

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q/A  
Amendment No. 1

(Mark One)

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

For the quarterly period ended March 31, 2020

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

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

Commission File Number 001-33937

**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**

(Address of principal executive offices)

**89119**

(Zip Code)

**(702) 997-5968**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The number of shares of the issuer's common stock, par value \$0.001 per share, outstanding as of May 13, 2020 was 1,685,097.

## EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-Q/A to amend and restate in their entirety the following items of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 as originally filed with the Securities and Exchange Commission on May 15, 2020 (the "Original Form 10-Q"): (i) Item 1 of Part I "Financial Information," (ii) Item 2 of Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and (iii) Item 6 of Part II, "Exhibits", and we have also updated the signature page, the certifications of our Chief Executive Officer and Chief Financial Officer in Exhibits 31.1, 31.2, 32.1 and 32.2, and our financial statements formatted in Extensible Business Reporting Language (XBRL) in Exhibits 101. No other sections were affected, but for the convenience of the reader, this report on Form 10-Q/A restates in its entirety, as amended, our Original Form 10-Q. This report on Form 10-Q/A is presented as of the filing date of the Original Form 10-Q and does not reflect events occurring after that date or modify or update disclosures in any way other than as required to reflect the restatement described below.

Our previously issued consolidated financial statements for the quarterly period ended March 31, 2020 has been reclassified and restated. As described in more detail in Note 1 to our consolidated financial statements, we have determined that our previously reported results for the quarter ended March 31, 2020 erroneously accounted for the gain in lease settlement for lease liabilities that were settled by our subsidiary ApplianceSmart, Inc during the reporting period.

Additionally, we have determined that our previously reported results for the quarter ended December 31, 2019 erroneously accounted for the impairment charges associated with certain right of use assets which were written down due to the voluntary Chapter 11 bankruptcy filing by our subsidiary ApplianceSmart, Inc. This correction is reflected for the six months ended March 31, 2020.

We have made necessary conforming changes in "Management's Discussion and Analysis of Financial Condition and Results of Operations" resulting from the correction of this error.

INDEX TO FORM 10-Q FILING  
FOR THE SIX MONTHS ENDED MARCH 31, 2020

TABLE OF CONTENTS

	<u>Page</u>	
<b>PART I</b>		
<b><u>FINANCIAL INFORMATION</u></b>		
<b>Item 1.</b>		
<a href="#"><u>Financial Statements</u></a>	4	
<a href="#"><u>Condensed Consolidated Balance Sheets as of March 31, 2020 (Unaudited) and September 30, 2019</u></a>	4	
<a href="#"><u>Condensed Consolidated Statements of Income (Unaudited) for the Three and Six Months Ended March 31, 2020 and 2019</u></a>	5	
<a href="#"><u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three and Six Months Ended March 31, 2020 and 2019</u></a>	6	
<a href="#"><u>Condensed Consolidated Statements of Stockholders' Equity (Unaudited) for the Three and Six Months Ended March 31, 2020 and 2019</u></a>	7	
<a href="#"><u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u></a>	9	
<b>Item 2.</b>		
<a href="#"><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></a>	33	
<b>Item 3.</b>		
<a href="#"><u>Quantitative and Qualitative Disclosures about Market Risk</u></a>	43	
<b>Item 4.</b>		
<a href="#"><u>Controls and Procedures</u></a>	43	
<b>PART II</b>		
<b><u>OTHER INFORMATION</u></b>		45
<b>Item 1.</b>		
<a href="#"><u>Legal Proceedings</u></a>	45	
<b>Item 1A.</b>		
<a href="#"><u>Risk Factors</u></a>	45	
<b>Item 2.</b>		
<a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	45	
<b>Item 3.</b>		
<a href="#"><u>Defaults upon Senior Securities</u></a>	45	
<b>Item 4.</b>		
<a href="#"><u>Mine Safety Disclosures</u></a>	45	
<b>Item 5.</b>		
<a href="#"><u>Other Information</u></a>	45	
<b>Item 6.</b>		
<a href="#"><u>Exhibits</u></a>	46	
<b><u>SIGNATURES</u></b>	47	

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

LIVE VENTURES INCORPORATED  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (dollars in thousands, except per share amounts)

	March 31, 2020 (Unaudited)	September 30, 2019
<b>Assets</b>		
Cash	\$ 1,496	\$ 2,681
Trade receivables, net	15,847	11,901
Inventories, net	47,216	38,558
Income taxes receivable	147	235
Prepaid expenses and other current assets	1,032	2,377
Debtor in possession assets	1,739	—
Total current assets	67,477	55,752
Property and equipment, net	25,548	22,596
Right of use asset - operating leases	23,211	—
Deposits and other assets	46	90
Deferred taxes	4,030	4,869
Intangible assets, net	1,283	2,199
Goodwill	37,577	36,947
Total assets	\$ 159,172	\$ 122,453
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 9,778	\$ 14,144
Accrued liabilities	7,942	12,984
Lease obligation short term - operating leases	7,371	—
Current portion of long-term debt	20,940	7,897
Debtor-in-possession liabilities	12,804	—
Total current liabilities	58,835	35,025
Long-term debt, net of current portion	42,393	47,819
Lease obligation long term - operating leases	16,050	—
Notes payable related parties, net of current portion	4,826	4,826
Other non-current obligations	419	654
Total liabilities	122,523	88,324
<b>Commitments and contingencies</b>		
<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 March 31, 2020 and September 30, 2019	—	—
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 47,840 and 77,840 shares issued and outstanding at March 31, 2020 and September 30, 2019, respectively, with a liquidation preference of \$0.30 per share outstanding	—	—
Common stock, \$0.001 par value, 10,000,000 shares authorized, 1,719,442 and 1,826,009 shares issued and outstanding at March 31, 2020 and September 30, 2019, respectively	2	2
Paid in capital	64,340	63,924
Treasury stock common 368,744 shares as of March 31, 2020 and 262,177 shares as of September 30, 2019	(3,197)	(2,438)
Treasury stock Series E preferred 80,000 shares as of March 31, 2020 and 50,000 shares as of September 30, 2019	(7)	(4)
Accumulated deficit	(24,489)	(27,355)
Total stockholders' equity	36,649	34,129
Total liabilities and stockholders' equity	\$ 159,172	\$ 122,453

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

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

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2020	2019	2020	2019
Revenues	\$ 46,431	\$ 46,973	\$ 88,432	\$ 100,169
Cost of revenues	28,655	28,322	54,030	62,181
Gross profit	<u>17,776</u>	<u>18,651</u>	<u>34,402</u>	<u>37,988</u>
Operating expenses:				
General and administrative expenses	11,701	12,794	22,510	25,694
Sales and marketing expenses	3,007	3,811	5,337	8,157
Total operating expenses	<u>14,708</u>	<u>16,605</u>	<u>27,847</u>	<u>33,851</u>
Operating income	3,068	2,046	6,555	4,137
Other (expense) income:				
Interest expense, net	(1,270)	(1,536)	(2,627)	(3,189)
Gain on lease settlement, net	837	—	223	—
Other income (expense)	(125)	165	(306)	1,825
Total other (expense) income, net	<u>(558)</u>	<u>(1,371)</u>	<u>(2,710)</u>	<u>(1,364)</u>
Income before provision for income taxes	2,510	675	3,845	2,773
Provision for income taxes	629	202	979	769
Net income	<u>\$ 1,881</u>	<u>\$ 473</u>	<u>\$ 2,866</u>	<u>\$ 2,004</u>
Dividends declared - series B convertible preferred stock				
	\$ —	\$ —	\$ —	\$ —
Dividends declared - series E convertible preferred stock				
	\$ —	\$ —	\$ —	\$ —
Dividends declared - common stock				
	\$ —	\$ —	\$ —	\$ —
Earnings per share:				
Basic	\$ 1.07	\$ 0.25	\$ 1.61	\$ 1.03
Diluted	\$ 0.54	\$ 0.13	\$ 0.82	\$ 0.53
Weighted average common shares outstanding:				
Basic	1,752,908	1,925,972	1,779,706	1,935,610
Diluted	3,462,115	3,667,434	3,488,913	3,681,733

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

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

	For the Six Months Ended March 31,	
	2020	2019
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 2,866	\$ 2,004
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	2,477	2,975
Non-cash asset retirements	—	103
Gain on lease settlement, net	(223)	—
Gain or loss on disposal of property and equipment	106	(1,507)
Amortization of debt issuance cost	212	193
Stock based compensation expense	48	78
Warrant extension fair value adjustment	368	—
Amortization of right-to-use assets	463	—
Change in deferred rent	—	17
Change in reserve for uncollectible accounts	421	391
Change in reserve for obsolete inventory	(139)	(614)
Change in deferred income taxes	839	689
Change in other	(218)	232
Changes in assets and liabilities:		
Trade receivables	117	1,041
Inventories	4,691	3,712
Income taxes receivable	88	(56)
Prepaid expenses and other current assets	1,228	372
Deposits and other assets	128	23
Accounts payable	(5,918)	(2,956)
Accrued liabilities	(983)	289
Net cash provided by operating activities	<u>6,571</u>	<u>6,986</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of intangible assets	(4)	(67)
Lonesome Oak acquisition	(550)	—
Proceeds from the sale of property and equipment	—	4,377
Purchase of property and equipment	(1,858)	(963)
Net cash provided by (used in) investing activities	<u>(2,412)</u>	<u>3,347</u>
<b>FINANCING ACTIVITIES:</b>		
Net borrowings (payments) under revolver loans	2,640	(2,516)
Purchase of series E preferred treasury stock	(3)	—
Payment of debt issuance cost	—	(118)
Proceeds from issuance of notes payable	5,000	—
Purchase of common treasury stock	(759)	(321)
Payments on related party notes payable	—	(100)
Debtor-in-possession cash	(187)	—
Payments on notes payable	(12,035)	(6,728)
Net cash used in financing activities	<u>(5,344)</u>	<u>(9,783)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,185)</b>	<b>550</b>
CASH AND CASH EQUIVALENTS, beginning of period	2,681	2,742
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 1,496</u>	<u>\$ 3,292</u>
<b>Supplemental cash flow disclosures:</b>		
Interest paid	\$ 1,187	\$ 2,953
Income taxes paid (refunded)	\$ —	\$ 91

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

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

	Series B Preferred Stock		Series E Preferred Stock		Common Stock		Paid-In Capital	Series E Preferred Stock	Common Stock	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Treasury Stock	Treasury Stock		
Balance, December 31, 2019	214,244	\$ —	47,840	\$ —	1,784,310	\$ 2	\$ 64,219	\$ (7)	\$ (2,781)	\$ (26,370)	\$ 35,063
Stock based compensation	—	—	—	—	—	—	19	—	—	—	19
Warrant extension fair value adjustment	—	—	—	—	—	—	102	—	—	—	102
Purchase of common treasury stock	—	—	—	—	(64,868)	—	—	—	(416)	—	(416)
Net income	—	—	—	—	—	—	—	—	—	1,881	1,881
Balance, March 31, 2020	<u>214,244</u>	<u>\$ —</u>	<u>47,840</u>	<u>\$ —</u>	<u>1,719,442</u>	<u>\$ 2</u>	<u>\$ 64,340</u>	<u>\$ (7)</u>	<u>\$ (3,197)</u>	<u>\$ (24,489)</u>	<u>\$ 36,649</u>

	Series B Preferred Stock		Series E Preferred Stock		Common Stock		Paid-In Capital	Series E Preferred Stock	Common Stock	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Treasury Stock	Treasury Stock		
Balance, December 31, 2018	214,244	\$ —	77,840	\$ —	1,942,428	\$ 2	\$ 63,701	\$ (4)	\$ (1,569)	\$ (21,123)	\$ 41,007
Stock based compensation	—	—	—	—	—	—	31	—	—	—	31
Purchase of common treasury stock	—	—	—	—	(40,528)	—	—	—	(302)	—	(302)
Net income	—	—	—	—	—	—	—	—	—	473	473
Balance, March 31, 2019	<u>214,244</u>	<u>\$ —</u>	<u>77,840</u>	<u>\$ —</u>	<u>1,901,900</u>	<u>\$ 2</u>	<u>\$ 63,732</u>	<u>\$ (4)</u>	<u>\$ (1,871)</u>	<u>\$ (20,650)</u>	<u>\$ 41,209</u>

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

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

	Series B Preferred Stock		Series E Preferred Stock		Common Stock		Paid-In Capital	Series E Preferred Stock	Common Stock	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Treasury Stock	Treasury Stock		
Balance, September 30, 2019	214,244	\$ —	77,840	\$ —	1,826,009	\$ 2	\$ 63,924	\$ (4)	\$ (2,438)	\$ (27,355)	\$ 34,129
Stock based compensation	—	—	—	—	—	—	48	—	—	—	48
Warrant extension fair value adjustment	—	—	—	—	—	—	368	—	—	—	368
Purchase of common treasury stock	—	—	—	—	(106,567)	—	—	—	(759)	—	(759)
Purchase of Series E preferred stock	—	—	(30,000)	—	—	—	—	(3)	—	—	(3)
Net income	—	—	—	—	—	—	—	—	—	2,866	2,866
Balance, March 31, 2020	<u>214,244</u>	<u>\$ —</u>	<u>47,840</u>	<u>\$ —</u>	<u>1,719,442</u>	<u>\$ 2</u>	<u>\$ 64,340</u>	<u>\$ (7)</u>	<u>\$ (3,197)</u>	<u>\$ (24,489)</u>	<u>\$ 36,649</u>

	Series B Preferred Stock		Series E Preferred Stock		Common Stock		Paid-In Capital	Series E Preferred Stock	Common Stock	Accumulated Deficit	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount		Treasury Stock	Treasury Stock		
Balance, September 30, 2018	214,244	\$ —	77,840	\$ —	1,945,247	\$ 2	\$ 63,654	\$ (4)	\$ (1,550)	\$ (22,654)	\$ 39,448
Stock based compensation	—	—	—	—	—	—	78	—	—	—	78
Purchase of common treasury stock	—	—	—	—	(43,347)	—	—	—	(321)	—	(321)
Net income	—	—	—	—	—	—	—	—	—	2,004	2,004
Balance, March 31, 2019	<u>214,244</u>	<u>\$ —</u>	<u>77,840</u>	<u>\$ —</u>	<u>1,901,900</u>	<u>\$ 2</u>	<u>\$ 63,732</u>	<u>\$ (4)</u>	<u>\$ (1,871)</u>	<u>\$ (20,650)</u>	<u>\$ 41,209</u>

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



**LIVE VENTURES INCORPORATED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2020 AND 2019**  
(dollars in thousands, except per share)

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

The accompanying unaudited 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 retail store in Columbus, Ohio.

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for audited financial statements. In the opinion of the Company’s management, this interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for three and six months ended March 31, 2020 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2020. This financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2019 and for the fiscal year then ended included in the Company’s Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 10, 2020 (the “2019 10-K”).

*Coronavirus*

In March 2020, there was a global outbreak of COVID-19 (Coronavirus) that has resulted in changes in global supply of certain products. The pandemic is having an unprecedented impact on the U.S. economy as federal, state, and local governments react to this public health crisis, which has created significant uncertainties. These uncertainties include, but are not limited to, the potential adverse effect of the pandemic on the economy, our supply chain partners, our employees and customers, customer sentiment in general, and traffic within shopping centers, and, where applicable, malls, containing our stores. As the pandemic continues to grow, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state, and local authorities to avoid large gatherings of people or self-quarantine are continuing to increase, which has already affected, and may continue to affect, traffic to our stores. As of March 31, 2020, Vintage Stock had closed all of its retail locations in response to the crisis. As of May 14, 2020, Vintage reopen all but four of its 62 retail locations and expects to reopen its remaining retail locations as soon as possible while maintaining compliance with government mandates. We are unable to predict when all stores will reopen or if additional periods of store closures will be needed or mandated. During March and April 2020, Marquis conducted rolling layoffs for certain employees, however, during May 2020, all employees have returned to their respective locations. Continued impacts of the pandemic could materially adversely affect our near-term and long-term revenues, earnings, liquidity, and cash flows, and may require significant actions in response, including but not limited to, employee furloughs, reduced store hours, store closings, expense reductions or discounting of pricing of our products, all in an effort to mitigate such impacts. The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the outbreak within the U.S., the impact on capital and financial markets and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

*Restatement*

During the three months ended March 31, 2020, the Company originally incurred again on lease settlement of \$1,448 resulting from the extinguishment of the lease liability associated with ApplianceSmart retail locations that were closed. However, the Company miscalculated the gain on lease settlement and the lease liability associated with the closure of the retail locations. The gain on lease settlement should have been \$837 and not \$1,448 as originally reported for the three months ended March 31, 2020. As a result, we have reduced the original gain on lease liability and increased the lease liability by \$837.

Additionally, during the six months ended March 31, 2020, the Company originally incurred \$1,207 of impairment charges related to the decision to close additional ApplianceSmart retail locations, resulting in a decrease to the associated right of use asset related to these leases. These locations physically closed during the three months ended March 31, 2020. However, the Company miscalculated the impairment charges and the right of use asset associated with the closure of certain retail locations. The impairment charge should have been \$614 and not \$1,207 as originally reported for the six months ended March 31, 2020. As a result, we have reduced the original impairment charge and increased the right of use asset by \$614. The impairment charges are included in the gain on lease settlement, net as the transactions are related. Additionally, we reclassified a portion, \$133, of the short term lease obligation to long term lease obligations.

The provision for income taxes decreased \$52 with a corresponding increase to deferred tax assets as a result of the decrease in impairment charges and gain on lease settlement.

The following table details the balance sheet and income statement line items effected by this restatement.

	As previously reported	Correction	As restated
<b>Consolidated balance sheet as of March 31, 2020</b>			
Right of use asset - operating leases	\$ 22,596	\$ 615	\$ 23,211
Deferred taxes	3,978	52	4,030
<b>Total assets</b>	<b>158,505</b>	<b>667</b>	<b>159,172</b>
Lease obligation short term - operating leases	7,429	(58)	7,371
Lease obligation long term - operating leases	15,359	691	16,050
<b>Total liabilities</b>	<b>121,890</b>	<b>633</b>	<b>122,523</b>
Accumulated deficit	(24,523)	34	(24,489)
Total stockholders' equity	36,615	34	36,649
<b>Consolidated statement of income for the six months ended March 31, 2020</b>			
Gain on lease settlement, net	\$ 241	\$ (18)	\$ 223
Provision for income taxes	1,031	(52)	979
<b>Net income</b>	<b>2,832</b>	<b>34</b>	<b>2,866</b>

## Note 2: Summary of Significant Accounting Policies

### 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 March 31, 2020 and September 30, 2019 approximate fair value.

### 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 March 31, 2020 and September 30, 2019, the allowance for doubtful accounts was \$1,111 and \$936, 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 March 31, 2020 and September 30, 2019, the reserve for obsolete inventory was \$92.

### *Retail and Online 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. Merchandise inventory reserves as of March 31, 2020 and September 30, 2019 were \$298 and \$590, 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 \$1,227 and \$1,067 for the three months ended March 31, 2020 and 2019, respectively. Depreciation expense was \$2,142 and \$2,083 for the six months ended March 31, 2020 and 2019, 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 six months ended March 31, 2020 and 2019.

### **Intangible Assets**

The Company's intangible assets consist of customer relationship intangibles, 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, customer lists – 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 \$165 and \$538 for the three months ended March 31, 2020 and 2019, respectively. Intangible amortization expense was \$335 and \$892 for the six months ended March 31, 2020 and 2019, 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 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 \$257 and \$292 is included in accrued liabilities on the consolidated balance sheet at March 31, 2020 and September 30, 2019, respectively.

### **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 (expense) related to gift cards which are no longer reportable under state escheatment laws for the three months ended March 31, 2020 and 2019, was \$(22) and \$109, respectively and \$(14) and \$124 for the six months ended March 31, 2020 and 2019, 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.

For contracts entered into on or after October 1, 2019, we assess at contract inception whether the contract is, or contains, a lease. Generally, we determine that a lease exists when (i) the contract involves the use of a distinct identified asset, (ii) we obtain the right to substantially all economic benefits from use of the asset and (iii) we have the right to direct the use of the asset. In general, all of our leases are operating leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability for all leases, except short-term leases with an original term of 12 months or less. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease. The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any prepayments to the lessor and initial direct costs such as brokerage commissions, less any lease incentives received. All right-of-use assets are periodically reviewed for impairment in accordance with standards that apply to long-lived assets. The lease liability is initially measured at the present value of the lease payments, discounted using an estimate of our incremental borrowing rate for a collateralized loan with the same term as the underlying lease. The incremental borrowing rates used for the initial measurement of lease liabilities as of October 1, 2019 were based on the original lease terms.

Lease payments included in the measurement of lease liabilities consist of (i) fixed lease payments for the noncancelable lease term, (ii) fixed lease payments for optional renewal periods where it is reasonably certain the renewal option will be exercised, and (iii) variable lease payments that depend on an underlying index or rate, based on the index or rate in effect at lease commencement. Certain of our real estate lease agreements require payments for non-lease costs such as utilities and common area maintenance. We have elected an accounting policy, as permitted by ASC 842, not to account for such payments separately from the related lease payments. Our policy election results in a higher initial measurement of lease liabilities when such non-lease payments are fixed amounts. Certain of our real estate lease agreements require variable lease payments that do not depend on an underlying index or rate, such as sales and value-added taxes and our proportionate share of actual property taxes, insurance and utilities. Such payments and changes in payments based on a rate or index are recognized in operating expenses when incurred.

Lease expense for operating leases consists of the fixed lease payments recognized on a straight-line basis over the lease term plus variable lease payments as incurred. The lease payments are allocated between a reduction of the lease liability and interest expense. Amortization of the right-of-use asset for operating leases reflects amortization of the lease liability, any differences between straight-line expense and related lease payments during the accounting period, and any impairments

We adopted Accounting Standard Update (“ASU”) No. 2016-02 - Leases (Topic 842), as amended, or Accounting Standard Codification (“ASC 842”), as of October 1, 2019. The primary impact of ASC 842 on our consolidated financial statements is the recognition of right-of-use assets and related liabilities on our consolidated balance sheet for operating leases where we are the lessee. We elected to apply the requirements of the new standard on October 1, 2019 and we have not restated our consolidated financial statements for prior periods. Our adoption of ASC 842 did not have a material impact on the results of our operations or on our cash flows for the period presented.

We elected certain practical expedients under our transition method, including elections to not reassess (i) whether a contract is or contains a lease and (ii) the classification of existing leases. We also elected not to apply hindsight in determining whether optional renewal periods should be included in the lease term, which in some instances may impact the initial measurement of the lease liability and the calculation of straight-line expense over the lease term for operating leases. As a result of our transition elections, there was no change in our recognition of expense for leases that commenced prior to October 1, 2019.

#### **Stock-Based Compensation**

The Company from time to time grants stock 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. The Company determined it has three reportable segments (See Note 16).

#### **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. At times, balances may exceed federally insured limits.

#### **Note 3: Leases**

We adopted ASU No. 2016-02, Leases (Topic 842) on October 1, 2019, the beginning of our fiscal year. The Company adopted the new standard prospectively 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.

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. As a result, we recognize assets and liabilities for all leases with lease terms greater than 12 months. The amounts recognized reflect the present value of remaining lease payments for all leases. The discount rate used is an estimate of the Company’s blended incremental borrowing rate based on information available at lease commencement. In considering the lease asset value, the company considers fixed and variable payment terms, prepayments and options to extend, terminate or purchase. Renewal, termination or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. See the Note 2 on Lease Accounting.

The weighted average remaining lease term is 2.8 years. Our weighted average discount rate is 10.3%. Total cash payments for the six months ended March 31, 2020 was \$3,872. We did not enter into any new leases during the six months ended March 31, 2020, however, upon completion of the Lonesome Oak acquisition (see Note 4), we recorded right of use assets and lease liabilities of \$7,691.

The following table details our right of use assets and lease liabilities as of March 31, 2020:

	<b>March 31, 2020</b>	
Right of use asset - operating leases	\$	23,211
Operating lease liabilities:		
Current		7,371
Long term		16,050
Total present value of future lease payments as of March 31, 2020:		
Twelve months ended March 31,		
2021	\$	7,371
2022		5,816
2023		3,589
2024		2,472
2025		1,353
Thereafter		3,904
Total		24,505
Less implied interest		(1,085)
Present value of payments	\$	23,421

During the six months ended March 31, 2020, the Company recorded a net gain on lease settlement of \$223 which consisted of impairment charges of \$614 related to the decision to close additional ApplianceSmart retail locations resulting in a decrease to the associated right of use asset related to these leases, offset by a gain on lease settlement of \$837 resulting from the extinguishment of the lease liability associated with the closed retail locations.

#### **Note 4: Acquisition**

##### *Lonesome Oak Acquisition*

On November 1, 2019, Marquis entered into a purchase agreement, as amended on January 31, 2020 (as amended, the "LOTC Purchase Agreement"), to acquire all of the outstanding capital stock of Lonesome Oak Trading Co., Inc. ("Lonesome Oak"). Pursuant to the LOTC Purchase Agreement, and on January 31, 2020, Marquis acquired from the sole shareholder of Lonesome Oak (the "LOTC Shareholder") all of the issued and outstanding shares of capital stock of Lonesome Oak for \$2,000. After the closing of the transaction, Lonesome Oak entered into a lease agreement with the LOTC Shareholder regarding certain properties owned by affiliates of the LOTC Shareholder that are used in Lonesome Oak's operations. Marquis held \$1,450 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 entered into an employment agreement with a five-year term and serves as an Executive Vice President pursuant to the terms thereof. 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 Shareholder is subject to a three-year non-competition and non-solicitation provisions. The Company began consolidating the financial results of this acquisition in the unaudited Condensed Consolidated Financial Statements on January 31, 2020.

The acquisition of Lonesome Oak was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. The Company was the acquirer for purposes of accounting for the business combination. Under the preliminary purchase price allocation, the Company recognized goodwill of \$631 which is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of the identifiable assets acquired. The values assigned to the assets acquired and liabilities assumed are based on their estimates of fair value available as of January 31, 2020. The Company plans to complete the determination of the fair values of the acquired identifiable assets and liabilities and its purchase price allocation no later than September 30, 2020.



**Note 5: Balance Sheet Detail Information**

	March 31, 2020	September 30, 2019
Trade receivables, current, net:		
Accounts receivable, current	\$ 16,762	\$ 12,641
Less: Reserve for doubtful accounts	(915)	(740)
	<u>\$ 15,847</u>	<u>\$ 11,901</u>
Trade receivables, long term, net:		
Accounts receivable, long term	\$ 196	\$ 196
Less: Reserve for doubtful accounts	(196)	(196)
	<u>\$ —</u>	<u>\$ —</u>
Total trade receivables, net:		
Gross trade receivables	\$ 16,958	\$ 12,837
Less: Reserve for doubtful accounts	(1,111)	(936)
	<u>\$ 15,847</u>	<u>\$ 11,901</u>
Inventory, net		
Raw materials	\$ 6,879	\$ 7,431
Work in progress	10,638	2,141
Finished goods	11,319	6,785
Merchandise	18,770	22,883
	47,605	39,240
Less: Inventory reserves	(390)	(682)
	<u>\$ 47,216</u>	<u>\$ 38,558</u>
Property and equipment, net:		
Building and improvements	\$ 10,793	\$ 10,827
Transportation equipment	825	82
Machinery and equipment	24,099	20,035
Furnishings and fixtures	2,748	2,741
Office, computer equipment and other	2,655	2,544
	41,119	36,229
Less: Accumulated depreciation	(15,572)	(13,633)
	<u>\$ 25,548</u>	<u>\$ 22,596</u>
Intangible assets, net:		
Domain name and marketing related intangibles	\$ 90	\$ 90
Lease intangibles	—	1,033
Customer relationship intangibles	2,689	2,689
Purchased software	120	808
	2,899	4,620
Less: Accumulated amortization	(1,616)	(2,421)
	<u>\$ 1,283</u>	<u>\$ 2,199</u>
Accrued liabilities:		
Compensation and benefits	\$ 2,079	\$ 3,316
Accrued sales and use taxes	318	1,176
Accrued property and other taxes	204	191
Accrued rent	580	604
Accrued gift card and escheatment liability	1,474	1,461
Accrued interest payable	314	181
Accrued accounts payable and bank overdrafts	1,588	591
Accrued professional fees	878	4,660
Customer deposits	169	240
Accrued expenses - other	338	564
	<u>\$ 7,942</u>	<u>\$ 12,984</u>

**Note 6: Intangibles**

The Company's intangible assets consist of customer relationship intangibles, licenses for the use of internet domain names, URL's, software, and marketing and technology related intangibles.

The following table summarizes estimated future amortization expense related to intangible assets that have net balances as of March 31, 2020:

2021	\$	433
2022		334
2023		204
2024		130
2025		29
Thereafter		153
	\$	<u>1,283</u>

**Note 7: Long Term Debt***Bank of America Revolver Loan*

On July 6, 2015 (amended January 31, 2020), Marquis entered into a \$15,000 (as of January 31, 2020: \$25,000) 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. Marquis' ability to borrow under the BofA Revolver is subject to the satisfaction of certain conditions, including meeting all loan covenants under the credit agreement with BofA. Marquis expects to incur operational losses in the coming months as a result of COVID-19 and as such, Marquis cannot rely on any availability under the revolving line of credit with Bank of America to fund its operations. Marquis believes that as a result of the effects of the COVID-19 pandemic and other economic conditions both globally and in the U.S., its access to the funds under the BofA Revolver may be limited.

Payment obligations under the BofA Revolver include monthly payments of interest and all outstanding principal and accrued interest thereon due in July 2020 (as of January 31, 2020: January 2025), 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.

Capitalized terms in this Note 7: Long Term Debt, under the caption "*Bank of America Revolver Loan*" have the meanings ascribed to them in the revolving credit agreement governing the BofA Revolver.

For purposes of clarity, the advance rate in certain circumstances for inventory is 39.1% or 53.5% for raw materials, 0% for work-in-process, and 54.2% or 70% for finished goods subject to eligibility, special reserves and advance limit of the lessor of \$12,500 or 65% of the value of eligible inventory. 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.

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 Obligors 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 (as of January 31, 2020: \$5,000), and (e) 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 (as of January 31 2020: \$5,000).

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 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 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 – V determine the interest rate to be charged Marquis which is based on the fixed charge coverage ratio achieved. The Level V 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
I	<1.20 to 1.00	1.25 %	2.25 %
II	>1.20 to 1.00 but <1.50 to 1.00	1.00 %	2.00 %
III	>1.50 to 1.00 but <1.75 to 1.00	0.75 %	1.75 %
IV	>1.75 to 1.00 but >2.00 to 1.00	0.50 %	1.50 %
V	>2.00 to 1.00	0.25 %	1.25 %

The following tables summarize the BofA Revolver for the six months ended March 31, 2020 and 2019 and as of March 31, 2020 and September 30, 2019:

	During the six months ended March 31,	
	2020	2019
Cumulative borrowing during the period	\$ 60,479	\$ 44,740
Cumulative repayment during the period	55,035	48,120
Maximum borrowed during the period	11,347	8,071
Weighted average interest for the period	3.52 %	4.19 %

	March 31, 2020	September 30, 2019
Total availability	\$ 17,725	\$ 14,914
Total outstanding	5,457	13

#### *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 with an annual increase of 17%. The note payable bears interest at 9.25% 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% for each 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 \$458 in transaction costs that are being recognized as a debt issuance cost that is being amortized and recorded as interest expense over the term of the note payable.

#### *Kingston Diversified Holdings LLC Agreement (\$2 Million 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 has a maximum principal amount of \$2,000, 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 March 31, 2020, and September 30, 2019, 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 July 24, 2021, payable in 60 monthly payments of \$75 beginning September 24, 2016, bearing interest at 3.9% per annum.

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 \$15 beginning August 28, 2019, bearing interest at 4.7% per annum.

Note #7 is \$5,000, secured by equipment. The equipment loan #7 is due February 2027, payable in 84 monthly payments of \$59 beginning March 24, 2020, with the final payment of \$809, bearing interest at 3.2% per annum.

#### *Lonesome Oak Equipment Loan*

In connection with the Lonesome Oak acquisition (see Note 4), the Company assumed an unsecured equipment note in the amount payable to Extruded Fibers Inc. The note is noninterest bearing, with principal payable monthly in the amount of \$100 for 36 months, beginning March 31, 2020 maturity date March 3, 2023.

#### *Seller Subordinated Acquisition Note – Marquis*

In connection with the Lonesome Oak acquisition (see Note 4), the Company entered into a \$1,450 unsecured note which represents the holdback amount of the purchase price. The note bears interest at a rate of 3.0% per annum, with the principal and accrued interest due on July 31, 2021, the maturity date.

#### *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.

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% 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 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.

On April 10, 2020, the Borrower entered into that certain Waiver and Agreement Regarding Availability Reserves (the “TCB Waiver”) with TCB. The TCB Waiver (i) waives, and in certain instances conditionally waives, certain financial covenant and other events of default that occurred under the Loan Agreement dated November 3, 2016 between Borrower and TCB (the “TCB Loan Agreement”), and the events of default that occurred under the Limited Waiver and Second Amendment as described in the foregoing paragraph, (ii) waives any testing of the fixed charge coverage ratio under the TCB Loan Agreement through the June 30, 2020 testing date, and (iii) waives the implementation by TCB of “availability reserves” under the TCB Loan Agreement until the earlier of (w) May 31, 2020, (x) April 22, 2020 unless the initial equity contribution contemplated by clause (viii) in the foregoing paragraph is made, (y) the date any default or event of default occurs under the TCB Loan Agreement, or (z) the date the Borrower fails to comply with any provision of the TCB Waiver, the Credit Agreement, or any other loan document contemplated by the Credit Agreement.

The following tables summarize the TCB Revolver for the six months ended March 31, 2020 and 2019 and as of March 31, 2020 and September 30, 2019:

	During the six months ended March 31,	
	2020	2019
Cumulative borrowing during the period	\$ 35,808	\$ 39,644
Cumulative repayment during the period	37,831	40,895
Maximum borrowed during the period	11,798	11,932
Weighted average interest for the period	4.02 %	4.70 %

  

	March 31, 2020	September 30, 2019
Total availability	\$ 3,433	\$ 1,410
Total outstanding	8,567	10,590

#### *Sellers Subordinated Acquisition Note - Vintage*

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, as amended, has a maturity date of September 23, 2023.

#### *Crossroads Revolver*

On March 15, 2019, ApplianceSmart, Inc. (the “Borrower”), entered into a Loan and Security Agreement (the “Crossroads 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.

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. On March 3, 2020, the Company executed a guaranty agreement to Crossroads to induce Crossroads to continue to extend financial accommodations and consent to use of cash collateral to ApplianceSmart. The amount of the guaranty is \$1,200. The guaranty terminates at such time as ApplianceSmart has paid in full all amounts owed by it to Crossroads. The Company expects the guaranty to continue in effect until August 2021.

The Crossroads Revolver contains representations and warranties, events of default, affirmative and negative covenants and indemnities customary for loans of this nature. As of March 31, 2020, and September 30, 2019, the Crossroads Revolver had a balance outstanding of \$1,168 and \$1,981, respectively. The March 31, 2020 balance outstanding is included in Debtor-in-possession liabilities on the consolidated balance sheet. In connection with the Crossroads Revolver, ApplianceSmart incurred \$118 in transaction costs that are being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the Crossroads Revolver.

#### *Comvest Term Loan*

On June 7, 2018, (amended on 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, were and are being 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 8.00% to 9.50% per annum (subject to a LIBOR floor of 1.00%) 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 (0.50%), (iii) the most recently used LIBO Rate and (iv) two percent (2.00%) 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 (1.00%) 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 1.5times the Borrower’s EBITDA (as defined in the Credit Agreement)) of principal per annum payable in equal quarterly instalments 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 5.00% of the principal amount prepaid plus a make-whole amount to 1.00%, 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.

On April 9, 2020, Vintage Stock (the “Borrower”) entered into a Limited Waiver and Second Amendment (the “Limited Waiver and Second Amendment”) to Amended and Restated Credit Agreement (the “Credit Agreement”), Second Amendment to Amended and Restated Management Fee Subordination Agreement (the “Management Fee Subordination Agreement”) and First Amendment to Limited Guaranty (the “Guaranty”), with Comvest.

The Limited Waiver and Second Amendment, among other things (i) waives, and in certain instances conditionally waives, certain events of default that occurred under the Credit Agreement, (ii) confirms that the loan under the Credit Agreement will bear interest at an interest rate equal to the London Interbank Offered Rate (“LIBOR”) plus an applicable margin of 8.75% for the calendar months May, June, July, and August 2020, and that the applicable margin will reset on September 1, 2020 and be based on the senior leverage ratio pricing grid for the fiscal quarter ending June 30, 2020, (iii) provides that the parties will negotiate in good faith a reset of the financial covenants by September 15, 2020, provided that any changes to such financial covenants shall not be more restrictive on the Borrower than those in effect prior to the date of the Limited Waiver and Second Amendment, (iv) extends the due date of the July 1, 2020 amortization payment from July 1, 2020 to no later than August 1, 2020, (v) provides that any and all mandatory prepayments arising from any voluntary act of the Borrower are subject to a prepayment premium of the principal amount prepaid plus a make-whole amount to 1.00% if the mandatory prepayment is made on or before June 7, 2021, (vi) does not require the Company to make a contribution to the Borrower with respect to certain payments to be made by the Borrower to a subordinated loan holder, (vii) modifies a condition precedent under which Vintage Stock is permitted to pay management fees to the Company by requiring certain amortization and excess cash flow payments that were previously waived to be paid prior to such management fees, and (viii) provides for the Company to make additional equity contributions by the Company to the Borrower

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 \$10,000 of EBITDA on a trailing twelve months basis. So long as the Senior leverage ratio is below 2.0 to 1.0, Vintage Stock is required to spend no more than \$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 and is compliant with the loan covenants, Vintage Stock may only open 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:

March 31, 2020	2.20 : 1.00
June 30, 2020	2.10 : 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 1.40:1.00 as of March 31, 2020 through the remainder of the term of the loan.

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 \$1,429 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.

### Loan Covenant Compliance

We were in compliance as of March 31, 2020 with all covenants under our existing revolving and other loan agreements, with the exception of covenants related to the Crossroads Revolver.

Long-term debt as of March 31, 2020 and September 30, 2019 consisted of the following:

	March 31, 2020	September 30, 2019
Bank of America Revolver Loan	\$ 5,457	\$ 13
Texas Capital Bank Revolver Loan	8,567	10,590
Note Payable Comvest Term Loan	11,504	15,412
Note Payable to the Sellers of Vintage Stock	10,000	10,000
Crossroads Financial Revolver Loan	—	1,981
Note #1 Payable to Banc of America Leasing & Capital LLC	1,647	2,057
Note #3 Payable to Banc of America Leasing & Capital LLC	2,123	2,379
Note #4 Payable to Banc of America Leasing & Capital LLC	653	731
Note #5 Payable to Banc of America Leasing & Capital LLC	2,804	3,065
Note #6 Payable to Banc of America Leasing & Capital LLC	825	891
Note #7 Payable to Banc of America Leasing & Capital LLC	4,403	—
Lonesome Oak equipment loans	3,500	—
Note payable to the Sellers of Lonesome Oak	2,366	—
Note Payable to Store Capital Acquisitions, LLC	9,259	9,274
Note payable to individual, noninterest bearing, monthly payments of \$19 through March 2023	657	—
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
Total notes payable	64,472	57,100
Less unamortized debt issuance costs	(1,139)	(1,384)
Net amount	63,333	55,716
Less current portion	(20,940)	(7,897)
Long-term portion	\$ 42,393	\$ 47,819

Future maturities of long-term debt at March 31, 2020, are as follows which does not include related party debt separately stated:

Twelve months ending March 31,		
2021	\$	20,940
2022		7,732
2023		8,037
2024		13,844
2025		1,396
Thereafter		12,522
Total	\$	64,472

### Note 8: 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 March 31, 2020, and September 30, 2019, there was \$2,826 principal 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 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code. See Notes 13 and 14 for a complete discussion.

#### *Isaac Capital Fund Mezzanine Loan*

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 May 2025. As of March 31, 2020, and September 30, 2019, there was \$2,000 outstanding on this mezzanine loan.

Notes payable, related parties as of March 31, 2020 and September 30, 2019 consisted of the following:

	<u>March 31, 2020</u>	<u>September 30, 2019</u>
JanOne Inc	\$ 2,826	\$ 2,826
Isaac Capital Fund	2,000	2,000
Total notes payable - related parties	4,826	4,826
Less current portion	—	—
Long-term portion	<u>\$ 4,826</u>	<u>\$ 4,826</u>

Future maturities of notes payable, related parties at March 31, 2020 are as follows:

Twelve months ending March 31,		
2021	\$	—
2022		2,826
2023		—
2024		—
2025		—
Thereafter		2,000
Total	<u>\$</u>	<u>4,826</u>

#### **Note 9: Stockholders' Equity**

##### *Series E Convertible Preferred Stock*

As of March 31, 2020, and September 30, 2019, there were 47,840 and 77,840 shares outstanding of Series a Preferred Stock, respectively. During the six months ended March 31, 2020, the Company repurchased 30,000 shares of Series E Convertible Preferred Stock for an aggregate purchase price of \$3.

##### *Treasury Stock*

For the six months ended March 31, 2020 and 2019, the Company purchased 106,567 and 43,347 shares of its common stock on the open market (treasury shares for \$759 and \$321, respectively).

**Note 10: Warrants**

The warrants listed below expire at various timeframes over the next two years. However, Company and ICG entered into an agreement whereby if the warrants are not exercised on or before the applicable expiration date, the applicable expiration date is deemed automatically extended for successive two-year periods, immediately prior to such expiration. During the three and six months ended March 31, 2020, the Company recorded a fair value adjustment of \$102 and \$368, respectively, related to the extension of warrants that expired during this period. There was no such adjustment during the three and six months ended March 31, 2019.

The following table summarizes information about the Company's warrants at March 31, 2020 and September 30, 2019, 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, 2019	118,029	\$ 20.80	0.53	\$ —
Outstanding and Exercisable at March 31, 2020	118,029	\$ 20.80	1.85	\$ —

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 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, 2019	590,147	\$ 4.16	0.53	\$ 2,602
Outstanding and Exercisable at March 31, 2020	590,147	\$ 4.16	1.85	\$ 649

The exercise price for the Series B Convertible Preferred Stock warrants outstanding and exercisable at March 31, 2020 and September 30, 2019, are 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 11: Stock-Based Compensation**

Our 2014 Omnibus Equity Incentive Plan (the "2014 Plan") 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 directors, officer, employees, consultants and advisors. The Company has reserved up to 300,000 shares of common stock for issuance under the 2014 Plan.

From time to time, the Company grants stock options 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.

The following table summarizes stock option activity for the twelve months ended September 30, 2019 and the six months ended March 31, 2020:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2018	231,668	\$ 14.84	3.04	\$ 163
Forfeited	(31,250)			
Outstanding at September 30, 2019	200,418	\$ 16.37	2.40	\$ 27
Exercisable at September 30, 2019	164,084	\$ 13.92	1.44	\$ 27
Outstanding at March 31, 2020	200,418	\$ 16.37	2.20	\$ —
Exercisable at March 31, 2020	176,251	\$ 14.08	1.20	\$ —

The Company recognized compensation expense of \$19 and \$31 during the three months ended March 31, 2020 and 2019, respectively, and \$48 and \$78 during the six months ended March 31, 2020 and 2019, 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.

At March 31, 2020, the Company has \$97 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the company expects to recognize as compensation expense through October of 2022.

The exercise price for stock options outstanding and exercisable outstanding at March 31, 2020 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		12,501	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		4,000	32	
8,000	36.50		—	—	
8,000	41.98		—	—	
200,418			176,251		

The following table summarizes information about the Company's non-vested shares outstanding as of March 31, 2020 and September 30, 2019:

Non-vested Shares	Number of Shares	Average Grant-Date Fair Value
Non-vested at September 30, 2019	36,334	\$ 26.76
Vested	(12,167)	\$ 23.23
Non-vested at March 31, 2020	24,167	\$ 33.10

#### Note 12: Earnings Per Share

Net earnings per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Diluted net earnings per share is computed using the weighted average number of common shares outstanding and if dilutive, potential common shares outstanding during the period. Potential shares of common stock consist of the additional shares of common stock 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 earnings per share:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
<i>Basic</i>				
Net income	\$ 1,881	\$ 473	\$ 2,866	\$ 2,004
Less: preferred stock dividends	—	—	—	—
Net income applicable to common stock	\$ 1,881	\$ 473	\$ 2,866	\$ 2,004
Weighted average common shares outstanding	1,752,908	1,925,972	1,779,706	1,935,610
Basic earnings per share	\$ 1.07	\$ 0.25	\$ 1.61	\$ 1.03
<i>Diluted</i>				
Net income applicable to common stock	\$ 1,881	\$ 473	\$ 2,866	\$ 2,004
Add: preferred stock dividends	—	—	—	—
Net income applicable for diluted earnings per share	\$ 1,881	\$ 473	\$ 2,866	\$ 2,004
Weighted average common shares outstanding	1,752,908	1,925,972	1,779,706	1,935,610
Add: Options	—	2,255	—	6,916
Add: Series B Preferred Stock	1,071,220	1,071,220	1,071,220	1,071,220
Add: Series B Preferred Stock Warrants	590,147	590,147	590,147	590,147
Add: Series E Preferred Stock	47,840	77,840	47,840	77,840
Assumed weighted average common shares outstanding	3,462,115	3,667,434	3,488,913	3,681,733
Diluted earnings per share	\$ 0.54	\$ 0.13	\$ 0.82	\$ 0.53

There are 200,418 and 200,418 common stock options that are anti-dilutive that are not included in the three and six months ended March 31, 2020, diluted earnings per share computations, respectively.

#### Note 13: 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 May 2025. As of March 31, 2020, and September 30, 2019, respectively, there was \$2,000 outstanding on this mezzanine loan. During the three months ended March 31, 2020 and 2019, the Company recognized total interest expense of \$64, associated with the ICF note. During the six months ended March 31, 2020 and 2019, the Company recognized interest expense of \$128 associated with the ICF note.

Customer Connexx LLC, a wholly-owned subsidiary of JanOne Inc. (“JanOne”), rents approximately 9,879 square feet of office space from the Company at its Las Vegas office which totals 11,100 square feet. JanOne paid the Company \$89 and \$139 in rent and other reimbursed expenses for the three months ended March 31, 2020 and 2019, respectively. JanOne paid the Company \$181 and \$183 in rent and other reimbursed expenses for the six months ended March 31, 2020 and 2019, 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, respectively.

The warrants, discussed in Note 10, expire at various timeframes over the next two years. However, Company and ICG entered into an agreement whereby if the warrants are not exercised on or before the applicable expiration date, the applicable expiration date is deemed automatically extended for successive two-year periods immediately prior to such expiration.

On December 30, 2017, ASH, a wholly owned subsidiary of the Company, entered into a Stock Purchase Agreement with JanOne and ApplianceSmart, a subsidiary of JanOne. Pursuant to the Agreement, the Purchaser purchased from JanOne all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for \$6,500. Effective April 1, 2018, ASH issued an interest-bearing promissory note, 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.

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. At March 31, 2020 and September 30, 2019, respectively, there was \$2,826 outstanding on this ApplianceSmart Note. On December 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code.

In connection with the acquisition of Vintage Stock on November 3, 2016, as amended, 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 September 23, 2023. Interest paid to Mr. Spriggs for the three months ended March 31, 2020 and 2019, was \$82. Interest paid to Mr. Spriggs for the six months ended March 31, 2020 and 2019 was \$164. Interest unpaid and accrued as of March 31, 2020 and September 30, 2019 is \$27.

On April 9, 2020, the Company entered into and delivered to Isaac Capital Group, LLC (“ICG”) an unsecured revolving line of credit promissory note whereby ICG agreed to provide the Company with a \$1,000 revolving credit facility (the “Unsecured Revolving Credit Facility”). The Unsecured Revolving Credit Facility matures on April 8, 2023, bears interest at 10.0% per annum, and provides for the payment of interest monthly in arrears. The foregoing transaction did not include the issuance of any shares of the Company’s common stock, warrants, or other derivative securities. As of January 29, 2020, the Lender is a record and beneficial owner of approximately 38.4% of the outstanding capital stock of the Company, and Jon Isaac, the Company’s President and Chief Executive Officer, and manager and sole member of the Lender, is a record and beneficial owner of approximately 45.9% of the outstanding capital stock of the Company.

Also see Notes 7 and 8.

#### **Note 14: Commitments and Contingencies**

##### Litigation

##### 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.

##### 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.

##### ApplianceSmart Bankruptcy and Other ApplianceSmart Related 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 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. 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 was subsequently settled for an aggregate of \$20 on February 18, 2020 in exchange for full mutual releases.

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 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. The Company and Hopkins Mainstreet reached a settlement agreement during March 2020 in the amount of \$25.

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.

#### *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 six months ended March 31, 2020:

Beginning balance, September 30, 2019	\$	292
Warranties issued/accrued		—
Warranty settlements		(35)
Ending balance, March 31, 2020	\$	<u>257</u>

**Note 15: Income Taxes**

The income tax rate for the three months ended March 31, 2020 and 2019 was 26.8% and 29.9%, respectively. The income tax rate for the six months ended March 31, 2020 and 2019 was 26.7% and 27.7%, respectively. The effective income tax rate differs from the U.S. federal statutory rate primarily due to state taxes and certain non-deductible expenses. As of March 31, 2020, the Company had no uncertain tax positions. The Company is subject to taxation and files income tax returns in the U.S., and various state jurisdictions. The Company is subject to audit for U.S. purposes for the current and prior three years; and for state purposes the current and prior four years.

**Note 16: 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 three and six months ended March 31, 2020 and 2019:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2020	2019	2020	2019
<b>Revenues</b>				
Retail and Online	\$ 18,986	\$ 25,748	\$ 40,474	\$ 56,392
Manufacturing	27,301	21,062	47,668	43,445
Services	144	163	290	332
	<u>\$ 46,431</u>	<u>\$ 46,973</u>	<u>\$ 88,432</u>	<u>\$ 100,169</u>
<b>Gross profit</b>				
Retail and Online	\$ 10,334	\$ 12,742	\$ 21,454	\$ 26,318
Manufacturing	7,308	5,755	12,676	11,357
Services	133	154	271	313
	<u>\$ 17,776</u>	<u>\$ 18,651</u>	<u>\$ 34,402</u>	<u>\$ 37,988</u>
<b>Operating income (loss)</b>				
Retail and Online	\$ 237	\$ (129)	\$ 1,183	\$ (368)
Manufacturing	2,698	2,021	5,101	4,193
Services	132	154	270	312
	<u>\$ 3,068</u>	<u>\$ 2,046</u>	<u>\$ 6,555</u>	<u>\$ 4,137</u>
<b>Depreciation and amortization</b>				
Retail and Online	\$ 342	\$ 882	\$ 991	\$ 1,671
Manufacturing	888	610	1,486	1,304
Services	—	—	—	—
	<u>\$ 1,231</u>	<u>\$ 1,492</u>	<u>\$ 2,477</u>	<u>\$ 2,975</u>
<b>Interest expenses</b>				
Retail and Online	\$ 830	\$ 1,120	\$ 1,797	\$ 2,296
Manufacturing	440	416	830	893
Services	—	—	—	—
	<u>\$ 1,270</u>	<u>\$ 1,536</u>	<u>\$ 2,627</u>	<u>\$ 3,189</u>
<b>Net income (loss) before provision for income taxes</b>				
Retail and Online	\$ 262	\$ (1,333)	\$ (421)	\$ (2,605)
Manufacturing	2,116	1,854	3,996	5,066
Services	132	154	270	312
	<u>\$ 2,510</u>	<u>\$ 675</u>	<u>\$ 3,845</u>	<u>\$ 2,773</u>

### *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.

The Company will continue to consolidate ApplianceSmart as ApplianceSmart remains under the control of management and not the Bankruptcy Court. ApplianceSmart maintains its ability to operate under the normal course of business throughout the bankruptcy proceedings. The Company will continue to evaluate any triggering events that indicate a loss of control that may result in deconsolidation.

### **Note 17: Subsequent Events**

#### *Isaac Capital Fund Revolving Promissory Note*

On April 9, 2020, the Company entered into an unsecured revolving line of credit promissory note whereby the Isaac Capital Group, LLC (“ICG”) agreed to provide the Company with a \$1,000 revolving credit facility (the “Unsecured Revolving Credit Facility”). The Unsecured Revolving Credit Facility bears interest at 10.0% per annum and provides for the payment of interest monthly in arrears and matures April 2023. The foregoing transaction did not include the issuance of any shares of the Company’s common stock, warrants, or other derivative securities. As of January 29, 2020, ICG is a record and beneficial owner of approximately 38.4% of the outstanding capital stock of the Company, and Jon Isaac, the Company’s President and Chief Executive Officer, and manager and sole member of ICG, is a record and beneficial owner of approximately 45.9% of the outstanding capital stock of the Company.

#### *Marquis PPP Loan*

On May 4, 2020, Marquis entered into a promissory note (the “Promissory Note”) with Bank of America, N.A. that provides for a loan in the amount of \$4,768 (the “PPP Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The PPP Loan matures two years from the funding date of the PPP Loan and bears interest at a rate of 1.0% per annum. Monthly amortized principal and interest payments are deferred for six months after the date of disbursement. The Promissory Note contains events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provides that the use of PPP Loan amount shall be limited to certain qualifying expenses and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act. The Company intends to apply for forgiveness of a portion of the loan in accordance with the terms of the CARES Act to the extent applicable. No assurance is provided that forgiveness for all or any portion of the PPP Loan will be obtained. On May 5, 2020, Marquis received the funds from the PPP Loan.

On May 4, 2020, in connection with the PPP Loan, Marquis Affiliated Holdings, LLC, a subsidiary of the Company and Marquis entered into a Ninth Amendment to Loan and Security Agreement with BofA (the “Ninth Amendment”). The Ninth Amendment amends, modifies, restates or supplements the Loan and Security Agreement, dated as of July 6, 2015, as amended from time to time, among MAH, Marquis and BofA (the “Senior Credit Facility”) to, among other things, permit the incurrence of the PPP Loan.

#### *ApplianceSmart Contracting*

On April 22, 2020, the Company sold ApplianceSmart Contracting Inc. (“ApplianceSmart Contracting”) to a related party for \$60. In connection with the sale, and under the terms of a purchase and sale agreement and a secured promissory note (the “ASC Note”), the Company agreed to loan ApplianceSmart Contracting up to \$382 to satisfy then outstanding sales tax obligations owed by ApplianceSmart Contracting. Advances under the loan are only made by the Company to ApplianceSmart Contracting upon the presentation of evidence by ApplianceSmart Contracting of the satisfaction of one or more outstanding state sales tax amounts. Advances bear interest at 8.0% per annum. The loan matures on September 30, 2022 or on such earlier date as provided in the ASC Note. The loan is guaranteed by the related party and secured by the assets of ApplianceSmart Contracting. At the closing of the sale transaction, the Company advanced ApplianceSmart Contracting \$60.



## ITEM 2. 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 three and six months ended March 31, 2020, 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 condensed consolidated financial statements, including the related notes, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 (the “2019 Form 10-K”).

### Note about Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 relating to 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, (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, and (viii) the effect the Coronavirus crisis is having and will have on our business.

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 our 2019 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 Quarterly Report are not part of this Quarterly 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 Quarterly Report on Form 10-Q) 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 fibre 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. As of March 31, 2020, Vintage Stock has closed all of its retail locations in response to the crisis. Vintage expects to reopen its retail locations as soon as possible while maintaining compliance with government mandates.

#### *ApplianceSmart*

At December 31, 2019, ApplianceSmart Affiliated Holdings LLC, ApplianceSmart Inc. and ApplianceSmart Contracting, Inc (collectively "ApplianceSmart") operated three stores: two in Minnesota and one Ohio. As of March 31, 2020, ApplianceSmart operates one store in Ohio. 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. 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.

The Company will continue to consolidate ApplianceSmart as ApplianceSmart remains under the control of management and not the Bankruptcy Court. ApplianceSmart maintains its ability to operate under the normal course of business throughout the bankruptcy proceedings. The Company will continue to evaluate any triggering events that indicate a loss of control that may result in deconsolidation.

### **Critical Accounting Policies**

Our unaudited condensed 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. For a summary of significant accounting policies and the means by which we develop estimates thereon, see ("Part 1, Item 1 of this 10-Q report – Financial Statements - Notes to unaudited condensed consolidated financial statements Note 2 – summary of significant accounting policies), which are an integral component of this filing.

### Results of Operations Three Months Ended March 31, 2020 and 2019

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

	For the Three Months Ended March 31, 2020		For the Three Months Ended March 31, 2019	
		% of Total Revenue		% of Total Revenue
Statement of Income Data:				
Revenues	\$ 46,431	100.0 %	\$ 46,973	100.0 %
Cost of revenues	28,655	61.7 %	28,322	60.3 %
Gross profit	17,776	38.3 %	18,651	39.7 %
General and administrative expenses	11,701	25.2 %	12,794	27.2 %
Sales and marketing expenses	3,007	6.5 %	3,811	8.1 %
Operating income	3,068	6.6 %	2,046	4.4 %
Interest expense, net	(1,270)	(2.7) %	(1,536)	(3.3) %
Gain on lease settlement, net	837	1.8 %	—	0.0 %
Other income (expense)	(125)	(0.3) %	165	0.4 %
Income before provision for income taxes	2,510	5.4 %	675	1.4 %
Provision for income taxes	629	1.4 %	202	0.4 %
Net income	\$ 1,881	4.1 %	\$ 473	1.0 %

The following table sets forth revenues for key product categories revenue and percentages of total revenue for each key product category indicated:

	For the Three Months Ended March 31, 2020		For the Three Months Ended March 31, 2019	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Revenue				
Used Movies, Music, Games and Other	\$ 9,516	20.5 %	\$ 10,672	22.7 %
New Movies, Music, Games and Other	7,743	16.7 %	8,562	18.2 %
Rentals, Concessions and Other	186	0.4 %	255	0.5 %
Retail Appliance	1,541	3.3 %	6,258	13.3 %
Carpets	19,524	42.0 %	14,048	29.9 %
Hard Surface Products	7,762	16.7 %	6,702	14.3 %
Synthetic Turf Products	15	0.0 %	313	0.7 %
Directory Services	144	0.3 %	163	0.3 %
Total Revenue	\$ 46,431	100.0 %	\$ 46,973	100.0 %

The following table sets forth gross profit earned by key product categories and gross profit as a percentage of revenue for each key product category indicated:

	For the Three Months Ended March 31, 2020		For the Three Months Ended March 31, 2019	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Gross Profit				
Used Movies, Music, Games and Other	\$ 7,731	81.2 %	\$ 8,716	81.7 %
New Movies, Music, Games and Other	2,184	28.2 %	2,527	29.5 %
Rentals, Concessions and Other	72	38.8 %	162	63.5 %
Retail Appliance	342	22.2 %	1,337	21.4 %
Carpets	5,344	27.4 %	3,946	28.1 %
Hard Surface Products	1,969	25.4 %	1,797	26.8 %
Synthetic Turf Products	—	0.0 %	12	3.8 %
Directory Services	133	92.6 %	154	94.5 %
Total Gross Profit	\$ 17,776	38.3 %	\$ 18,651	39.7 %

**Revenue**

Revenue remained consistent at \$46,431 for the three months ended March 31, 2020 as compared to \$46,973 for the three months ended March 31, 2019. Revenue from retail appliances decreased significantly due to ApplianceSmart declining sales and the closure of certain retail locations. The decrease in retail appliance revenue was offset by an increase in carpet and hard surface products as a result of the Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements).

**Cost of Revenue**

Cost of revenue remained consistent at \$28,655 for the three months ended March 31, 2020 as compared to \$28,322 for the three months ended March 31, 2019. Costs of revenue varied proportionately with the variance in revenue.

**Gross Profit**

Gross profit remained consistent at \$17,776 for the three months ended March 31, 2020 as compared to \$18,651 for the three months ended March 31, 2019.

**General and Administrative Expense**

General and Administrative expense decreased \$1,093 or 9%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 primarily due to lower costs resulting from the decrease in rent expense and employee costs associated with the closure of the ApplianceSmart retail locations.

**Selling and Marketing Expense**

Selling and marketing expense decreased \$804 or 21%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 primarily due to reduced marketing efforts related to the ApplianceSmart retail location closures.

**Operating Income**

Because of the factors described above, operating income of \$3,068 for the three months ended March 31, 2020 represented an increase of \$1,022 or 50% over the comparable prior year period of \$2,046.

**Interest Expense, net**

Interest expense, net decreased \$266 or 17%, for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 due to a decrease in certain interest rates and the continued efforts to repay debt obligations.

**Gain on lease settlement, net**

During the three months ended March 31, 2020, the Company recorded a net gain on lease settlement of \$837 resulting from the extinguishment of the lease liability associated with the closed ApplianceSmart retail locations. There were no similar gains during the three months ended March 31, 2019.

**Other Income**

Other expense of \$125 for the three months ended March 31, 2020 was primarily related to the warrant extension fair value adjustment. Other income of \$165 for the three months ended March 31, 2019 was driven by breakage income related to gift cards which are no longer reportable under state escheatment laws.

**Provision for Income Taxes**

Provision for income taxes was \$629, for the three months ended March 31, 2020 as compared to \$202 for the three months ended March 31, 2019 primarily due to the variance in net income.

**Net Income**

The factors described above led to net income of \$1,881 for the three months ended March 31, 2020, which was an increase of \$1,408 compared to net income of \$473 for the three months ended March 31, 2019.

## Results of Operations Six Months Ended March 31, 2020 and 2019

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

	For the Six Months Ended March 31, 2020		For the Six Months Ended March 31, 2019	
		% of Total Revenue		% of Total Revenue
Statement of Income Data:				
Revenues	\$ 88,432	100.0 %	\$ 100,169	100.0 %
Cost of revenues	54,030	61.1 %	62,181	62.1 %
Gross profit	34,402	38.9 %	37,988	37.9 %
General and administrative expenses	22,510	25.5 %	25,694	25.7 %
Sales and marketing expenses	5,337	6.0 %	8,157	8.1 %
Operating income	6,555	7.4 %	4,137	4.1 %
Interest expense, net	(2,627)	(3.0 )%	(3,189 )	(3.2 )%
Gain on lease settlement, net	223	0.3 %	—	0.0 %
Other income (expense)	(306)	-0.3 %	1,825	1.8 %
Income before provision for income taxes	3,845	4.3 %	2,773	2.8 %
Provision for income taxes	979	1.1 %	769	0.8 %
Net income	\$ 2,866	3.2 %	\$ 2,004	2.0 %

The following table sets forth revenues for key product categories revenue and percentages of total revenue for each key product category indicated:

Revenue	For the Six Months Ended March 31, 2020		For the Six Months Ended March 31, 2019	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Used Movies, Music, Games and Other	\$ 19,931	22.5 %	\$ 21,932	21.9 %
New Movies, Music, Games and Other	17,403	19.7 %	18,948	18.9 %
Rentals, Concessions and Other	386	0.4 %	550	0.5 %
Retail Appliance	2,754	3.1 %	14,962	14.9 %
Carpets	32,884	37.2 %	28,338	28.3 %
Hard Surface Products	14,614	16.5 %	13,637	13.6 %
Synthetic Turf Products	170	0.2 %	1,470	1.5 %
Directory Services	290	0.3 %	332	0.3 %
Total Revenue	\$ 88,432	100.0 %	\$ 100,169	100.0 %

The following table sets forth gross profit earned by key product categories and gross profit as a percentage of revenue for each key product category indicated:

Gross Profit	For the Six Months Ended March 31, 2020		For the Six Months Ended March 31, 2019	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Used Movies, Music, Games and Other	\$ 16,057	80.6 %	\$ 17,784	81.1 %
New Movies, Music, Games and Other	4,679	26.9 %	4,928	26.0 %
Rentals, Concessions and Other	149	38.6 %	360	65.5 %
Retail Appliance	569	20.7 %	3,246	21.7 %
Carpets	9,184	27.9 %	7,608	26.8 %
Hard Surface Products	3,409	23.3 %	3,545	26.0 %
Synthetic Turf Products	83	48.8 %	204	13.9 %
Directory Services	271	93.6 %	313	94.3 %
Total Gross Profit	\$ 34,402	38.9 %	\$ 37,988	37.9 %

**Revenue**

Revenue decreased \$11,737 or 12% for the six months ended March 31, 2020 as compared to the six months ended March 31, 2019. Revenue from retail appliances decreased significantly due to ApplianceSmart declining sales and the closure of certain retail locations. Synthetic turf revenue decreased due to the sale of the equipment as the Company exits this division. Carpet and hard surface products as a result of the Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements).

**Cost of Revenue**

Cost of revenue decreased \$8,151 or 13% for the six months ended March 31, 2020 as compared the six months ended March 31, 2019. Costs of revenue varied proportionately with the variance in revenue.

**Gross Profit**

The decrease in revenue and costs of revenues discussed above resulted in a decrease in gross profit of \$3,586 or 9% for the six months ended March 31, 2020 as compared to the six months ended March 31, 2019.

**General and Administrative Expense**

General and Administrative expense decreased \$3,184 or 12%, for the six months ended March 31, 2020 as compared to the six months ended March 31, 2019 primarily due to lower costs resulting from the decrease rent expense and employee costs associated with closure of the ApplianceSmart retail locations.

**Selling and Marketing Expense**

Selling and marketing expense decreased \$2,820 or 35%, for the six months March 31, 2020 as compared to the six months ended March 31, 2019 primarily due to reduced marketing efforts related to the ApplianceSmart retail location closures.

**Operating Income**

Because of the factors described above, operating income of \$6,555 for the six months ended March 31, 2020 represented an increase of \$2,418 or 58% over the comparable prior year period of \$4,137.

**Interest Expense, net**

Interest expense net decreased \$562 or 18%, for the six months ended March 31, 2020 as compared to the six months ended March 31, 2019 due to a decrease in certain interest rates and the continued efforts to repay debt obligations.

**Gain on lease settlement, net**

During the six months ended March 31, 2020, the Company recorded a net gain on lease settlement of \$223 which consisted of impairment charges of \$614 related to the decision to close additional ApplianceSmart retail locations resulting in a decrease to the associated right of use asset related to these leases, offset by a gain on lease settlement of \$837 resulting from the extinguishment of the lease liability associated with the closed retail locations. There were no such transactions during the six months ended March 31, 2019.

**Other Income**

Other expense of \$306 for the six months ended March 31, 2020 was primarily related to the warrant extension fair value adjustment. Other income of \$1,825 for the six months ended March 31, 2019 was driven by \$1,518 of gain on sale of the Marquis Synthetic Turf Products business during December 2018.

**Provision for Income Taxes**

Provision for income taxes was \$979, for the six months ended March 31, 2020 as compared to \$769 for the six months ended March 31, 2019 primarily due to the variance in net income.

**Net Income**

The factors described above led to net income of \$2,866 for the six months ended March 31, 2020, which was a \$862 or 43% increase to net income of \$2,004 for the three months ended March 31, 2019

## Segment Performance

We report our business in the following segments: Retail and Online, Manufacturing and Services. We identified these segments based on a combination of business type, customers serviced and how we divide management responsibility. Our revenues and profits are driven through our physical stores, e-commerce, individual sales representatives and our internet services.

Operating income by operating segment, is defined as income before net interest expense, other income and expense, provision for income taxes and income attributable to non-controlling interest.

	For the Three Months Ended March 31, 2020				For the Three Months Ended March 31, 2019			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	\$ 18,986	\$ 27,301	\$ 144	\$ 46,431	\$ 25,747	\$ 21,063	\$ 163	\$ 46,973
Cost of Revenue	8,652	19,993	11	28,655	13,005	15,308	9	28,322
Gross Profit	10,334	7,308	133	17,776	12,742	5,755	154	18,651
General and Administrative Expense	9,662	2,038	1	11,701	11,261	1,533	—	12,794
Selling and Marketing Expense	435	2,572	—	3,007	1,610	2,201	—	3,811
Operating Income (Loss)	\$ 237	\$ 2,698	\$ 132	\$ 3,068	\$ (129)	\$ 2,021	\$ 154	\$ 2,046

	Three Months Ended March 31, 2020 Segments in % of Revenue				Three Months Ended March 31, 2019 Segments in % of Revenue			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	45.6%	73.2%	7.4%	61.7%	50.5%	72.7%	5.5%	60.3%
Gross Profit	54.4%	26.8%	92.6%	38.3%	49.5%	27.3%	94.5%	39.7%
General and Administrative Expense	50.9%	7.5%	0.7%	25.2%	43.7%	7.3%	0.0%	27.2%
Selling and Marketing Expense	2.3%	9.4%	0.0%	6.5%	6.3%	10.4%	0.0%	8.1%
Operating Income (Loss)	1.2%	9.9%	91.9%	6.6%	-0.5%	9.6%	94.5%	4.4%

### Retail and Online Segment

Segment results for Retail and Online include Vintage Stock and ApplianceSmart. Revenue for the three months ended March 31, 2020 decreased \$6,761, or 26%, as compared to the prior year, primarily due to the ApplianceSmart retail location closures during fiscal 2019. Cost of revenue for the three months ended March 31, 2020 decreased \$4,353 or 33%, as compared to the prior year period, primarily due to the decrease in revenue. Operating income for the three months ended March 31, 2020 was \$237, as compared to operating loss of \$129 the prior year period, primarily due to the decrease in gross profit, general and administrative costs and selling and marketing expenses due to ApplianceSmart retail location closures.

### Manufacturing Segment

Segment results for Manufacturing include Marquis, which is our carpet, hard surface and synthetic turf products business. Revenue for the three months ended March 31, 2020 increased \$6,238 or 30%, as compared to the prior year period, due to Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements). Cost of revenue for the three months ended March 31, 2020 increased proportionately with revenue, as compared to the prior year period. Operating income for the three months ended March 31, 2020 of \$2,698 remained constant compared to the prior year period of \$2,021.

## 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.

	For the Six Months Ended March 31, 2020				For the Six Months Ended March 31, 2019			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	\$ 40,474	\$ 47,668	\$ 290	\$ 88,432	\$ 56,392	\$ 43,445	\$ 332	\$ 100,169
Cost of Revenue	19,020	34,992	19	54,030	30,074	32,088	19	62,181
Gross Profit	21,454	12,676	271	34,402	26,318	11,357	313	37,988
General and Administrative Expense	19,339	3,170	1	22,510	22,670	3,023	1	25,694
Selling and Marketing Expense	932	4,405	—	5,337	4,016	4,141	—	8,157
Operating Income (Loss)	\$ 1,183	\$ 5,101	\$ 270	\$ 6,555	\$ (368)	\$ 4,193	\$ 312	\$ 4,137

	Six Months Ended March 31, 2020 Segments in % of Revenue				Six Months Ended March 31, 2019 Segments in % of Revenue			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	47.0%	73.4%	6.4%	61.1%	53.3%	73.9%	5.7%	62.1%
Gross Profit	53.0%	26.6%	93.6%	38.9%	46.7%	26.1%	94.3%	37.9%
General and Administrative Expense	47.8%	6.7%	0.3%	25.5%	40.2%	7.0%	0.3%	25.7%
Selling and Marketing Expense	2.3%	9.2%	0.0%	6.0%	7.1%	9.5%	0.0%	8.1%
Operating Income (Loss)	2.9%	10.7%	93.2%	7.4%	-0.7%	9.7%	94.0%	4.1%

## Retail and Online Segment

Segment results for Retail and Online include Vintage Stock and ApplianceSmart. Revenue for the six months ended March 31, 2020 decreased \$15,918, or 28%, as compared to the prior year, primarily due to the ApplianceSmart retail location closures during fiscal 2019. Cost of revenue for the six months ended March 31, 2020 decreased \$11,054 or 37%, as compared to the prior year period, primarily due to the decrease in revenue. Operating income for the six months ended March 31, 2020 was \$1,183, as compared to operating loss of \$368 the prior year period, primarily due to the decrease in gross profit, general and administrative costs and selling and marketing expenses due to ApplianceSmart retail location closures.

## Manufacturing Segment

Segment results for Manufacturing include Marquis, which is our carpet, hard surface and synthetic turf products business. Revenue for the six months ended March 31, 2020 increased \$4,223, or 10%, as compared to the prior year period, due to Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements), partially offset by a decrease in synthetic turf products due to the sale of equipment for this division during December 2018. Cost of revenue for the six months ended March 31, 2020 decreased proportionately with revenue, as compared to the prior year period. Operating income for the six months ended March 31, 2020 increased \$908 to \$5,101 from \$4,193 for the six months ended March 31, 2019.

## 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 operating plans as of March 31, 2020, 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 remodelling 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”) used by Marquis and (ii) Texas Capital Bank Revolver Loan (“TCB Revolver”) used by Vintage Stock.

As of March 31, 2020, we had total cash on hand of \$1,496, an additional \$17,725 of available borrowing under the BofA Revolver, and an additional \$3,433 of available borrowing under the TCB Revolver. On May 4, 2020, Marquis entered into a promissory note (the “Promissory Note”) with Bank of America, N.A. that provides for a loan in the amount of \$4,768 (the “PPP Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The PPP Loan matures two years from the funding date of the PPP Loan and bears interest at a rate of 1.0% per annum. Monthly amortized principal and interest payments are deferred for six months after the date of disbursement. The Promissory Note contains events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provides that the use of PPP Loan amount shall be limited to certain qualifying expenses and may be partially or wholly forgiven in accordance with the requirements set forth in the CARES Act. The Company intends to apply for forgiveness of a portion of the loan in accordance with the terms of the CARES Act to the extent applicable. No assurance is provided that forgiveness for all or any portion of the PPP Loan will be obtained. On May 5, 2020, Marquis received the funds from the PPP Loan.

Additionally, on April 9, 2020, the Company entered into an unsecured revolving line of credit promissory note whereby the Isaac Capital Group, LLC (“ICG”) agreed to provide the Company with a \$1,000 revolving credit facility (the “Unsecured Revolving Credit Facility”). The Unsecured Revolving Credit Facility bears interest at 10.0% per annum and provides for the payment of interest monthly in arrears and matures April 2023. The foregoing transaction did not include the issuance of any shares of the Company’s common stock, warrants, or other derivative securities. As of January 29, 2020, ICG is a record and beneficial owner of approximately 38.4% of the outstanding capital stock of the Company, and Jon Isaac, the Company’s President and Chief Executive Officer, and manager and sole member of ICG, is a record and beneficial owner of approximately 45.9% of the outstanding capital stock of the Company.

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 (including convertible debt) or equity securities. The amount, nature, and timing of any borrowings or sales of debt (including convertible 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.

In March 2020, there was a global outbreak of COVID-19 (Coronavirus) that has resulted in changes in global supply of certain products. The pandemic is having an unprecedented impact on the U.S. economy as federal, state, and local governments react to this public health crisis, which has created significant uncertainties. These uncertainties include, but are not limited to, the potential adverse effect of the pandemic on the economy, our supply chain partners, our employees and customers, customer sentiment in general, and traffic within shopping centers, and, where applicable, malls, containing our stores. As the pandemic continues to grow, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state, and local authorities to avoid large gatherings of people or self-quarantine are continuing to increase, which has already affected, and may continue to affect, traffic to our stores. As of March 31, 2020, Vintage Stock has closed all of its retail locations in response to the crisis. As of May 14, 2020, Vintage reopen all but four of its 62 retail locations and expects to reopen its remaining retail locations as soon as possible while maintaining compliance with government mandates. We are unable to predict when all stores will reopen or if additional periods of store closures will be needed or mandated. During March and April 2020, Marquis conducted rolling layoffs for certain employees, however, during May 2020, all employees have returned to their respective locations. Continued impacts of the pandemic could materially adversely affect our near-term and long-term revenues, earnings, liquidity, and cash flows, and may require significant actions in response, including but not limited to, employee furloughs, reduced store hours, store closings, expense reductions or discounting of pricing of our products, all in an effort to mitigate such impacts. The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the outbreak within the U.S., the impact on capital and financial markets and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

### *Working Capital*

We had working capital of \$8,642 as of March 31, 2020 as compared to working capital of \$20,727 as of September 30, 2019 with current assets increasing by \$11,725 and current liabilities increasing by \$23,810. Such changes in working capital were primarily attributable to the Lonesome Oak acquisition, increase in short term lease obligations due to the adoption of the new lease accounting standard, an increase in the current portion of debt, a decrease in trade receivables and net debtor-in-possession liabilities.

### *Cash Flows from Operating Activities*

The Company's cash and cash equivalents at March 31, 2020 was \$1,496 compared to \$2,681 at September 30, 2019, a decrease of \$1,185. Net cash provided by operations was \$6,571 for the six months ended March 31, 2020 as compared to net cash provided by operations of \$6,986 for the same period in 2019 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 used in investing activities of \$2,412 for the six months ended March 31, 2020 consisted primarily of purchases of property and equipment of \$1,858 and a \$550 payment associated with the Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements). Our cash flows provided by investing activities of \$3,347 for the six months ended March 31, 2019 consisted primarily of proceeds from the sale of property and equipment.

### *Cash Flows from Financing Activities*

Our cash flows used in financing activities during the six months ended March 31, 2020 consisted of \$2,640 net borrowings under revolver loans, purchase of treasury stock \$759, payment on notes payable \$12,035, proceeds on notes payable of \$5,000 and cash classified as debtor-in-possession of \$187.

Our cash flows used in financing activities during the six months ended March 31, 2019 consisted of \$2,516 in net payments under revolver loans, \$118 in payments of debt issuance costs, purchase of treasury stock of \$321, \$100 payment on related party notes payable and payment on notes payable of \$6,728.

Currently, the Company does not intend to issue shares of common stock 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.

### *Sources of Liquidity*

We utilize cash on hand and cash generated from operations and have funds available to us under our three revolving loan facilities (the BofA Revolver, TCB Revolver and ICG 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 7 to the consolidated financial statements. The following tables summarize the BofA Revolver for the period:

	During the six months ended March 31,	
	2020	2019
Cumulative borrowing during the period	\$ 60,479	\$ 44,740
Cumulative repayment during the period	55,035	48,120
Maximum borrowed during the period	11,347	8,071
Weighted average interest for the period	3.52 %	4.19 %

	March 31, 2020	September 30, 2019
	Total availability	\$ 17,725
Total outstanding	5,457	13

#### *TCB Revolver*

Vintage Stock may borrow funds for operations under the TCB Revolver subject to availability as described in Note 7 to the consolidated financial statements. The following tables summarize the TCB Revolver for the period:

	During the six months ended March 31,	
	2020	2019
Cumulative borrowing during the period	\$ 35,808	\$ 39,644
Cumulative repayment during the period	37,831	40,895
Maximum borrowed during the period	11,798	11,932
Weighted average interest for the period	4.02 %	4.70 %

	March 31, 2020	September 30, 2019
	Total availability	\$ 3,433
Total outstanding	8,567	10,590

#### *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, additional loans, or other forms of financing. Any financing obtained may further dilute or otherwise impair the ownership interest of our existing stockholders.

#### **Off-Balance Sheet Arrangements**

At March 31, 2020, we had no off-balance sheet arrangements, commitments, or guarantees that require additional disclosure or measurement.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As of March 31, 2020, 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.

#### **ITEM 4. 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 March 31, 2020, 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 March 31, 2020 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 March 31, 2020. 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 March 31, 2020. 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; and
- 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.

## PART II – OTHER INFORMATION

### ITEM 1. Legal Proceedings

Please refer to “Item 3. Legal Proceedings” in our Annual Report on Form 10-K for the year ended September 30, 2019 and our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2019 for information regarding material pending legal proceedings.

### ITEM 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

### ITEM 2. Unregistered Sales of Equity Securities and Use of funds

On February 20, 2018, the Company announced a \$10 million common stock repurchase program. Below are the purchases during the three months ended March 31, 2020:

Period	Number of Shares	Average Purchase Price Paid	Number of Share Purchases as Part of a Publicly Announced Plan or Program	Maximum Amount that May be Purchased Under the Announced Plan or Program
January 2020	21,757	\$ 7.65	21,757	\$ 8,371,064
February 2020	16,956	6.26	16,956	8,244,420
March 2020	26,155	5.29	26,155	8,127,202
	<u>64,868</u>		<u>64,868</u>	

### ITEM 3. Defaults Upon Senior Securities

None.

### ITEM 4. Mine Safety Disclosures

None.

### ITEM 5. Other Information

None.

**ITEM 6. Exhibits**

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

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File Number</b>	<b>Exhibit Number</b>	<b>Filing Date</b>
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	001-333937	3.1	09/07/10
3.3	<a href="#">Certificate of Correction</a>	8-K	001-333937	3.1	03/11/13
3.4	<a href="#">Certificate of Change</a>	10-Q	001-333937	3.1	02/14/14
3.5	<a href="#">Articles of Merger</a>	8-K	001-333937	3.1.4	10/08/15
3.6	<a href="#">Certificate of Change</a>	8-K	001-333937	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	001-333937	3.1.6	12/29/16
3.8	<a href="#">Bylaws of Live Ventures Incorporated</a>	10-Q	001-33937	3.8	08/14/18
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>				
Ex. 101.INS	* XBRL Instance Document				
Ex. 101.SCH	* XBRL Taxonomy Extension Schema Document				
Ex. 101.CAL	* XBRL Taxonomy Extension Calculation Linkbase Document				
Ex. 101.DEF	* XBRL Taxonomy Extension Definition Linkbase Document				
Ex. 101.LAB	* XBRL Taxonomy Extension Label Linkbase Document				
Ex. 101.PRE	* XBRL Taxonomy Extension Presentation Linkbase Document				

\* Filed herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Live Ventures Incorporated

Dated: August 14, 2020

/s/ Jon Isaac  
\_\_\_\_\_  
President and Chief Executive Officer  
(Principal Executive Officer)

Dated: August 14, 2020

/s/ Virland A. Johnson  
\_\_\_\_\_  
Chief Financial Officer  
(Principal Financial Officer)

## Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jon Isaac, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2020 of Live Ventures Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

*/s/ Jon Isaac*

\_\_\_\_\_  
**Jon Isaac**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Dated: August 14, 2020



## Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Virland A. Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2020 of Live Ventures Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

*/s/ Virland A. Johnson*

**Virland A. Johnson**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

Dated: August 14, 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 Quarterly Report of Live Ventures Incorporated (the "Company") on Form 10-Q/A for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon Isaac, the President and Chief Executive Officer of the Company, to the best of my knowledge and belief, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Jon Isaac*

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**Jon Isaac**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

Dated: August 14, 2020

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report as a separate disclosure document of the Company or the certifying officers.

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement 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.*

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Live Ventures Incorporated (the "Company") on Form 10-Q/A for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Virland A. Johnson, the Chief Financial Officer (Principal Financial Officer) of the Company, to the best of my knowledge and belief, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Virland A. Johnson*

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**Virland A. Johnson**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

Dated: August 14, 2020

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report as a separate disclosure document of the Company or the certifying officers.

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement 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.*