrictions or trade restrictions in the form of tariffs or quotas, could increase the cost and reduce the supply of products available to us, which could lower our sales and profitability.

***If we are unable to renew or enter into new leases on favorable terms, our revenue growth may decline.***

All of Vintage Stock's and ApplianceSmart's retail stores are located in leased premises. If the cost of leasing existing stores increases, we cannot be certain that we will be able to maintain our existing store locations as leases expire. In addition, we may not be able to enter into new leases on favorable terms or at all, or we may not be able to locate suitable alternative sites or additional sites for new store expansion in a timely manner. Our revenues and earnings may decline if we fail to maintain existing store locations, enter into new leases, locate alternative sites, or find additional sites for new store expansion.

***An adverse trend in sales during the winter and holiday selling season could impact our financial results.***

Our retail business, like that of many retailers, is seasonal, with a major portion of Vintage Stock's and ApplianceSmart's sales realized around various holidays and other days, including Black Friday, President's Day, tax refund season, Memorial Day, July 4<sup>th</sup> and Labor Day. Any adverse trend in sales during these times could negatively impact our results of operations.

***Our results of operations may fluctuate from quarter to quarter.***

Our results of operations may fluctuate from quarter to quarter depending upon several factors, some of which are beyond our control. These factors include, but are not limited to:

- the timing and allocations of new product releases;
- the timing of new store openings or closings;
- shifts in the timing or content of certain promotions or service offerings;
- the effect of changes in tax rates in the jurisdictions in which we are operating;
- acquisition costs and the integration of companies we acquire or invest in; and
- the costs associated with the exit of unprofitable markets or stores.

These and other factors could affect our business, financial condition and results of operations, cash flows and liquidity, and this makes the prediction of our financial results on a quarterly basis difficult. Also, it is possible that our quarterly financial results may be below the expectations of public market analysts.

***Failure to effectively manage our new store openings could lower our sales and profitability.***

Our growth strategy depends in part upon opening new stores and operating them profitably. Our ability to open new stores and operate them profitably depends upon a number of factors, some of which may be beyond our control. These factors include the ability to:

- identify new store locations, negotiate suitable leases and build out the stores in a timely and cost-efficient manner;
- hire and train skilled associates;
- integrate new stores into our existing operations; and
- increase sales at new store locations.

If we fail to manage new store openings in a timely and cost-efficient manner, our growth or profits may decrease.

***If our management information systems fail to perform or are inadequate, our ability to manage our business could be disrupted.***

We rely on computerized inventory and management systems to coordinate and manage the activities in our stores and distribution centers. We use inventory replenishment systems to track sales and inventory. Our ability to rapidly process incoming shipments of new products and deliver them to all of our stores, enables us to meet peak demand and replenish stores to keep our stores in stock at optimum levels and to move inventory efficiently. If our inventory or management information systems fail to adequately perform these functions, our business could be adversely affected. In addition, if operations in any of our distribution centers were to shut down or be disrupted for a prolonged period of time or if these centers were unable to accommodate the continued store growth in a particular region, our business would suffer.

***Data breaches involving customer or employee data stored by us could adversely affect our reputation and revenues.***

We store confidential information with respect to our customers and employees. A compromise of our data security systems or those of businesses with which we interact could result in information related to our customers or employees being obtained by unauthorized persons. Any such breach of our systems could lead to fraudulent activity resulting in claims and lawsuits against us or other operational problems or interruptions in connection with such breaches. Any breach or unauthorized access in the future could result in significant legal and financial exposure and damage to our reputation that could potentially have an adverse effect on our business. While we also seek to obtain assurances that others with whom we interact will protect confidential information, there is a risk the confidentiality of data held or accessed by others may be compromised. If a compromise of our data security or function of our computer systems or website were to occur, it could have a material adverse effect on our operating results and financial condition, cash flows and liquidity and possibly, subject us to additional legal, regulatory and operating costs and damage our reputation in the marketplace.

Also, the interpretation and enforcement of data protection laws in the United States are uncertain and, in certain circumstances contradictory. These laws may be interpreted and enforced in a manner that is inconsistent with our policies and practices. If we are subject to data security breaches or government-imposed fines, we may have a loss in sales or be forced to pay damages or other amounts, which could adversely affect profitability, or be subject to substantial costs related to compliance.



*We may record future goodwill impairment charges or other asset impairment charges which could negatively impact our future results of operations and financial condition.*

We have previously recorded significant goodwill as a result of our acquisition of Vintage Stock. Because we have grown in part through acquisitions, goodwill and other acquired intangible assets represent a substantial portion of our assets. We also have long-lived assets consisting of property and equipment and other identifiable intangible assets which we review both on an annual basis as well as when events or circumstances indicate that the carrying amount of an asset may not be recoverable. If a determination is made that a significant impairment in value of goodwill, other intangible assets or long-lived assets has occurred, such determination could require us to impair a substantial portion of our assets. Asset impairments could have a material adverse effect on our financial condition and results of operations.

*Because of our floating rate credit facilities, we may be adversely affected by interest rate changes.*

Our financial position may be affected by fluctuations in interest rates, as our floating rate credit facilities are subject to floating interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. If we were to borrow against our float rate credit facilities, a significant increase in interest rates could have an adverse effect on our financial condition and results of operations.

## **RISKS RELATED TO OUR SECURITIES**

*We are not in compliance with NASDAQ's requirements for continued listing, and if NASDAQ does not concur that we have adequately remedied our non-compliance with applicable listing rules, our common stock may be delisted from trading on the NASDAQ Capital Market, which could have a material adverse effect on us and our stockholders.*

On January 17, 2020, we received a deficiency letter from The NASDAQ Stock Market ("NASDAQ") indicating that, as a result of not filing this Form 10-K in a timely manner, we were not in compliance with NASDAQ Listing Rule 5250(c)(1) for continued listing on the NASDAQ Capital Market. The deficiency letter indicated that we have until March 17, 2020 to regain compliance or submit a plan to regain compliance with NASDAQ's continued listing standards; however, we believe our filing of this Form 10-K has resulted in our regained compliance with NASDAQ's continued listing standards and has eliminated the need to submit such a compliance plan. Although we believe that, as of our filing of this Form 10-K, we are currently in compliance with NASDAQ's continued listing requirements, we could fail to comply with these requirements again in the future. In that case, we would receive additional deficiency letters from NASDAQ and our common stock could be delisted from trading on the NASDAQ Capital Market, which could severely limit the liquidity of our common stock and materially adversely affect the price of our common stock.

*The trading price of our common stock may be volatile, and you could lose all or part of your investment.*

The trading price of our common stock has been highly volatile over the past few years and investors could experience losses in response to factors including the following, many of which are beyond our control:

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by investors;
- the size of our public float;
- our failure to meet investors' expectations;
- announcement by us of significant acquisitions, joint marketing relationships, joint ventures or capital commitments;
- announcements by third parties of significant claims or proceedings, including securities class action claims, against us;
- changes in senior management or key personnel;
- future sales of convertible debt or our equity securities, including common stock; and
- general domestic and international economic conditions.

Domestic and international stock markets often experience significant price and volume fluctuations that are unrelated or disproportionate to the operating performance of companies with securities trading in those markets. These fluctuations, as well as political events, terrorist attacks, threatened or actual war, and general economic conditions unrelated to our performance, may adversely affect the price of our common stock. In the past, securities holders of other companies often have initiated securities class action litigation against those companies following periods of volatility in the market price of those companies' securities. If the market price of our stock fluctuates and our stockholders initiate this type of litigation, we could incur substantial costs and experience a diversion of our management's attention and resources, regardless of the outcome. This could materially and adversely affect our business, prospects, financial condition, and results of operations.

***Due to our concentrated stock ownership, public stockholders may have no effective voice in our management and the trading price of our common stock may be adversely affected.***

As of January 29, 2020, Isaac Capital Group LLC (ICG), together with Jon Isaac, our President and CEO and the President and sole member of ICG, control approximately 43.1% of the outstanding voting power of our company (assuming the exercise of all outstanding and exercisable warrants held by them). Jon Isaac has the sole power to vote the shares of our common stock owned by ICG. As a result, Jon Isaac, both individually and through ICG, is able to exercise significant influence over all matters that require us to obtain shareholder approval, including the election of directors to our board and approval of significant corporate transactions that we may consider, such as a merger or other sale of our company or its assets. Moreover, such a concentration of voting power could have the effect of delaying or preventing a third party from acquiring us. This significant concentration of share ownership may also adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stock ownership.

***Because we have no current plans to pay cash dividends on our common stock for foreseeable future, you may not receive any return on investment unless you sell your shares of common stock for a price greater than that which you paid for it.***

We may retain future earnings, if any, for future operation, expansion, and debt repayment and, with the exception of dividends payable on shares of our Series E Preferred Stock, we have no current plans to pay cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur. Therefore, any return on your investment would likely come only from an increase in the market value of our common stock. As a result, you may not receive any return on an investment in our common stock unless you sell your common stock for a price greater than that which you paid for it.

***Certain provisions of Nevada law, in our organizational documents and in contracts to which we are party may prevent or delay a change of control of our company.***

We are subject to the Nevada anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Nevada corporations from engaging in a merger, consolidation, sales of its stock or assets, and certain other transactions with any stockholder, including all affiliates and associates of the stockholder, who owns 10% or more of the corporation's outstanding voting stock, for three years following the date that the stockholder acquired 10% or more of the corporation's voting stock, except in certain situations. In addition, our amended and restated articles of incorporation and bylaws include a number of provisions that may deter or impede hostile takeovers or changes of control or management. These provisions include the following:

- the authority of our Board of Directors to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, and privileges of these shares, without stockholder approval;
- stockholders must comply with advance notice requirements to transact any business at the annual meeting;
- all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent, unless such action or proposal is first approved by our Board of Directors;
- special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or the President of our company;

- a director may be removed from office only for cause by the holders of at least two-thirds of the voting power entitled to vote at an election of directors;
- our Board of Directors is expressly authorized to alter, amend or repeal our bylaws;
- newly-created directorships and vacancies on our Board of Directors may only be filled by a majority of remaining directors, and not by our stockholders; and
- cumulative voting is not allowed in the election of our directors.

These provisions of Nevada law and our articles and bylaws could prohibit or delay mergers or other takeover or change of control of our company and may discourage attempts by other companies to acquire us, even if such a transaction would be beneficial to our stockholders.

***We are involved in an ongoing SEC investigation, which could divert management's focus, result in substantial investigation expenses and have an adverse impact on our reputation, financial condition, results of operations and cash flows.***

On February 21, 2018, the Company received a subpoena from the Securities and Exchange Commission ("SEC") and a letter from the SEC stating that it is conducting an investigation. The subpoena requests documents and information concerning, among other things the restatement of the Company's financial statements for the quarterly periods ended December 31, 2016, March 31, 2017, and June 30, 2017, the acquisition of Marquis Industries, Inc., Vintage Stock, Inc., and ApplianceSmart, Inc., and the change in auditors. We have incurred and may continue to incur significant legal and accounting expenditures in connection with the SEC's investigation. We are unable to predict how long the SEC's investigation will continue or its outcome.

***If securities analysts do not publish research or reports about our business or if they publish unfavorable commentary about us or our industry or downgrade our common stock, the trading price of our common stock could decline.***

We expect that the trading price for our common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who may elect to cover us or our business downgrade their evaluations of our common stock, the price of our common stock would likely decline. We may be unable or slow to attract research coverage and if one or more analysts cease coverage of our company, we could lose visibility in the market for our common stock, which in turn could cause our stock price to decline.

#### **ITEM 1B. Unresolved Staff Comments**

None.

#### **ITEM 2. Properties**

At September 30, 2019, we leased approximately 11,000 square feet of space located in Las Vegas, Nevada which we utilize as principal executive and administrative offices.

We believe that our existing facilities are well maintained, in good operating condition and are adequate for our present level of operations.

**Manufacturing Segment**

Marquis owns or leases all of the land, and owns all of the improvements on such leased land, as described in the following table, which also provides information regarding the general location and use at September 30, 2019:

Property	Location	Owned or Leased
Corporate Offices and Warehouse	Chatsworth, Georgia	Leased
Sales Offices, Showroom and Warehouse	Chatsworth, Georgia	Owned
Warehouse	Chatsworth, Georgia	Leased
Office and Storage	Chatsworth, Georgia	Leased
Tufting Department	Chatsworth, Georgia	Leased
Machine Storage and Forklift	Chatsworth, Georgia	Leased
Storage and Extrusion	Dalton, Georgia	Leased
Yarn Processing Facility	Dalton, Georgia	Leased
Printing Facility	Calhoun, Georgia	Leased

**Retail and Online Segment**

At September 30, 2019, Vintage Stock leased all 62 of its stores under agreements that vary as to rental amounts, expiration dates, renewal options and other rental provisions. Vintage Stock leased its corporate offices in Joplin, Missouri.

The following is a breakdown by state and brand of Vintage Stock retail stores:

State	Retail Stores	Brand(s)
Arkansas	2	Vintage Stock
Colorado	1	EntertainMart
Idaho	1	EntertainMart
Illinois	1	Vintage Stock
Kansas	6	Vintage Stock
Missouri	18	Vintage Stock, V-Stock and EntertainMart
New Mexico	1	EntertainMart
Oklahoma	13	Vintage Stock
Texas	17	Movie Trading Co. and EntertainMart
Utah	2	EntertainMart

At September 30, 2019, ApplianceSmart leased all 4 stores under agreements that vary as to rental amounts, expiration dates, renewal options, and other rental provisions. The following is a breakdown by state of ApplianceSmart retail stores:

State	Retail Stores
Georgia	1
Minnesota	2
Ohio	1

### ITEM 3. Legal Proceedings

#### *SEC Notice*

On February 21, 2018, the Company received a subpoena from the Securities and Exchange Commission (“SEC”) and a letter from the SEC stating that it is conducting an investigation. The subpoena requests documents and information concerning, among other things the restatement of the Company’s financial statements for the quarterly periods ended December 31, 2016, March 31, 2017, and June 30, 2017, the acquisition of Marquis Industries, Inc., Vintage Stock, Inc., and ApplianceSmart, Inc., and the change in auditors. The letter from the SEC states that “this inquiry does not mean that the SEC has concluded that the Company or any of its officers and directors has broken the law or that the SEC has a negative opinion of any person, entity, or security.” The Company is cooperating with the SEC in its investigation.

On October 1, 2018, the Company received a letter from the SEC requesting information regarding a potential violation of Section 13(a) of the Securities Exchange Act of 1934, as amended, based upon the timing of the Company’s Current Report on Form 8-K filed on February 14, 2018. The Company provided a response to the SEC on October 26, 2018. The Company is cooperating with the SEC in its inquiry.

#### *Live Ventures and ApplianceSmart Related Litigation*

On April 26, 2019, New Leaf Serv. Contracts, LLC (“New Leaf”) filed suit against ApplianceSmart and the Company in the District Court of Dallas County, Texas (the “Dallas Court”) alleging, among other things, breach of contract. Plaintiff seeks damages of approximately \$215,000, plus interest and attorneys’ fees. This matter was subsequently abated to allow the parties to arbitrate this dispute. The Company has asserted certain counterclaims against New Leaf. This matter has been stayed as a result of the Chapter 11 Case (as defined below).

#### *ApplianceSmart Bankruptcy and Other ApplianceSmart Litigation Matters*

On December 12, 2019, Crossroads Center LLC served a lawsuit against ApplianceSmart in the District Court for the State of Minnesota, County of Olmsted, alleging, among other things, breach of contract and seeking damages in excess of \$64,411. This matter has been stayed as a result of the Chapter 11 Case.

On December 9, 2019, ApplianceSmart filed a voluntary petition (the “Chapter 11 Case”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) seeking relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The bankruptcy affects Live Ventures’ indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, or Live Ventures itself. ApplianceSmart expects to continue to operate its business in the ordinary course of business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, the Company reserves its right to file a motion seeking authority to use cash collateral of the lenders under ApplianceSmart’s reserve-based revolving credit facility. The case is being administrated under the caption *In re: ApplianceSmart, Inc.* (case number 19-13887). Court filings and other information related to the Chapter 11 Case are available at the PACER Case Locator website for those registered to do so or at the Courthouse located at One Bowling Green, Manhattan, New York 10004.

On November 22, 2019, Haier US Appliance Solutions, Inc. d/b/a GE Appliances filed suit against ApplianceSmart in the District Court for the State of Minnesota, County of Hennepin (the “Hennepin Court”) alleging, among other things, breach of contract and seeking damages in excess of \$250,000. This matter has been stayed as a result of the Chapter 11 Case.

On November 1, 2019, OIRE Minnesota, L.L.C. filed suit against ApplianceSmart in the Hennepin Court alleging, among other things, breach of contract and seeking damages in excess of \$60,000. This matter has been stayed as a result of the Chapter 11 Case.

On October 16, 2019, VanMile, LLC filed a lawsuit against ApplianceSmart in the Magistrate Court of Gwinnett County, State of Georgia alleging unpaid invoices and seeking damages therefor. Plaintiff is seeking damages of \$15,000. This matter has been stayed as a result of the Chapter 11 Case.

On September 12, 2019, Fisher & Paykel Appliances, Inc. initiated an arbitration against ApplianceSmart in San Diego alleging breach of contract and seeking damages in excess of \$100,000. This matter has been stayed as a result of the Chapter 11 Case.

On July 22, 2019, Trustee Main/270, LLC (the “Reynoldsburg Landlord”) filed a lawsuit against ApplianceSmart and JanOne Inc. (formerly known as Appliance Recycling Centers of America, Inc.) (“JanOne”) in the Franklin County Common Pleas Court in Columbus, Ohio, alleging, with respect to ApplianceSmart, default under a lease agreement and, with respect to JanOne, guaranty of lease. The complaint sought damages of \$1,530,000 attorney fees, and other charges. On or about September 27, 2019, the parties entered into a second lease modification agreement and ratification of agreement (the “Second Lease Modification Agreement”) whereby the Reynoldsburg Landlord restored ApplianceSmart’s access to the property. Pursuant to the terms of the Second Lease Modification Agreement, in exchange for such restored access, ApplianceSmart paid the Reynoldsburg Landlord \$141,048 in partial satisfaction of past due rent and costs and the Reynoldsburg Landlord agreed to dismiss the lawsuit with prejudice. In addition, the Reynoldsburg Landlord agreed to reduced minimum annual rent for the remainder of the term and waived the rent due for October 2019, December 2019, and January 2020. In addition, JanOne ratified its guaranty under the lease.

On August 29, 2019, Martin Drive, LLC filed suit against ApplianceSmart in the Hennepin Court, alleging, among other things, breach of contract and failure to pay rent under the terms of a lease agreement. The plaintiff was awarded a default judgment in the aggregate amount of \$265,281. This matter has been stayed as a result of the Chapter 11 Case.

On August 27, 2019, CH Robinson Worldwide, Inc. served a lawsuit against ApplianceSmart in the District Court for the State of Minnesota, County of Carver, alleging, among other things, breach of contract and seeking damages in excess of \$139,508. This matter has been stayed as a result of the Chapter 11 Case.

On August 15, 2019, 280 Business Center, LLC filed suit against ApplianceSmart in the District Court for the State of Minnesota, County of Ramsey for eviction from the premises. This matter was settled in September 2019 for \$130,000.

On June 19, 2019, Graceland Retail 2017 LLC filed suit against ApplianceSmart in the Court of Common Pleas in Franklin County, Ohio, alleging, among other things, breach of contract and failure to pay rent under the terms of a lease agreement. The plaintiff was seeking damages of approximately \$940,000. This matter has been stayed as a result of the Chapter 11 Case.

On May 29, 2019, Hopkins Mainstreet II, LLC (“Hopkins Mainstreet”) filed suit against ApplianceSmart, Inc. in the Hennepin Court alleging, among other things, breach of contract and failure to pay rent. The Hennepin Court subsequently entered a default judgment in favor of Hopkins Mainstreet in the amount of \$225,111, plus attorneys’ fees in the amount of \$3,150, and costs and disbursements in the amount of \$904. This matter has been stayed as a result of the Chapter 11 Case.

On or about December 28, 2018, Berger Transfer & Storage, Inc. filed suit against ApplianceSmart in the District Court for the State of Minnesota, County of Ramsey for breach of contract. This matter was settled in April 2019 for \$31,000.

#### *Generally*

We are involved in various claims and lawsuits arising in the normal course of business. The ultimate results of claims and litigation cannot be predicted with certainty. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows.

#### **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

Our common stock is traded on the NASDAQ Capital Market under the symbol "LIVE".

The following table sets forth the quarterly high and low trading prices per share of our common stock during the last two fiscal years.

	Quarter Ended	High	Low
2019	October 1 – December 31, 2018	\$ 9.45	\$ 6.53
	January 1 – March 31, 2019	\$ 8.38	\$ 6.25
	April 1 – June 30, 2019	\$ 7.89	\$ 6.70
	July 1 – September 30, 2019	\$ 8.70	\$ 5.65
2018	October 1 – December 31, 2017	\$ 19.97	\$ 11.63
	January 1 – March 31, 2018	\$ 17.33	\$ 12.16
	April 1 – June 30, 2018	\$ 14.45	\$ 11.86
	July 1 – September 30, 2018	\$ 13.20	\$ 8.99

#### Holder of Record

On September 30, 2019, there were approximately 195 holders of record of our common stock, approximately 29 holders of record of our Series E Preferred Stock, and 2 holders of record of our Series B Convertible Preferred Stock ("Series B Preferred Stock"). We have no record of the number of stockholders who hold our common stock in "street name" with various brokers.

#### Dividend Policy

We have two classes of authorized preferred stock. As of September 30, 2019, our Series E Preferred Stock had 77,840 shares issued outstanding. Each share of Series E Preferred Stock is entitled to and receives a dividend of \$0.015 per year. At September 30, 2019, the Company had accrued but unpaid preferred stock dividends totaling approximately \$1,100.

Our Series B Preferred Stock, as of September 30, 2019, had 214,244 shares issued and outstanding. The shares, as a series, have waived their rights to dividends and are not entitled to dividends, unless they are declared by the Board of Directors through special action, subject to a \$1.00 (in the aggregate for all then-issued and outstanding shares of Series B Convertible Preferred Stock).

Presently, we do not pay dividends on shares of our common stock or our Series B Preferred Stock. Our declaration and payment of cash dividends in the future and the amount thereof will depend upon our results of operations, financial condition, cash requirements, future prospects, limitations imposed by credit agreements or indentures governing debt securities and other factors deemed relevant by our Board of Directors.

**Issuer Purchases of Equity Securities**

On February 20, 2018, the Company announced a \$10 million common stock repurchase plan. The following table provides information regarding repurchases of common stock during the three months ended September 30, 2019.

<b>Period</b>	<b>Number of Shares</b>	<b>Average Purchase Price Paid</b>	<b>Number of Share Purchases as Part of a Publicly Announced Plan or Program</b>	<b>Maximum Amount that May be Purchased Under the Announced Plan or Program</b>
July 2019	6,472	\$ 7.08	6,472	\$ 9,021,756
August 2019	9,186	6.62	9,186	8,960,945
September 2019	18,615	8.06	18,615	8,810,908
Totals	<u>34,273</u>		<u>34,273</u>	

**Securities Authorized for Issuance under Equity Compensation Plans**

See "Item 11 – Executive Compensation – Executive Compensation Plan Information."

**Recent Sales of Unregistered Securities**

None.

**ITEM 6. Selected Financial Data**

Not applicable.



## **ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the year ended September 30, 2019, this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (hereafter referred to as “MD&A”) should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Part II, Item 8 of this Annual Report on Form 10-K for the fiscal year ended September 30, 2019.

*Stated in thousands of US dollars, except per share amounts.*

### **Note about Forward-Looking Statements**

This Annual Report on Form 10-K (this “Form 10-K”) includes statements that constitute “forward-looking statements.” These forward-looking statements are often characterized by the terms “may,” “believes,” “projects,” “intends,” “plans,” “expects,” or “anticipates,” and do not reflect historical facts.

Specific forward-looking statements contained in this portion of the Annual Report include, but are not limited to: (i) statements that are based on current projections and expectations about the markets in which we operate, (ii) statements about current projections and expectations of general economic conditions, (iii) statements about specific industry projections and expectations of economic activity, (iv) statements relating to our future operations, prospects, results, and performance, (v) statements about the Chapter 11 Case, (vi) statements that the cash on hand and additional cash generated from operations together with potential sources of cash through issuance of debt or equity will provide the Company with sufficient liquidity for the next 12 months, and (vii) statements that the outcome of pending legal proceedings will not have a material adverse effect on business, financial position and results of operations, cash flow or liquidity.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results, future performance and capital requirements and cause them to materially differ from those contained in the forward-looking statements include those identified in this Form 10-K under Item 1A “Risk Factors”, as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may generally affect our business, results of operations and financial position. Forward-looking statements speak only as of the date the statements were made. We do not undertake and specifically decline any obligation to update any forward-looking statements. Any information contained on our website [www.liveventures.com](http://www.liveventures.com) or any other websites referenced in this Annual Report are not part of this Annual Report.

### **Our Company**

Live Ventures Incorporated is a holding company of diversified businesses, which, together with our subsidiaries, we refer to as the “Company”, “Live Ventures”, “we”, “us” or “our”. We acquire and operate profitable companies in various industries that have demonstrated a strong history of earnings power. We currently have three segments to our business, Manufacturing, Retail and Online, and Services.

Under the Live Ventures brand, we seek opportunities to acquire profitable and well-managed companies. We will work closely with consultants who will help us identify target companies that fit within the criteria we have established for opportunities that will provide synergies with our businesses.

Our principal offices are located at 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119, our telephone number is (702) 939-0231, and our corporate website (which does not form part of this report Form 10-K) is located at [www.liveventures.com](http://www.liveventures.com). Our common stock trades on the NASDAQ Capital Market under the symbol “LIVE”.

## **Manufacturing Segment**

### *Marquis Industries*

Our Manufacturing segment is composed of Marquis Affiliated Holdings LLC and wholly owned subsidiaries (“Marquis”). Marquis is a leading carpet manufacturer and a manufacturer of innovative yarn products, as well as a reseller of hard surface flooring products. Over the last decade, Marquis has been an innovator and leader in the value-oriented polyester carpet sector, which is currently the market’s fastest-growing fiber category. We focus on the residential, niche commercial, and hospitality end-markets and serve over 2,000 customers.

Since commencing operations in 1995, Marquis has built a strong reputation for outstanding value, styling, and customer service. Its innovation has yielded products and technologies that differentiate its brands in the flooring marketplace. Marquis’s state-of-the-art operations enable high quality products, unique customization, and exceptionally short lead-times. Furthermore, the Company has recently invested in additional capacity to grow several attractive lines of business, including printed carpet and yarn extrusion.

## **Retail and Online Segment**

Our Retail and Online Segment is composed of Vintage Stock and ApplianceSmart.

### *Vintage Stock*

Vintage Stock Holdings LLC, Vintage Stock, V-Stock, Movie Trading Company and EntertainMart (collectively “Vintage Stock”) is an award-winning specialty entertainment retailer offering a large selection of entertainment products including new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles all available in a single location. With its integrated buy-sell-trade business model, Vintage Stock buys, sells and trades new and pre-owned movies, music, video games, electronics and collectibles through 62 retail locations strategically positioned across Arkansas, Colorado, Idaho, Illinois, Kansas, Missouri, New Mexico, Oklahoma Texas and Utah.

### *ApplianceSmart*

At September 30, 2019, ApplianceSmart Affiliated Holdings LLC, ApplianceSmart Inc. and ApplianceSmart Contracting, Inc (collectively “ApplianceSmart”) operated four stores: two in Minnesota; one Ohio; and one in Georgia. ApplianceSmart is a major household appliance retailer with two product categories: one consisting of typical and commonly available, innovative appliances, and the other consisting of affordable value-priced, niche offerings such as close-outs, factory overruns, discontinued models, and special-buy appliances, including open box merchandise and others. In addition to retailing household appliances, ApplianceSmart through ApplianceSmart Contracting Inc. provides household appliances to builders and developers in the Minnesota and Ohio markets.

On December 9, 2019, ApplianceSmart filed a voluntary petition (the “Chapter 11 Case”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) seeking relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The bankruptcy affects Live Ventures’ indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, or Live Ventures itself. ApplianceSmart expects to continue to operate its business in the ordinary course of business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, the Company reserves its right to file a motion seeking authority to use cash collateral of the lenders under the reserve-based revolving credit facility. The case is being administrated under the caption *In re: ApplianceSmart, Inc.* (case number 19-13887). Court filings and other information related to the Chapter 11 Case are available at the PACER Case Locator website for those registered to do so or at the Courthouse located at One Bowling Green, Manhattan, New York 10004.

## Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Preparation of these statements requires us to make judgments and estimates. Some accounting policies have a significant and material impact on amounts reported in these financial statements. Estimates and assumptions are based on management's experience and other information available prior to the issuance of our financial statements. Our actual realized results may differ materially from management's initial estimates as reported. Our critical and significant accounting policies include Trade and Other Receivables, Inventories, Goodwill, Revenue Recognition, Fair Value Measurements, Stock Based Compensation, Income Taxes, Segment Reporting and Concentrations of Credit Risk.

## Results of Operations

The following table sets forth certain statement of income items and as a percentage of revenue, for the periods indicated:

	Year Ended September 30, 2019		Year Ended September 30, 2018	
		% of Total Revenue		% of Total Revenue
<b>Statement of Income Data:</b>				
Revenues	\$ 193,288	100.0%	\$ 199,633	100.0%
Cost of revenues	122,415	63.3%	125,435	62.8%
Gross profit	70,873	36.7%	74,198	37.2%
General and administrative expenses	52,840	27.3%	49,258	24.7%
Sales and marketing expenses	14,777	7.6%	14,140	7.1%
Operating income	3,256	1.7%	10,800	5.4%
Interest expense, net	(6,315)	(3.3)%	(8,643)	(4.3)%
Bargain purchase gain on acquisition	—	—	7,294	3.7%
Impairment charges	(3,222)	(1.7)%	—	—
Other income	644	0.3%	879	0.4%
Income (loss) before income taxes	(5,637)	(2.9)%	10,330	5.2%
(Benefit) Provision for income taxes	(1,625)	(0.8)%	4,407	2.2%
Net income (loss)	\$ (4,012)	(2.1)%	\$ 5,923	3.0%

The following tables set forth revenues for key product categories, percentages of total revenue and gross profits earned by key product category and gross profit percent as compared to revenues for each key product category indicated:

	Year Ended September 30, 2019		Year Ended September 30, 2018	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Total Revenue
<b>Revenue</b>				
Used Movies, Music, Games and Other	\$ 42,298	21.9%	\$ 43,014	21.5%
New Movies, Music, Games and Other	33,695	17.4%	32,980	16.5%
Rentals, Concessions and Other	968	0.5%	1,189	0.6%
Retail Appliance	23,740	12.3%	32,943	16.5%
Carpets	60,747	31.4%	58,451	29.3%
Hard Surface Products	29,146	15.1%	24,229	12.1%
Synthetic Turf Products	2,058	1.1%	6,082	3.0%
Other	636	0.3%	745	0.4%
Total Revenue	\$ 193,288	100.0%	\$ 199,633	100.0%

	Year Ended September 30, 2019		Year Ended September 30, 2018	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Gross Profit				
Used Movies, Music, Games and Other	\$ 34,114	80.7 %	\$ 34,095	79.3 %
New Movies, Music, Games and Other	8,921	26.5 %	8,341	25.3 %
Rentals, Concessions and Other	582	60.2 %	762	64.1 %
Retail Appliance	1,539	6.5 %	7,842	23.8 %
Carpets	16,861	27.8 %	15,548	26.6 %
Hard Surface Products	7,725	26.5 %	6,360	26.2 %
Synthetic Turf Products	535	26.0 %	542	8.9 %
Directory Services	596	93.7 %	708	95.0 %
Total Gross Profit	<u>\$ 70,873</u>	36.7 %	<u>\$ 74,198</u>	37.2 %

#### Revenue

Revenue decreased \$6,345, or 3.2% for the year ended September 30, 2019 as compared to the year ended September 30, 2018 primarily attributable to the following:

Revenue from ApplianceSmart decreased \$9,203 due to the closure of certain retail locations that incurred continued drop in sales resulting from increased competition.

The decrease in Used Movies, Music, Games and Other was offset by an increase in New Movies, Music, Games and Other due to a lack of new content related to video games and new movie releases performing better as compared to the prior year.

Carpet and hard surface revenues increased a total of \$7,213 as a result of development of new products. This increase was partially offset by the decrease in Synthetic Turf Products of \$4,024 due to the sale of equipment related to this division.

#### Cost of Revenue

Cost of revenue decreased \$3,020, or 2.4% for the year ended September 30, 2019 as compared to the year ended September 30, 2018, primarily due to the ApplianceSmart store closures as the Company reduced its appliance inventory.

#### Gross Profit

Gross profit for the year ended September 30, 2019 decreased \$3,325 or 4.5% compared gross profit for the year ended September 30, 2018, due to the decrease in revenue and cost of revenue discussed above.

#### General and Administrative Expense

General and Administrative expense increased \$3,582 or 7.3%, for the year ended September 30, 2019 as compared to the year ended September 30, 2018, primarily due to costs associated with the closing of certain ApplianceSmart locations, increased employee costs and legal expenses associated with various transactions and compliance.

#### Selling and Marketing Expense

Selling and marketing expense for the year ended September 30, 2019 approximated selling and marketing expense for the year ended September 30, 2018 as the Company maintained the same level of selling and marketing efforts.

### Operating Income

Because of the factors described above, operating income was \$3,256 for the year ended September 30, 2019, representing a decrease of \$7,544 or 69.9% over the comparable prior year of \$10,800.

### Interest Expense, net

Interest expense net decreased \$2,328 or 26.9%, for the year ended September 30, 2019 as compared to the year ended September 30, 2018, primarily due to the reduction in outstanding debt and decreased borrowing costs for Marquis and Vintage Stock, which was slightly offset by ApplianceSmart entering into a new debt agreement during the period.

### Bargain Purchase Gain

Bargain Purchase Gain for the year ended September 30, 2018 was \$7,294, which was a result of the ApplianceSmart acquisition. There was no similar transaction during the year ended September 30, 2019.

### Impairment Charges

Impairment charges of \$3,222 for the year ended September 30, 2019, were related to the write down of intangibles associated with the ApplianceSmart customer list and trade names due to the bankruptcy filing in December 2019, the write down of lease intangibles related to the ApplianceSmart retail locations closed during the period and the write down of software that is no longer in use. There were no impairment charges for the year ended September 30, 2018.

### (Benefit) Provision for Income Taxes

For the year ended September 30, 2019, the Company recorded an income tax benefit of \$1,625 as compared to a tax provision of \$4,407 the year ended September 30, 2018 primarily due to the net loss in the current period. The rate for the year ended September 30, 2019 was impacted by a significant change in valuation allowances, State income tax rates, net of Federal benefits and carryforward adjustments. The rate for the year ended September 30, 2018 was impacted by the Tax Act rate changes and the bargain purchase accounting related to the purchase of ApplianceSmart.

### Net Income (Loss)

The factors described above led to net loss of \$4,012 for the year ended September 30, 2019, or an 167.7% decrease from net income of \$5,923 for the year ended September 30, 2018.

### Results of Operations by Segment

	Year Ended September 30, 2019				Year Ended September 30, 2018			
	Retail & Online	Mfg	Services	Total	Retail & Online	Mfg	Services	Total
Revenue	\$ 100,701	\$ 91,951	\$ 636	\$ 193,288	\$ 110,125	\$ 88,763	\$ 745	\$ 199,633
Cost of Revenue	55,547	66,829	39	122,415	59,086	66,313	36	125,435
Gross Profit	45,154	25,122	597	70,873	51,039	22,450	709	74,198
General and Administrative Expense	47,524	5,314	2	52,840	43,535	5,720	3	49,258
Selling and Marketing Expense	6,704	8,073	—	14,777	6,166	7,974	—	14,140
Operating Income (Loss)	\$ (9,074)	\$ 11,735	\$ 595	\$ 3,256	\$ 1,338	\$ 8,756	\$ 706	\$ 10,800

	Year Ended September 30, 2019				Year Ended September 30, 2018			
	Segments in % of Revenue				Segments - % of Revenue			
	Retail & Online	Mfg	Services	Total	Retail & Online	Mfg	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	55.2%	72.7%	6.1%	63.3%	53.7%	74.7%	4.8%	62.8%
Gross Profit	44.8%	27.3%	93.9%	36.7%	46.3%	25.3%	95.2%	37.2%
General and Administrative Expense	47.2%	5.8%	0.3%	27.3%	39.5%	6.4%	0.4%	24.7%
Selling and Marketing Expense	6.7%	8.8%	0.0%	7.6%	5.6%	9.0%	0.0%	7.1%
Operating Income	(9.0)%	12.8%	93.6%	1.7%	1.2%	9.9%	94.8%	5.4%

### Retail and Online Segment

Segment results for Retail and Online include Vintage Stock and ApplianceSmart. Revenue for the year ended September 30, 2019 decreased \$9,424, or 8.6%, as compared to the prior year, primarily due to the ApplianceSmart retail location closures during 2019. Cost of revenue for the year ended September 30, 2019 decreased \$3,539 or 6.0%, as compared to the prior year period, primarily due to the ApplianceSmart retail location closures during 2019. Operating loss for the year ended September 30, 2019 was \$9,074, as compared to operating income of \$1,338 the prior year period, primarily due to the decrease in gross profit of \$5,885 and an increase in general and administrative expense of \$3,989.

### Manufacturing Segment

Segment results for Manufacturing include Marquis, which is our carpet, hard surface and synthetic turf products business. Revenue for the year ended September 30, 2019 increased \$3,188, or 3.6%, as compared to the prior year period, due to increased sales of carpets and hard surface products related to development of new products, partially offset by a decrease in synthetic turf products due to the sale of equipment for this division. Cost of revenue for the year ended September 30, 2019 remained constant, as compared to the prior year period. Operating income for the year ended September 30, 2019 increased \$2,979, or 34.0%, as compared to the prior year period, primarily due to an increase in gross profit of \$2,672 and a decrease in general and administrative expense of \$406.

### Services Segment

Segment results for Services include Telco results, which is our directory services business. Revenues and operating income continue to decline due to decreasing renewals. We expect revenue and operating income from this segment to continue to decrease in the future. We are no longer accepting new customers in our directory services business.

### Liquidity and Capital Resources

#### Overview

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, pay our scheduled loan payments, fund our continued investments in store openings and remodeling activities, continue to repurchase shares, and pay dividends on our shares of Series E Preferred Stock as declared by the Board of Directors, for at least the next 12 months.

We have two asset-based revolver lines of credit (i) Bank of America Revolver Loan ("BofA Revolver") that Marquis uses and (ii) Texas Capital Bank Revolver Loan ("TCB Revolver") used by Vintage Stock.

As of September 30, 2019, we had total cash on hand of \$2,681 and an additional \$14,914 of available borrowing under the BofA Revolver and an additional \$1,410 of available borrowing under the TCB Revolver. As we continue to pursue acquisitions, and other strategic transactions to expand and grow our business, we regularly monitor capital market conditions and may raise additional funds through borrowings or public or private sales of debt or equity securities. The amount, nature and timing of any borrowings or sales of debt or equity securities will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

#### *Sources of Liquidity*

We utilize cash on hand and cash generated from operations and have funds available to us under our two revolving loan facilities (BofA Revolver and TCB Revolver) to cover normal and seasonal fluctuations in cash flows and to support our various growth initiatives. Our cash and cash equivalents are carried at cost and consist primarily of demand deposits with commercial banks. Our term debt facilities are not revolving credit facilities and require scheduled payments of principal and interest.

#### *BofA Revolver*

Marquis may borrow funds for operations under the BofA Revolver subject to availability as described in Note 8 to the consolidated financial statements. The following tables summarize the BofA Revolver for the year ended and as of September 30, 2019:

<b>During the year ended September 30, 2019</b>	
Cumulative borrowing during the period	\$ 87,771
Cumulative repayment during the period	95,358
Maximum borrowed during the period	8,071
Weighted average interest for the period	4.20 %
<b>As of September 30, 2019</b>	
Total availability	\$ 14,914
Total outstanding	13

#### *TCB Revolver*

Vintage Stock may borrow funds for operations under the TCB Revolver subject to availability as described in Note 6 to the consolidated financial statements. The following tables summarize the TCB Revolver for the year ended and as of September 30, 2019:

<b>During the year ended September 30, 2019</b>	
Cumulative borrowing during the period	\$ 74,356
Cumulative repayment during the period	75,648
Maximum borrowed during the period	11,932
Weighted average interest for the period	4.55 %
<b>As of September 30, 2019</b>	
Total availability	\$ 1,410
Total outstanding	10,590

#### *Loan Covenant Compliance*

We are in compliance with all loan covenants under our existing revolving and other loan agreements as of September 30, 2019, with the exception of covenants associated with the Crossroads Revolver (Note 6 to the Consolidated Financial Statements).

#### *Cash Flows from Operating Activities*

The Company's cash and cash equivalents at September 30, 2019 was \$2,681 compared to \$2,742 at September 30, 2018, a decrease of \$61. Net cash provided by operations was \$19,053 for the year ended September 30, 2019 as compared to net cash provided by operations of \$11,823 for the same period in 2018 primarily due to the Result of operations discussed above.

Our primary source of cash inflows is from customer receipts from sales on account, factor accounts receivable proceeds and net remittances from directory services customers processed in the form of ACH billings. Our most significant cash outflows include payments for raw materials and general operating expenses, including payroll costs and general and administrative expenses that typically occur within close proximity of expense recognition.

#### *Cash Flows from Investing Activities*

Our cash flows provided by investing activities of \$100 for the year ended September 30, 2019 consisted of proceeds from the sale of property and equipment offset by the purchases of property and equipment. Our cash flows used in investing activities for the year ended September 30, 2018 consisted of purchase of intangibles of \$684 and purchases of property and equipment of \$8,710.

#### *Cash Flows from Financing Activities*

Our cash flows used in financing activities during the year ended September 30, 2019 consisted of \$913 from the issuance of notes payable, \$7,034 in net payments under revolver loans, payment of debt issuance costs of \$223, purchase of treasury stock \$888 and payment on notes payable \$11,982.

Our cash flows used in financing activities during the year ended September 30, 2018 consisted of \$27,777 from the issuance of notes payable and \$2,122 in net borrowings under revolver loans, offset by payments of debt issuance costs of \$1,318, purchase of Series E preferred treasury stock and common treasury stock of \$554 and payment on notes payable of \$32,437.

Currently, the Company is not issuing common shares for liquidity purposes. We prefer to use asset-based lending arrangements and mezzanine financing together with Company provided capital to finance acquisitions and have done so historically. Occasionally as our Company history has demonstrated we will issue stock and derivative instruments linked to stock for services and or debt settlement.

#### *Working Capital*

We had working capital of \$20,727 as of September 30, 2019 as compared to \$28,466 as of September 30, 2018 with current assets decreasing by \$10,224 and current liabilities decreasing by \$2,485. Such changes in working capital were primarily attributable to the decrease in inventory associated with the closure of retail locations for ApplianceSmart, decrease in trade receivables, and a decrease in accounts payable and accrued liabilities.

#### *Equipment Loans*

Marquis has a master agreement and separate loan schedules Notes #1 through #6 (the "Equipment Loans") with Banc of America Leasing & Capital, LLC which provide:

Note #1 is \$5,000, secured by equipment. The Equipment Loan #1 is due September 23, 2021, payable in 59 monthly payments of \$84 beginning September 23, 2016, with a final payment in the sum of \$584, bearing interest at 3.9% per annum.

Note #2 is \$2,210, secured by equipment. The Equipment Loan #2 is due January 30, 2022, payable in 59 monthly payments of \$35 beginning January 30, 2017, with a final payment in the sum of \$477, bearing interest at 4.6% per annum. As of September 30, 2019, this loan was paid in full.



Note #3 is \$3,680, secured by equipment. The Equipment Loan #3 is due December 30, 2023, payable in 84 monthly payments of \$2 beginning January 30, 2017, bearing interest rate at 4.8% per annum.

Note #4 is \$1,095, secured by equipment. The Equipment Loan #4 is due December 30, 2023, payable in 81 monthly payments of \$16 beginning April 30, 2017, bearing interest at 4.9% per annum.

Note #5 is \$3,932, secured by equipment. The Equipment Loan #5 is due December 28, 2024, payable in 84 monthly payments of \$55 beginning January 28, 2018, bearing interest at 4.7% per annum.

Note #6 is \$913, secured by equipment. The Equipment Loan #6 is due July 29, 2024, payable in 60 monthly payments of \$55 beginning August 28, 2019, bearing interest at 4.7% per annum.

At September 30, 2019 we had \$2,057, nil, \$2,379, \$731, \$3,065 and \$891 outstanding on Equipment Loan Note #1 through Note #6, respectively. At September 30, 2018 we had \$3,231, \$1,637, \$2,872, \$881 and \$3,569 outstanding on Equipment Loan Note #1 through Note #5, respectively.

#### *Real Estate Financing*

On June 14, 2016, we entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis Industries, Inc. ("Marquis") and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was \$10,000, which consisted of \$644 from the sale of the land and a note payable of \$9,356. In connection with the transaction, we entered into a lease with a 15-year term commencing on the closing of the transaction, which provides the Company an option to extend the lease upon the expiration of its term. The initial annual lease rate is \$60. The proceeds from this transaction were used to pay down the BofA Revolver and Bank of America Term loans, related party loan, as well as to purchase a building from the previous owners of Marquis that was not purchased in the July 2015 transaction. At September 30, 2019 and September 30, 2018, we had \$9,274 and \$9,302 outstanding, respectively, on the Store Capital Acquisition, LLC loan. At September 30, 2019 and September 30, 2018, there are un-amortized debt issuance costs associated with this loan in the amounts of \$422 and \$433, respectively.

#### *Future Sources of Cash; New Products and Services*

We may require additional debt financing and or capital to finance new acquisitions, refinance existing indebtedness or other strategic investments in our business. Other sources of financing may include stock issuances and additional loans; or other forms of financing. Any financing obtained may further dilute or otherwise impair the ownership interest of our existing stockholders.

#### **Contractual Obligations**

The following table summarizes our contractual obligations consisting of operating lease agreements and debt obligations and the effect such obligations are expected to have on our future liquidity and cash flows:

	<b>Payments due by Period</b>				
	<b>Less Than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>More Than Five Years</b>	<b>Total</b>
Notes payable	\$ 7,897	\$ 10,172	\$ 29,782	\$ 9,249	\$ 57,100
Notes Payable - related party	—	4,826	—	—	4,826
Lease obligations	8,331	11,288	3,885	1,836	25,340
<b>Total</b>	<b>\$ 16,228</b>	<b>\$ 26,286</b>	<b>\$ 33,667</b>	<b>\$ 11,085</b>	<b>\$ 87,266</b>

**Off-Balance Sheet Arrangements**

At September 30, 2019, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

**ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk**

As of September 30, 2019, we did not participate in any market risk-sensitive commodity instruments for which fair value disclosure would be required. We believe we are not subject in any material way to other forms of market risk, such as foreign currency exchange risk or foreign customer purchases or commodity price risk.

LIVE VENTURES INCORPORATED AND SUBSIDIARIES

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Live Ventures Incorporated (the "Company") as of September 30, 2019 and 2018, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended September 30, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. 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 audit, 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.

/s/ WSRP, LLC

We have served as the Company's auditor since 2018.

Salt Lake City, Utah

February 7, 2020

**LIVE VENTURES INCORPORATED**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands)

	September 30, 2019	September 30, 2018
<b>Assets</b>		
Cash	\$ 2,681	\$ 2,742
Trade receivables, net	11,901	13,294
Inventories, net	38,558	46,383
Income taxes receivable	235	249
Prepaid expenses and other current assets	2,377	3,308
Total current assets	55,752	65,976
Property and equipment, net	22,596	27,991
Deposits and other assets	90	283
Deferred taxes	4,869	3,221
Intangible assets, net	2,199	6,666
Goodwill	36,947	36,947
Total assets	<u>\$ 122,453</u>	<u>\$ 141,084</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 14,144	\$ 14,589
Accrued liabilities	12,984	8,571
Current portion of long-term debt	7,897	13,958
Current portion of notes payable related parties	—	392
Total current liabilities	35,025	37,510
Long-term debt, net of current portion	47,819	58,805
Notes payable related parties, net of current portion	4,826	5,430
Other non-current obligations	654	579
Total liabilities	88,324	102,324
Commitments and contingencies - Note 13		
<b>Stockholders' equity:</b>		
Series B convertible preferred stock, \$0.001 par value, 1,000,000 shares authorized, 214,244 shares issued and outstanding at September 30, 2019 and September 30, 2018	—	—
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 77,840 issued and outstanding at September 30, 2019 and September 30, 2018, with a liquidation preference of \$0.30 per share	—	—
Common stock, \$0.001 par value, 10,000,000 shares authorized, 1,826,009 shares issued and outstanding at September 30, 2019; 1,945,247 issued and outstanding at September 30, 2018	2	2
Paid-in capital	63,924	63,654
Treasury stock common 262,177 shares as of September 30, 2019 and 142,939 shares as of September 30, 2018	(2,438 )	(1,550 )
Treasury stock Series E preferred 50,000 shares as of September 30, 2019 and September 30, 2018	(4 )	(4 )
Accumulated deficit	(27,355 )	(23,342 )
Total stockholders' equity	34,129	38,760
Total liabilities and stockholders' equity	<u>\$ 122,453</u>	<u>\$ 141,084</u>

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

**LIVE VENTURES, INCORPORATED**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
(dollars in thousands, except per share)

	Years Ended September 30,	
	2019	2018
Revenues	\$ 193,288	\$ 199,633
Cost of revenues	122,415	125,435
Gross profit	<u>70,873</u>	<u>74,198</u>
Operating expenses:		
General and administrative expenses	52,840	49,258
Sales and marketing expenses	14,777	14,140
Total operating expenses	<u>67,617</u>	<u>63,398</u>
Operating income	3,256	10,800
Other (expense) income:		
Interest expense, net	(6,315)	(8,643)
Bargain purchase gain on acquisition	—	7,294
Impairment charges	(3,222)	—
Other income	644	879
Total other (expense) income, net	<u>(8,893)</u>	<u>(470)</u>
Income (loss) before income taxes	(5,637)	10,330
(Benefit) Provision for income taxes	(1,625)	4,407
Net income (loss)	<u>\$ (4,012)</u>	<u>\$ 5,923</u>
Income (loss) per share:		
Basic	\$ (2.11)	\$ 3.01
Diluted	\$ (2.11)	\$ 1.58
Weighted average common shares outstanding:		
Basic	1,901,315	1,965,595
Diluted	1,901,315	3,742,959
Dividends declared - Series B convertible preferred stock	\$ —	\$ —
Dividends declared - Series E convertible preferred stock	\$ 1	\$ 1
Dividends declared - Common stock	\$ —	\$ —

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

**LIVE VENTURES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(dollars in thousands)

	Series B Preferred Stock		Series E Preferred Stock		Common Stock		Paid-In Capital	Common Stock	Series E Preferred Stock	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Treasury Stock	Treasury Stock		
Balance, September 30, 2017	214,244	\$ —	127,840	\$ —	1,991,879	\$ 2	\$ 63,157	\$ (1,000)	\$ —	\$ (29,264)	\$ 32,895
Series E preferred stock dividends	—	—	—	—	—	—	—	—	—	(1)	(1)
Stock based compensation	—	—	—	—	—	—	497	—	—	—	497
Purchase of Series E preferred treasury stock	—	—	—	—	—	—	—	—	(4)	—	(4)
Purchase of treasury stock	—	—	(50,000)	—	(46,632)	—	—	(550)	—	—	(550)
Net income	—	—	—	—	—	—	—	—	—	5,923	5,923
Balance, September 30, 2018	214,244	\$ —	77,840	\$ —	1,945,247	\$ 2	\$ 63,654	\$ (1,550)	\$ (4)	\$ (23,342)	\$ 38,760
Series E preferred stock dividends	—	—	—	—	—	—	—	—	—	(1)	(1)
Stock based compensation	—	—	—	—	—	—	270	—	—	—	270
Purchase of common treasury stock	—	—	—	—	(119,238)	—	—	(888)	—	—	(888)
Net loss	—	—	—	—	—	—	—	—	—	(4,012)	(4,012)
Balance, September 30, 2019	<u>214,244</u>	<u>\$ —</u>	<u>77,840</u>	<u>\$ —</u>	<u>1,826,009</u>	<u>\$ 2</u>	<u>\$ 63,924</u>	<u>\$ (2,438)</u>	<u>\$ (4)</u>	<u>\$ (27,355)</u>	<u>\$ 34,129</u>

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

**LIVE VENTURES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)

	Years Ended September 30,	
	2019	2018
<b>Operating activities:</b>		
Net income (loss)	\$ (4,012 )	\$ 5,923
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	5,673	6,048
Gain on bargain purchase of acquisition	—	(7,294 )
Impairment charges	3,222	—
(Gain) Loss on disposal of property and equipment	1,063	32
Charge off and amortization of debt issuance cost	283	1,018
Stock based compensation expense	270	497
Deferred rent	274	(56 )
Change in reserve for uncollectible accounts	(589 )	(236 )
Change in reserve for obsolete inventory	665	365
Change in deferred income taxes	(1,648 )	4,180
Change in other	(399 )	410
Changes in assets and liabilities:		
Trade receivables	1,985	(1,160 )
Inventories	7,160	(4,946 )
Prepaid expenses and other current assets	931	3,452
Deposits and other assets	193	798
Accounts payable	(444 )	4,975
Accrued liabilities	4,412	(1,583 )
Income taxes payable	14	(600 )
Net cash provided by operating activities	<u>19,053</u>	<u>11,823</u>
<b>Investing activities:</b>		
Purchase of intangible assets	(222 )	(684 )
Proceeds from the sale of property and equipment	2,701	—
Purchases of property and equipment	(2,379 )	(8,710 )
Net cash provided by (used in) investing activities	<u>100</u>	<u>(9,394 )</u>
<b>Financing activities:</b>		
Net borrowings (payments) under revolver loans	(7,034 )	2,122
Payments of debt issuance costs	(223 )	(1,318 )
Purchase of Series E preferred treasury stock	—	(4 )
Proceeds from issuance of notes payable	913	27,777
Purchase of common treasury stock	(888 )	(550 )
Payments on related party notes payable	(661 )	—
Payments on notes payable	(11,321 )	(32,437 )
Net cash used in financing activities	<u>(19,214 )</u>	<u>(4,410 )</u>
<b>Net increase (decrease) in cash and cash equivalents, including restricted cash</b>	<u>(61 )</u>	<u>(1,981 )</u>
<b>Cash and cash equivalents, including restricted cash, beginning of period</b>	<u>2,742</u>	<u>4,723</u>
<b>Cash and cash equivalents, including restricted cash, end of period</b>	<u>\$ 2,681</u>	<u>\$ 2,742</u>

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



**LIVE VENTURES INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)

	Years Ended September 30,	
	2019	2018
Supplemental cash flow disclosures:		
Interest paid	\$ 5,805	\$ 7,894
Income taxes paid (refunded), net	\$ (43)	\$ 758
Noncash financing and investing activities:		
Due to sellers of ApplianceSmart, Inc. less liabilities assumed post acquisition	\$ —	\$ 4,893
Accrued and unpaid dividends	\$ 1	\$ 1

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

**LIVE VENTURES INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
(dollars in thousands, except per share)

**Note 1: Background and Basis of Presentation**

The accompanying condensed consolidated financial statements include the accounts of Live Ventures Incorporated, a Nevada corporation, and its subsidiaries (collectively, the “Company”). Commencing in fiscal year 2015, the Company began a strategic shift in its business plan away from providing online marketing solutions for small and medium sized business to acquiring profitable companies in various industries that have demonstrated a strong history of earnings power. The Company continues to actively develop, revise and evaluate its products, services and its marketing strategies in its businesses. The Company has three operating segments: Manufacturing, Retail and Online and Services. With Marquis Industries, Inc. (“Marquis”), the Company is engaged in the manufacture and sale of carpet and the sale of vinyl and wood floorcoverings. With Vintage Stock, Inc. (“Vintage Stock”), the Company is engaged in the retail sale of new and used movies, music, collectibles, comics, books, games, game systems and components. With ApplianceSmart, Inc. (“ApplianceSmart”), the Company is engaged in the sale of new major appliances through a chain of company-owned retail stores.

**Note 2: Summary of Significant Accounting Policies**

**Revision of Previously Issued Financial Statements for Correction of Immaterial Errors**

During the year ended September 30, 2019, the Company identified an error related to Vintage Stock Trade receivables and Inventory since 2017. During 2017, the Company completed the purchase price allocation associated with the acquisition of Vintage Stock. The Company overstated Trade receivables by \$545. Additionally, during 2017, the Company overstated its inventory balance by \$144 due to an error in the calculation of its inventory reserve. The effect of correcting these errors for the year ended September 30, 2017, was to decrease Trade receivables by \$545, decrease Inventory by \$144, and increase Accumulated deficit by \$689.

The Company assessed the materiality of these errors on our prior annual financial statements, assessing materiality both quantitatively and qualitatively, in accordance with the SEC’s Staff Accounting Bulletin (“SAB”) No. 99 and SAB No. 108 and concluded that the errors were not material to our consolidated financial statements for the year ended September 30, 2017 through 2018. However, to correctly present trade receivables and inventory, management revised its previously issued financial statements for the year ended September 30, 2018. Certain amounts in prior periods as previously reported have been reclassified to conform to the current period presentation.

**Principles of Consolidation**

The accompanying consolidated financial statements represent the consolidated financial position, results of operations and cash flows for Live Ventures and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates**

The preparation of the consolidated 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 consolidated 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 consolidated financial statements include the estimate of dilution and fees associated with billings, the estimated reserve for doubtful current and long-term trade and other receivables, the estimated reserve for excess and obsolete inventory, estimated warranty reserve, estimated fair value and forfeiture rates for stock-based compensation, fair values in connection with the analysis of goodwill, other intangibles and long-lived assets for impairment, current portion of notes payable, valuation allowance against deferred tax assets, lease terminations, and estimated useful lives for intangible assets and property and equipment.

## **Financial Instruments**

Financial instruments consist primarily of cash equivalents, trade and other receivables, advances to affiliates and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash equivalents, trade receivables and other receivables, accounts payable, accrued expenses and short-term notes payable approximate fair value because of the short maturity of these instruments. The fair value of the long-term debt is calculated based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements, unless quoted market prices are available (Level 2 inputs). The carrying amounts of long-term debt at September 30, 2019 and 2018 approximate fair value.

## **Restricted Cash**

Restricted cash represents funds on account at a bank used to secure a letter of credit in favor of Whirlpool Corporation in the face amount of \$750. This account and letter of credit was closed as of September 30, 2019. Restricted cash is included in cash and cash equivalents on the Consolidated Balance Sheets.

## **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 and restricted cash 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. Some of the Company's trade receivables are factored primarily through two factors. Factored trade receivables are sold without recourse for substantially all of the balance receivable for credit approved accounts. The factor purchases the trade receivable(s) for the gross amount of the respective invoice(s), less factoring commissions, trade and cash discounts. The factor charges the Company a factoring commission for each trade account, which is between 0.75-1.00% of the gross amount of the invoice(s) factored on the date of the purchase, plus interest calculated at 3.25%-6% per annum. The minimum annual commission due the factor is \$112 per contract year.

## **Allowance for Doubtful Accounts**

The Company maintains an allowance for doubtful accounts, which includes allowances for accounts and factored trade receivables, customer refunds, dilution and fees from local exchange carrier billing aggregators 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. The Company has also purchased accounts receivable credit insurance to cover non-factored trade and other receivables which helps reduce potential losses due to doubtful accounts. At September 30, 2019 and 2018, the allowance for doubtful accounts was \$936 and \$856, respectively.

## **Inventories**

### *Manufacturing Segment*

Inventories are valued at the lower of the inventory's cost (first in, first out basis or "FIFO") 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 September 30, 2019 and September 30, 2018, the reserve for obsolete inventory was \$92.

Merchandise Inventories are valued at the lower of cost or net realizable value using the average cost method which approximates FIFO. Under the average cost method, as new product is received from vendors, its current cost is added to the existing cost of product on-hand and this amount is re-averaged over the cumulative units in inventory available for sale. Pre-owned products traded in by customers are recorded as merchandise inventory for the amount of cash consideration or store credit less any premiums given to the customer. Management reviews the merchandise inventory to make required adjustments to reflect potential obsolescence or net realizable value. In valuing merchandise inventory, management considers quantities on hand, recent sales, potential price protections, returns to vendors and other factors. Management's ability to assess these factors is dependent upon forecasting customer demand and providing a well-balanced merchandise assortment. Merchandise Inventory valuation is adjusted based on anticipated physical inventory losses or shrinkage and actual losses resulting from periodic physical inventory counts. Merchandise inventory reserves as of September 30, 2019 and September 30, 2018 were \$590 and \$1,254, respectively.

### 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 building and improvements are 3 to 40 years, transportation equipment is 5 to 10 years, machinery and equipment are 5 to 10 years, furnishings and fixtures are 3 to 5 years and office and computer equipment are 3 to 5 years. Depreciation expense was \$4,104 and \$4,648 for the years ended September 30, 2019 and 2018, respectively.

We periodically review our 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. We assess recoverability based on several factors, including our intention with respect to our stores and those stores projected undiscounted cash flows. 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.

### Goodwill

The Company accounts for purchased goodwill and intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*. Under ASC 350, purchased goodwill are not amortized; rather, they are tested for impairment on at least an annual basis. Goodwill represents the excess of consideration paid over the fair value of underlying identifiable net assets of business acquired.

We test goodwill annually on July 1 of each fiscal year or more frequently if events arise or circumstances change that indicate that goodwill may be impaired. The Company assesses whether goodwill impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed using a two-step approach required by ASC 350 to determine whether a goodwill impairment exists.

The first step of the quantitative test is to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required, and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step is required to be completed, which involves allocating the fair value of the reporting unit to each asset and liability using the guidance in ASC 805 (*Business Combinations, Accounting for Identifiable Intangible Assets in a Business Combination*), with the excess being applied to goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill. The determination of the fair value of our reporting units is based, among other things, on estimates of future operating performance of the reporting unit being valued. We are required to complete an impairment test for goodwill and record any resulting impairment losses at least annually. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments.

When performing the two-step quantitative impairment test, the Company's methodology includes the use of an income approach which discounts future net cash flows to their present value at a rate that reflects the Company's cost of capital, otherwise known as the discounted cash flow method ("DCF"). These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued market acceptance of the products and services offered by the businesses, the development of new products and services by the businesses and the underlying cost of development, the future cost structure of the businesses, and future technological changes. The Company also incorporates market multiples for comparable companies in determining the fair value of our reporting units. Any such impairment would be recognized in full in the reporting period in which it has been identified.

There was no goodwill impairment for the years ended September 30, 2019 or 2018.

### **Intangible Assets**

The Company's intangible assets consist of customer relationship intangibles, favorable leases, trade names, licenses for the use of internet domain names, Universal Resource Locators, or URL's, software, and marketing and technology related intangibles. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include but are not limited to: future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining the fair values. All intangible assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, customer relationships – 7 to 15 years, favorable leases – over the life of the lease, customer lists – to 20 years, trade names – to 20 years. Intangible amortization expense is \$1,569 and \$1,401 for the years ended September 30, 2019 and 2018, respectively.

### **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 received 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.

#### *Manufacturing Segment*

The Manufacturing Segment derives revenue primarily from the sale of carpet products, including shipping and handling amounts, which are 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.

### *Retail and Online Segment*

The Retail and Online Segment derives revenue primarily from direct sales of entertainment and appliance products and services, including shipping and handling amounts, which are 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 or use rights, 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.

### *Services Segment*

The Services Segment recognizes revenue from directory subscription services as billed for and accepted by the customer. Directory services revenue is billed and recognized monthly for directory services subscribed. The Company has utilized outside billing companies to perform direct ACH withdrawals. For billings via ACH withdrawals, revenue is recognized when such billings are accepted by the customer. Customer refunds are recorded as an offset to gross Services Segment revenue.

Revenue for billings to certain customers that are billed directly by the Company and not through outside billing companies is recognized based on estimated future collections which are reasonably assured. The Company continuously reviews this estimate for reasonableness based on its collection experience.

### *Spare Parts*

For spare part sales, we transfer control and recognize a sale when we ship the product to our customer or when the customer receives product based upon agreed shipping terms. Each unit sold is considered an independent, unbundled performance obligation. We do not have any additional performance obligations other than spare part sales that are material in the context of the contract. The amount of consideration we receive and revenue we recognize varies due to sales incentives and returns we offer to our customers. When we give our customers the right to return eligible products, we reduce revenue for our estimate of the expected returns which is primarily based on an analysis of historical experience.

### *Warranties*

Warranties are classified as either assurance type or service type warranties. A warranty is considered an assurance type warranty if it provides the consumer with assurance that the product will function as intended. A warranty that goes above and beyond ensuring basic functionality is considered a service type warranty. The Company offers certain limited warranties that are assurance type warranties and extended service arrangements that are service type warranties. Assurance type warranties are not accounted for as separate performance obligations under the revenue model. If a service type warranty is sold with a product or separately, revenue is recognized over the life of the warranty. The Company evaluates warranty offerings in comparison to industry standards and market expectations to determine appropriate warranty classification. Industry standards and market expectations are determined by jurisdictional laws, competitor offerings and customer expectations. Market expectations and industry standards can vary based on product type and geography. The Company primarily offers assurance type warranties.

We sell certain extended service arrangements separately from the sale of products. During 2018 and part of 2019, we acted as a sales agent under some of these arrangements whereby the Company receives a fee that is recognized as revenue upon the sale of the extended service arrangement. During 2019, the Company became the principal for certain extended service arrangements. Revenue related to these arrangements is recognized ratably over the contract term. The warranty reserve of \$292 is included in accrued liabilities on the consolidated balance sheet at September 30, 2019.

### **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.

### **Customer Liabilities**

The Company recognizes the portion of the dollar value of prepaid stored-value products that ultimately is unredeemed (“breakage”) in accordance with ASU 2016-04 Liabilities- Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products.

Because the Company expects to be entitled to a breakage amount for a liability resulting from the sale of a prepaid stored-value product, the Company utilized the Redemption Pattern methodology. Under this, the Company shall derecognize the amount related to the expected breakage in proportion to the pattern of rights expected to be exercised by the product holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur.

The Company establishes a liability upon the issuance of merchandise credits and the sale of gift cards. Breakage income related to gift cards which are no longer reportable under state escheatment laws of \$369 and \$158 for the years ended September 30, 2019 and 2018, respectively, is recorded in other income in our consolidated financial statements.

### **Advertising Expense**

Advertising expense is charged to operations as incurred. Advertising expense totaled \$1,676 and \$494 for the years ended September 30, 2019 and 2018, respectively.

### **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 accounts for income taxes using the asset and liability method. The asset and liability method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided on deferred taxes if it is determined that it is more likely than not that the asset will not be realized. The Company recognizes penalties and interest accrued related to income tax liabilities in the provision for income taxes in its Consolidated Statements of Income.

Significant management judgment is required to determine the amount of benefit to be recognized in relation to an uncertain tax position. The Company uses a two-step process to evaluate tax positions. The first step requires an entity to determine whether it is more likely than not (greater than 50% chance) that the tax position will be sustained. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Company in future periods.

### **Lease Accounting**

We lease retail stores, warehouse facilities and office space. These assets and properties are generally leased under noncancelable agreements that expire at various dates through 2029 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. Leases with step rent provisions, escalation clauses or other lease concessions are accounted for on a straight-line basis over the lease term and include “rent holidays” (periods in which we are not obligated to pay rent). Cash or lease incentives received upon entering into certain store leases (“tenant improvement allowances”) are recognized on a straight-line basis as a reduction to rent expense over the lease term. We record the unamortized portion of tenant improvement allowances as a part of deferred rent. We do not have leases with capital improvement funding. Percentage rentals are based on sales performance in excess of specified minimums at various stores and are accounted for in the period in which the amount of percentage rent can be accurately estimated. We record a liability for lease termination costs at the date we cease using a property. The liability is calculated based on the lease payments due for the remainder of the lease plus applicable early termination fees, if any.

### **Stock-Based Compensation**

The Company from time to time grants restricted stock awards and options to employees, non-employees and Company executives and directors. Such awards are valued based on the grant date fair-value of the instruments, net of estimated forfeitures. The value of each award is amortized on a straight-line basis over the vesting period.

### **Earnings Per Share**

Earnings per share is calculated in accordance with ASC 260, “*Earnings Per share*”. Under ASC 260 basic earnings per share is computed using the weighted average number of common shares outstanding during the period except that it does not include unvested restricted stock subject to cancellation. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of warrants, options, restricted shares and convertible preferred stock. The dilutive effect of outstanding restricted shares, options and warrants is reflected in diluted earnings per share by application of the treasury stock method. Convertible preferred stock is reflected on an if-converted basis.

### **Segment Reporting**

ASC Topic 280, “*Segment Reporting*,” requires use of the “management approach” model for segment reporting. The management approach model is based on the way a Company’s management organizes segments within the Company for making operating decisions and assessing performance. The Company determined it has three reportable segments (See Note 15).

### **Concentration of Credit Risk**

The Company maintains cash balances in bank accounts in each state the Company has business operations. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250 per institution as of September 30, 2019. At times, balances may exceed federally insured limits.

### **Recently Issued Accounting Pronouncements**

#### **Credit Losses**

In June 2016, the 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 smaller reporting companies for fiscal years beginning after December



15, 2022 and interim periods within those fiscal years. Early adoption is permitted. We are currently assessing the impact of adopting this new accounting standard on our Consolidated Financial Statements and related disclosures.

## **Leases**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This standard requires lessees to recognize assets and liabilities for all leases with lease terms greater than 12 months, including leases classified as operating leases. The standard also modifies the definition of a lease and the criteria for classifying leases as operating, finance or sales-type leases and requires certain additional disclosures. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The new standard, as amended in July 2018, may be applied either on a modified retrospective basis or prospectively as of the adoption date without restating prior periods, with certain practical expedients available. The Company adopted the new standard prospectively as of October 1, 2019 and elected certain practical expedients permitted under the new standard's transition guidance. This allows the Company to carry forward the historical lease classification and to not reassess the lease term for leases in existence as of the adoption date and to carry forward our historical accounting treatment for land easements on agreements existing on the adoption date. The Company also made policy elections for certain classes of underlying assets to not separate lease and non-lease components in a contract as permitted under the new standard.

The Company currently leases retail stores, warehouse facilities and office space under operating leases. Upon adoption of the new standard, we will recognize right-of-use assets and liabilities related to substantially all operating leases where we are the lessee. While our work is not finalized, we expect that the aggregate increase in our operating lease assets and liabilities will be approximately 20% of total assets as of October 1, 2019.

Based on our transition method, practical expedients and policy elections, our leases existing as of the adoption date will continue to be reported in our Consolidated Statements of Operations in accordance with current accounting standards throughout their remaining terms unless the leases are modified. However, all leases entered into or modified after the adoption date will be accounted for in accordance with the new standard. The classification of those leases as operating, finance or sales type may be impacted by the new standard and affect our future operating results and the classification of our cash flows.

## **Note 3: Acquisition**

### *Acquisition of ApplianceSmart Inc.*

On December 30, 2017 (the "ApplianceSmart Closing Date"), the Company, through its newly formed, wholly owned subsidiary, ApplianceSmart Affiliated Holdings LLC ("ASH"), entered into a series of agreements in connection with its purchase of ApplianceSmart. ApplianceSmart is a retailer engaged in the sale of new major appliances through a chain of company-owned retail stores.

Total consideration was \$6,500, with no liabilities assumed by ASH. On December 30, 2017, ASH agreed to pay the \$6,500 no later than March 31, 2018. Effective April 1, 2018, ASH issued an interest-bearing promissory note to the Seller, with interest at 5% per annum, with a three-year term in the original amount of \$3,919 for the balance of the purchase price. Interest is payable monthly in arrears. Ten percent of the outstanding principal amount is due to be repaid annually on a quarterly basis, with any remainder due and payable on maturity, April 1, 2021. This promissory note is guaranteed by ApplianceSmart. The remaining \$2,581 was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal amount. On December 31, 2017, ASH offset certain liabilities and provided certain assets from the Seller in the net amount of \$1,607, against the amount due to the Seller. ASH and Seller agreed to the offset as if it were payment in cash against the purchase price. At September 30, 2019 and 2018, the net amount owing to the Seller was \$2,826 and \$3,822, respectively, and is included in long term debt, related parties. See Note 7.

Net liabilities assumed by ASH on December 31, 2017:

Accounts payable	\$	1,374
Accrued expenses		1,080
Capital leases		30
Credit card receivables		(255 )
Cash		(622 )
Total net liabilities assumed by ASH	\$	<u>1,607</u>

The table below summarizes our final purchase price allocation of the consideration paid to the respective fair values of the assets acquired in the ApplianceSmart acquisition as of the ApplianceSmart Closing Date. The Company finalized its estimates after it determined that it had obtained all necessary information that existed as of the ApplianceSmart Acquisition Date related to these matters.

Trade receivables	\$	1,806
Inventory		7,444
Prepaid expenses		69
Refundable deposits		1,004
Intangible asset - trade names		2,015
Intangible asset - customer list		5
Intangible asset - leases		1,206
Restricted cash		750
Property and equipment		1,095
Deferred income tax		(1,600 )
Bargain gain on acquisition		(7,294 )
	\$	<u>6,500</u>

The operating results of ApplianceSmart are included in our Retail and Online Segment.

The estimated fair value of the customer list intangible asset was determined using the cost approach, which estimates the cost to acquire each email address in the list. The Company estimated the fair value of this intangible asset to be \$0.10 per acquired active contact email or approximately \$5. The Company was amortizing the customer list intangible asset on a straight-line basis over an estimated life of 20 years. At September 30, 2019, the Company recorded as an impairment charge in the Consolidated Statements of Income (Loss) for the balance of \$4 related to the customer list intangible as of that date due to the pending bankruptcy filing which occurred in December 2019.

The estimated fair value of the trade names intangible that ApplianceSmart uses – “ApplianceSmart” was determined using a royalty income approach, which estimates an assumed royalty income stream and then discounts that expected future revenue or cash flow stream to present value. The Company estimated the fair value of this intangible asset using the residual method of 0.5% and a present value discount rate of 18.6%, or \$2,015. Trade name relates to the Company’s brand awareness by consumers in the marketplace. The Company is amortizing the trade name intangible asset on a straight-line basis over an estimated life of 20 years. At September 30, 2019, the Company recorded as an impairment charge in the Consolidated Statements of Income (Loss) for the balance of \$1,839 related to the trade names intangible as of that date during to the pending bankruptcy filing which occurred in December 2019.

The estimated fair value of the lease assets that ApplianceSmart leases was determined comparing the existing leases assumed to current market rates within a three-mile radius of existing stores. These market rates were then compared to existing ApplianceSmart contracted lease rates over the remaining lease terms. If the lease contract began within six months of acquisition date or the square footage price difference was within 10% of the contracted lease rate, or the overall discounted cash flow effect of the difference was less than \$150, the lease was excluded for intangible valuation purposes. The remaining leases that were included were then compared to market rates, with the differences discounted using a discount rate of 7.50% to determine the discounted present value of the lease intangibles. The Company is amortizing the lease intangibles on a straight-line basis over the remaining life of each lease ranging between two and ten years. During the year ended September 30, 2019, ApplianceSmart closed certain

retail locations resulting in an impairment charge in the Consolidated Statements of Income (Loss) of \$760 related to lease intangibles.

The unaudited pro forma information below presents statement of income data for the year ended September 30, 2018 compared to the actual results, adjusted for the bargain purchase gain associated with the transaction.

	Year Ended September 30, 2018	
	Proforma	Actual
Net revenue	\$ 209,637	\$ 199,633
Gross profit	76,849	74,198
Operating income	8,791	10,800
Net income (loss)	(62)	1,741
Income (loss) per basic common share	\$ (0.03)	\$ 0.89

**Note 4: Balance Sheet Detail Information**

Balance Sheet information is as follows:

	September 30, 2019	September 30, 2018
Trade receivables, current, net:		
Accounts receivable, current	\$ 12,641	\$ 13,805
Less: Reserve for doubtful accounts	(740)	(511)
	<u>\$ 11,901</u>	<u>\$ 13,294</u>
Trade receivables, long term, net:		
Accounts receivable, long term	\$ 196	\$ 345
Less: Reserve for doubtful accounts	(196)	(345)
	<u>\$ —</u>	<u>\$ —</u>
Total trade receivables, net:		
Gross trade receivables	\$ 12,837	\$ 14,150
Less: Reserve for doubtful accounts	(936)	(856)
	<u>\$ 11,901</u>	<u>\$ 13,294</u>
	September 30, 2019	September 30, 2018
Inventory, net		
Raw materials	\$ 7,431	\$ 9,713
Work in progress	2,141	1,141
Finished goods	6,785	5,414
Merchandise	22,883	31,461
	39,240	47,729
Less: Inventory reserves	(682)	(1,346)
	<u>\$ 38,558</u>	<u>\$ 46,383</u>

	September 30, 2019	September 30, 2018
<b>Property and equipment, net:</b>		
Building and improvements	\$ 10,827	\$ 10,955
Transportation equipment	82	82
Machinery and equipment	20,035	23,295
Furnishings and fixtures	2,741	2,640
Office, computer equipment and other	2,544	2,530
	<u>36,229</u>	<u>39,502</u>
Less: Accumulated depreciation	(13,633)	(11,511)
	<u>\$ 22,596</u>	<u>\$ 27,991</u>
	September 30, 2019	September 30, 2018
<b>Intangible assets, net:</b>		
Domain name and marketing related intangibles	\$ 90	\$ 59
Lease intangibles	1,033	2,239
Customer relationship intangibles	2,689	4,709
Purchased software	808	2,191
	<u>4,620</u>	<u>9,198</u>
Less: Accumulated amortization	(2,421)	(2,532)
	<u>\$ 2,199</u>	<u>\$ 6,666</u>
	September 30, 2019	September 30, 2018
<b>Accrued liabilities:</b>		
Accrued payroll and bonuses	\$ 3,316	\$ 2,384
Accrued sales and use taxes	1,176	1,007
Accrued property taxes	191	362
Accrued rent	604	507
Deferred revenue	—	354
Accrued gift card and escheatment liability	1,461	1,594
Accrued interest payable	181	196
Accrued accounts payable and bank overdrafts	591	943
Accrued professional fees	4,660	471
Customer deposits	240	508
Accrued expenses - other	564	245
	<u>\$ 12,984</u>	<u>\$ 8,571</u>

**Note 5: Intangibles**

The Company's intangible assets consist of customer relationship intangibles, trade names, favorable leases, licenses for the use of internet domain names, Universal Resource Locators, or URL's, software, and marketing and technology related intangibles. All such assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, customer relationships – 7 to 15 years, favorable leases – over the life of the lease, outstanding lists – 20 years, trade names – 20 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determined lives may be adjusted. Intangible amortization expense is \$1,569 and \$1,401 for the years ended September 30, 2019 and 2018, respectively.

Impairment charges of \$3,222 for the year ended September 30, 2019, were related to the write down of intangibles associated with the ApplianceSmart customer list and trade names due to the bankruptcy filing in December 2019, the write down of lease intangibles related to the ApplianceSmart retail locations closed during the period and the write down of software that is no longer in use. There were no impairment charges for the year ended September 30, 2018.

The following summarizes estimated future amortization expense related to intangible assets that have net balances:

As of September 30,		
2020	\$	890
2021		612
2022		285
2023		201
2024		44
Thereafter		167
	\$	<u>2,199</u>

**Note 6: Long-Term Debt***Bank of America Revolver Loan*

On July 6, 2015, Marquis entered into a \$15,000 revolving credit agreement with Bank of America Corporation ("BofA Revolver"). The BofA Revolver is a five-year, asset-based facility that is secured by substantially all of Marquis' assets. Availability under the BofA Revolver is subject to a monthly borrowing base calculation.

Payment obligations under the BofA Revolver include monthly payments of interest and all outstanding principal and accrued interest thereon due in July 2020, which is when the BofA Revolver loan agreement terminates. The BofA Revolver is recorded as a currently liability due to a lockbox requirement, and a subjective acceleration clause as part of the agreement.

Borrowing availability under the BofA Revolver is limited to a borrowing base which allows Marquis to borrow up to 85% of eligible accounts receivable, plus the lesser of (i) \$7,500; (ii) 65% of the value of eligible inventory; or (iii) 85% of the appraisal value of the eligible inventory. For purposes of clarity, the advance rate for inventory is 53.5% for raw materials, 0% for work-in-process and 70% for finished goods subject to eligibility, special reserves and advance limit. Letters of credit reduce the amount available to borrow under the BofA Revolver by an amount equal to the face value of the letters of credit.

As of December 24, 2018, Distributions by Holdings to holders of its Equity Interests so long as the following conditions are satisfied with respect to each such Distribution: (a) no Default or Event of Default has occurred or would result from such Distribution, (b) Lender has received the financial statements required under Section 10.1.2 (a)(ii), (c) Lender has received evidence that after giving effect to consummation of such Distribution, Borrowers shall maintain a Fixed Charge Coverage Ratio of at least 1.1 to 1.0 on a pro forma basis, measured as of the most recently ended month for which Obligor have delivered the financial statements required under Section 10.1.2(a) or (b), as the case may be, for the twelve month period then ended, (d) Availability on each day during the 60 day period immediately preceding such Distribution calculated on a pro forma basis assuming such Distribution

occurred on the first day of such period (including any Loans made hereunder to finance such Distribution) shall be greater than or equal to \$4,000, and (c) Availability, on the date of such Distribution, immediately after giving pro forma effect to the consummation of such Distribution (including any Loans made hereunder to finance such Distribution) shall be greater than or equal to \$4,000.

The BofA Revolver places certain restrictions and covenants on Marquis, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions, incurrence of additional indebtedness for Marquis to maintain a fixed charge coverage ratio of at least 1.05 to 1, tested as of the last day of each month for the twelve consecutive months ending on such day.

The BofA Revolver Loan bears interest at a variable rate based on a base rate plus a margin. The current base rate is the greater of (i) Bank of America prime rate, (ii) the current federal funds rate plus 0.50%, or (iii) 30-day LIBOR plus 1.00% plus the margin, which varies, depending on the fixed coverage ratio table below. Levels I – IV determine the interest rate to be charged Marquis which is based on the fixed charge coverage ratio achieved. The Level IV interest rate is adjusted up or down on a quarterly basis going forward based upon the above fixed coverage ratio achieved by Marquis.

Level	Fixed Charge Coverage Ratio	Base Rate Revolver	LIBOR Revolver	Base Rate Term	LIBOR Term Loans
I	>2.00 to 1.00	0.50 %	1.50 %	0.75 %	1.75 %
II	<2.00 to 1.00 but >1.50 to 1.00	0.75 %	1.75 %	1.00 %	2.00 %
III	<1.50 to 1.00 but >1.20 to 1.00	1.00 %	2.00 %	1.25 %	2.25 %
IV	<1.2x	1.25 %	2.25 %	1.50 %	2.50 %

The BofA Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Marquis, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Marquis or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Marquis or certain of its subsidiaries.

The following tables summarize the BofA Revolver for the years ended and as of September 30, 2019 and 2018:

	During the year ended September 30,	
	2019	2018
Cumulative borrowing during the period	\$ 87,771	\$ 94,697
Cumulative repayment during the period	95,358	91,947
Maximum borrowed during the period	8,071	8,531
Weighted average interest for the period	4.20 %	3.79 %
	As of September 30,	
	2019	2018
Total availability	\$ 14,914	\$ 9,692
Total outstanding	13	4,852

#### Real Estate Transaction

On June 14, 2016, Marquis entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was \$10,000, which consisted of \$644 from the sale of the land and a note payable of \$9,356. In connection with the transaction, Marquis entered into a lease with a 15-year term commencing on the closing of the transaction, which provides Marquis an option to extend the lease upon the expiration of its term. The initial annual lease rate is \$60. The proceeds from this transaction were used to pay down the BofA Revolver and Term loans, and related party loan, as well as purchasing a building from the previous owners of Marquis that was not purchased in the July 2015 transaction. The note payable bears interest at 9.3% per annum, with principal and interest due monthly. The note payable matures June 13, 2056. For the first five

years of the note payable, there is a pre-payment penalty of 5%, which declines by 1% foreach year the loan remains un-paid. At the end of five years, there is no pre-payment penalty. In connection with the note payable, Marquis incurred \$45 8 in transaction costs that are being recognized as a debt issuance cost that is being amortized and reorded as interest expense over the term of the note payable.

*Kingston Diversified Holdings LLC Agreement (\$2,000 Line of Credit)*

On December 21, 2016, the Company and Kingston Diversified Holdings LLC (“Kingston”) entered into an agreement (the “December 21 Agreement”) modifying its then existing agreement between the parties to extend the maturity date of notes issued by Kingston to the Company (the “Kingston Notes”) by twelve months for 55,888 shares of the Company’s Series B Convertible Preferred Stock with a value on September 15, 2016 of \$2,800, as a compromise between the parties in respect of certain of their respective rights and duties under the agreement. The December 21 Agreement also decreases the maximum principal amount of the Kingston Notes from \$10,000 in principal amount to \$2,000 in principal amount, and eliminates any and all actual, contingent, or other obligations of the Company to issue to Kingston any shares of the Company’s common stock, or to grant any rights, warrants, options, or other derivatives that are exercisable or convertible into shares of the Company’s common stock.

Kingston acknowledges that from the effective date through and including December 31, 2021, it shall not sell, transfer, assign, hypothecate, pledge, margin, hedge, trade, or otherwise obtain or attempt to obtain any economic value from any of the shares of Series B Preferred Stock or any shares into which they may be converted or from which they may be exchanged. As of September 30, 2019, and September 30, 2018, the Company had no borrowings on the Kingston line of credit.

*Equipment Loans*

On June 20, 2016 and August 5, 2016, Marquis entered into a transaction which provided for a master agreement and separate loan schedules (the “Equipment Loans”) with Banc of America Leasing & Capital, LLC which provided:

Note #1 is \$5,000, secured by equipment. The Equipment Loan #1 is due September 23, 2021, payable in 59 monthly payments of \$84 beginning September 23, 2016, with a final payment in the sum of \$584, bearing interest at 3.9% per annum.

Note #2 is \$2,210, secured by equipment. The Equipment Loan #2 is due January 30, 2022, payable in 59 monthly payments of \$35 beginning January 30, 2017, with a final payment in the sum of \$477, bearing interest at 4.6% per annum. As of September 30, 2019, this loan was paid in full.

Note #3 is \$3,680, secured by equipment. The Equipment Loan #3 is due December 30, 2023, payable in 84 monthly payments of \$52 beginning January 30, 2017, bearing interest rate at 4.8% per annum.

Note #4 is \$1,095, secured by equipment. The Equipment Loan #4 is due December 30, 2023, payable in 81 monthly payments of \$16 beginning April 30, 2017, bearing interest at 4.9% per annum.

Note #5 is \$3,932, secured by equipment. The Equipment Loan #5 is due December 28, 2024, payable in 84 monthly payments of \$55 beginning January 28, 2018, bearing interest at 4.7% per annum.

Note #6 is \$913, secured by equipment. The Equipment Loan #6 is due July 29, 2024, payable in 60 monthly payments of \$55 beginning August 28, 2019, bearing interest at 4.7% per annum

*Texas Capital Bank Revolver Loan*

On November 3, 2016, Vintage Stock entered into a \$12,000 credit agreement (as amended on January 23, 2017, amended on September 20, 2017, June 7, 2018 and September 24, 2019) with Texas Capital Bank (“TCB Revolver”). The TCB Revolver is a five-year, asset-based facility that is secured by substantially all of Vintage Stock’s assets. Availability under the TCB Revolver is subject to a monthly borrowing base calculation. The TCB Revolver matures November 3, 2020.

Payment obligations under the TCB Revolver include monthly payments of interest and all outstanding principal and accrued interest thereon due in November 2020, which is when the TCB Revolver loan agreement terminates. The TCB Revolver has been classified as a non-current liability due to the removal of the subjective acceleration clause as part of the credit agreement amendment on June 7, 2018.

Borrowing availability under the TCB Revolver is limited to a borrowing base which allows Vintage Stock to borrow up to 90% of the appraisal value of the inventory, plus 85% of eligible receivables, net of certain reserves. The borrowing base provides for borrowing up to 90% of the appraisal value during the fiscal months of January through September and 92.5% of the appraisal value during the fiscal months of October through December. Letters of credit reduce the amount available to borrow under the TCB Revolver by an amount equal to the face value of the letters of credit.

Vintage Stock's ability to make prepayments against Vintage Stock subordinated debt including the Comvest Term Loan and pay cash dividends is generally permitted if (i) excess availability under the TCB Revolver is more than \$2,000, and is projected to be within 12 months after such payment and (ii) excess availability under the TCB Revolver is more than \$2,000, and the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is 1.2:1.0 or greater. Restrictions apply to our ability to make additional prepayments against Vintage Stock subordinated debt including the Comvest Term Loan and pay cash dividends if the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is less than 1.2:1.0 and excess availability under the TCB Revolver is less than \$2,000 at the time of payment or distribution. There is no restriction on dividends that can be taken by the Company so long as Vintage Stock maintains \$2,000 of current availability at the time of the dividend or distribution. This translates to having no restriction on Net Income so long as the Company retains sufficient assets to establish \$2,000 of current availability and continues to meet the required fixed charge coverage ratio of 1.2:1 as stated above.

The TCB Revolver places certain restrictions on Vintage Stock, including a limitation on asset sales, a limitation of 25 new leases in any fiscal year, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness.

The per annum interest rate under the TCB Revolver is variable and is equal to the one-month LIBOR rate for deposits in United States Dollars that appears on Thomson Reuters British Bankers Association LIBOR Rates Page (or the successor thereto) as of 11:00 a.m., London, England time, on the applicable determination date plus a margin of 2.25%, effective June 7, 2018.

The TCB Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Vintage Stock, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Vintage Stock, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Vintage Stock. The following tables summarize the TCB Revolver for the years ended and as of September 30, 2019 and September 30, 2018:

	During the year ended September 30,	
	2019	2018
Cumulative borrowing during the period	\$ 74,356	\$ 76,191
Cumulative repayment during the period	75,648	76,819
Maximum borrowed during the period	11,932	16,078
Weighted average interest for the period	4.55 %	4.26 %

	As of September 30,	
	2019	2018
Total availability	\$ 1,410	\$ 108
Total outstanding	10,590	11,892

In connection with the TCB Revolver, Vintage incurred \$25 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the TCB Revolver.



### Capitala Term Loan

On November 3, 2016, the Company, through VSAH, entered into a series of agreements in connection with its purchase of Vintage Stock. As a part of those agreements, VSAH and Vintage Stock (the “Term Loan Borrowers”) obtained \$29,872 of mezzanine financing from the lenders (the “Term Loan Lenders”) as defined in the term loan agreement (the “Term Loan Agreement”) between the Term Loan Borrowers and Capitala Private Credit Fund V, L.P., in its capacity as lead arranger. Wilmington Trust, National Association, acts as administrative and collateral agent on behalf of the Term Loan Lenders (the “Term Loan Administrative Agent”).

The term loans under the term loan agreement (collectively, the “Capitala Term Loan”) bore interest at the LIBO rate (as described below) or base rate, plus an applicable margin in each case. In their loan notice to the Term Loan Administrative Agent, the Term Loan Borrowers selected the LIBO rate for the initial term loans made under the term loan agreement on the Closing Date.

The interest rate for LIBO rate loans under the term loan agreement were equal to the sum of (a) the greater of (i) a rate per annum equal to (A) the offered rate for deposits in United States Dollars for the applicable interest period and for the amount of the applicable loan that is a LIBOR loan that appears on Bloomberg ICE LIBOR Screen (or any successor thereto) that displays an average ICE Benchmark Administration Limited Interest Settlement Rate for deposits in United States Dollars (for delivery on the first day of such interest period) with a term equivalent to such interest period, determined as of approximately 11:00 a.m. (London time) two business days prior to the first day of such interest period, divided by (B) the sum of one minus the daily average during such interest period of the aggregate maximum reserve requirement (expressed as a decimal) then imposed under Regulation D of the Federal Reserve Board for “Eurocurrency Liabilities” (as defined therein), and (ii) 0.5% per annum, *plus* (b) the sum of (i) 12.5% per annum in cash *plus* (ii) 3.0% per annum payable in kind by compounding such interest to the principal amount of the obligations under the Term Loan Agreement on each interest payment date.

The interest rate for base rate loans under the term loan agreement was equal to the sum of (a) the highest of (with a minimum of 1.5%) (i) the federal funds rate plus 0.5%, (ii) the prime rate, and (iii) the LIBO rate plus 1.0%, *plus* (b) the sum of (i) 11.5% per annum payable in cash *plus* (ii) 3.0% per annum payable in kind by compounding such interest to the principal amount of the obligations under the Term Loan Agreement on each interest payment date.

The Term Loans placed certain restrictions and covenants on Vintage Stock, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness for Vintage Stock. Vintage Stock was required to maintain a fixed charge coverage ratio of 1.3 for year ended September 30, 2018, 1.4 for year ended September 30, 2019 and 1.5 for all years thereafter. For years ended September 30, 2017 and thereafter, Vintage Stock was required to incur no more than \$1.2 million in annual capital expenditures subject to certain cumulative quarter and year to date covenants. Vintage Stock was required to maintain a total leverage ratio of 3.25 for year ended September 30, 2018, 2.5 for year ended September 30, 2019 and 2.0 for all years thereafter. In addition, for quarter ended December 31, 2017, the total leverage ratio could not exceed 3.0 and for quarters ended March 31, 2018 and June 30, 2018, the total leverage ratio could not exceed 2.75.

The Capitala Term Loans provided for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Vintage Stock, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Marquis or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Vintage Stock or certain of its subsidiaries.

The payment obligations under the Term Loan Agreement included (i) monthly payments of interest and (ii) principal installment payments in an amount equal to \$725 due on March 31, June 30, September 30, and December 31 of each year, with the first such payment was due on December 31, 2016. The outstanding principal amounts of the term loans and all accrued interest thereon under the Term Loan Agreement were due and payable in November 2021.

The Term Loan Borrowers could prepay the term loans under the term loan agreement from time to time, subject to the payment (with certain exceptions described below) of a prepayment premium of: (i) an amount equal to 2.0% of the principal amount of the term loan prepaid if prepaid during the period of time from and after the Closing Date up to the first anniversary of the Closing Date; (ii) 1.0% of the principal amount of the term loan prepaid if prepaid during the period of time from and after the first anniversary of the Closing Date up to the second anniversary of the Closing Date; and (iii) zero if prepaid from and after the second anniversary of the Closing Date.

The Term Loan Borrowers may make the following prepayments of the term loans under term loan agreement without being required to pay any prepayment premium:

- (i) an amount not to exceed \$3,000 of the term loans;
- (ii) in addition to any amount prepaid in respect of item (i), an additional amount not to exceed \$1,450, but only if that additional amount is paid prior to the first anniversary of the Closing Date; and
- (iii) in addition to any amount prepaid in respect of item (i), an additional amount not to exceed the difference between \$2,900 and any amount prepaid in respect of item (ii), but only if that additional amount is paid from and after the first anniversary of the Closing Date but prior to the second anniversary of the Closing Date.

There were also various mandatory prepayment triggers under the Term Loan Agreement, including in respect of excess cash flow, dispositions, equity and debt issuances, extraordinary receipts, equity contributions, change in control, and failure to obtain required landlord consents. Our weighted average interest rate on our Capitala Term Loan outstanding borrowings for the period of October 1, 2017 through June 7, 2018 was 16.94%. In connection with the Capitala Term Loan, Vintage Stock incurred \$1,088 in transaction cost that was being recognized as debt issuance cost that was being amortized and recorded as interest expense over the term of the Capitala Term Loan. On June 7, 2018, the Capitala Term Loan was paid in full, and the Company recorded as additional interest expense \$742 of unamortized debt issuance cost related to the Capitala Term Loan.

#### *Sellers Subordinated Acquisition Note*

In connection with the purchase of Vintage Stock, on November 3, 2016, VSAH and Vintage Stock entered into a seller financed mezzanine loan in the amount of \$10,000 with the previous owners of Vintage Stock. The Sellers Subordinated Acquisition Note bears interest at 8% per annum, with interest payable monthly in arrears. The Sellers Subordinated Acquisition Note originally had a maturity date of May 3, 2021. On June 7, 2018, in connection with the Comvest Term Loan refinance of the Capitala Term Loan, the Sellers Subordinated Acquisition Note was amended and restated to have a maturity date of September 23, 2023.

#### *Comvest Term Loan*

On June 7, 2018 (amended September 9, 2019), Vintage Stock Affiliated Holdings LLC (“Holdings”) and Vintage Stock, Inc. (the “Borrower”), entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) by and among Borrower, Holdings, the lenders party thereto and Comvest Capital IV, L.P. (“Comvest”), as agent. The Credit Agreement provides for a \$24,000 secured term loan (the “Term Loan”). The proceeds of the Term Loan, together with a cash equity contribution of approximately \$4,000 from the Company to the Borrower, will be used by the Borrower (i) to refinance and terminate the Borrower’s credit facility (the “Prior Credit Facility”) with Capitala Private Credit Fund and certain of its affiliates, as lenders, and Wilmington Trust National Association (the “Term Loan Administrative Agent”), as agent, (ii) to pay transaction costs, and (iii) for the Borrower’s working capital and other general corporate purposes. In connection with the closing of the refinancing transaction with Comvest, all defaults under the Prior Credit Facility were extinguished.

The Term Loan bears interest at the base or LIBOR rates (as described below) plus an applicable margin in each case. The applicable margin ranges from 8.0% to 9.5% per annum (subject to a LIBOR floor of 1.0%) and is determined based on the Borrower’s senior leverage ratio pricing grid.

The base rate under the Comvest Credit Agreement is equal to the greatest of (i) the per annum rate of interest which is identified as the “Prime Rate” and normally published in the Money Rates section of The Wall Street Journal (or, if such rate ceases to be so published, as quoted from such other generally available and recognizable source as Agent may select), (ii) the sum of the Federal Funds Rate plus one half percent (0.5%), (iii) the most recently used LIBO Rate and (iv) two percent (2.0%) per annum.

LIBOR rate is defined as the greater of (a) a rate per annum equal to the London interbank offered rate for deposits in Dollars for a period of one month and for the outstanding principal amount of the Term Loan as published in the “Money Rates” section of The Wall Street Journal (or another national publication selected by Agent if such rate is not so published), two Business Days prior to the first day of such one month period and (b) one percent (1.0%) per annum.

The Term Loan matures on May 26, 2023 and is subject to amortization of 12.5% (decreasing to 10% upon the Borrower’s senior leverage ratio being less than 1.5 times the Borrower’s EBITDA (as defined in the Credit Agreement)) of principal per annum payable in equal quarterly installments due on March 31, June 30, September 30, and December 31 of each year, with the first such payment due on June 30, 2018; plus, to the extent the Borrower generates excess cash flow (as defined in the Credit Agreement), a percent of such excess cash flow (ranging from 50% to 100%), all in accordance with the terms of the Credit Agreement.

Under the Credit Agreement, any and all mandatory prepayments arising from any voluntary act of the Borrower are subject to a prepayment premium, ranging from 5.0% of the principal amount prepaid plus a make-whole amount to 1.0%, depending on when the mandatory prepayment is made. There is no prepayment premium after June 7, 2021.

The Term Loan is secured by a pledge of substantially all of the assets of the Borrower and a pledge of the capital stock of the Borrower. In addition, the Company is guaranteeing (the “Sponsor Guaranty”) that portion of the Term Loan that results in the Borrower’s senior leverage ratio being greater than 2.0:1.0, and only for so long as such ratio exceeds 2.0:1.0. The Sponsor Guaranty terminates on the date that the Borrower’s senior leverage ratio is less than 2.0:1.0 for two consecutive fiscal quarters.

The Term Loans place certain restrictions and covenants on Vintage Stock, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness for Vintage Stock. Vintage Stock is required to maintain a minimum of \$12,000 of EBITDA on a trailing twelve months basis as measured quarterly starting June 30, 2018 through December 31, 2018. Beginning quarter ending March 31, 2019 and thereafter, Vintage Stock is required to maintain a minimum of \$11,500 of EBITDA on a trailing twelve months basis. So long as the Senior leverage ratio is greater than 2.0 to 1.0, Vintage Stock is required to spend no more than \$1,000 on capital expenditures in fiscal year 2018, \$1,500 in fiscal year 2019, \$2,000 in fiscal year 2020, \$1,750 in fiscal year 2021, and \$1,500 in fiscal years 2022 and thereafter. At all times that the senior leverage ratio is greater than or equal to 1.50:1.00, Vintage Stock cannot have the same store sales percentage to be less than or equal to a negative 5.5 percent as of the last day of any fiscal quarter. Vintage Stock may only open three new retail locations within a twelve-month period so long as the senior leverage ratio is 2.00:1.00 or more. If the senior leverage ratio is less than 2.00:1.00, Vintage Stock may only open no more than five new retail locations within a twelve-month period.

Vintage Stock is required to maintain a declining maximum senior leverage ratio on a trailing twelve-month basis as follows:

June 30, 2018	2.85 : 1.00
September 30, 2018	2.85 : 1.00
December 31, 2018	2.65 : 1.00
March 31, 2019	2.60 : 1.00
June 30, 2019	2.40 : 1.00
September 30, 2019	2.40 : 1.00
December 31, 2019	2.40 : 1.00
March 31, 2020	2.20 : 1.00
June 30, 2020	2.15 : 1.00
September 30, 2020	2.05 : 1.00
December 31, 2020	1.85 : 1.00
March 31, 2021	1.60 : 1.00
June 30, 2021 and thereafter	1.55 : 1.00

Vintage Stock is required to maintain on a trailing twelve-month basis a minimum fixed charge ratio of no less than the following:

June 30, 2018	1.30 : 1.00
September 30, 2018	1.30 : 1.00
December 31, 2018	1.30 : 1.00
March 31, 2019	1.10 : 1.00
June 30, 2019	1.30 : 1.00
September 30, 2019	1.30 : 1.00
December 31, 2019	1.30 : 1.00
March 31, 2020 and thereafter	1.40 : 1.00

Vintage Stock may cure both payment and financial covenant defaults through infusion of equity cures as determined by the Credit Agreement. EBITDA, senior leverage ratio, same store sales decline percentage and fixed charge ratio are terms defined within the Credit Agreement.

In connection with the Comvest Term Loan, Vintage Stock incurred \$1,318 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the Comvest Term Loan.

#### *Crossroads Revolver*

On March 15, 2019, ApplianceSmart, Inc. (the "Borrower"), entered into a Loan and Security Agreement (the "Cross Roads Revolver") with Crossroads Financing, LLC ("Crossroads"), providing for a \$4,000 revolving credit facility, subject to a borrowing base limitation (the "ABL Facility"). The borrowing base for the ABL Facility at any time equals the lower of (i) up to 75% of inventory cost or (ii) up to 85% of net orderly liquidation value, in each case as further described in the Loan Agreement. The proceeds of the ABL Facility will be used by the Borrower to repay a portion of the outstanding loan owed by ApplianceSmart Holdings LLC, Borrower's parent ("Parent"), to JanOne Inc. (formerly Appliance Recycling Centers of America, Inc.), to pay transaction costs, and for working capital and other general corporate purposes.

Advances under the Crossroads Revolver bear interest at an interest rate equal to the greater of (i) the three-month London Interbank Offered Rate plus 2.19% or (ii) 5.0%. In addition to paying interest on the outstanding principal under the ABL Facility, the Borrower is required to pay Lender a servicing fee equal to 1.0% per month of the amount of the Borrower's outstanding obligations under the Crossroads Revolver that accrue interest, an annual loan fee of \$80, an early termination fee described below, and other fees described in the Crossroads Revolver.

Unless terminated early in accordance with its terms, the Crossroads Revolver terminates on March 15, 2021 (the "Maturity Date"). If the Crossroads Revolver is terminated by the Borrower prior to the Maturity Date, Borrower is required to pay Crossroads (i) a fee in an amount equal to \$120 if the Crossroads Revolver is terminated prior to March 15, 2020 and (b) if the Crossroads Revolver is terminated on or after March 15, 2020, a fee in an amount equal to \$80.

Advances under the Crossroads Revolver are guaranteed by Parent and ApplianceSmart Contracting, Inc., a wholly owned subsidiary of Parent. In addition, certain executive officers of the Borrower have agreed to provide validity guarantees. Advances under the Crossroads Revolver are secured by a pledge of substantially all of the assets of the Borrower. The Company is not a guarantor under the Crossroads Revolver.

The Crossroads Revolver contains representations and warranties, events of default, affirmative and negative covenants and indemnities customary for loans of this nature. As of September 30, 2019, the Crossroads Revolver had a balance outstanding of \$1,981. In connection with the Crossroads Revolver, ApplianceSmart incurred \$118 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the Crossroads Revolver.

#### *Loan Covenant Compliance*

We were in compliance as of September 30, 2019 with all covenants under our existing revolving and other loan agreements, with the exception of covenants related to the Crossroads Revolver.

Notes Payable as of September 30, 2019 and 2018 consisted of the following:

	September 30, 2019	September 30, 2018
Bank of America Revolver Loan	\$ 13	\$ 7,600
Texas Capital Bank Revolver Loan	10,590	11,892
Crossroads Financial Revolver Loan	1,981	—
Note Payable Comvest Term Loan	15,412	22,500
Note Payable to the Sellers of Vintage Stock	10,000	10,000
Note #1 Payable to Banc of America Leasing & Capital LLC	2,057	3,231
Note #2 Payable to Banc of America Leasing & Capital LLC	—	1,637
Note #3 Payable to Banc of America Leasing & Capital LLC	2,379	2,872
Note #4 Payable to Banc of America Leasing & Capital LLC	731	882
Note #5 Payable to Banc of America Leasing & Capital LLC	3,065	3,569
Note #6 Payable to Banc of America Leasing & Capital LLC	891	—
Note Payable to Store Capital Acquisitions, LLC	9,274	9,302
Note payable to individual, interest at 11% per annum, payable on a 90 day written notice, unsecured	207	207
Note payable to individual, interest at 10% per annum, payable on a 90 day written notice, unsecured	500	500
Note payable to individual, interest at 8.5% per annum, payable on a 120 day written demand notice, unsecured	—	225
Total notes payable	57,100	74,417
Less unamortized debt issuance costs	(1,384)	(1,654)
Net amount	55,716	72,763
Less current portion	(7,897)	(13,958)
Long-term portion	\$ 47,819	\$ 58,805

Future maturities of long-term debt at September 30, 2019 are as follows excluding related party debt:

Years ending September 30,		
2020	\$	7,897
2021		5,665
2022		4,507
2023		28,584
2024		1,198
Thereafter		9,249
Total	\$	<u>57,100</u>

**Note 7: Notes payable, related parties**

*JanOne Inc. Note*

On December 30, 2017, ASH entered into a Stock Purchase Agreement (the "Agreement") with Appliance Recycling Centers of America, Inc. (now JanOne Inc.) (the "Seller") and ApplianceSmart, Inc. ("ApplianceSmart"), a subsidiary of the Seller. Pursuant to the Agreement, ASH purchased (the "Transaction") from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for \$6,500 (the "Purchase Price"). ASH was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, ASH and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, ASH delivered to the Seller that certain Promissory Note (the "ApplianceSmart Note") in the original principal amount of \$3,919, (the "Original Principal Amount"), as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on April 1, 2021 (the "Maturity Date"). The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining \$2,581 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of September 30, 2019, there was \$2,826 outstanding on the ApplianceSmart Note.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller.

*Isaac Capital Fund Note*

In connection with the acquisition of Marquis by the Company, the Company entered into a mezzanine loan in the amount of up to \$7,000 with Isaac Capital Fund ("ICF"), a private lender whose managing member is Jon Isaac, our President and Chief Executive Officer. The ICF mezzanine loan bears interest at 12.5% per annum with payment obligations of interest each month and all principal due in January 2021. As of September 30, 2019, and September 30, 2018, there was \$2,000 outstanding on this mezzanine loan.

Long-term debt, related parties as of September 30, 2019 and September 30, 2018 consisted of the following:

	September 30, 2019	September 30, 2018
JanOne Inc	\$ 2,826	\$ 3,822
Isaac Capital Fund	2,000	2,000
Total notes payable - related parties	4,826	5,822
Less current portion	—	(392)
Long-term portion	<u>\$ 4,826</u>	<u>\$ 5,430</u>

Future maturities of notes payable, related parties at September 30, 2019 are as follows:

Years ending September 30,	
2020	\$ —
2021	4,826
2022	—
2023	—
2024	—
Thereafter	—
Total	<u>\$ 4,826</u>

**Note 8: Stockholders' Equity**

*Convertible Series B Preferred Shares*

The Series B Convertible Preferred Stock shareholders are entitled to dividends as declared by the board of directors in an amount equal to \$1.00 per share (in the aggregate for all then-issued and outstanding shares of Series B Convertible Preferred Stock). The series does not have any redemption rights or Stock basis, except as otherwise required by the Nevada Revised Statutes. The series does not provide for any specific allocation of seats on the Board of Directors. At any time and from time to time, the shares of Series B Convertible Preferred Stock are convertible into shares of common stock at a ratio of one share of Series B Preferred Stock into five shares of common stock, subject to equitable adjustment in the event of forward stock splits and reverse stock splits.

The holders of shares of the Series B Convertible Stock have agreed not to sell transfer, assign, hypothecate, pledge, margin, hedge, trade, or otherwise obtain or attempt to obtain any economic value from any of such shares or any shares into which they may be converted (e.g., common stock) or for which they may be exchanged. This "lockup" agreement expires on December 31, 2021. Our Warrant Agreements with ICG have been amended to provide that the shares underlying those warrants are exercisable into shares of Series B Convertible Preferred Stock, which warrant shares are also subject to the same "lockup" agreement as the currently outstanding shares of Series B Convertible Preferred Stock.

During the year ended September 30, 2019 and 2018, the Company did not issue any Series B preferred shares.

*Series E Convertible Preferred Stock*

As of September 30, 2019, there were 77,840 shares of Series E Convertible Preferred Stock issued and outstanding. The shares accrue dividends at the rate of 5% per annum on the liquidation preference per share, payable quarterly from legally available funds. The shares carry a cash liquidation preference of \$0.30 per share, plus any accrued but unpaid dividends. If such funds are not available, dividends shall continue to accumulate until they can be paid from legally available funds. Holders of the preferred shares are entitled to convert them into shares of our common stock on a 1:0.005 basis together with payment of \$85.50 per converted share.

During the years ended September 30, 2019 and 2018, the Company accrued dividends of \$1 and \$1, respectively. As of September 30, 2019 and 2018, accrued dividends were \$1 and \$1, respectively, payable to holders of Series E preferred stock.

*Common Stock*

During the year ended September 30, 2019 and 2018, the Company did not issue any common stock.

*Treasury Stock*

For year ended September 30, 2019 and 2018, the Company purchased 119,238 and 46,632 shares of its common stock on the open market (treasury shares), respectively, for \$888 and \$550, respectively. At September 30, 2019, and 2018, the Company held 262,177 and 142,939 shares of its common stock as treasury shares at a cost of \$2,438 and \$1,550, respectively.

*2014 Omnibus Equity Incentive Plan*

On January 7, 2014, our Board of Directors adopted the 2014 Omnibus Equity Incentive Plan (the "2014 Plan"), which authorizes issuance of distribution equivalent rights, incentive stock options, non-qualified stock options, performance stock, performance units, restricted ordinary shares, restricted stock units, stock appreciation rights, tandem stock appreciation rights and unrestricted ordinary shares to our directors, officer, employees, consultants and advisors. The Company has reserved up to 300,000 shares of common stock for issuance under the 2014 Plan. The Company's stockholders approved the 2014 Plan on July 11, 2014.

**Note 9: Warrants**

The Company issued several notes in prior periods and converted them resulting in the issuance of Series B Convertible Preferred Stock warrants. The following table summarizes information about the Company's warrants at September 30, 2019 and September 30, 2018, respectively:

	Number of units - Series B Convertible preferred warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding and Exercisable at September 30, 2018	118,029	\$ 20.80	1.35	\$ —
Outstanding and Exercisable at September 30, 2019	118,029	\$ 20.80	0.53	\$ —

As discussed in Note 8. Stockholders' Equity, the warrants may be exchanged for shares of common stock at a ratio of one share of Series B Preferred Stock into five common shares. The following table provides information assuming the warrants are exercised and exchanged for common shares:

	Number of Common Shares to be Issued	Weighted Average Exercise Price Per Common Share	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding and Exercisable at September 30, 2018	590,147	\$ 4.16	1.35	\$ 2,856
Outstanding and Exercisable at September 30, 2019	590,147	\$ 4.16	0.53	\$ 2,602

Warrants for 10,914, 12,383, 54,396 and 17,857 shares of Series B Convertible Preferred Stock were set to expire on September 10, 2017, December 11, 2017, March 27, 2018 and March 28, 2018, respectively. On January 16, 2018 and December 3, 2019, the Company and ICG amended the original terms of the warrants so that the warrants automatically extend for additional two-year periods if the warrants are not exercised by their expiration date, as the expiration date may be extended from time to time. Warrants outstanding and exercisable as of September 30, 2019 and September 30, 2018 reflect the time extended warrants in addition to 22,479 warrants for shares of Series B Convertible Preferred Stock with an original expiration date of December 3, 2019. The Company recognized compensation expense of \$128 and \$270 during the years ended September 30, 2019 and 2018, respectively, related to warrant awards granted to certain employees and officers based on the grant date fair value of the awards, net of estimated forfeitures. No forfeitures are estimated.



The exercise price for the Series B convertible preferred stock warrants outstanding and exercisable at September 30, 2019 is as follows:

Series B Convertible Preferred					
Outstanding			Exercisable		
Number of Warrants		Exercise Price	Number of Warrants		Exercise Price
54,396	\$	16.60	54,396	\$	16.60
17,857		16.80	17,857		16.80
12,383		24.30	12,383		24.30
33,393		28.50	33,393		28.50
<u>118,029</u>			<u>118,029</u>		

**Note 10: Stock-Based Compensation**

From time to time, the Company grants stock options and restricted stock awards to directors, officers and employees. These awards are valued at the grant date by determining the fair value of the instruments, net of estimated forfeitures. The value of each award is amortized on a straight-line basis over the requisite service period.

*Stock Options*

The following table summarizes stock option activity for the years ended September 30, 2019 and 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2017	211,668	\$ 13.19	3.47	\$ 454,117
Granted	20,000	32.24	9.02	
Outstanding at September 30, 2018	<u>231,668</u>	\$ 14.84	3.04	\$ 162,500
Exercisable at September 30, 2018	175,000	\$ 11.89	2.08	\$ 162,500
Outstanding at September 30, 2018	231,668	\$ 14.84	3.04	\$ 162,500
Forfeited	(31,250)			
Outstanding at September 30, 2019	<u>200,418</u>	\$ 16.05	2.40	\$ 26,750
Exercisable at September 30, 2019	168,084	\$ 13.92	1.44	\$ 26,750

The Company recognized compensation expense of \$142 and \$227 during the years ended September 30, 2019 and 2018, respectively, related to stock option awards granted to certain employees and officers based on the grant date fair value of the awards, net of estimated forfeitures. No forfeitures are estimated.

At September 30, 2019 the Company had \$145, of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the Company expects will be recognized through December of 2021.

The exercise price for stock options outstanding and exercisable at September 30, 2019 is as follows:

Outstanding		Exercisable	
Number of Options	Exercise Price	Number of Options	Exercise Price
25,000	7.50	25,000	7.50
31,250	10.00	31,250	10.00
16,668	10.86	8,334	10.86
6,250	12.50	6,250	12.50
6,250	15.00	6,250	15.00
75,000	15.18	75,000	15.18
8,000	23.41	8,000	23.41
8,000	27.60	8,000	27.60
8,000	31.74	—	—
8,000	36.50	—	—
8,000	41.98	—	—
<u>200,418</u>		<u>168,084</u>	

The following table summarizes information about the Company's non-vested shares as of September 30, 2019:

Non-vested Shares	Number of Shares	Average Grant-Date Fair Value
Non-vested at September 30, 2018	48,501	\$ 25.53
Vested	(12,167)	\$ 21.87
Non-vested at September 30, 2019	<u>36,334</u>	<u>\$ 26.76</u>

No stock options were granted during the year ended September 30, 2019. For stock options granted during September 30, 2018 where the exercise price equaled the stock price at the date of the grant, the weighted-average fair value of such options was \$10.14, and the weighted-average exercise price of such options was \$32.24.

The assumptions used in calculating the fair value of stock options granted use the Black-Scholes option pricing model for options granted during September 30, 2018 are as follows:

Risk-free interest rate	1.25%
Expected life of the options	5 and 10 years
Expected volatility	107%
Expected dividend yield	0%

**Note 11: Income (Loss) Per Share**

Net income (loss) per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Basic weighted average common shares outstanding do not include shares of restricted stock that have not yet vested, although such shares are included as outstanding shares in the Company's Consolidated Balance Sheet. Diluted net income (loss) per share is computed using the weighted average number of common shares outstanding and if dilutive, potential common shares outstanding during the period. Potential common shares consist of the additional common shares issuable in respect of restricted share awards, stock options and convertible preferred stock. Preferred stock dividends are subtracted from net earnings to determine the amount available to common stockholders.

The following table presents the computation of basic and diluted net income (loss) per share:

	Years Ended September 30,	
	2019	2018
<i>Basic</i>		
Net income (loss)	\$ (4,012 )	\$ 5,923
Less: preferred stock dividends	(1)	(1)
Net income (loss) applicable to common stock	\$ (4,013 )	\$ 5,922
Weighted average common shares outstanding	1,901,315	1,965,595
Basic income (loss) per share	\$ (2.11)	\$ 3.01
<i>Diluted</i>		
Net income (loss) applicable to common stock	\$ (4,013 )	\$ 5,922
Add: preferred stock dividends	1	1
Net income (loss) applicable for diluted earnings per share	\$ (4,012 )	\$ 5,923
Weighted average common shares outstanding	1,901,315	1,965,595
Add: Options	—	38,179
Add: Series B Preferred Stock	—	1,071,200
Add: Series B Preferred Stock Warrants	—	590,145
Add: Series E Preferred Stock	—	77,840
Assumed weighted average common shares outstanding	1,901,315	3,742,959
Diluted income (loss) per share	\$ (2.11)	\$ 1.58

Potentially dilutive securities of 1,939,603 and 38,179 and were excluded from the calculation of diluted net income per share for years ended September 30, 2019 and September 30, 2018 because the effects were anti-dilutive based on the application of the treasury stock method.

#### **Note 12: Related Party Transactions**

In connection with its purchase of Marquis, Marquis entered into a mezzanine loan in the amount of up to \$7,000 with ICF. The ICF mezzanine loan bears interest at a rate of 12.5% per annum with payment obligations of interest each month and all principal due in January 2021. As of September 30, 2019, and September 30, 2018, respectively, there was \$2,000 outstanding on this mezzanine loan. During the years ended September 30, 2019 and 2018, we recognized total interest expense of \$253, associated with the ICF notes.

Customer Connexx LLC, a wholly owned subsidiary of JanOne Inc. (formerly Appliance Recycling Centers of America, Inc.), rents approximately 9,879 square feet of office space from the Company at its Las Vegas office which totals 11,100 square feet. JanOne Inc. paid the Company \$176 and \$173 in rent and other common area reimbursed expenses for the year ended September 30, 2019 and 2018, respectively. Tony Isaac, a member of the Board of Directors of the Company and Virland Johnson, Chief Financial Officer of the Company, are Chief Executive Officer and Board of Directors member and Chief Financial Officer of JanOne Inc., respectively.

Warrants for 10,914, 12,383, 54,396 and 17,857 shares of Series B Convertible Preferred Stock were set to expire on September 10, 2017, December 11, 2017, March 27, 2018 and March 28, 2018, respectively. On January 16, 2018 and December 3, 2019, the Company and ICG amended the original terms of the warrants so that the warrants automatically extend for additional two-year periods if the warrants are not exercised by their expiration date, as the expiration date may be extended from time to time. Warrants outstanding and exercisable as of September 30, 2019 and September 30, 2018 reflect the time extended warrants in addition to 22,479 warrants for shares of Series B Convertible Preferred Stock with an original expiration date of December 3, 2019.

As previously announced by the Company, on December 30, 2017, ASH entered into the Agreement with the Seller and ApplianceSmart, a subsidiary of the Seller. Pursuant to the Agreement, ASH purchased from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for the Purchase Price. ASH was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, ASH and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, ASH delivered to the Seller the ApplianceSmart Note in the Original Principal Amount, as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on the Maturity Date. The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining \$2,581 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of September 30, 2019, there was \$2,826 outstanding on the ApplianceSmart Note.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller.

In connection with the acquisition of Vintage Stock on November 3, 2016, Rodney Spriggs, President of Vintage Stock, holds a 41% interest in the \$10,000 Seller Subordinated Acquisition Note payable by VSAH. The terms of payment are interest only, payable monthly on the 1<sup>st</sup> of each month, until maturity. On June 7, 2018, in connection with the Comvest Term Loan refinance of the Capitala Term Loan, the Sellers Subordinated Acquisition Note was amended and restated to have a maturity date of September 23, 2023. Interest paid to Mr. Spriggs in years ended September 30, 2019 and September 30, 2018 was \$334 and \$334, respectively. Interest unpaid and accrued as of September 30, 2019 and September 30, 2018 is \$27 and \$27, respectively.

Also see Note 3, 6, 7, 8 and 9.

### **Note 13: Commitments and Contingencies**

#### *Litigation*

#### SEC Notice

On February 21, 2018, the Company received a subpoena from the Securities and Exchange Commission (“SEC”) and a letter from the SEC stating that it is conducting an investigation. The subpoena requests documents and information concerning, among other things, the restatement of the Company’s financial statements for the quarterly periods ended December 31, 2016, March 31, 2017, and June 30, 2017, the acquisition of Marquis Industries, Inc., Vintage Stock, Inc., and ApplianceSmart, Inc., and the change in auditors. The letter from the SEC states that “this inquiry does not mean that the SEC has concluded that the Company or any of its officers and directors has broken the law or that the SEC has a negative opinion of any person, entity, or security.” The Company is cooperating with the SEC in its investigation.

On October 1, 2018, the Company received a letter from the SEC requesting information regarding a potential violation of Section 13(a) of the Securities Exchange Act of 1934, based upon the timing of the Company's Form 8-K filed on February 14, 2018. The Company provided a response to the SEC on October 26, 2018. The Company is cooperating with the SEC in its inquiry.

#### Live Ventures and ApplianceSmart Related Litigation

On April 26, 2019, New Leaf Serv. Contracts, LLC ("New Leaf") filed suit against ApplianceSmart and the Company in the District Court of Dallas County, Texas (the "Dallas Court") alleging, among other things, breach of contract. Plaintiff seeks damages of approximately \$215, plus interest and attorneys' fees. This matter was subsequently abated to allow the parties to arbitrate this dispute. The Company has asserted certain counterclaims against New Leaf. This matter has been stayed as a result of the Chapter 11 Case (as defined below).

#### ApplianceSmart Bankruptcy and Other ApplianceSmart Litigation Matters

On December 12, 2019, Crossroads Center LLC served a lawsuit against ApplianceSmart in the District Court for the State of Minnesota, County of Olmsted, alleging, among other things, breach of contract and seeking damages in excess of \$64. This matter has been stayed as a result of the Chapter 11 Case.

On December 9, 2019, ApplianceSmart filed a voluntary petition (the "Chapter 11 Case") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") seeking relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The bankruptcy affects Live Ventures' indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, or Live Ventures itself. ApplianceSmart expects to continue to operate its business in the ordinary course of business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, the Company reserves its right to file a motion seeking authority to use cash collateral of the lenders under ApplianceSmart's reserve-based revolving credit facility. The case is being administered under the caption *In re: ApplianceSmart, Inc.* (case number 19-13887). Court filings and other information related to the Chapter 11 Case are available at the PACER Case Locator website for those registered to do so or at the Courthouse located at One Bowling Green, Manhattan, New York 10004.

On November 22, 2019, Haier US Appliance Solutions, Inc. d/b/a GE Appliances filed suit against ApplianceSmart in the District Court for the State of Minnesota, County of Hennepin (the "Hennepin Court") alleging, among other things, breach of contract and seeking damages in excess of \$250. This matter has been stayed as a result of the Chapter 11 Case.

On November 1, 2019, OIRE Minnesota, L.L.C. filed suit against ApplianceSmart in the Hennepin Court alleging, among other things, breach of contract and seeking damages in excess of \$60. This matter has been stayed as a result of the Chapter 11 Case.

On October 16, 2019, VanMile, LLC filed a lawsuit against ApplianceSmart in the Magistrate Court of Gwinnett County, State of Georgia alleging unpaid invoices and seeking damages therefor. Plaintiff is seeking damages of \$15. This matter has been stayed as a result of the Chapter 11 Case.

On September 12, 2019, Fisher & Paykel Appliances, Inc. initiated an arbitration against ApplianceSmart in San Diego alleging breach of contract and seeking damages in excess of \$100. This matter has been stayed as a result of the Chapter 11 Case.

On July 22, 2019, Trustee Main/270, LLC (the "Reynoldsburg Landlord") filed a lawsuit against ApplianceSmart and JanOne Inc. (formerly known as Appliance Recycling Centers of America, Inc.) ("JanOne") in the Franklin County Common Pleas Court in Columbus, Ohio, alleging, with respect to ApplianceSmart, default under a lease agreement and, with respect to JanOne, guaranty of lease. The complaint sought damages of \$1,530 attorney fees, and other charges. On or about September 27, 2019, the parties entered into a second lease modification agreement and ratification of agreement (the "Second Lease Modification Agreement") whereby the Reynoldsburg Landlord restored ApplianceSmart's access to the property. Pursuant to the terms of the Second Lease Modification Agreement, in exchange for such restored access, ApplianceSmart paid the Reynoldsburg Landlord \$141 in partial satisfaction of past due rent and costs and the Reynoldsburg Landlord agreed to dismiss the lawsuit with prejudice. In addition, the Reynoldsburg Landlord agreed to reduced minimum annual rent for the remainder of the

term and waived the rent due for October 2019, December 2019, and January 2020. In addition, JanOne ratified its guaranty under the lease.

On August 29, 2019, Martin Drive, LLC filed suit against ApplianceSmart in the Hennepin Court, alleging, among other things, breach of contract and failure to pay rent under the terms of a lease agreement. The plaintiff was awarded a default judgment in the aggregate amount of \$265. This matter has been stayed as a result of the Chapter 11 Case.

On August 27, 2019, CH Robinson Worldwide, Inc. served a lawsuit against ApplianceSmart in the District Court for the State of Minnesota, County of Carver, alleging, among other things, breach of contract and seeking damages in excess of \$140. This matter has been stayed as a result of the Chapter 11 Case.

On August 15, 2019, 280 Business Center, LLC filed suit against ApplianceSmart in the District Court for the State of Minnesota, County of Ramsey for eviction from the premises. This matter was settled in September 2019 for \$130.

On June 19, 2019, Graceland Retail 2017 LLC filed suit against ApplianceSmart in the Court of Common Pleas in Franklin County, Ohio, alleging, among other things, breach of contract and failure to pay rent under the terms of a lease agreement. The plaintiff was seeking damages of approximately \$940. This matter has been stayed as a result of the Chapter 11 Case.

On May 29, 2019, Hopkins Mainstreet II, LLC ("Hopkins Mainstreet") filed suit against ApplianceSmart, Inc. in the Hennepin Court alleging, among other things, breach of contract and failure to pay rent. The Hennepin Court subsequently entered a default judgment in favor of Hopkins Mainstreet in the amount of \$225, plus attorneys' fees in the amount of \$3, and costs and disbursements in the amount of \$1. This matter has been stayed as a result of the Chapter 11 Case.

On or about December 28, 2018, Berger Transfer & Storage, Inc. filed suit against ApplianceSmart in the District Court for the State of Minnesota, County of Ramsey for breach of contract. This matter was settled in April 2019 for \$31.

#### Generally

We are involved in various claims and lawsuits arising in the normal course of business. The ultimate results of claims and litigation cannot be predicted with certainty. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows.

#### *Operating Leases and Service Contracts*

The Company leases its office, retail and warehouse space under long-term operating leases expiring through fiscal year 2029. Rent expense under these leases was \$13,059 and \$13,542 for the years ended September 30, 2019 and 2018, respectively. The Company has also entered into several non-cancelable service contracts. Rent expense may include certain common area charges.

As of September 30, 2019, future minimum annual payments under operating lease agreements for fiscal years ending September 30 are as follows:

2020	\$	8,331
2021		6,886
2022		4,402
2023		2,415
2024		1,470
Thereafter		1,836
	\$	<u>25,340</u>

Additionally, during fiscal 2019, as a result of our decision to close certain ApplianceSmart retail locations, we recorded a liability for the estimated remaining lease payments and early termination charges, as applicable, of \$724. The lease charges were recorded to general and administration expenses in the consolidated statements of income (loss) with a corresponding accrued liability in the consolidated balance sheet as of September 30, 2019.

#### Warranties

During 2019, the Company became the principal for certain extended warranties, as a result, warranty reserves are included in accrued liabilities in our consolidated balance sheet. The following table summarizes the warranty reserve activity for the year ended September 30, 2019:

Beginning balance, October 31, 2018	\$	—
Warranties issued/acrued		378
Warranty settlements		(86)
Ending balance, September 30, 2019	\$	<u>292</u>

#### Note 14: Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Income tax expense for the years ended September 30, 2019 and 2018 is as follows:

	Year Ended September 30, 2019	Year Ended September 30, 2018
Current expense:		
Federal	\$ —	\$ (17)
State	237	244
	<u>237</u>	<u>227</u>
Deferred expense:		
Federal	(1,024)	3,471
State	(1,226)	368
Change in valuation allowance	388	341
	<u>(1,862)</u>	<u>4,180</u>
Total income tax expense	<u>\$ (1,625)</u>	<u>\$ 4,407</u>

A reconciliation of the differences between the effective and statutory income tax rates for years ended September 30, 2019 and 2018:

	Year Ended September 30, 2019	Year Ended September 30, 2018
Federal statutory rates	21.0 %	24.3 %
State income taxes, net of federal benefit	11.3 %	3.3 %
Permanent differences	(0.9) %	0.7 %
Impact of federal rate change from Tax Act	—	29.4 %
Bargain gain - purchase accounting	—	(14.1) %
Property & equipment adjustment	(0.5) %	(2.6) %
Federal carryforward attributes trued up	4.8 %	(1.7) %
Change in valuation allowance	(6.9) %	3.3 %
Other	—	0.1 %
Effective rate	<u>28.8 %</u>	<u>42.7 %</u>

At September 30, 2019 and 2018, deferred income tax assets and liabilities were comprised of:

	September 30, 2019	September 30, 2018
Deferred income tax assets (liabilities):		
Allowance for bad debts	\$ 352	\$ 229
Accrued expenses	223	22
Inventory	466	(8)
Accrued compensation	87	34
Net operating loss	5,205	6,051
Disallowed interest carryforward	1,049	—
Tax credits	27	259
Stock compensation	2,232	2,252
Intangibles	(1,142)	(1,387)
Property & equipment	(2,906)	(3,890)
Other	5	—
Less: Valuation allowance	(729)	(341)
Total deferred income tax asset	<u>\$ 4,869</u>	<u>\$ 3,221</u>

The Company has federal and state net operating loss carryforwards of approximately \$21,300 and \$11,300 respectively as of September 30, 2019. The federal net operating loss amounts are subject to IRS code section 382 limitations and expire in 2030. State net operating loss amounts begin to expire in 2019. Due to the Tax Act, the federal AMT tax credit carryforward is fully refundable in 2021 if not utilized before then. The 2015 through 2018 tax years are open to examination by the various federal and state jurisdictions.

The Company evaluates all available evidence to determine if a valuation allowance is needed to reduce its deferred tax assets. Management has concluded that it is more likely than not that a portion of its existing tax benefits will not be realized. Accordingly, the Company has recorded a valuation allowance of \$729 at September 30, 2019 to reduce its deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted. The legislation significantly revises the U.S. corporate income tax system by, among other things, lowering corporate income tax rates from 35% to 21%, introducing new limitations on interest expense, subjecting foreign earnings in excess of an allowable return to U.S. taxation, adopting a territorial tax regime and imposing a one-time transitional tax on deemed repatriated earnings of foreign subsidiaries. As a result of the enactment of the Tax Act, the Company’s deferred tax assets and liabilities were revalued at the lower federal income tax rate.

The Company annually conducts an analysis of its tax positions and has concluded that it has no uncertain tax positions as of September 30, 2019. The Company’s policy is to record uncertain tax positions as a component of income tax expense.

#### **Note 15: Segment Reporting**

The Company operates in three segments which are characterized as: (1) Manufacturing, (2) Retail and Online, and (3) Services. The Manufacturing Segment consists of Marquis Industries, the Retail and Online segment consists of Vintage Stock and ApplianceSmart, and the Services segment consists of the directory services business.



The following tables summarize segment information for the years ended September 30, 2019 and 2018:

	Year Ended September 30, 2019		Year Ended September 30, 2018	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Total Revenue
<i>Retail and Online Revenue</i>				
Used Movies, Music, Games and Other	\$ 42,298	21.9 %	\$ 43,014	21.5 %
New Movies, Music, Games and Other	33,695	17.4 %	32,980	16.5 %
Rentals, Concessions and Other	968	0.5 %	1,189	0.6 %
Retail Appliance	23,740	12.3 %	32,943	16.5 %
<i>Manufacturing Revenue</i>				
Carpets	60,747	31.4 %	58,451	29.3 %
Hard Surface Products	29,146	15.1 %	24,229	12.1 %
Synthetic Turf Products	2,058	1.1 %	6,082	3.0 %
<i>Services Revenue</i>				
Directory Services	636	0.3 %	745	0.4 %
Total Revenue	<u>\$ 193,288</u>	<u>100.0 %</u>	<u>\$ 199,633</u>	<u>100.0 %</u>

	Year Ended September 30,	
	2019	2018
<b>Revenues</b>		
Retail and Online	\$ 100,701	\$ 110,125
Manufacturing	91,951	88,763
Services	636	745
	<u>\$ 193,288</u>	<u>\$ 199,633</u>
<b>Gross profit</b>		
Retail and Online	\$ 45,154	\$ 51,040
Manufacturing	25,122	22,450
Services	597	708
	<u>\$ 70,873</u>	<u>\$ 74,198</u>
<b>Operating income (loss)</b>		
Retail and Online	\$ (9,074)	\$ 1,338
Manufacturing	11,735	8,756
Services	595	706
	<u>\$ 3,256</u>	<u>\$ 10,800</u>
<b>Depreciation and amortization</b>		
Retail and Online	\$ 3,090	\$ 2,880
Manufacturing	2,583	3,168
Services	—	—
	<u>\$ 5,673</u>	<u>\$ 6,048</u>
<b>Interest expense, net</b>		
Retail and Online	\$ 4,634	\$ 6,739
Manufacturing	1,681	1,904
Services	—	—
	<u>\$ 6,315</u>	<u>\$ 8,643</u>
<b>Income before provision for income taxes</b>		
Retail and Online	\$ (17,259)	\$ 2,781
Manufacturing	11,026	6,843
Services	596	706
	<u>\$ (5,637)</u>	<u>\$ 10,330</u>

**Note 16: Subsequent Events**

*Chapter 11 Filing of ApplianceSmart, Inc.*

On December 9, 2019, ApplianceSmart filed a voluntary petition (the “Chapter 11 Case”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) seeking relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The bankruptcy affects Live Ventures’ indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, or Live Ventures itself. As part of the Chapter 11 process, ApplianceSmart expects to work with its lenders and creditors to restructure and or settle secured and unsecured indebtedness.

ApplianceSmart expects to continue to operate its business in the ordinary course of business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, the Company reserves its right to file a motion seeking authority to use cash collateral of the lenders under the reserve-based revolving credit facility.

The case is being administrated under the caption *In re: ApplianceSmart, Inc.* (case number 19-13887). Court filings and other information related to the Chapter 11 Case are available at the PACER Case Locator website for those registered to do so or at the Courthouse located at One Bowling Green, Manhattan, New York 10004.

*Lonesome Oak Acquisition*

On November 1, 2019, Marquis entered into a purchase agreement, as amended (as amended, the “LOTC Purchase Agreement”), to acquire the outstanding capital stock of Lonesome Oak Trading Co., Inc. (“Lonesome Oak”). Pursuant to the LOTC Purchase Agreement, Marquis will acquire from the sole shareholder of Lonesome Oak (the “LOTC Shareholder”) all of the issued and outstanding shares of capital stock of Lonesome Oak. The transaction value under the Purchase Agreement is approximately \$14,000. In addition, following the closing of the transaction, Lonesome Oak will be leasing back from the LOTC Shareholder certain properties owned by affiliates of the LOTC Shareholder that will be used in Lonesome Oak’s operations. Marquis will hold back \$1,200 of the purchase price (the “Holdback Amount”) to satisfy claims for indemnity arising out of breaches of certain representations, warranties, and covenants, and certain other enumerated items, if any. In connection with the closing of the transaction, the LOTC Shareholder will enter into an employment agreement with a five-year term and will serve as Lonesome Oak’s Executive Vice President pursuant to the terms thereof. The parties expect that the transaction will close within the Company’s second fiscal quarter, subject to customary closing conditions. The LOTC Purchase Agreement contains customary representations, warranties, and covenants. Subject to certain exceptions, the LOTC Shareholder has agreed to indemnify Marquis for breaches of certain representations, warranties, and covenants, and certain other enumerated items, if any. Indemnification by the LOTC Shareholder for breaches of certain representations and warranties is generally limited to the Holdback Amount. The LOTC Purchase Agreement contains a three-year non-competition covenant and non-solicitation covenant that apply to the LOTC Shareholder. The transaction closed on January 31, 2020.

**ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

**ITEM 9A. Controls and Procedures**

Evaluation of Disclosure control and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2019, the period covered in this report, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 Exchange Act Rules 13a-15(f) and 15d-15(f)). 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.

The Company's management, including the Company's CEO and CFO, do not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following: judgements in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes, controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2019. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") of 2013 regarding Internal Control – Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal controls over financial reporting were ineffective as of September 30, 2019. Management noted the following deficiencies that management believes to be material weaknesses:

- The Company does not have sufficient segregation of duties within its accounting functions, which is a basic internal control. Due to its size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of its failure to have segregation of duties on its assessment of its disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

- The Company does not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act;
- Management has not established appropriate and rigorous procedures for evaluating internal controls over financial reporting. Due to limited resources and lack of segregation of duties, documentation of the limited control structure has not been accomplished.
- The Company employ policies and procedures for reconciliation of the financial statements and note disclosures, however, these processes are not appropriately followed or documented.

In response to the above identified weaknesses in our internal control over financial reporting, we plan to work on documenting in writing our internal control policies and procedures and implement sufficient segregation of duties within our accounting functions, so that one person cannot initiate, authorize and execute transactions, and so that one person cannot record transactions in the accounting records without sufficient review by a separate person. We do not have a specific timeline within which we expect to conclude these remediation initiatives but do expect it to be an on-going process for the foreseeable future. We continue to evaluate testing of our internal control policies and procedures, including assessing internal and external resources that may be available to complete these tasks, but do not know when these tasks will be completed.

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

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

**ITEM 9B. Other Information**

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The directors of the Company and their ages as of September 30, 2019, are as follows:

Name	Age	Position
Jon Isaac	36	Chief Executive Officer, President and Director
Tony Isaac	65	Financial Planning and Strategist/Economist and Director
Richard D. Butler, Jr.	70	Director
Dennis (De) Gao	39	Director
Tyler Sickmeyer	33	Director

Set forth below are the respective principal occupations or brief employment histories of each of our directors and executive officers and the periods during which each has served as a director of the Company, as well as for our named executive officers.

**Jon Isaac.** Mr. Jon Isaac has served as a director of our Company since December 2011 and became our President and Chief Executive Officer in January 2012. He is the founder of Isaac Organization, a privately held investment company. At Isaac Organization, Mr. Isaac has closed a variety of multi-faceted real estate deals and has experience in aiding public companies to implement turnarounds and in raising capital. Mr. Isaac studied Economics and Finance at the University of Ottawa.

*Specific Qualifications:*

- Relevant educational background and business experience.
- Experience in aiding public companies to implement turnarounds and in raising capital.

**Tony Isaac.** Mr. Tony Isaac has served as a director of our Company since December 2011 and began serving as the Company's Financial Planning and Strategist/Economist in July 2012. Mr. Isaac's specialty is negotiation and problem-solving of complex real estate and business transactions. Mr. Isaac graduated from University of Ottawa in 1981, where he majored in Commerce and Business Administration and Economics.

*Specific Qualifications:*

- Relevant educational background and business experience.
- Experience in negotiation and problem-solving of complex real estate and business transactions

**Richard D. Butler, Jr.** Mr. Butler is Chairman of the Corporate Governance and Nominating Committee and has served as a director and member of the Audit Committee of our Company since August 2006 (including YP.com from 2006-2007). He is a veteran savings and loan and mortgage banking executive, co-founder and major shareholder of Aspen Healthcare, Inc. and Ref-Razzer Corporation, former Chief Executive Officer of Mt. Whitney Savings Bank, Chief Executive Officer of First Federal Mortgage Bank, Chief Executive Officer of Trafalgar Mortgage, and Executive Officer & Member of the President's Advisory Committee at State Savings & Loan Association (peak assets \$14 billion) and American Savings & Loan Association (NYSE: FCA; peak assets \$34 billion). Mr. Butler attended Bowling Green University in Ohio, San Joaquin Delta College in California and Southern Oregon State College.

*Specific Qualifications:*

- Relevant educational background and business experience.
- Extensive experience as Chief Executive Officer for several companies in the banking and finance industries.
- Experience as a public company director.
- Experience in workouts and restructurings, mergers, acquisitions, business development, and sales and marketing.
- Background and experience in finance required for service on Audit Committee.

**Dennis (De) Gao.** Mr. Gao has served as a director of our Company and as a member of the Audit Committee since January 2012. In July 2010, Mr. Gao co-founded and became the CFO at Oxstones Capital Management, a privately held company and a social and philanthropic enterprise, serving as an idea exchange for the global community. Prior to establishing Oxstones Capital Management, from June 2008 until July 2010, Mr. Gao was a product owner at Procter and Gamble for its consolidation system and was responsible for the Procter and Gamble’s financial report consolidation process. From May 2007 to May 2008, Mr. Gao was a financial analyst at the Internal Revenue Service’s CFO division. Mr. Gao has a dual major Bachelor of Science degree in Computer Science and Economics from University of Maryland, and an M.B.A. specializing in finance and accounting from Georgetown University’s McDonough School of Business.

*Specific Qualifications:*

- Relevant educational background and business experience.
- Background and experience in finance required for service on Audit Committee.
- Experience having ultimate responsibility for the preparation and presentation of financial statements (“financial literacy” required by applicable NASDAQ rules for service as Audit Committee chairman).
- “Audit Committee Financial Expert” for purposes of SEC rules and regulations (required for service as Audit Committee chairman).

**Tyler Sickmeyer.** In August 2008, Mr. Sickmeyer founded and since that time has served as the CEO of Fidelitas Development, a full-service marketing firm that focuses on producing an improved return on investment rate for its clients. Mr. Sickmeyer has provided consulting services to a variety of companies, large and small alike, and specializes in creating efficiencies for developing brands. Mr. Sickmeyer studied business at Robert Morris University and Lincoln Christian University. Mr. Sickmeyer has been a director of the Company since August 2014.

*Specific Qualifications:*

- Over a decade of experience in marketing, including promotion and brand development through the use of social media marketing

**Information about our Executive Officers**

In addition to the information provided above regarding Jon Isaac, the following sets forth the Company’s current executive officers as of September 30, 2019:

<b>Name</b>	<b>Age</b>	<b>Current Position and Offices</b>
Weston A. Godfrey, Jr.	41	Chief Executive Officer of Marquis Industries, Inc.
Rodney Spriggs	53	President and Chief Executive Officer of Vintage Stock, Inc.
Virland A. Johnson	59	Chief Financial Officer of Live Ventures Incorporated
Michael J. Stein	46	Senior Vice President, General Counsel of Live Ventures Incorporated

**Weston A. Godfrey, Jr.** Mr. Godfrey became Chief Executive Officer of Marquis Industries, Inc. on July 1, 2018 after re-joining the company as Executive Vice President on January 22, 2018. Mr. Godfrey served as Sales Operations Manager and Senior Sales Manager for Samsung Electronics America, Inc for three years prior to re-joining the company, where he was responsible for financial operations, forecasting and sales in the Home Appliance business. Prior to joining Samsung Electronics America, Inc, Mr. Godfrey spent five years serving as Vice President of Operations for Marquis Industries, Inc reporting directly to the Chief Executive Officer and responsible for credit, claims, customer service, sales operations, supply chain, and purchasing. Early on in his career, Mr. Godfrey worked for Dupont's nylon fibers business where he was certified as a Six Sigma Black Belt. Mr. Godfrey's experiences include process improvement, supply chain optimization, demand planning, forecasting, business operations, strategic selling and strategic purchasing. Mr. Godfrey holds a Bachelor of Business Administration in Marketing from the University of Georgia.

**Rodney Spriggs.** Mr. Spriggs is President and CEO of Vintage Stock. Mr. Spriggs joined Vintage Stock as General Manager in January 1990 and has served as President of Vintage Stock since 2002 and President of Moving Tradings Company since 2006. He received a Bachelor's degree in Business Administration and a minor in marketing from Missouri Southern State University. Mr. Spriggs gained experience in the specialty retail business by selling baseball and other sports cards in his own retail store to pay his way through college. In addition to corporate oversight, Mr. Spriggs is responsible for new market openings, the specialty retail site selection, lease negotiation and product acquisitions.

**Virland A. Johnson.** Mr. Johnson became our Chief Financial Officer on January 3, 2017. Mr. Johnson joined the Company in November 2016 as a consultant. Mr. Johnson was Sr. Director of Revenue for JDA Software for six years prior to joining the Company, where he was responsible for revenue recognition determination, sales and contract support while acting as a subject matter expert. Prior to joining JDA, Mr. Johnson provided leadership and strategic direction while serving in C-Level executive roles in public and privately held companies such as Cultural Experiences Abroad, Inc., Fender Musical Instruments Corp., Triumph Group, Inc., Unitech Industries, Inc. and Younger Brothers Group, Inc. Mr. Johnson's more than 25 years of experience is primarily in the areas of process improvement, complex debt financings, SEC and financial reporting, turn-arounds, corporate restructuring, global finance, merger and acquisitions and returning companies to profitability and enhancing shareholder value. Early on in his career, Mr. Johnson worked in public accounting while attending Arizona State University. Mr. Johnson holds a Bachelor's degree in Accountancy from Arizona State University.

**Michael J. Stein.** Mr. Stein became our Senior Vice President, General Counsel on October 2, 2017. Prior to joining the Company, Mr. Stein served as a corporate partner at the international law firm of DLA Piper LLP (US) where, from April 2016 and October 2017, and from April 2005 through June 2012, he advised public companies on corporate governance matters, debt and equity securities offerings (including several initial public offerings) and merger and acquisition transactions. Prior to rejoining DLA Piper in April 2016, Mr. Stein served as Associate Chief Counsel – Transactional at Caesars Entertainment Corporation (NASDAQ: CZR) and Senior Vice President, Deputy General Counsel at Everi Holdings Inc. (NYSE: EVRI). Mr. Stein holds a Juris Doctor from the University of Maryland and Bachelor's and Master's degrees in Accounting from the University of Florida.

#### **Family Relationships**

Jon Isaac, who is a director and serves as our President and Chief Executive Officer, is the son of Tony Isaac, who is also a director and serves as our Financial Planning and Strategist/Economist.

#### **Involvement in Certain Legal Proceedings**

To the best of our knowledge, there have been no events under any bankruptcy act, no criminal proceedings and no judgments, injunctions, orders or decrees material to the evaluation of the ability and integrity of any director, executive officer, promoter or control person of our Company during the past ten years.

### **Board Independence**

Each year, the Board of Directors reviews the relationships that each director has with the Company and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable NASDAQ Listing Rules and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, are considered to be independent directors. The Board of Directors has reviewed a number of factors to evaluate the independence of each of its members. These factors include its members' current and historic relationships with the Company and its competitors, suppliers and customers; their relationships with management and other directors; the relationships their current and former employers have with the Company; and the relationships between the Company and other companies of which a member of the Company's Board of Directors is a director or executive officer.

After evaluating these factors, the Board of Directors has determined that a majority of the members of the Board of Directors, namely, Messrs. Butler, Gao and Sickmeyer do not have any relationships that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors and that each such director is an independent director of the Company within the meaning of NASDAQ Listing Rule 5605(a)(2) and the related rules of the SEC.

The Board of Directors held three meetings during the year ended September 30, 2019 and took action by unanimous written consent two times.

### **Board Committees**

#### *Audit Committee*

The Board has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. Messrs. Gao (Chairman), Butler, and Sickmeyer currently serve on our Audit Committee. Each member of the committee satisfies the independence standards specified in Rule 5605(a)(2) of the NASDAQ Listing Rules and the related rules of the SEC and has been determined by the Board to be "financially literate" with accounting or related financial management experience. The Board has also determined that Mr. Gao is an "audit committee financial expert" as defined under SEC rules and regulations and qualifies as a financially sophisticated audit committee member as required under Rule 5605(c)(2)(A) of the NASDAQ Listing Rules. There were five meetings of the Audit Committee during the year ended September 30, 2019.

#### *Compensation Committee*

The Compensation Committee assists the Board in discharging its responsibilities relating to compensation of the Company's directors and executives and oversees and advises the Board on the adoption of policies that govern the Company's compensation programs, including stock and benefit plans. The Compensation Committee currently consists of Messrs. Butler and Gao. The Compensation Committee did not meet during the year ended September 30, 2019 but took action one time by unanimous written consent.

#### *Governance and Nominating Committee*

The Governance and Nominating Committee identifies individuals who are qualified to become Board members, develops and recommends to the Board a set of governance principles applicable to the Company and oversees the evaluation of the Board and Company's management. The Governance and Nominating Committee currently consists of Mr. Butler. The Governance and Nominating Committee did not meet during the year ended September 30, 2019 but took action one time by unanimous written consent.

### **Changes in Procedures for Director Nominations by Stockholders**

There have been no changes to the procedures by which stockholders' may recommend nominees to the Board.



## **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees of our Company, including the Chief Executive Officer and other principal financial and operating officers of the Company. The Code of Business Conduct and Ethics is posted on our website at [ir.liveventures.com/governance-documents](http://ir.liveventures.com/governance-documents). If we make any amendment to, or grant any waivers of, a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller where such amendment or waiver is required to be disclosed under applicable SEC rules, we intend to disclose such amendment or waiver and the reasons therefor on Form 8-K or on our website.

## **ITEM 11. Executive Compensation**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Overview**

The purpose of this Compensation Discussion and Analysis (“CD&A”) is to provide material information about the Company’s compensation philosophy, objectives and other relevant policies and to explain and put into context the material elements of the disclosure that follows in this Form 10-K with respect to the compensation of our named executive officers (in this CD&A, referred to as the “NEOs”). For fiscal 2019, our NEOs were:

Jon Isaac, President and Chief Executive Officer

Weston A. Godfrey, Jr., Chief Executive Officer of Marquis Industries

Michael J. Stein, Senior Vice President and General Counsel

#### **The Compensation Committee**

The Compensation Committee reviews the performance and compensation of the Chief Executive Officer or other principal executive officer (currently, our President and Chief Executive Officer) and the Company’s other executive officers. Additionally, the Compensation Committee reviews compensation of outside directors for service on the Board and for service on committees of the Board and administers the Company’s stock plans.

#### **Role of Executives in Determining Executive Compensation**

The Chief Executive Officer or other principal executive officer (currently, our President and Chief Executive Officer) provides input to the Compensation Committee regarding the performance of the other NEOs and offers recommendations regarding their compensation packages in light of such performance. The Compensation Committee is ultimately responsible, however, for determining the compensation of the NEOs, including the Chief Executive Officer or other principal executive officer.

#### **Compensation Philosophy and Objectives**

The Compensation Committee and the Board believe that the Company’s compensation programs for its executive officers should reflect the Company’s performance and the value created for its stockholders. In addition, we believe the compensation programs should support the goals and values of the Company and should reward individual contributions to the Company’s success. Specifically, the Company’s executive compensation program is intended to:

- attract and retain the highest caliber executive officers;
- drive achievement of business strategies and goals;
- motivate performance in an entrepreneurial, incentive-driven culture;
- closely align the interests of executive officers with the interests of the Company’s stockholders;
- promote and maintain high ethical standards and business practices; and
- reward results and the creation of stockholder value.

### **Factors Considered in Determining Compensation; Components of Compensation**

The Compensation Committee makes executive compensation decisions on the basis of total compensation, rather than on individual components of compensation. The Compensation Committee attempts to create an integrated total compensation program structured to balance both short and long-term financial and strategic goals. Our compensation should be competitive enough to attract and retain highly skilled individuals. In this regard, we utilize a combination of between two to four of the following types of compensation to compensate our executive officers:

- base salary;
- performance bonuses, which may be earned annually depending on the Company's achievement of pre-established goals;
- cash bonuses given at the discretion of the Board; and
- equity compensation, consisting of restricted stock and/or stock options.

The Compensation Committee periodically reviews each executive officer's base salary and makes appropriate recommendations to the Board. Salaries are based on the following factors:

- the Company's performance for the prior fiscal years and subjective evaluation of each executive's contribution to that performance;
- the performance of the particular executive in relation to established goals or strategic plans; and
- competitive levels of compensation for executive positions based on information drawn from compensation surveys and other relevant information.

Performance bonuses and equity compensation are awarded based upon the recommendation of the Compensation Committee. Restricted stock is granted under the Company's stockholder-approved equity incentive plan(s) and is priced at 100% of the closing price of the Company's common stock on the date of grant. Incentive and/or non-qualified stock options are generally granted under the Company's stockholder-approved equity incentive plan(s), as well, with the exercise price of such options set at 100% of the closing price of the Company's common stock on the date of grant. These grants are made with a view to linking executives' compensation to the long-term financial success of the Company.

### **Use of Benchmarking and Compensation Peer Groups**

The Compensation Committee did not utilize any benchmarking measure in fiscal 2019 and traditionally has not tied compensation directly to a specific profitability measurement, market value of the Company's common stock or benchmark related to any established peer or industry group. Salary increases are based on the terms of the NEOs' employment agreements, if applicable, and correlated with the Board's and the Compensation Committee's assessment of each NEO's performance. The Company also generally seeks to increase or decrease compensation, as appropriate, based upon changes in an executive officer's functional responsibilities within the Company. Historically, the Compensation Committee has not used outside consultants in determining the compensation of the NEOs, and no such consultants were engaged during fiscal 2019.

### **Other Compensation Policies and Considerations; Tax Issues and Risk Management**

The intention of the Company has been to compensate the NEOs in a manner that maximizes the Company's ability to deduct such compensation expenses for federal income tax purposes. However, the Compensation Committee has the discretion to provide compensation that is not "performance-based" under Section 162(m) of the Code if it determines that such compensation is in the best interests of the Company and its stockholders. For fiscal 2019, the Company expects to deduct all compensation expenses paid to the NEOs.

On an annual basis, the Compensation Committee evaluates the Company's compensation policies and practices for its employees, including the NEOs, to assess whether such policies and practices create risks that are reasonably likely to have a material adverse effect on the Company. Based on its evaluation, the Compensation Committee has determined that the Company's compensation policies and practices do not create such risks.

**SUMMARY COMPENSATION TABLE**

<b>Name and principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Stock Awards</b>	<b>Option Awards (1)</b>	<b>All Other Compensation (2)</b>	<b>Total</b>
Jon Isaac (3)	2019	\$ 200,000	\$ 275,000	\$ —	\$ —	\$ 60,600	\$ 535,600
<i>President and Chief Executive Officer</i>	2018	\$ 200,000	\$ —	\$ —	\$ —	\$ 54,000	\$ 254,000
Weston A. Godfrey, Jr. (4)	2019	\$ 301,260	\$ 75,000	\$ —	\$ —	\$ 12,000	\$ 388,260
<i>Chief Executive Officer of Marquis Industries</i>	2018	\$ 204,260	\$ —	\$ —	\$ —	\$ 12,600	\$ 216,860
Michael J. Stein	2019	\$ 310,000	\$ —	\$ —	\$ —	\$ —	\$ 310,000
<i>Senior Vice President and General Counsel</i>	2018	\$ 298,077	\$ —	\$ —	\$ 50,701	\$ —	\$ 348,778

- (1) The amounts reflect the dollar amount recognized for financial statement reporting purposes in accordance with ASC 718. These amounts reflect Live Venture's accounting expense for these awards, and do not correspond to the actual value that may be recognized by the NEOs. Please refer to Note 13, Stock-Based Compensation, in our consolidated financial statements included elsewhere in this Form 10-K for a discussion of the assumptions related to the calculation of such value.
- (2) "All Other Compensation" includes amounts accrued and/or incurred by us for perquisites and benefits per each NEO's employment agreement. The amount for Mr. Isaac is accrued by us for the reasonable housing allowance to which Mr. Isaac is entitled under his employment agreement. The amount for Mr. Godfrey is related to the car allowance in accordance with his employment agreement.
- (3) On or about November 11, 2019, the Compensation Committee of the Board of Directors of the Company approved an increase in Jon Isaac's salary to \$350,000 per year and awarded him a bonus of \$275,000 as part of his 2019 compensation. The increase in salary was effective immediately. The bonus was paid in full as of December 31, 2019.
- (4) Mr. Godfrey became the Chief Executive Officer of Marquis Industries, Inc. effective July 1, 2018. The amounts shown represent compensation for the entire fiscal year ended September 30, 2018.

**EMPLOYMENT AGREEMENTS**

The Company entered into an employment agreement with Jon Isaac, its President and Chief Executive Officer, effective January 1, 2013, as amended on January 16, 2018. The agreement will expire on December 30, 2020. Mr. Isaac is entitled to a base annual salary in an amount of \$200,000, payable in periodic installments in accordance with the Company's regular payroll practices and subject to all applicable withholdings, including taxes. Mr. Isaac is eligible to receive an annual performance bonus at the sole discretion of the Compensation Committee of the Board or the entire Board. On or about November 11, 2019, the Compensation Committee of the Board of Directors of the Company approved an increase in Jon Isaac's salary to \$350,000 per year and awarded him a bonus of \$275,000. The increase in salary was effective immediately. The bonus was paid in full as of December 31, 2019. Mr. Isaac is entitled to reimbursement for all reasonable business expenses incurred by him in connection with his employment and the performance of his duties as President and Chief Executive Officer, including a reasonable housing expense, not to exceed \$7,000 per month. Mr. Isaac is eligible to participate fully in all health and benefit plans available to senior officers of the Company generally, as the same may be amended from time to time by the Board. Mr. Isaac's employment terminates upon the first to occur of the following dates: (i) date of Mr. Isaac's death; (ii) the date on which Mr. Isaac has experienced a Disability (as defined in his employment agreement), and we give Mr. Isaac notice of termination on account of Disability; (iii) the date on which Mr. Isaac has engaged in conduct that constitutes Cause (as defined in Mr. Isaac's employment agreement), and we give Mr. Isaac notice of termination for Cause; (iv) the date on which Mr. Isaac voluntarily terminates his relationship with us; or (v) the date on which we give Mr. Isaac notice of termination for any reason other than the reasons set forth in clauses (i) through (iv) above. Upon termination of Mr. Isaac's employment, we will have no further obligation to Mr. Isaac except that Mr. Isaac will be entitled to payment of any earned but unpaid salary through the date of termination and any unearned bonus in accordance with the terms of the employment agreement.

Marquis Industries, Inc., one of our subsidiaries, entered into an employment agreement with Weston A. Godfrey, Jr., effective on January 22, 2018 to employ him as its executive vice president from January 22, 2018 until July 1, 2018, and chief executive officer from July 1, 2018 through September 30, 2023, the date on which the agreement terminates. Mr. Godfrey is entitled to a base annual salary in an amount of \$285,000, payable in periodic installments in accordance with Marquis's customary payroll practices. Mr. Bailey is also entitled to receive a car allowance of \$1,000 per month, family health and dental insurance at Marquis' expense, a \$1.0 million term life insurance policy, and a family membership to a local fitness facility. Mr. Godfrey is eligible for annual cash bonuses (in an amount no less than \$75,000) after the end of the fiscal year based on the attainment of certain actual EBITDA ranges of Marquis during such fiscal year. In the event of a change of control of Marquis, Mr. Godfrey is entitled to a bonus equal to \$660,000. Marquis may terminate Mr. Godfrey for "cause" (as defined in Mr. Godfrey's employment agreement), or, in the event Mr. Godfrey becomes permanently disabled or is prevented by injury or sickness from attention to his duties for six consecutive weeks or more, without "cause." If Marquis terminates Mr. Godfrey's employment without "cause" other than because of Mr. Godfrey's death or disability, Mr. Godfrey will continue to receive his annual salary for a period of twelve months following such termination and receive fully paid family coverage of health and dental insurance at Marquis' expense until the earlier of twelve months after such termination or the date of Mr. Godfrey's subsequent employment. Mr. Godfrey's employment agreement also contains customary confidentiality, non-competition and non-disparagement provisions.

The Company entered into an employment agreement with Michael J. Stein, its Senior Vice President, General Counsel, dated September 5, 2017. Mr. Stein's employment commenced on October 2, 2017 and continues until his employment is terminated in accordance with the terms his employment agreement. Mr. Stein is entitled to a base annual salary in an amount of \$310,000, payable in periodic installments in accordance with the Company's regular payroll practices and subject to all applicable withholdings, including taxes. Mr. Stein is eligible to participate fully in all benefit programs or plans sponsored by the Company, as the same may be amended from time to time. Mr. Stein's employment terminates upon the first to occur of the following dates: (i) date of Mr. Stein's death; (ii) the date on which Mr. Stein has experienced a Disability (as defined in his employment agreement); (iii) the date on which Mr. Stein has engaged in conduct that constitutes Cause (as defined in Mr. Stein's employment agreement); (iv) the date on which we terminate Mr. Stein's employment for any reason other than Cause, provided that we give Mr. Stein 60 days written notice of such termination, (v) the date on which Mr. Stein voluntarily terminates his relationship with us, provided that Mr. Stein is required to give 30 days' advance written notice; or (vi) the date on which we give Mr. Stein notice of termination for any reason other than the reasons set forth in clauses (i) through (iv) above. Upon termination of Mr. Stein's employment, we will have no further obligation to Mr. Stein except that if we terminate Mr. Stein without cause or as a result of a Disability, Mr. Stein will continue to receive his unpaid annual salary for a period of three months following such termination, and, until the earlier of six months following Mr. Stein's date of termination and the date Mr. Stein is eligible to receive substantially similar coverage and benefits from a new employer, an amount equal to the difference between the COBRA continuation coverage premiums and the amount of premiums paid by similarly situated active employees of the Company under the Company's health insurance plans in which Mr. Stein and, if applicable, his family, were participating immediately prior to the termination date. Upon Mr. Stein's death, the Company will pay Mr. Stein's estate unpaid annual salary as lawfully required, and for a period of 12 months following his death, an amount equal to the difference between the COBRA continuation coverage premiums and the amount of premiums paid by similarly situated active employees of the Company under the Company's health insurance plans in which Mr. Stein and, if applicable, his family, were participating immediately prior to the termination date.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table summarizes all stock options held by the NEOs as of the end of fiscal 2019.

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
Jon Isaac <i>President and Chief Executive Officer</i>	25,000 (1)	7.50	1/15/2020
Weston A. Godfrey, Jr. <i>Chief Executive Officer of Marquis Industries</i>	25,000 (1)	10.00	1/15/2021
Michael J. Stein Senior Vice President and General Counsel	4,000 (2)	23.41	9/5/2027
	4,000 (2)	27.60	9/5/2027
	4,000 (2)	31.74	9/5/2027
	4,000 (2)	36.50	9/5/2027
	4,000 (2)	41.98	9/5/2027

(1) All options are fully vested.

(2) 4,000 shares vest each annual period on September 5, 2018 through September 5, 2022.

## DIRECTOR COMPENSATION

The following table summarizes compensation paid to each of our directors who served in such capacity during fiscal 2019. We have omitted from this table the columns for Stock Awards, Options Awards, Non-Equity Incentive Plan Compensation, and Nonqualified Deferred Compensation Earnings, as no amounts are required to be reported in any of those columns for any director during fiscal 2019.

None of our directors received separate compensation for attending meetings of our board of directors or any committees thereof. Our President and CEO, Jon Isaac, is the only director who is also an employee of Live Ventures. Jon Isaac is not entitled to separate compensation for his service on our board of directors.

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation (\$)	Total (\$)
Jon Isaac (1)	—	—	—
Richard D. Butler, Jr. (2)	30,000	—	30,000
Dennis Gao (3)	30,000	—	30,000
Tony Isaac (4)	24,000	—	24,000
Tyler Sickmeyer (5)	18,000	—	18,000

(1) Mr. Jon Isaac is not entitled to receive compensation for his service on our Board of Directors.

(2) Mr. Butler receives \$2,500 monthly, or \$30,000 annually in cash compensation for his services as a director.

(3) Mr. Gao receives \$2,500 monthly, or \$30,000 annually in cash compensation for his services as a director.

(4) Mr. Tony Isaac receives \$2,000 monthly, or \$24,000 annually in cash compensation for his services as a director.

(5) Mr. Sickmeyer receives \$1,500 monthly, or \$18,000 annually in cash compensation for his services as a director.

## EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes securities available for issuance under Live Venture's equity compensation plans as of September 30, 2019:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	200,418	\$ 16.05	99,582
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>200,418</b>	<b>\$ 16.05</b>	<b>99,582</b>

### 2014 Omnibus Equity Incentive Plan

On January 7, 2014, our Board of Directors adopted the 2014 Omnibus Equity Incentive Plan (the "2014 Plan"), which authorizes the issuance of distribution equivalent rights, incentive stock options, non-qualified stock options, performance stock, performance units, restricted ordinary shares, restricted stock units, stock appreciation rights, tandem stock appreciation rights and unrestricted ordinary shares to our officers, employees, directors, consultants and advisors. The Company has reserved up to 300,000 shares of common stock for issuance under the 2014 Plan.

**ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth information regarding the beneficial ownership of our common stock as of January 29, 2020 of (i) each executive officer and each director of our Company; (ii) all executive officers and directors of our Company as a group; and (iii) each person known to the Company to be the beneficial owner of more than 5% of our common stock. We deem shares of our common stock that may be acquired by an individual or group within 60 days of January 29, 2020 pursuant to the exercise of options or warrants or conversion of convertible securities, to be outstanding for the purpose of computing the percentage ownership of such individual or group, but these shares are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group shown in the table. Percentage of ownership is based on 1,765,196 shares of common stock outstanding on January 29, 2020. The information as to beneficial ownership was either (i) furnished to us by or on behalf of the persons named or (ii) determined based on a review of the beneficial owners' Schedules 13D and Section 16 filings with respect to our common stock. Unless otherwise indicated, the business address of each person listed is 325 East Warm Springs Road, Suite 102, Las Vegas, Nevada 89119.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
<b>Executive Officers and Directors:</b>		
Jon Isaac, <i>President and Chief Executive Officer of Live Ventures Incorporated</i> <sup>(1)</sup>	1,596,827	45.9 %
Weston A. Godfrey, Jr., <i>Chief Executive Officer of Marquis Industries, Inc.</i>	—	—
Michael J. Stein, <i>Senior Vice President and General Counsel</i> <sup>(2)</sup>	8,000	*
Rodney Spriggs, <i>President and Chief Executive Officer of Vintage Stock, Inc.</i> <sup>(3)</sup>	12,500	*
Virland Johnson, <i>Chief Financial Officer</i> <sup>(4)</sup>	8,000	*
Tony Isaac, <i>Director</i>	105,000	5.7 %
Richard D. Butler, Jr., <i>Director</i>	15,487	*
Dennis Gao, <i>Director</i>	12,671	*
Tyler Sickmeyer, <i>Director</i>	—	—
All Executive Officers and Directors as a group (9 persons)	1,758,485	62.0 %
<b>Other 5% Stockholders:</b>		
Isaac Capital Group, LLC <sup>(5)</sup> 3525 Del Mar Heights Rd. Suite 765 San Diego, California 92130	1,381,905	38.4 %

\*Represents less than 1% of our issued and outstanding common stock.

- (1) Includes 158,356 shares of Series B Convertible Preferred Stock ("Series B Preferred Stock") that are convertible into 791,759 shares of common stock owned by Isaac Capital Group, LLC ("ICG"), of which Jon Isaac is the President and sole member and according has sole voting and dispositive power with respect to such shares. Also includes warrants to purchase 118,029 shares of Series B Preferred Stock which are convertible in 590,146 additional shares of common stock at exercise prices ranging from \$3.32 to \$5.70 per share held by ICG. Jon Isaac owns 164,922 shares of common stock. Finally, Mr. Isaac holds options to purchase up to 50,000 shares of common stock at exercise prices ranging from \$7.50 to \$10.00 per share, all of which are currently exercisable.
- (2) Includes options to purchase 8,000 shares of common stock at exercise prices ranging from \$23.41 to \$31.74 per share.
- (3) Includes options to purchase 12,500 shares of common stock at an exercise price of \$10.86 per share.
- (4) Includes options to purchase 8,000 shares of common stock at exercise prices ranging from \$23.41 to \$27.60 per share
- (5) Includes 158,356 shares of Series B Preferred Stock that are convertible into 791,759 shares of common stock owned by ICG. Also includes warrants to purchase 118,029 shares of Series B Preferred Stock which are convertible into 590,146 additional shares of common stock at exercise prices ranging from \$3.32 to \$5.70 per share held by ICG.

**ITEM 13. Certain Relationships and Related Transactions, and Director Independence**

**Mezzanine Loan from Isaac Capital Fund**

In connection with the purchase of Marquis Industries Inc., the Company entered into a mezzanine loan in an amount of up to \$7,000,000 provided by Isaac Capital Fund, a private lender whose managing member is Jon Isaac, the chief executive officer of the Company.

The Isaac Capital Fund mezzanine loan bears interest at 12.5% with payment obligations of interest each month and all principal due in January 2021 (six months after the final payments are due under the Bank of America Term and Revolving Loan). As of September 30, 2019, there was \$2,000,000 outstanding on this mezzanine loan.

**ICG Note and Warrants**

On January 16, 2018 and December 3, 2019, we entered into separate amendments to warrants with Isaac Capital Group, LLC each of which amends the expiration date of certain warrants issued to Isaac Capital Group, LLC to provide that if the specified warrant remains unexercised on the expiration date, then the expiration date shall be automatically extended for a period of two years from such date.

**Customer Connexx**

Customer Connexx LLC, a wholly owned subsidiary of JanOne Inc. (formerly Appliance Recycling Centers of America, Inc.), sub-leases call center space from Live Ventures Incorporated in Las Vegas, Nevada. Total amount of sub-lease rent and common area charges was approximately \$176,000 for fiscal year ended September 30, 2019.

**ApplianceSmart**

On December 30, 2017, ASH entered into the Agreement with the Seller and ApplianceSmart, a subsidiary of the Seller. Pursuant to the Agreement, ASH purchased from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for the Purchase Price. ASH was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, ASH and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, ASH delivered to the Seller the ApplianceSmart Note in the Original Principal Amount, as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on the Maturity Date. The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining \$2,580,506 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of September 30, 2019, there was \$3,821,507 outstanding on the ApplianceSmart Note.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller.

On December 28, 2018, ApplianceSmart Contracting Inc. (“Contracting”) granted the Seller a security interest in the assets of Contracting in accordance with the terms of a security agreement entered into between the Seller and Contracting.



On December 9, 2019, ApplianceSmart filed a voluntary petition (the “Chapter 11 Case”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) seeking relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). The bankruptcy affects Live Ventures’ indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, or Live Ventures itself. ApplianceSmart expects to continue to operate its business in the ordinary course of business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and the orders of the Bankruptcy Court. In addition, the Company reserves its right to file a motion seeking authority to use cash collateral of the lenders under the reserve-based revolving credit facility. The case is being administrated under the caption *In re: ApplianceSmart, Inc.* (case number 19-13887). Court filings and other information related to the Chapter 11 Case are available at the PACER Case Locator website for those registered to do so or at the Courthouse located at One Bowling Green, Manhattan, New York 10004.

#### Procedures for Approval of Related Party Transactions

In accordance with its charter, the Audit Committee reviews and recommends for approval all related party transactions (as such term is defined for purposes of Item 404 of Regulation S-K). The Audit Committee participated in the approval of the transactions described above.

#### ITEM 14. Principal Accounting Fees and Services

Each year, the Audit Committee approves the annual audit engagement in advance. The Audit Committee also has established procedures to pre-approve all non-audit services provided by the Company’s independent registered public accounting firm. All fiscal 2019 and 2018 non-audit services listed below were pre-approved.

*Audit and Audit-Related Fees:* This category includes the audit of our annual financial statements and review of financial statements included in our annual and periodic reports that are filed with the SEC. This category also includes services performed for the preparation of responses to SEC and NASDAQ correspondence, travel expenses for our auditors, on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements, and the preparation of an annual “management letter” on internal control and other matters.

*Tax Fees:* This category consists of professional services rendered by our independent auditors for tax compliance.

*All Other Fees* consist of fees for services other than the services described above.

The following fees were billed to us by our independent registered public accounting firm, WSRP, LLC for 2019 and WSRP, LLC, BDO LLP and SingerLewak LLP for 2018. SingerLewak LLP reviewed the Company’s quarterly financial statements for each of the first three fiscal quarters during fiscal 2018. BDO LLP audited the 2017 annual financial statements for which costs were billed during the first quarter of 2018.

	2019	2018
Audit Fees	\$ 219,154	\$ 327,276
Audit-Related Fees	—	—
Tax Fees	66,440	106,777
All Other Fees	—	—
Total	<u>\$ 285,594</u>	<u>\$ 434,053</u>

## PART IV

## ITEM 15. Exhibits and Financial Statement Schedules

The following exhibits are filed with or incorporated by reference into this Annual Report.

Exhibit Number	Exhibit Description	Form	File Number	Exhibit Number	Filing Date
2.1	<a href="#">Stock Purchase Agreement dated December 30, 2017 among Appliancesmart Holdings LLC, ApplianceSmart, Inc., and Appliance Recycling Centers of America, Inc.</a>	10-Q	001-33937	10.1	02/14/18
2.2	<a href="#">Bill of Sale and Assignment and Assumption Agreement dated December 21, 2018 by and between Viridian Fibers, LLC and Marquis Industries, Inc.</a>	10-K	001-33937	2.2	12/27/18
2.3	<a href="#">Purchase Agreement dated November 1, 2019, by and among Marquis Affiliated Holdings LLC, Lonesome Oak Trading Co., Inc., and J. Chadwick McEntire</a>	8-K	001-33937	2.3	02/06/20
2.4	<a href="#">First Amendment to Purchase Agreement dated November 1, 2019, by and among Marquis Affiliated Holdings LLC, Lonesome Oak Trading Co., Inc., and J. Chadwick McEntire</a>	8-K	001-33937	2.4	02/06/20
3.1	<a href="#">Amended and Restated Articles of Incorporation</a>	8-K	000-24217	3.1	08/15/07
3.2	<a href="#">Certificate of Change</a>	8-K	001-33937	3.1	09/7/10
3.3	<a href="#">Certificate of Correction</a>	8-K	001-33937	3.1	03/11/13
3.4	<a href="#">Certificate of Change</a>	10-Q	001-33937	3.1	02/14/14
3.5	<a href="#">Articles of Merger</a>	8-K	001-33937	3.1.4	10/8/15
3.6	<a href="#">Certificate of Change</a>	8-K	001-33937	3.1.5	11/25/16
3.7	<a href="#">Certificate of Designation for Series B Convertible Preferred Stock filed with Secretary of State for the State of Nevada on December 23, 2016, and effective as of December 27, 2016</a>	10-K	001-33937	3.1.6	12/29/16
3.8	<a href="#">Bylaws</a>	10-Q	001-33937	3.8	08/14/18
4.1	<a href="#">Waiver Agreement dated September 6, 2017</a>	10-K	001-33937	4.1	01/18/18
4.2*	<a href="#">Description of Our Securities</a>				
4.3*	<a href="#">Specimen Stock Certificate</a>				
10.1	<a href="#">Note and Warrant Purchase Agreement, dated April 3, 2012 (the "Note and Warrant Purchase Agreement"), by and between the Registrant and Isaac Capital Group LLC</a>	10-Q	001-33937	10.1	05/15/12
10.2	<a href="#">Senior Subordinated Convertible Note (under Note and Warrant Purchase Agreement)</a>	10-Q	001-33937	10.2	05/15/12
10.3	<a href="#">Subordinated Guaranty (under Note Purchase and Warrant Agreement)</a>	10-Q	001-33937	10.3	05/15/12
10.4	<a href="#">Form of Warrant (under Note and Warrant Purchase Agreement)</a>	10-Q	001-33937	10.4	05/15/12

10.5	<a href="#"><u>First Amendment to Note Purchase Agreement, made and entered into as of April 3, 2012, by and between the Registrant and Isaac Capital Group LLC</u></a>	10-K	001-33937	10.12.1	01/15/13
10.6	<a href="#"><u>Warrant Amendment dated as of December , 2014</u></a>	10-K	001-33937	10.9	01/18/18
10.7	<a href="#"><u>Warrant Amendment dated as of December 27, 2016</u></a>	10-K	001-33937	10.10	01/18/18
10.8	<a href="#"><u>Amendment to Warrants dated as of January 16, 2018</u></a>	10-K	001-33937	10.11	01/18/18
10.9*	<a href="#"><u>Amendment to Warrant dated as of December 3, 2019</u></a>				
10.10	<a href="#"><u>Convertible Note Purchase Agreement, dated as of January 7, 2014, by and between the Registrant and Kingston Diversified Holdings LLC (the "2014 Note Purchase Agreement")</u></a>	10-K	001-33937	10.7	12/29/16
10.11	<a href="#"><u>Form of Convertible Note (under 2014 Note Purchase Agreement)</u></a>	10-K	001-33937	10.11	01/10/14
10.12	<a href="#"><u>Form of Warrant (under 2014 Note Purchase Agreement)</u></a>	10-K	001-33937	10.12	01/10/14
10.13	<a href="#"><u>Amendment No. 1 to Convertible Note Purchase Agreement, dated as of October 29, 2014, by and between the Registrant and Kingston Diversified Holdings LLC</u></a>	10-K	001-33937	10.7a	12/29/16
10.14	<a href="#"><u>Amendment No. 2 to Convertible Note Purchase Agreement, dated as of December 21, 2016, by and between the Registrant and Kingston Diversified Holdings LLC</u></a>	10-K	001-33937	10.7b	12/29/16
10.15	<a href="#"><u>Share Exchange Agreement between Isaac Capital Group, LLC and Live Ventures Incorporated, dated December 27, 2016</u></a>	10-Q	001-33937	10.1	02/09/17
10.16	<a href="#"><u>Purchase Agreement, dated as of July 6, 2015 by and among the Registrant, Marquis Affiliated Holdings LLC, Marquis Industries, Inc. and the stockholders of Marquis Industries, Inc.</u></a>	10-K	001-33937	10.15	01/13/16
10.17	<a href="#"><u>Loan and Security Agreement, dated as of July 6, 2015 by and among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., A-O Industries, LLC, Astro Carpet Mills, LLC, Constellation Industries, LLC and S F Commercial Properties, LLC, as Borrowers, and Bank of America, N.A. as Lender.</u></a>	10-K	001-33937	10.16	01/13/16
10.18	<a href="#"><u>Subordinated Loan and Security Agreement, dated as of July 6, 2015 by and among Marquis Affiliated Holdings, LLC, Marquis Industries, Inc., A-O Industries, LLC, Astro Carpet Mills, LLC, Constellation Industries, LLC and SF Commercial Properties, LLC as Borrowers and Isaac Capital Fund I, LLC as Lender</u></a>	10-K	001-33937	10.17	01/13/16
10.19	<a href="#"><u>Consent, Joinder and First Amendment to Loan and Security Agreement by and among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., Lonesome Oak Trading Co., Inc., and Isaac Capital Fund I, LLC as Lender</u></a>	8-K	001-33937	10.2	02/06/20
10.20	<a href="#"><u>Lease Agreement, effective July 6, 2015, by and between 716 River Street Partners LLC, as lessor and Constellation Industries, LLC as lessee</u></a>	10-K	001-33937	10.18	01/13/16

10.21	<a href="#"><u>Agreement, effective November 30, 2015 by and among the Registrant, Marquis Affiliated Holdings LLC, Marquis Industries, Inc. and the stockholders of Marquis Industries, Inc.</u></a>	10-Q	001-33937	10.1	02/16/16
10.22	<a href="#"><u>Promissory Note dated June 14, 2016, by Marquis Real Estate Holdings, LLC in favor of STORE Capital Acquisitions LLC</u></a>	10-Q	001-33937	10.1	08/15/16
10.23	<a href="#"><u>Mortgage Loan Agreement dated June 14, 2016 by and between STORE Capital Acquisitions LLC and Marquis Real Estate Holdings, LLC</u></a>	10-Q	001-33937	10.2	08/15/16
10.24	<a href="#"><u>Master Lease Agreement dated June 14, 2016 by and between STORE Capital Acquisitions LLC and Marquis Real Estate Holdings, LLC</u></a>	10-Q	001-33937	10.3	08/15/16
10.25	<a href="#"><u>Purchase and Sale Agreement dated June 14, 2016 by and between STORE Capital Acquisitions LLC and Marquis Real Estate Holdings, LLC</u></a>	10-Q	001-33937	10.4	08/15/16
10.26	<a href="#"><u>Equipment Security Note between Banc of America Leasing &amp; Capital, LLC and Marquis Industries, Inc.</u></a>	10-Q	001-33937	10.2	02/09/17
10.27	<a href="#"><u>Fifth Amendment to Loan and Security Agreement between Banc of America Leasing &amp; Capital, LLC and Marquis Industries, Inc. dated February 28, 2017</u></a>	10-Q	001-33937	10.1	05/11/17
10.28	<a href="#"><u>Consent and Sixth Amendment to Loan and Security Agreement dated June 5, 2018 among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., Bank of America, N.A., and the other parties thereto</u></a>	10-Q	001-33937	10.7	08/14/18
10.29	<a href="#"><u>Consent to Turf Business Sale dated December 19, 2018 among Bank of America, N.A., Marquis Affiliated Holdings LLC, and Marquis Industries, Inc.</u></a>	10-K	001-33937	10.27	12/27/18
10.30	<a href="#"><u>Seventh Amendment to Loan and Security Agreement dated December 24, 2018 among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., and Bank of America, N.A.</u></a>	10-K	001-33937	10.28	12/27/18
10.31	<a href="#"><u>Consent, Joinder and Eighth Amendment to Loan and Security Agreement dated January 31, 2020 among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., Lonesome Oak Trading Co., Inc., and Bank of America, N.A.</u></a>	8-K	001-33937	10.1	02/06/20
10.32	<a href="#"><u>Stock Purchase Agreement by and among Vintage Stock Affiliated Holdings LLC (an affiliate of the Registrant), Vintage Stock, Inc., and the Shareholders of Vintage Stock, Inc., dated November 3, 2016</u></a>	10-K	001-33937	10.22	12/29/16
10.33	<a href="#"><u>Amended and Restated Subordinated Promissory Note of Vintage Stock Affiliated Holdings LLC in favor of certain of the Shareholders of Vintage Stock, Inc., dated June 7, 2018</u></a>	10-K	001-33937	10.30	12/27/18
10.34	<a href="#"><u>Amended and Restated Subordination Agreement by and among Rodney Spriggs, in his capacity as the representative of certain of the Shareholders of Vintage Stock, Inc., and Wilmington Trust, National Association, dated June 7, 2018</u></a>	10-K	001-33937	10.31	12/27/18

10.35	<a href="#"><u>Loan Agreement between Vintage Stock, Inc. and Texas Capital Bank, National Association, dated November 3, 2016</u></a>	10-K	001-33937	10.27	12/29/16
10.36	<a href="#"><u>First Amendment to Loan Agreement between Texas Capital Bank, National Association and Vintage Stock, Inc., dated January 23, 2017</u></a>	10-K	001-33937	10.30	01/18/18
10.37	<a href="#"><u>Second Amendment to Loan Agreement dated September 20, 2017 between Texas Capital Bank, National Association and Vintage Stock, Inc.</u></a>	10-K	001-33937	10.31	01/18/18
10.38	<a href="#"><u>Third Amendment to Loan Agreement dated June 7, 2018 between Texas Capital Bank, National Association and Vintage Stock, Inc.</u></a>	8-K	001-33937	10.3	06/11/18
10.39	<a href="#"><u>Fourth Amendment to Loan Agreement dated June 24, 2019 between Texas Capital Bank, National Association and Vintage Stock, Inc.</u></a>	10-Q	001-33937	10.1	08/14/19
10.40	<a href="#"><u>Revolving Credit Note of Vintage Stock Inc., in favor of Texas Capital Bank, National Association, dated November 3, 2016</u></a>	10-K	001-33937	10.28	12/29/16
10.41	<a href="#"><u>Security Agreement of Vintage Stock Inc., in favor of Texas Capital Bank, National Association, dated November 3, 2016</u></a>	10-K	001-33937	10.29	12/29/16
10.42	<a href="#"><u>Waiver Agreement by and among Texas Capital Bank, National Association and Vintage Stock, Inc., dated March 15, 2018</u></a>	8-K	001-33937	10.12	03/15/18
10.43	<a href="#"><u>Term Loan Agreement among Vintage Stock Inc., Vintage Stock Affiliated Holdings LLC, the Subsidiaries of the Borrowers Party Hereto, the Lenders Party Hereto, Wilmington Trust, National Association, as Administrative Agent, and Capitala Private Credit Fund V, L.P., as Lead Arranger, dated November 3, 2017</u></a>	10-K	001-33937	10.30	12/29/16
10.44	<a href="#"><u>First Amendment and Waiver to Term Loan Agreement by and among Vintage Stock Affiliated Holdings, LLC, Vintage Stock, Inc., Wilmington Trust, National Association, Capitala Private Credit Fund V, L.P., and the other parties thereto dated October 10, 2017</u></a>	8-K	001-33937	10.1	10/13/17
10.45	<a href="#"><u>Second Amendment and Waiver to Term Loan Agreement by and among Vintage Stock Affiliated Holdings, LLC, Vintage Stock, Inc., Wilmington Trust, National Association, Capitala Private Credit Fund V, L.P., and the other parties thereto dated March 15, 2018</u></a>	8-K	001-33937	10.1	03/16/18
10.46	<a href="#"><u>Form of Note under the Capitala Term Loan Agreement</u></a>	10-K	001-33937	10.31	12/29/16
10.47	<a href="#"><u>Security and Pledge Agreement among Vintage Stock Affiliated Holdings LLC, Vintage Stock, Inc., and Wilmington Trust, National Association, as Administrative Agent, dated November 3, 2016</u></a>	10-K	001-33937	10.32	12/29/16
10.48	<a href="#"><u>Amended and Restated Promissory Note issued by ApplianceSmart Holdings LLC</u></a>	10-K	001-33937	10.44	12/27/18

10.49	<a href="#">Security Agreement dated December 26, 2018 by and between ApplianceSmart Holdings LLC and Appliance Recycling Centers of America, Inc.</a>	10-K	001-33937	10.45	12/27/18
10.50	<a href="#">Security Agreement dated December 26, 2018 by and between ApplianceSmart, Inc. and Appliance Recycling Centers of America, Inc.</a>	10-K	001-33937	10.46	12/27/18
10.51	<a href="#">Security Agreement dated December 28, 2018 by and between ApplianceSmart Contracting, Inc. and Appliance Recycling Centers of America, Inc.</a>	10-Q	001-33937	10.1	02/13/19
10.52	<a href="#">Agreement and Guaranty dated December 28, 2018 by ApplianceSmart Contracting Inc. in favor of Appliance Recycling Centers of America, Inc.</a>	10-Q	001-33937	10.2	02/13/19
10.53	<a href="#">Amended and Restated Credit Agreement, dated as of June 7, 2018, by and among the lenders from time to time party thereto, Comvest Capital IV, L.P., Vintage Stock, Inc., and Vintage Stock Affiliated Holdings LLC</a>	8-K	001-33937	10.1	06/11/18
10.54	<a href="#">Limited Waiver and First Amendment to Amended and Restated Credit Agreement and Amended and Restated Management Fee Subordination Agreement, dated as of September 3, 2019, by and among the lenders party thereto, Comvest Capital IV, L.P., Vintage Stock, Inc., and acknowledged and agreed to by Vintage Stock Affiliated Holdings LLC and Live Ventures Incorporated</a>	8-K	001-33937	10.1	09/05/19
10.55	<a href="#">Limited Guaranty, dated as of June 7, 2018, by Live Ventures Incorporated in favor of Comvest Capital IV, L.P.</a>	8-K	001-33937	10.2	06/11/18
10.56	<a href="#">Loan and Security Agreement, dated as of March 15, 2019, by and between ApplianceSmart, Inc. and Crossroads Financing, LLC</a>	8-K	001-33937	10.2	03/19/19
10.57†	<a href="#">Employment Agreement between LiveDeal, Inc. and Jon Isaac</a>	10-Q	001-33937	10.1	05/14/13
10.58†	<a href="#">Amendment to Employment Agreement dated January 16, 2018 between Live Ventures Incorporated and Jon Isaac</a>	10-K	001-33937	10.39	01/18/18
10.59†	<a href="#">Employment Agreement between the Live Ventures Incorporated and Virland A. Johnson, dated January 3, 2017</a>	8-K	001-33937	10.1	01/05/17
10.60†	<a href="#">Incentive Stock Option Agreement between Live Ventures Incorporated and Virland A. Johnson, dated January 3, 2017</a>	8-K	001-33937	10.2	01/05/17
10.61†	<a href="#">Employment Agreement between Live Ventures Incorporated and Michael J. Stein, effective October 2, 2017</a>	8-K	001-33937	10.1	10/02/17
10.62†	<a href="#">Incentive Stock Option Agreement between Live Ventures Incorporated and Michael J. Stein, effective October 2, 2017</a>	8-K	001-33937	10.2	10/02/17
10.63†	<a href="#">Employment Agreement between Vintage Stock Inc. and Rodney Spriggs, dated November 3, 2016</a>	10-K	001-33937	10.25	12/29/16
10.64†	<a href="#">Non-qualified Stock Option Agreement between the Registrant and Rodney Spriggs, dated November 3, 2016</a>	10-K	001-33937	10.26	12/29/16

10.65†	<a href="#">Employment Agreement between Marquis Industries, Inc. and Weston A. Godfrey, Jr., dated January 22, 2018</a>	10-K	001-33937	10.57	12/27/18
10.66†	<a href="#">2014 Omnibus Equity Incentive Plan</a>	DEF 14A	001-33937	Appendix A to 2014 Proxy Statement	06/23/14
14	<a href="#">Code of Business Conduct and Ethics, Adopted December 31, 2003</a>	10-QSB		14	05/13/04
16.1	<a href="#">Letter from SingerLewak LLP</a>	8-K	001-33937	16.1	10/18/18
21.1*	<a href="#">List of Subsidiaries of the Registrant</a>				
23.1*	<a href="#">Consent of WRSP, LLC independent registered public accounting firm</a>				
31.1*	<a href="#">Certification of the President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
31.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
32.1*	<a href="#">Certification of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
32.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
101	The following materials from the Company's Annual Report on Form 10-K, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of September 30, 2019 and 2018, (ii) the Consolidated Statements of Operations for the Years Ended September 30, 2019 and 2018, (iii) Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2019 and 2018, (iv) the Consolidated Statements of Cash Flows for the Years Ended September 30, 2019 and 2018, and (v) the Notes to Consolidated Financial Statements				

\* Filed herewith

† Indicates a management contract or compensatory plan or arrangement.

**ITEM 16. Form 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LIVE VENTURES INCORPORATED**

/s/ Jon Isaac  
Jon Isaac  
President and Chief Executive Officer  
Date: February 7, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Jon Isaac</u> Jon Isaac	President and Chief Executive Officer Director (Principal Executive Officer)	February 7, 2020
<u>/s/ Virland A. Johnson</u> Virland A. Johnson	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 7, 2020
<u>/s/ Tony Isaac</u> Tony Isaac	Director	February 7, 2020
<u>/s/ Richard D. Butler, Jr.</u> Richard D. Butler, Jr.	Director	February 7, 2020
<u>/s/ Dennis Gao</u> Dennis Gao	Director	February 7, 2020
<u>/s/ Tyler Sickmeyer</u> Tyler Sickmeyer	Director	February 7, 2020



## Description of Live Ventures Incorporated's Common Stock

*The following summary of terms of our common stock, par value \$0.001 per share (our "Common Stock"), is based upon our Amended and Restated Articles of Incorporation (our "Charter") and Bylaws (our "Bylaws"), currently in effect, and under Chapter 78 of the Nevada Revised Statutes (the "NRS"). This summary is not complete and is subject to, and qualified in its entirety by reference to, our Charter and our Bylaws. For a complete description of the terms and provisions of our Common Stock, refer to our Charter and Bylaws, which are filed as exhibits to this Annual Report on Form 10-K. Throughout this section, references to "we," "our," and "us" refer to Live Ventures Incorporated. We encourage you to read these documents and the applicable provisions of the NRS, carefully.*

### *General*

Our authorized capital stock consists of 10,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, par value \$0.001 per share, of which 288,588 shares are designated as Series A-1 Convertible Preferred Stock (our "Series E Preferred Stock").

As of September 30, 2019, we had 1,826,009 shares of our Common Stock issued and outstanding, 214,000 shares of our Series B Preferred Stock issued and outstanding, and 77,840 shares of our Series E Preferred Stock issued and outstanding.

The authorized and unissued shares of common stock and preferred stock are available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange on which our securities may be listed. Unless approval of our stockholders is so required, our Board of Directors (our "Board") does not currently intend to seek stockholder approval for the issuance and sale of our common stock.

All of our issued and outstanding shares of our capital stock are fully paid and non-assessable.

### *Voting, Dividend, and Liquidation Rights*

Each holder of our Common Stock is entitled to one vote for each share issued and outstanding held on all matters to be voted upon by the stockholders. Our Charter does not provide for cumulative voting in the election of directors. The holders of shares of our Common Stock will be entitled to such cash dividends as may be declared from time to time by our Board from funds available therefor. Upon the sale of substantially all of our capital stock or assets in a non-public transaction or dissolution, liquidation or winding up, and after all liquidation preferences payable to any series of preferred stock entitled thereto have been satisfied, our remaining assets shall be distributed to all holders of Common Stock and any similarly situated stockholders who are not entitled to any liquidation preference or, if there be an insufficient amount to pay all such stockholders, then ratably among such holders.

### *Preemptive or Other Rights*

Our shares of Common Stock do not have any preemptive, conversion, or redemption rights.

### *Stockholder Action; Special Meetings*

Our Bylaws provide that stockholders' actions can only be taken at an annual or special meeting of our stockholders. Our Bylaws provide that special meetings of the stockholders may be called at any time only by the Chairman of our Board, our Chief Executive Officer, or our President. Our Charter does not permit stockholders to take action by written consent in lieu of an annual or special meeting unless the action to be effected and the taking of such action by written consent has been approved in advance by our Board.

#### *Board of Directors; Removal; Vacancies*

Our Bylaws specify that the number of directors is to be determined by a majority of the total number of directors serving prior to any increase or decrease, provided there are at least three and no more than nine directors. Our Board is currently composed of five directors. We do not have a classified Board. Pursuant to our Bylaws and the NRS, a director serves until the next annual meeting and until his or her successor has been elected and qualified, or until his or her earlier death, removal, or resignation.

Newly created directorships resulting from an increase in the number of directors and vacancies occurring on our Board for any reason may be filled by a vote of a majority of the directors then in office, although less than a quorum exists. A director that is appointed or elected to fill a vacancy shall hold office for the remaining term of his or her predecessor.

#### *Limitation of Liability and Indemnification*

Our Charter provides that none of our directors and officers shall be personally liable to us or our stockholders for damages for breach of fiduciary duty as a director or officer, except for liability for (i) acts or omissions that involve intentional misconduct, fraud, or knowing violation of law, or (ii) for authorizing any distribution in violation of Section 78.300 of the NRS. Our Bylaws provide that any officer or director who is made a party or witness to an action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was one of our directors or officers or serving at our request as a director, officer, employee, or agent, shall be indemnified and held harmless by us to the fullest extent authorized by the NRS. The right to indemnification shall include the right of advancement of expenses to the extent permitted under the NRS.

#### *Listing and Transfer Agent*

Our common stock is listed on The Nasdaq Capital Market under the symbol "LIVE." The transfer agent and registrar for our common stock is VStock Transfer, LLC.

#### **Anti-Takeover Effects of Certain Provisions of our Charter, our Bylaws, and the NRS**

Certain provisions of the NRS and our Charter and Bylaws could make more difficult the acquisition of us by means of a tender offer or otherwise, and the removal of incumbent officers and directors. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us.

#### *Advance Notice of Stockholder Proposals*

Our Bylaws provide that stockholders may submit proposals for inclusion in the agenda for an Annual Meeting of Stockholders by complying with the advance notice procedures set forth in our Bylaws. Stockholder proposals must be submitted to the Chairman of our Board, our Chief Executive Officer, our President, or our Secretary not less than 120 days before the one-year anniversary of the date on which we released our proxy statement in connection with the previous year's annual meeting of stockholders. In the event that our annual meeting date has been changed by more than 30 days from the date of the prior year's annual meeting, written proposals must be submitted within a reasonable time before we begin to print and mail our proxy materials. To be in proper form, a stockholder's written proposal must include: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of our capital stock that are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting. This provision could make it more difficult for stockholders to submit proposals for consideration and nominees for director at an annual meeting of our stockholders.

### *Business Combinations*

The “business combination” provisions of Sections 78.411 to 78.444, inclusive, of the NRS prohibit a Nevada corporation with at least 200 stockholders (at least 100 of whom are stockholders of record and residents of the State of Nevada) from engaging in various “combination” transactions with any interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the transaction is approved by the entity’s board of directors prior to the date the interested stockholder obtained such status; or after the expiration of the three-year period, unless:

- the transaction is approved by the entity’s board of directors or a majority of the voting power held by disinterested stockholders of the entity, or
- if the consideration to be paid by the interested stockholder is at least equal to the highest of: (a) the highest price per share paid by the interested stockholder within the three years immediately preceding the date of the announcement of the combination or in the transaction in which it became an interested stockholder, whichever is higher, (b) the market value per share of common stock on the date of announcement of the combination and the date the interested stockholder acquired the shares, whichever is higher, or (c) for holders of preferred stock, the highest liquidation value of the preferred stock, if it is higher.

A “combination” is defined to include mergers or consolidations or any sale, lease exchange, mortgage, pledge, transfer, or other disposition, in one transaction or a series of transactions, with an “interested stockholder” having: (a) an aggregate market value equal to five percent (5%) or more of the aggregate market value of the assets of the corporation, (b) an aggregate market value equal to five percent (5%) or more of the aggregate market value of all outstanding shares of the corporation, or (c) ten percent (10%) or more of the earning power or net income of the corporation.

In general, an “interested stockholder” is a person who, together with affiliates and associates, owns (or within three years, did own) ten percent (10%) or more of an entity’s voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

### *Acquisitions of Controlling Interest*

Nevada’s “acquisition of controlling interest” statutes (NRS 78.378 through 78.3793, inclusive) contain provisions governing the acquisition of a controlling interest in certain Nevada corporations. These “control share” laws provide generally that any person who acquires a “controlling interest” in certain Nevada corporations may be denied voting rights, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights. These laws would apply to us as of a particular date if we were to have 200 or more stockholders of record (at least 100 of whom have addresses in Nevada appearing on our stock ledger at all times during the 90 days immediately preceding that date) and do business in the State of Nevada directly or through an affiliated corporation, unless that corporation’s articles of incorporation or bylaws in effect on the tenth day after the acquisition of a controlling interest provide otherwise. These laws provide that a person acquires a “controlling interest” whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the NRS, would enable that person to exercise (1) one-fifth or more, but less than one-third, (2) one-third or more, but less than a majority or (3) a majority or more of all of the voting power of that corporation in the election of its directors. Once an acquirer crosses one of these thresholds, shares that it acquired in the transaction that took it over the threshold and shares that it acquired within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become “control shares” to which the voting restrictions described above apply.



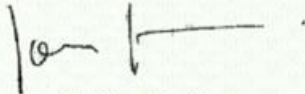
NUMBER	<b>Live Ventures Incorporated</b>	SHARES
CERT.9999	INCORPORATED UNDER THE LAWS OF THE STATE OF NEVADA	*****9,000,000,000*****
	\$0.001 PAR VALUE COMMON STOCK	CUSIP 999999Z29
		COMMON STOCK

THIS CERTIFIES THAT \* SPECIMEN \*  
Is The Owner of \* NINE BILLION AND 00/100 \*  
FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF  
Live Ventures Incorporated

Transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Dated: JANUARY 01, 2009

COUNTERSIGNED AND REGISTERED:  
VSTOCK TRANSFER, LLC  
Transfer Agent and Registrar

  
Chief Executive Officer

By: \_\_\_\_\_  
AUTHORIZED SIGNATURE

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The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with the right of Survivorship and not as tenants In common

UNIF GIFT MIN ACT

Act

Custodian  
\_\_\_\_\_  
(Cust) (Minor)  
\_\_\_\_\_  
State

Additional abbreviations may also be used through not in the above list.

*For value received,* \_\_\_\_\_ *herby sell, assign and transfer unto*

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

\_\_\_\_\_  
*shares*

*of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint*

\_\_\_\_\_  
*, Attorney*

*to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises*

*Dated* \_\_\_\_\_

*X* \_\_\_\_\_

THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THIS CERTIFICATE. THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions)

## AMENDMENT TO WARRANT

This Amendment to Warrant (this "*Amendment*") is made and entered into this 3<sup>rd</sup> day of December 2019 by and between Live Ventures Incorporated (formerly LiveDeal, Inc.) (the "*Company*") and Isaac Capital Group, LLC (the "*Investor*").

## WITNESSETH:

**WHEREAS**, Investor holds the warrants to purchase shares of Series B Convertible Preferred Stock issued by the Company as set forth on Exhibit A attached hereto (the "*Warrant*").

**WHEREAS**, the Company believes it is desirable and in the best interests of the Company and the stockholders to extend the period during which the Warrants may be exercised in accordance with the terms hereof.

**WHEREAS**, on January 16, 2018, the Company and the Investor entered into a similar agreement and are entering into this Agreement in a manner consistent with the January 2018 transaction.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendment to Warrant. The Warrant is hereby amended so that the defined term "Expiration Date" is deleted in its entirety and replaced with the following:

"at any time and from time to time from and after the date hereof through and including the date that is five (5) years following the date of issuance set forth above (the "Expiration Date"); provided, however, that if this Warrant remains unexercised on the Expiration Date, then the "Expiration Date" shall be deemed to be automatically extended for a period of two (2) years from the date thereof without any further action on the part of the Holder."

2. Investor Representations. Investor hereby represents and warrants that (a) Investor is the record owner of the Warrant; (b) Investor has not signed any assignment, power of attorney, or other assignment or authorization respecting the same that is now outstanding and still in force as to such Warrant, and no person, firm, corporation or other entity has, or has asserted, any right, title, claim, equity, or interest in, to, or respecting such Warrant; and (c) Investor has not at any time executed any instrument, document or agreement pursuant to which Investor purported to transfer any right, title, claim, equity or interest in one or more Warrants, and Investor is not bound by any agreement to do any of the foregoing.

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3. Miscellaneous. This Amendment shall be governed by, and construed in accordance with the laws of the State of Nevada applicable to contracts executed in and to be performed in that state, without reference to conflict of laws principles thereof. The descriptive headings contained in this Amendment are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Amendment. This Amendment may be executed and delivered (including by facsimile or other electronic transmission) in any number of counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

4. Continuation of Warrant. Except as expressly modified by this Amendment, the Warrant shall continue to be and remain in full force and effect in accordance with their terms. Any future reference to the Warrant shall be deemed to be a reference to the Warrant as modified by this Amendment.

*[Remainder of Page Intentionally Left Blank. Signature Pages Follow.]*

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective authorized signatories.

**LIVE VENTURES INCORPORATED**

By: /s/ Virland A. Johnson  
Name: Virland A. Johnson  
Title: Chief Financial Officer

**ISAAC CAPTIAL GROUP LLC**

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

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**Exhibit A**

**Warrants**

<b>Warrant No.</b>	<b>Grant Date</b>	<b>Number of Warrants to Purchase Shares of Series B Convertible Preferred Stock</b>	<b>Exercise Price</b>
E	12/3/14	22,479	28.50

## LIST OF LIVE VENTURES INCORPORATED SUBSIDIARIES

Name of Subsidiary (1)	Jurisdiction of Incorporation
A-O Industries LLC	Georgia
ApplianceSmart Contracting Inc.	Nevada
ApplianceSmart Holdings LLC	Nevada
ApplianceSmart Inc.	Missouri
Astro Carpet Mills LLC	Georgia
Constellation Industries LLC	Georgia
LiveDeal, Inc.	Nevada
Marquis Affiliated Holdings LLC	Delaware
Marquis Industries, Inc.	Georgia
Marquis Real Estate Holdings LLC	Delaware
Modern Everyday Inc.	Delaware
Modern Everyday LLC	California
SF Commercial Properties LLC	Georgia
Super Nova LLC	California
Telco Billing Inc.	Nevada
Velocity Local Inc.	Delaware
Velocity Marketing Concepts Inc.	Nevada
Vintage Stock Affiliated Holdings LLC	Nevada
Vintage Stock, Inc.	Missouri

(1) Other subsidiaries have been omitted because, when considered in the aggregate, they do not constitute a significant subsidiary.

Live Ventures Incorporated  
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-198205) of Live Ventures Incorporated of our report dated February 6, 2020, relating to the consolidated financial statements of Live Ventures Incorporated, which appear in this Form 10-K.

/s/ WSRP, LLC  
Salt Lake City, Utah  
February 6, 2020

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jon Isaac, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2019 of Live Ventures Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jon Isaac

Jon Isaac  
President and Chief Executive Officer  
(Principal Executive Officer)  
February 7, 2020

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Virland A. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2019 of Live Ventures Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Virland A. Johnson  
Virland A. Johnson  
Chief Financial Officer  
(Principal Financial Officer)  
February 7, 2020

**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 on Form 10-K of Live Ventures Incorporated (the "Company") for the fiscal year ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon Isaac, President and Chief Executive Officer of the Company, do hereby certify, to the best of my knowledge and belief, 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.

By: /s/ Jon Isaac  
Jon Isaac  
President and Chief Executive Officer  
(Principal Executive Officer)  
February 7, 2020

*A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*

**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 on Form 10-K of Live Ventures Incorporated (the "Company") for the fiscal year ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Virland A. Johnson, Chief Financial Officer of the Company, do hereby certify, to the best of my knowledge and belief, 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.

By: /s/ Virland A. Johnson  
Virland A. Johnson  
Chief Financial Officer  
(Principal Financial Officer)  
February 7, 2020

*A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*