

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2024

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:

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

Indicate by check mark whether the registrant (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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided 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 August 2, 2024 was 3,131,633.

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FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2024	September 30, 2023
	(Unaudited)	
Assets		
Cash	\$ 4,711	\$ 4,309
Trade receivables, net of allowance for doubtful accounts of \$ 1.2 million at June 30, 2024 and \$ 1.6 million at September 30, 2023	48,887	41,194
Inventories, net	129,478	131,314
Income taxes receivable	—	1,116
Prepaid expenses and other current assets	4,442	4,919
Total current assets	<u>187,518</u>	<u>182,852</u>
Property and equipment, net	82,671	80,703
Right of use asset - operating leases	59,687	54,544
Deposits and other assets	1,449	1,282
Intangible assets, net	26,359	26,568
Goodwill	79,132	75,866
Total assets	<u>\$ 436,816</u>	<u>\$ 421,815</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 31,262	\$ 27,190
Accrued liabilities	34,774	31,826
Income taxes payable	624	—
Current portion of lease obligations - operating leases	12,938	11,369
Current portion of lease obligations - finance leases	347	359
Current portion of long-term debt	42,186	23,077
Current portion of notes payable related parties	5,400	4,000
Seller notes - related parties	2,500	—
Total current liabilities	<u>130,031</u>	<u>97,821</u>
Long-term debt, net of current portion	59,887	78,710
Lease obligation long term - operating leases	52,009	48,156
Lease obligation long term - finance leases	40,950	32,942
Notes payable related parties, net of current portion	5,929	6,914
Seller notes - related parties	39,661	38,998
Deferred taxes	8,974	14,035
Other non-current obligations	6,665	4,104
Total liabilities	<u>344,106</u>	<u>321,680</u>
Commitments and contingencies		
Stockholders' equity:		
Series E convertible preferred stock, \$ 0.001 par value, 200,000 shares authorized, 47,840 shares issued and outstanding at June 30, 2024 and September 30, 2023, respectively, with a liquidation preference of \$0.30 per share outstanding	—	—
Common stock, \$0.001 par value, 10,000,000 shares authorized, 3,131,633 and 3,164,330 shares issued and outstanding at June 30, 2024 and September 30, 2023, respectively	2	2
Paid in capital	69,642	69,387
Treasury stock common 694,414 and 660,063 shares as of June 30, 2024 and September 30, 2023, respectively	(9,068)	(8,206)
Treasury stock Series E preferred 80,000 shares as of June 30, 2024 and September 30, 2023, respectively	(7)	(7)
Retained earnings	32,141	38,959
Total stockholders' equity	<u>92,710</u>	<u>100,135</u>
Total liabilities and stockholders' equity	<u>\$ 436,816</u>	<u>\$ 421,815</u>

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

LIVE VENTURES INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME
(UNAUDITED)

(dollars in thousands, except per-share amounts)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 123,878	\$ 91,516	\$ 360,097	\$ 251,624
Cost of revenue	86,833	59,347	251,258	165,903
Gross profit	37,045	32,169	108,839	85,721
Operating expenses:				
General and administrative expenses	30,062	23,226	87,565	60,443
Sales and marketing expenses	5,852	3,382	17,440	10,198
Total operating expenses	35,914	26,608	105,005	70,641
Operating income	1,131	5,561	3,834	15,080
Other expense:				
Interest expense, net	(4,233)	(3,485)	(12,563)	(8,767)
Salomon Whitney settlement	—	1,000	—	2,000
Loss on disposition of Salomon Whitney	—	(1,696)	—	(1,696)
Loss on disposition of Johnson	(301)	—	(301)	—
Other expense	(420)	(23)	(197)	(693)
Total other expense, net	(4,954)	(4,204)	(13,061)	(9,156)
(Loss) income before provision for income taxes	(3,823)	1,357	(9,227)	5,924
(Benefit) provision for income taxes	(968)	297	(2,409)	1,462
Net (loss) income	\$ (2,855)	\$ 1,060	\$ (6,818)	\$ 4,462
(Loss) income per share:				
Basic	\$ (0.91)	\$ 0.33	\$ (2.16)	\$ 1.43
Diluted	\$ (0.91)	\$ 0.33	\$ (2.16)	\$ 1.42
Weighted average common shares outstanding:				
Basic	3,140,191	3,166,842	3,153,034	3,123,177
Diluted	3,140,191	3,186,904	3,153,034	3,143,634

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 Nine Months Ended June 30,	
	2024	2023
Operating Activities:		
Net (loss) income	\$ (6,818)	\$ 4,462
Adjustments to reconcile net (loss) income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	12,832	9,978
Loss on disposal of fixed assets	—	29
Amortization of seller note discount	2,048	—
Amortization of debt issuance cost	64	223
Stock based compensation expense	274	396
Amortization of right-of-use assets	2,913	2,069
Disposition of SW Financial, net of cash retained	—	1,509
Loss on disposition of Johnson	301	—
Change in allowance for doubtful accounts	(396)	62
Change in reserve for obsolete inventory	2,065	1,030
Changes in assets and liabilities, net of acquisitions:		
Trade receivables	(3,216)	2,940
Inventories	3,274	2,917
Income taxes payable/receivable	1,741	316
Prepaid expenses and other current assets	1,324	3,482
Deposits and other assets	(167)	(1,002)
Accounts payable	1,649	(1,039)
Accrued liabilities	164	(5,656)
Change in deferred income taxes	(4,175)	4,227
Other liabilities	—	63
Net cash provided by operating activities	<u>13,877</u>	<u>26,006</u>
Investing Activities:		
Acquisition of CRO	(1,034)	—
Acquisition of Johnson	(500)	—
Acquisition of Flooring Liquidators, net of cash acquired	—	(33,929)
Acquisition of Midwest Grinding	(1,000)	—
Acquisition of Central Steel, net of cash acquired	(10,474)	—
Acquisition of Cal Coast Carpets	—	(1,300)
Purchase of property and equipment	(4,994)	(3,499)
Net cash used in investing activities	<u>(18,002)</u>	<u>(38,728)</u>
Financing Activities:		
Net borrowings under revolver loans	1,990	3,133
Net borrowings under related party revolver loans	1,300	—
Proceeds from issuance of notes payable	2,711	9,878
Payments on notes payable	(5,064)	(5,555)
Proceeds from issuance of related party notes payable	—	7,000
Payments on related party notes payable	(900)	—
Payments for debt acquisition costs	—	(98)
Purchase of common treasury stock	(862)	(988)
Payments on financing leases	(2,497)	(1,621)
Cash paid for net settlement of stock option exercise	(20)	(29)
Proceeds from failed sales and leaseback transaction	7,869	—
Payments on seller finance arrangements	—	(51)
Net cash provided by financing activities	<u>4,527</u>	<u>11,669</u>
Change in cash	402	(1,053)
Cash, beginning of period	4,309	4,600
Cash, end of period	<u>\$ 4,711</u>	<u>\$ 3,547</u>
Supplemental cash flow disclosures:		
Interest paid	\$ 10,306	\$ 7,443
Income taxes paid, net	\$ —	\$ 102
Noncash financing and investing activities:		
Noncash items related to Flooring Liquidators acquisition	\$ —	\$ 36,900
Noncash stock options exercise	\$ 94	\$ 327
PMW goodwill adjustment	\$ 233	\$ —
Noncash items related to Central Steel acquisition	\$ 3,400	\$ —
Noncash items related to CRO acquisition	\$ 725	\$ —
Noncash items related to Johnson acquisition	\$ 1,501	\$ —

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

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

	Series E Preferred Stock		Common Stock		Paid-In Capital	Series E Preferred Stock	Common Stock	Retained Earnings	Non-controlling Interest	Total Equity
	Shares	Amount	Shares	Amount		Treasury Stock	Treasury Stock			
Balance, September 30, 2023	47,840	\$ —	3,164,330	\$ 2	\$ 69,387	\$ (7)	\$ (8,206)	\$ 38,959	\$ —	\$ 100,135
Stock based compensation	—	—	—	—	50	—	—	—	—	50
Purchase of common treasury stock	—	—	(4,346)	—	—	—	(106)	—	—	(106)
Net loss	—	—	—	—	—	—	—	(682)	—	(682)
Balance, December 31, 2023	47,840	\$ —	3,159,984	\$ 2	\$ 69,437	\$ (7)	\$ (8,312)	\$ 38,277	\$ —	\$ 99,397
Stock based compensation	—	—	—	—	50	—	—	—	—	50
Purchase of common treasury stock	—	—	(11,849)	—	—	—	(298)	—	—	(298)
Net loss	—	—	—	—	—	—	—	(3,281)	—	(3,281)
Balance, March 31, 2024	47,840	\$ —	3,148,135	\$ 2	\$ 69,487	\$ (7)	\$ (8,610)	\$ 34,996	\$ —	\$ 95,868
Stock based compensation	—	—	—	—	175	—	—	—	—	175
Stock options exercise	—	—	2	—	—	—	—	—	—	—
Taxes paid on net settlement of stock options exercised	—	—	—	—	(20)	—	—	—	—	(20)
Purchase of common treasury stock	—	—	(18)	—	—	—	(458)	—	—	(458)
Net loss	—	—	—	—	—	—	—	(2,855)	—	(2,855)
Balance, June 30, 2024	47,840	\$ —	3,131,633	\$ 2	\$ 69,642	\$ (7)	\$ (9,068)	\$ 32,141	\$ —	\$ 92,710

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	Series E Preferred Stock		Common Stock		Paid-In Capital	Series E Preferred Stock	Common Stock	Retained Earnings	Non-controlling Interest	Total Equity	
	Shares	Amount	Shares	Amount		Treasury Stock	Treasury Stock				
Balance, September 30, 2022	47,840	\$ —	3,074,833	\$ 2	\$ 65,321	\$ (7)	\$ (7,215)	\$ 39,509	\$ (448)	\$ 97,162	
Purchase of common treasury stock	—	—	(24,710)	—	—	—	(621)	—	—	(621)	
Net income	—	—	—	—	—	—	—	1,844	—	1,844	
Balance, December 31, 2022	47,840	\$ —	3,050,123	\$ 2	\$ 65,321	\$ (7)	\$ (7,836)	\$ 41,353	\$ (448)	\$ 98,385	
Purchase of common treasury stock	—	—	(674)	—	—	—	(17)	—	—	(17)	
Stock based compensation	—	—	—	—	109	—	—	—	—	109	
Issuance of common stock	—	—	116,441	—	3,200	—	—	—	—	3,200	
Net income	—	—	—	—	—	—	—	1,558	—	1,558	
Balance, March 31, 2023	47,840	\$ —	3,165,890	\$ 2	\$ 68,630	\$ (7)	\$ (7,853)	\$ 42,911	\$ (448)	\$ 103,235	
Purchase of common treasury stock	—	—	(13,606)	—	—	—	(350)	—	—	(350)	
Stock based compensation	—	—	—	—	287	—	—	—	—	287	
Taxes paid on net settlement of stock options exercised	—	—	—	—	(29)	—	—	—	—	(29)	
Stock options exercised	—	—	12,148	—	—	—	—	—	—	—	
Net income	—	—	—	—	—	—	—	1,060	—	1,060	
Balance, June 30, 2023	#REF!	47,840	\$ —	3,164,432	\$ 2	\$ 68,888	\$ (7)	\$ (8,203)	\$ 43,971	\$ (448)	\$ 104,203

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 NINE MONTHS ENDED JUNE 30, 2024 AND 2023
(dollars in thousands, except per-share amounts)

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, “Live Ventures” or the “Company”). Live Ventures is a diversified holding company with a strategic focus on value-oriented acquisitions of domestic middle-market companies. The Company has five operating segments: Retail-Entertainment, Retail-Flooring, Flooring Manufacturing, Steel Manufacturing, and Corporate and Other. The Retail-Entertainment segment includes Vintage Stock, Inc. (“Vintage Stock”), which is engaged in the retail sale of new and used movies, music, collectibles, comics, books, games, game systems and components. The Retail-Flooring segment includes Flooring Liquidators, Inc. (“Flooring Liquidators”), which is engaged in the retail sale and installation of floors, carpets, and countertops. The Flooring Manufacturing segment includes Marquis Industries, Inc. (“Marquis”), which is engaged in the manufacture and sale of carpet and the sale of vinyl and wood floor coverings. The Steel Manufacturing Segment includes Precision Industries, Inc. (“Precision Marshall”), which is engaged in the manufacture and sale of alloy and steel plates, ground flat stock and drill rods, The Kinetic Co., Inc. (“Kinetic”), which is engaged in the production of industrial knives and hardened wear products for the tissue and metals industries, Precision Metal Works, Inc. (“PMW”), which is engaged in metal forming, assembly, and finishing solutions across diverse industries, including appliance, automotive, hardware, electrical, electronic, medical products, and devices, and CSF Holdings, LLC (“Central Steel”), a Chicago-based manufacturer of specialized fabricated metal products primarily for data centers and the communications industry. PMW reports on a 13-week quarter, as opposed to the Company’s calendar quarter reporting. However, the Company has determined that the difference in reporting periods has no material effect on its reported financial results.

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. 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 the three and nine months ended June 30, 2024 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2024. The financial information included in these statements should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2023, 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 December 22, 2023 (the “2023 Form 10-K”).

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The unaudited condensed financial statements include the accounts of the Company and its majority owned subsidiaries over which the Company exercises control. All intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the prior period have been reclassified to conform to the current period presentation. These reclassifications have no material effect on the reported financial results.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the Company’s 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 condensed consolidated financial statements, as well as the reported amounts of revenue 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 estimated reserve for doubtful current trade receivables, the estimated reserve for excess and obsolete inventory, fair values in connection with the analysis of goodwill, other intangibles and long-lived assets for impairment, valuation allowance against deferred tax assets, lease terminations, and estimated useful lives for intangible assets and property and equipment.

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.

Retail - Entertainment Segment

The Retail-Entertainment Segment derives revenue primarily from direct sales of entertainment products. Sales are generally of a cash-and-carry nature, and contain a single performance obligation. Consequently, revenue is recorded at the point in time in which the sale is made. Revenues are recorded net of sales taxes collected from customers.

Retail - Flooring Segment

The Retail-Flooring Segment derives revenue primarily from the sale of flooring products and installation services, which are recognized at the point-of-sale and over time, respectively. Retail sales are generally of a cash-and-carry nature, and contain a single performance obligation. Consequently, revenue is recorded at the point in time in which the sale is made. Installation services generally contain multiple performance obligations requiring revenue to be recognized over a period of time based on percentage of completion. All direct costs are either paid and or accrued for in the period in which the sale is recorded. Revenues are recorded net of sales taxes collected from customers.

Flooring and Steel Manufacturing Segments

The Flooring Manufacturing Segment derives revenue primarily from the sale of carpet and hard surface flooring products, including shipping and handling amounts. The Steel Manufacturing Segments derives revenue primarily from the sale of steel plates, ground flat stock and drill rods, fabricated products, and tooling, including shipping and handling amounts. Revenue for these segments generally contain a single performance obligation and is recognized at the point title passes to the customer. 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.

Spare Parts

For spare parts sales, the Company transfers control and recognizes a sale when it ships the product to the customer or when the customer receives product based upon agreed shipping terms. Each unit sold is considered an independent, unbundled performance obligation. The Company has no additional performance obligations other than spare parts sales that are material in the context of the contract. The amount of consideration received and revenue recognized varies due to sales incentives and returns offered to customers. When customers retain the right to return eligible products, the Company reduces revenue for the estimate of the expected returns, which is primarily based on an analysis of historical experience.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 requires, among other updates, enhanced disclosures about significant segment expenses that are regularly provided to the Chief Operating Decision Maker, as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective adoption. Early adoption is permitted. The Company is evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires enhanced annual disclosures regarding the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, and may be adopted on a prospective or retrospective basis. Early adoption is permitted. The Company is evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

Note 3: Acquisitions

Acquisition of Midwest Grinding

On June 10, 2024, pursuant to an Asset Purchase Agreement, Kinetic acquired certain assets and assumed certain liabilities of Midwest Grinding, a Milwaukee grinding house dedicated to precision Blanchard and specialty surface grinding of small to extra-large capacity. Total consideration for the acquisition was \$600,000. In connection with the acquisition, Kinetic also acquired the building being used in the business for \$400,000. Total consideration for both the business and building acquisition was \$1.0 million, paid in cash at close.

The fair value of the assets acquired and liabilities assumed are based on their estimates of fair value available as of June 10, 2024, as calculated by management. The table below outlines the purchase price allocation of the purchase for Midwest Grinding to the acquired identifiable assets and liabilities assumed as of June 30, 2024 (in \$000's):

Total purchase price	\$	1,000
Accounts payable		1
Total consideration		1,001
Accounts receivable		152
Other current assets		71
Property and equipment		738
<u>Intangible Assets</u>		
Customer relationships	\$	16
Trade names		15
Non-compete agreement		9
Intangible assets		40
Total assets acquired		1,001
Total goodwill	\$	—

Acquisition of Central Steel

On May 15, 2024, Precision Marshall acquired Central Steel Fabricators ("Central Steel"), a Chicago-based manufacturer of specialized fabricated metal products primarily for data centers and the communications industry. Total consideration for the acquisition was approximately \$14.1 million, comprised of \$10.7 million paid at closing, a seller note of \$1.1 million, a holdback in the amount \$300,000, and contingent consideration of \$2.0 million paid in the form of a five-year earn-out. The consideration paid at close was funded in part by borrowings under Precision Marshall's credit facility of approximately \$3.3 million, and proceeds from a sale and leaseback transaction, discussed below. The acquisition involved no issuance of stock of the Company.

Simultaneous to the acquisition, the Company entered into a sales and leaseback transaction with Legacy West Partners, LLC, an unrelated party, for one of Central Steel's properties located in Broadview, Illinois. The sales price for the real property subject to the sales and leaseback transaction was approximately \$8.3 million, with total proceeds received by the Company of approximately \$7.9 million, net of approximately \$0.4 million in seller's fees.

The lease agreement includes a 20-year lease term with two five-year renewal options. The base rent under the lease agreement is \$58,795 per month for the first year of the term and a 2% per annum escalator thereafter. The lease agreement is a "net lease," such that Central Steel is also obligated to pay all taxes, insurance, assessments, and other costs, expenses, and obligations of ownership of the real property incurred by Central Steel. Due to the highly specialized nature of the leased property, the Company currently believes it is more likely than not that each of the two five-year options will be exercised. Consequently, because the aggregate term of the lease at its conclusion will represent approximately 75% of the

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economic life of the building, the Company concluded that the lease is a financing transaction and a failed sale and leaseback transaction, as defined under ASC 842. The proceeds, net of closing fees, from the sale and leaseback transaction were used to assist in funding the acquisition of Central Steel. No gain was recognized as a result of the sale.

The fair value of the purchase price components was approximately \$14.1 million, as detailed below (in \$000's):

Purchase price	\$	11,758
Fair value of contingent consideration		2,000
Holdback		300
Net purchase price	\$	14,058

Under the preliminary purchase price allocation, the Company recognized goodwill of approximately \$2.8 million, which is calculated as the excess of both the consideration exchanged and liabilities assumed over the fair value of the identifiable assets acquired. The Company anticipates all of the goodwill arising from the acquisition to be fully deductible for tax purposes. The table below outlines the purchase price allocation, as revised, for the purchase of Central Steel to the acquired identifiable assets, liabilities assumed and goodwill (in \$000's):

Total purchase price	\$	14,058
Accounts payable		464
Accrued liabilities		969
Total liabilities assumed		1,433
Total purchase price plus liabilities assumed		15,491
Cash		184
Accounts receivable		2,418
Inventory		2,425
Property and equipment		5,034
<u>Intangible assets</u>		
Trade names	400	
Customer relationships	900	
Non-compete	825	
Subtotal intangible assets		2,125
Other assets		476
Total assets acquired		12,662
Total goodwill	\$	2,829

Acquisition of CRO

On October 13, 2023, Flooring Liquidators acquired certain assets and assumed certain liabilities of Carpet Remnant Outlet, Inc. ("CRO"), a floor covering retailer and installer serving residential and commercial customers throughout Northwest Arkansas. Total consideration for the acquisition was approximately \$1.4 million and was comprised of cash at close of approximately \$1.0 million, an indemnification holdback amount of \$300,000, and additional consideration valued at \$89,000.

The fair value of the purchase price components was \$1.4 million, as detailed below (in \$000's):

Cash	\$	1,034
Additional consideration		89
Holdback		300
Purchase price	\$	1,423

Under the preliminary purchase price allocation, the Company recognized goodwill of \$89,000, 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 October 13, 2023, as calculated by an independent third-party firm. The value of the additional consideration was calculated by management. During the three months ended June 30, 2024, the Company recorded a noncash fair value adjustment related to the value of the additional consideration in the amount of approximately \$336,000. The Company anticipates the \$89,000 of goodwill arising from the acquisition to be fully deductible for tax purposes. The table below outlines the purchase price allocation of the purchase for CRO to the acquired identifiable assets, liabilities assumed and goodwill as of June 30, 2024 (in \$000's):

Total purchase price	\$	1,423
Accounts payable		770
Accrued liabilities		1,298
Total liabilities assumed		2,068
Total consideration		3,491
Accounts receivable		259
Inventory		1,406
Property and equipment		261
Intangible assets		1,190
Other assets		286
Total assets acquired		3,402
Total goodwill	\$	89

Acquisition of Johnson

On November 30, 2023, CRO acquired certain assets and assumed certain liabilities of Johnson Floor & Home ("Johnson"), a floor covering retailer and installer serving residential and commercial customers through four locations in the Tulsa, Oklahoma area, and one in Joplin, Missouri. Total consideration for the acquisition was \$2.0 million, comprised of cash at close of \$500,000, deferred consideration in the form of a seller note of \$1.2 million, with additional consideration paid in the form of an earnout valued at approximately \$300,000. The deferred consideration is payable in

three \$400,000 installments due annually on the first three anniversary dates following the closing date. Each installment will accrue interest at 6.0% per annum until paid.

The fair value of the purchase price components outlined above was approximately \$2.0 million, as detailed below (in \$000's):

Cash	\$	500
Deferred consideration		1,200
Earnout		301
Purchase price	\$	<u>2,001</u>

The values assigned to the assets acquired and liabilities assumed are based on their estimates of fair value available as of November 30, 2023, as calculated by management. The table below outlines the purchase price allocation of the purchase for Johnson to the acquired identifiable assets and liabilities assumed as of June 30, 2024 (in \$000's):

Total purchase price	\$	<u>2,001</u>
Accounts payable		1,017
Accrued liabilities		<u>1,141</u>
Total liabilities assumed		<u>2,158</u>
Total consideration		4,159
Accounts receivable		1,252
Inventory		1,127
Property and equipment		157
<u>Intangible assets</u>		
Customer relationships	\$	1,301
Non-compete agreement		<u>306</u>
Subtotal intangible assets		1,607
Other assets		<u>16</u>
Total assets acquired		<u>4,159</u>
Total goodwill	\$	<u>—</u>

On May 24, 2024, CRO entered into an asset purchase agreement with the original seller of Johnson under which the original seller agreed to purchase certain assets and assume certain obligations acquired by CRO under the original asset

purchase agreement. Consequently, CRO recorded a loss on deconsolidation of Johnson's assets and liabilities of approximately \$301,000, as detailed in the table below (in \$000's):

Accounts payable and accrued liabilities	\$	475
Earnout		307
Seller note		1,230
Lease liabilities		2,703
Total deconsolidation of liabilities		4,715
Inventory		613
Property and equipment		206
ROU assets		2,692
<u>Intangible assets</u>		
Customer relationships	1,224	
Non-compete agreement	281	
Subtotal intangible assets		1,505
Total deconsolidation of assets		5,016
Total loss on deconsolidation	\$	(301)

Acquisition of Harris Flooring Group® Brands

On September 20, 2023, Marquis acquired the Harris Flooring Group® brands from Q.E.P., a designer, manufacturer, and distributor of a broad range of best-in-class flooring and installation solutions for commercial and home improvement projects. Specifically, Marquis acquired the Harris Flooring Group brands, inventory, and book of business and intends to retain all sales representatives. The purchase price was \$10.1 million, consisting of \$3.0 million in cash at close, and the recording of a deferred payment of \$5.1 million and holdback of \$2.0 million. The acquisition was determined to be an asset acquisition for accounting purposes. The entirety of the purchase price was allocated to inventory.

Acquisition of PMW

On July 20, 2023 ("Effective Date"), the Company acquired PMW, a Kentucky-based metal stamping and value-added manufacturing company. PMW was acquired for total consideration of approximately \$28 million, comprised of a \$25 million purchase price, plus closing cash, and subject to working capital adjustments, with additional consideration of up to \$3 million paid in the form of an earn-out. The purchase price was funded in part by a \$2.5 million seller note, borrowings under a credit facility of \$14.4 million, and proceeds under a sale and leaseback transaction of approximately \$8.6 million. The acquisition involved no issuance of stock of the Company.

As of the Effective Date, the Company entered into a sales and leaseback transaction for two properties acquired, one located in Frankfort, Kentucky, and the other located in Louisville, Kentucky, with Legacy West Kentucky Portfolio, LLC ("Lessor"). The aggregate sales price of the real estate was approximately \$14.5 million. The Louisville, Kentucky property was acquired on the Effective Date for \$5.1 million in connection with an option of PMW to purchase that property.

The provisions of each of the two lease agreements include a 20-year lease term with two five-year renewal options. The base rent under the Frankfort lease agreement is \$34,977 per month for the first year of the term and a 2% per annum escalator thereafter. The base rent under the Louisville lease agreement is \$63,493 per month for the first year of the term and a 2% per annum escalator thereafter. Both lease agreements are "net leases," such that the lessees are also obligated to pay all taxes, insurance, assessments, and other costs, expenses, and obligations of ownership of the real property incurred by the lessor. Due to the highly specialized nature of the leased assets, the Company currently believes it is more likely than not that each of the two five-year options will be exercised. The proceeds of \$14.5 million, net of closing fees, from the sale-leaseback were used to assist in funding the acquisition of PMW.

The fair value of the purchase price components outlined above was \$26.8 million due to fair value adjustments for the contingent consideration, cash acquired, and working capital adjustments, as detailed below (in \$000's):

Purchase price	\$ 25,000
Fair value of earnout	2,675
Cash from balance sheet	1,602
Working capital adjustment	(2,500)
Net purchase price	<u>\$ 26,777</u>

Under the preliminary purchase price allocation, the Company recognized goodwill of approximately \$4.0 million, 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 July 20, 2023, as calculated by an independent third-party firm. Because the transaction was considered a stock purchase for tax purposes, none of the goodwill arising from the acquisition will be deductible for tax purposes. During the three months ended December 31, 2023, the Company recorded noncash fair value adjustments related to inventory and other liabilities assumed, as well as an adjustment to deferred tax liabilities in the aggregate amount of \$652,000. The table below outlines the purchase price allocation of the purchase for PMW to the acquired identifiable assets, liabilities assumed and goodwill (in \$000's):

Net purchase price	\$ 26,777
Accounts payable	10,788
Accrued liabilities	4,995
Total liabilities assumed	<u>15,783</u>
Total consideration	<u>42,560</u>
Cash	1,602
Accounts receivable	12,613
Inventory	6,266
Property and equipment	13,616
Intangible assets	3,600
Other assets	849
Total assets acquired	<u>38,546</u>
Total goodwill	<u>\$ 4,014</u>

Acquisition of Cal Coast Carpets

On June 2, 2023, Flooring Liquidators acquired certain fixed assets and other intangible assets of Cal Coast Carpets, Inc. ("Cal Coast"), and its shareholders. No liabilities were assumed as part of either transaction. The purchase price for the fixed assets acquired from Cal Coast was \$35,000, and the intangible assets acquired from the shareholders was approximately \$1.265 million, for a total combined purchase price of \$1.3 million. The intangible assets acquired were comprised of customer relationships, trade name, and non-compete agreements. The acquisition was determined to be an asset acquisition for accounting purposes and, as such, no goodwill was recorded as part of the transaction. The values assigned to the assets acquired are based on their estimates of fair value available as of June 2, 2023, as calculated by management.

The table below outlines the purchase price allocation of the purchase for Cal Coast to the acquired identifiable assets (in \$000's):

Property and equipment	\$ 35
Intangible assets	
Customer relationships	785
Trade name	425
Non-compete agreement	55
Total intangible assets	<u>1,265</u>
Total assets acquired	<u>\$ 1,300</u>

Acquisition of Flooring Liquidators

On January 18, 2023, Live Ventures acquired 100% of the issued and outstanding equity interests (the “Equity Interests”) of Flooring Liquidators, Inc., Elite Builder Services, Inc. (“EBS”), 7 Day Stone, Inc., Floorable, LLC, K2L Leasing, LLC, and SJ & K Equipment, Inc. (collectively, the “Acquired Companies”). The Acquired Companies are leading retailers and installers of floors, carpets, and countertops to consumers, builders and contractors in California and Nevada.

The acquisition was effected pursuant to a Securities Purchase Agreement (the “Purchase Agreement”) with an effective date of January 18, 2023 by and among the Company, and Stephen J. Kellogg, as the seller representative of the equity holders of the Acquired Companies and individually in his capacity as an equity holder of the Acquired Companies, and the other equity holders of the Acquired Companies (collectively, the “Seller”). The purchase price for the Equity Interests was \$ 83.8 million before any fair value considerations, and is comprised of the following:

- \$41.8 million in cash to the Seller;
- \$34.0 million (the “Note Amount”) to certain trusts for the benefit of Kellogg and members of his family (the “Kellogg Trusts”) pursuant to the issuance by the Company of a subordinated promissory note (the “Note”) in favor of the Kellogg Trusts;
- \$4.0 million to the Kellogg 2022 Family Irrevocable Nevada Trust by issuance of 116,441 shares of Company Common Stock (as defined in the Purchase Agreement) (the “Share Amount”), calculated in the manner described in the Purchase Agreement;
- \$2.0 million holdback; and
- \$2.0 million of contingent consideration, comprised of \$1.0 million in cash and \$1.0 million in restricted stock units.

The fair value of the purchase price components outlined above was \$78.7 million due to fair value adjustments for the Note, and restricted stock, as detailed below (in \$000's).

Purchase price	\$	83,800
Fair value adjustment, sellers note		(3,300)
Fair value adjustment, restricted stock		(1,800)
Net purchase price	\$	<u>78,700</u>

Under the preliminary purchase price allocation, the Company recognized goodwill of approximately \$1.4 million, 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 18, 2023, as calculated by an independent third-party firm. The Company anticipates approximately \$13.4 million of the goodwill arising from the acquisition to be fully deductible for tax purposes. During the three months ended December 31, 2023, the Company recorded a fair value adjustment related to its contingent

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consideration of \$1 million. The table below outlines the purchase price allocation, as revised, of the purchase for Flooring Liquidators to the acquired identifiable assets, liabilities assumed and goodwill (in \$000's):

Purchase price	\$	78,700
Accounts payable		5,189
Accrued liabilities		10,700
Debt		60
Total liabilities assumed		15,949
Total consideration		94,649
Cash		9,131
Accounts receivable		4,824
Inventory		19,402
Property and equipment		4,643
Intangible assets		
Trade names	\$	13,275
Customer relationships		7,700
Non-compete agreements		1,625
Other		49
Subtotal intangible assets		22,649
Other		2,581
Total assets acquired		63,230
Total goodwill	\$	31,419

Pro Forma Information

The table below presents selected proforma information for the Company for the three and nine-month periods ended June 30, 2023, assuming that the acquisition had occurred on October 1, 2022 (the beginning of the Company's 2023 fiscal year), pursuant to ASC 805-10-50 (in \$000's). This proforma information does not purport to represent what the actual results of operations of the Company would have been had the acquisition occurred on that date, nor does it purport to predict the results of operations for future periods.

	As Reported		Adjustments	Proforma
	Live Unaudited Three Months Ended June 30, 2023	Flooring Liquidators Unaudited Three Months Ended June 30, 2023		
Net revenue	\$ 91,516	\$ 4,222		\$ 95,738
Net income	\$ 1,060	\$ (2,188)	\$ (300)	\$ (1,428)
Earnings per basic common share	\$ 0.33			\$ (0.45)
Earnings per basic diluted share	\$ 0.33			\$ (0.45)

	As Reported		Adjustments	Proforma
	Live Unaudited Nine Months Ended June 30, 2023	Flooring Liquidators Unaudited Nine Months Ended June 30, 2023		
Net revenue	\$ 251,624	\$ 37,702		\$ 289,326
Net income	\$ 4,462	\$ (1,033)	\$ (2,226)	\$ 1,203
Earnings per basic common share	\$ 1.43			\$ 0.39
Earnings per basic diluted share	\$ 1.42			\$ 0.38

(1) Adjustments are related to adjustments made for the following:

- Amortization expense of definite-lived intangible assets has been adjusted based on the preliminary fair value at the acquisition date.
- Interest expense has been adjusted to include proforma interest expense that would have been incurred as a result of the acquisition financing obtained by the Company.
- Elimination of revenue and costs of revenue associated with sales between Flooring Liquidators and the Company prior to acquisition.

Note 4: Inventory

The following table details the Company's inventory as of June 30, 2024 and September 30, 2023 (in \$000's):

Inventory, net	June 30, 2024	September 30, 2023
Raw materials	\$ 29,451	\$ 32,590
Work in progress	9,481	9,028
Finished goods	52,947	50,082
Merchandise	43,487	43,438
	<u>135,366</u>	<u>135,138</u>
Less: Inventory reserves	(5,888)	(3,824)
Total inventory, net	<u>\$ 129,478</u>	<u>\$ 131,314</u>

Note 5: Property and Equipment

The following table details the Company's property and equipment as of June 30, 2024 and September 30, 2023 (in \$000's):

Property and equipment, net:	June 30, 2024	September 30, 2023
Land	\$ 3,469	\$ 2,029
Building and improvements	39,966	35,684
Transportation equipment	2,685	2,062
Machinery and equipment	71,508	67,575
Furnishings and fixtures	6,238	6,028
Office, computer equipment and other	5,032	4,569
	<u>128,898</u>	<u>117,947</u>
Less: Accumulated depreciation	(46,227)	(37,244)
Total property and equipment, net	<u>\$ 82,671</u>	<u>\$ 80,703</u>

Depreciation expense was \$3.1 million and \$2.7 million for the three months ended June 30, 2024 and 2023, respectively, and \$9.2 million and \$7.8 million for the nine months ended June 30, 2024 and 2023, respectively.

Note 6: Leases

The Company leases retail stores, warehouse facilities, and office space. These assets and properties are generally leased under noncancelable agreements that expire at various future dates with many agreements containing renewal options for additional periods. The agreements, which have been classified as either operating or finance leases, generally provide for minimum rent and, in some cases, percentage rent, and require the Company to pay all insurance, taxes, and other maintenance costs. As a result, the Company recognizes 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 associated with

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each subsidiary's debt outstanding 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.

The following table details the Company's right of use assets and lease liabilities as of June 30, 2024 and September 30, 2023 (in \$000's):

	June 30, 2024	September 30, 2023
Right of use asset - operating leases	\$ 59,687	\$ 54,544
Lease liabilities:		
Current - operating	12,938	11,369
Current - finance	347	359
Long term - operating	52,009	48,156
Long term - finance	40,950	32,942

As of June 30, 2024, the weighted average remaining lease term for operating leases is 10.5 years. The Company's weighted average discount rate for operating leases is 9.8%. Total cash payments for operating leases for the nine months ended June 30, 2024 and 2023 were approximately \$13.8 million and \$8.2 million, respectively. Additionally, the Company recognized approximately \$18.8 million in right of use assets and liabilities upon commencement of operating leases during the nine months ended June 30, 2024.

As of June 30, 2024, the weighted average remaining lease term for finance leases is 27.5 years. The Company's weighted average discount rate for finance leases is 11.4%. Total cash payments for finance leases for the nine months ended June 30, 2024 and 2023 were approximately \$2.5 million and \$1.6 million, respectively. During the nine months ended June 30, 2024, the Company recognized finance right-of-use assets and liabilities of approximately \$7.9 million.

The Company records finance lease right-of-use assets as property and equipment. The balance, as of June 30, 2024 and September 30, 2023 is as follows (in \$000's):

	June 30, 2024	September 30, 2023
Property and equipment, at cost	\$ 26,226	\$ 22,526
Accumulated depreciation	\$ (1,262)	\$ (702)
Property and equipment, net	\$ 24,964	\$ 21,824

Total present value of future lease payments of operating leases as of June 30, 2024 (in \$000's):

Twelve months ended June 30,	
2025	\$ 18,189
2026	15,833
2027	13,216
2028	9,862
2029	6,206
Thereafter	34,511
Total	97,817
Less implied interest	(32,870)
Present value of payments	\$ 64,947

Total present value of future lease payments of finance leases as of June 30, 2024 (in \$000's):

Twelve months ended June 30,	
2025	\$ 3,898
2026	3,932
2027	4,011
2028	4,123
2029	4,251
Thereafter	127,145
Total	147,360
Less implied interest	(106,063)
Present value of payments	<u>\$ 41,297</u>

In connection with the disposition of certain of Johnson's assets and liabilities (see Note 3), during the three months ended June 30, 2024, the Company derecognized right-of-use assets in the amount of approximately \$2.7 million and lease liabilities in the amount of approximately \$2.7 million.

During the nine months ended June 30, 2024 and 2023, the Company recorded no impairment charges relating to any of its leases.

Note 7: Intangibles

The following table details the Company's intangibles as of June 30, 2024 and September 30, 2023 (in \$000's):

	June 30, 2024	September 30, 2023
Intangible assets, net:		
Intangible assets - Tradenames	\$ 15,356	\$ 14,940
Intangible assets - Customer relationships	14,799	13,874
Intangible assets - Other	4,330	2,316
	<u>34,485</u>	<u>31,130</u>
Less: Accumulated amortization	(8,126)	(4,562)
Total intangibles, net	<u>\$ 26,359</u>	<u>\$ 26,568</u>

Amortization expense was \$1.2 million and approximately \$1.0 million for the three months ended June 30, 2024 and 2023, respectively, and \$3.7 million and \$2.2 million for the nine months ended June 30, 2024 and 2023, respectively.

The following table summarizes estimated future amortization expense related to intangible assets that have net balances (in \$000's):

Twelve months ending June 30,	
2025	\$ 5,023
2026	5,023
2027	4,925
2028	4,736
2029	3,990
Thereafter	2,662
	<u>\$ 26,359</u>

In connection with the disposition of Johnson's assets and liabilities (see note 3), during the three months ended June 30, 2024, the Company derecognized customer relationships in the amount of approximately \$1.2 million and other intangibles in the amount of approximately \$0.3 million.

Note 8: Goodwill

The following table details the Company's goodwill as of September 30, 2023 and June 30, 2024 (in \$000's):

	Retail - Entertainment	Retail - Flooring	Flooring Manufacturing	Steel Manufacturing	Total
September 30, 2023	36,947	30,419	807	7,693	75,866
CRO acquisition	—	425	—	—	425
Central Steel acquisition	—	—	—	2,829	2,829
CRO adjustment	—	(336)	—	—	(336)
PMW adjustment	—	—	—	(652)	(652)
Flooring Liquidators adjustment	—	1,000	—	—	1,000
June 30, 2024	\$ 36,947	\$ 31,508	\$ 807	\$ 9,870	\$ 79,132

During the nine months ended June 30, 2024, the Company made fair value adjustments, in the amount of approximately \$52,000 related to the acquisition of PMW, \$336,000 related to the CRO acquisition, and \$1.0 million related to the acquisition of Flooring Liquidators (see Note 3).

As of June 30, 2024, the Company did not identify any triggering events that would require impairment testing.

Note 9: Accrued Liabilities

The following table details the Company's accrued liabilities as of June 30, 2024 and September 30, 2023 (in \$000's):

	June 30, 2024	September 30, 2023
Accrued liabilities:		
Accrued payroll and bonuses	\$ 7,447	\$ 5,802
Accrued sales and use taxes	1,632	1,529
Accrued bank overdrafts	1,025	—
Accrued customer deposits	5,149	4,579
Accrued gift card and escheatment liability	1,845	1,819
Accrued interest payable	787	669
Accrued inventory	9,545	5,700
Accrued professional fees	181	3,146
Accrued expenses - other	7,163	8,582
Total accrued liabilities	\$ 34,774	\$ 31,826

Note 10: Long-Term Debt

Long-term debt as of June 30, 2024 and September 30, 2023 consisted of the following (in \$000's):

	June 30, 2024	September 30, 2023
Revolver loans	\$ 58,769	\$ 56,779
Equipment loans	12,659	15,486
Term loans	15,045	14,290
Other notes payable	16,108	15,789
Total notes payable	102,581	102,344
Less: unamortized debt issuance costs	(508)	(557)
Net amount	102,073	101,787
Less: current portion	(42,186)	(23,077)
Total long-term debt	\$ 59,887	\$ 78,710

Future maturities of long-term debt at June 30, 2024, are as follows which does not include related party debt separately stated (in \$000's):

Twelve months ending June 30,	
2025	\$ 42,186
2026	5,328
2027	39,412
2028	4,418
2029	1,208
Thereafter	9,521
Total future maturities of long-term debt	\$ 102,073

Bank of America Revolver Loan

On January 31, 2020, Marquis entered into an amended \$5.0 million revolving credit agreement (“BofA Revolver”) with Bank of America Corporation (“BofA”). 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. The BofA Revolver has a variable interest rate and matures in January 2025. As of June 30, 2024 and September 30, 2023, the outstanding balance was approximately \$13.7 million and \$6.1 million, respectively.

Loan with Fifth Third Bank (Precision Marshall)

On January 20, 2022, Precision Marshall refinanced its Encina Business Credit loans with Fifth Third Bank, and the balance outstanding was repaid. The refinanced credit facility, totaling \$29 million, is comprised of \$23.0 million in revolving credit, \$3.5 million in M&E lending, and \$2.5 million for Capex lending. Advances under the new credit facility will bear interest at the 30-day SOFR plus 200 basis points for lending under the revolving facility, and 30-day SOFR plus 225 basis points for M&E and Capex lending. The refinancing of the Borrower’s existing credit facility reduces interest costs and improves the availability and liquidity of funds by approximately \$3.0 million at the close. The facility terminates on January 20, 2027, unless terminated earlier in accordance with its terms.

In connection with the acquisitions of Kinetic and Central Steel, the existing revolving facility was amended to add Kinetic and Central Steel as borrowers. In addition, two additional term loans were executed to fund the purchase of Kinetic. Approximately \$6.0 million was drawn from the revolving facility, and the two term loans were opened in the amounts of \$4.0 million and \$1.0 million, respectively. The \$4.0 million term loan (“Kinetic Term Loan #1”), which matures on January 20, 2027, bears interest on the same terms as for M&E term lending as stated above. The \$1.0 million term loan (“Kinetic Term Loan #2”), which matures on June 28, 2025, is a “Special Advance Term Loan”, and bears interest at SOFR plus 375 basis points.

As of June 30, 2024 and September 30, 2023, the outstanding balance on the revolving loan was approximately \$2.8 million and \$23.0 million, respectively, and the outstanding balance on the original M&E lending, which is documented as a term note, was approximately \$2.0 million and \$2.3 million, respectively. The revolving loan has a variable interest rate and matures in January 2027. As of June 30, 2024 and September 30, 2023, the outstanding balance on Kinetic Term Loan #1 was approximately \$2.9 million and \$3.3 million, respectively. As of September 30, 2023, the Kinetic Term Loan #2 was fully repaid.

On April 12, 2023, in connection with its existing credit facility with Fifth Third Bank, Precision Marshall took an advance against its Capex term lending in the amount of approximately \$1.4 million. Additionally, during June 2024, in connection with Kinetic's acquisition of Midwest Grinding (see Note 3), Precision Marshall took an additional advance against its Capex term lending in the amount of approximately \$403,000. The loan matures January 2027 and bears interest on the same terms as for Capex lending as stated above. As of June 30, 2024 and September 30, 2023, the outstanding balance on the Capex loan was approximately \$1.7 million and 1.4 million, respectively.

Eclipse Business Capital Loans

In connection with the acquisition of Flooring Liquidators (see Note 3), on January 18, 2023, Flooring Liquidators entered into a credit facility with Eclipse Business Capital, LLC ("Eclipse"). The facility consists of \$25.0 million in revolving credit ("Eclipse Revolver") and \$3.5 million in M&E lending ("Eclipse M&E"). The Eclipse Revolver is a three-year, asset-based facility that is secured by substantially all of Flooring Liquidators' assets. Availability under the Eclipse Revolver is subject to a monthly borrowing base calculation. Flooring Liquidators' ability to borrow under the Eclipse Revolver is subject to the satisfaction of certain conditions, including meeting all loan covenants under the credit agreement with Eclipse. The Eclipse Revolver bears interest at 4.5% per annum in excess of Adjusted Term SOFR prior to April 1, 2023, and 3.5% per annum in excess of Adjusted Term SOFR after April 1, 2023. The Eclipse M&E loan bears interest at 6.0% per annum in excess of Adjusted Term SOFR prior to April 1, 2023, and 5.0% per annum in excess of Adjusted Term SOFR after April 1, 2023. The credit facility matures in January 2026. As of June 30, 2024 and September 30, 2023, the outstanding balance on the Eclipse Revolver was approximately \$9.3 million and \$8.2 million, respectively, and the outstanding balance on the Eclipse M&E loan was approximately \$1.9 million and \$2.4 million, respectively.

Loan with Fifth Third Bank (PMW)

In connection with the acquisition of PMW (see Note 3), on July 20, 2023, PMW entered into a revolving credit facility with Fifth Third Bank (the "Revolving Credit Facility"). The facility consists of \$15.0 million in revolving credit ("Fifth Third Revolver") and approximately \$5.0 million in M&E lending (the "Fifth Third M&E Loan"). The Fifth Third Revolver is a three-year, asset-based facility that is secured by substantially all of PMW's assets. Availability under the Fifth Third Revolver is subject to a monthly borrowing base calculation. PMW's ability to borrow under the Fifth Third Revolver is subject to the satisfaction of certain conditions, including meeting all loan covenants under the credit agreement with Fifth Third. Loans made under the Revolving Credit Facility are considered Reference Rate Loans, and bear interest at a rate equal to the sum of the Reference Rate plus the Applicable Margin. Reference Rate means the greater of (a) 3.0% or (b) the Lender's publicly announced prime rate (which is not intended to be Lender's lowest or most favorable rate in effect at any time) in effect from time to time. The Applicable Margin for revolving loans is zero, while for the M&E Term Loan or any Capital Expenditure Term Loan, it is 50 basis points (0.5%). The credit facility matures in July 2026. As of June 30, 2024, the Company concluded that PMW was in default of its Fixed Cost Coverage Ratio ("FCCR") covenant, as specified in the credit agreement governing the Revolving Credit Facility. This default provides the creditor rights to accelerate and made immediately due the borrowings under the Revolving Credit Facility and Fifth Third M&E Loan. As of the date of the filing of this 10-Q, Fifth Third Bank has not exercised these rights and management is actively working with Fifth Third Bank to resolve the default. As such, as of June 30, 2024, PMW's long-term debt balances, in the amount of approximately \$15.1 million, have been reclassified to current liabilities. As of June 30, 2024 and September 30, 2023, the outstanding balance on the Revolving Credit Facility was approximately \$11.2 million and \$11.0 million, respectively, and the balance on the Fifth Third M&E loan was approximately \$4.3 million and \$4.8 million, respectively.

Bank Midwest Revolver Loan

On October 17, 2023, Vintage entered into a \$15.0 million credit agreement with Bank Midwest ("Bank Midwest Revolver"), replacing a revolving credit facility between Vintage and Texas Capital Bank ("TCB Revolver"), which was entered into in November 2016 and set to mature in November 2023. In connection with the entry into the Credit Agreement, the revolving credit facility between Vintage Stock and Texas Capital Bank was terminated and the balance outstanding was repaid. The Bank Midwest Revolver interest accrues daily on the outstanding principal at a rate of the greater of (a) the one-month forward-looking term rate based on SOFR, plus 2.36% per annum, or (b) 6.5% per annum, and

matures on October 17, 2024. As of June 30, 2024, the outstanding balance on the Bank Midwest Revolver was approximately \$1.7 million. As of September 30, 2023, the outstanding balance on the TCB Revolver was approximately \$5.3 million.

Equipment Loans

On June 20, 2016 and August 5, 2016, Marquis entered into a transaction that provided for a master agreement and separate loan schedules (the “Equipment Loans”) with Banc of America Leasing & Capital, LLC that provided for the following as of June 30, 2024:

Note #3 was for approximately \$3.7 million, secured by equipment. The Equipment Loan #3 matured in December 2023. As of June 30, 2024 and September 30, 2023, the balance was \$0 and \$154,000, respectively.

Note #4 was for approximately \$1.1 million, secured by equipment. The Equipment Loan #4 matured in December 2023. As of June 30, 2024 and September 30, 2023, the balance was \$0 and \$47,000, respectively.

Note #5 is for approximately \$4.0 million, secured by equipment. The Equipment Loan #5 is due December 2024, payable in 84 monthly payments of \$55,000 beginning January 2018, bearing interest at 4.7% per annum. As of June 30, 2024 and September 30, 2023, the balance was approximately \$325,000 and \$799,000, respectively.

Note #6 is for \$913,000, secured by equipment. The Equipment Loan #6 is due July 2024, payable in 60 monthly payments of \$14,000 beginning August 2019, with a final payment of \$197,000, bearing interest at 4.7% per annum. As of June 30, 2024 and September 30, 2023, the balance was approximately \$196,000 and \$317,000, respectively.

Note #7 is for \$5.0 million, secured by equipment. The Equipment Loan #7 is due February 2027, payable in 84 monthly payments of \$59,000 beginning March 2020, with the final payment of \$809,000, bearing interest at 3.2% per annum. As of June 30, 2024 and September 30, 2023, the balance was approximately \$2.5 million and \$2.9 million, respectively.

Note #8 is for approximately \$3.4 million, secured by equipment. The Equipment Loan #8 is due September 2027, payable in 84 monthly payments of \$46,000 beginning October 2020, bearing interest at 4.0%. As of June 30, 2024 and September 30, 2023, the balance was approximately \$1.7 million and \$2.0 million, respectively.

In December 2021, Marquis funded the acquisition of \$5.5 million of new equipment under Note #9 of its master agreement. The Equipment Loan #9, which is secured by the equipment, matures December 2026, and is payable in 60 monthly payments of \$92,000 beginning January 2022, with the final payment in the amount of approximately \$642,000, bearing interest at 3.75% per annum. As of June 30, 2024 and September 30, 2023, the balance was approximately \$3.1 million and \$3.9 million, respectively.

In December 2022, Marquis funded the acquisition of \$5.7 million of new equipment under Note #10 of its master agreement. The Equipment Loan #10, which is secured by the equipment, matures December 2029, and is payable in 84 monthly payments of \$79,000, beginning January 2023, with the final payment in the amount of approximately \$650,000, bearing interest at 6.50%. As of June 30, 2024 and September 30, 2023, the balance was approximately \$4.8 million and \$5.3 million.

Loan Covenant Compliance

As of June 30, 2024, the Company and its subsidiaries were in compliance with all covenants under their respective existing revolving and other loan agreements, with the exception of PMW which was in default under its Revolving Credit Facility and Fifth Third M&E Loan with Fifth Third Bank, as discussed above.

Note 11: Notes Payable-Related Parties

Long-term debt payable to related parties (see Note 16) as of June 30, 2024 and September 30, 2023 consisted of the following (in \$000's):

	<u>June 30, 2024</u>	<u>September 30, 2023</u>
Isaac Capital Group, LLC, 12.5% interest rate, matures May 2025	\$ 2,000	\$ 2,000
Spriggs Investments, LLC, 10% interest rate, matures July 2025	1,100	2,000
Spriggs Investments, LLC for Flooring Liquidators, 12% interest rate, matures July 2025	1,000	1,000
Isaac Capital Group, LLC revolver, 12% interest rate, matures April 2025	2,300	1,000
Isaac Capital Group, LLC for Flooring Liquidators, 12% interest rate, matures January 2028	5,000	5,000
Total notes payable - related parties	<u>11,400</u>	<u>11,000</u>
Less: unamortized debt issuance costs	<u>(71)</u>	<u>(86)</u>
Net amount	11,329	10,914
Less: current portion	<u>(5,400)</u>	<u>(4,000)</u>
Total long-term portion, related parties	<u>\$ 5,929</u>	<u>\$ 6,914</u>
Twelve months ending June 30,		
2025		\$ 5,400
2026		1,000
2029		4,929
Total future maturities of long-term debt, related parties		<u>\$ 11,329</u>

Note 12: Related Party Seller Notes

Seller notes as of June 30, 2024 and September 30, 2023 consisted of the following (in \$000's):

	June 30, 2024	September 30, 2023
Seller of Flooring Liquidators, 8.24% interest rate, matures January 2028	\$ 34,000	\$ 34,000
Seller of PMW, 8.0% interest rate, matures July 2028	2,500	2,500
Seller of Kinetic, 7.0% interest rate, matures September 2027	3,000	3,000
Seller of Central Steel, 8.0% interest rate, matures May 2029	1,114	—
Total Related party seller notes payable	40,614	39,500
Unamortized debt premium (discount)	1,547	(502)
Net amount	42,161	38,998
Less current portion	(2,500)	—
Long-term portion of Related party seller notes payable	\$ 39,661	\$ 38,998

Future maturities of seller notes at June 30, 2024 are as follows (in \$000's):

Twelve months ending June 30,	
2025	\$ 2,500
2026	1,115
2027	3,000
2028	35,546
Total	\$ 42,161

Kinetic

In connection with the purchase of Kinetic, on June 28, 2022, Kinetic entered into an employment agreement with the previous owner of Kinetic to serve as its Head of Equipment Operations. The employment agreement is for an initial term of five years and shall be automatically extended in 90-day increments unless either party provides notice as required under the agreement. Additionally, Precision Marshall entered into a seller financed loan in the amount of \$ 3.0 million with the previous owner of Kinetic. The Seller Subordinated Acquisition Note bears interest at 7.0% per annum, with interest payable quarterly in arrears (the "Seller Subordinated Acquisition Note"). The Seller Subordinated Acquisition Note has a maturity date of September 27, 2027. As of June 30, 2024 and September 30, 2023, the remaining principal balance was \$3.0 million.

Flooring Liquidators

In connection with the purchase of Flooring Liquidators (see Note 3), on January 18, 2023, the Company entered into an employment agreement with the previous owner of Flooring Liquidators to serve as its Chief Executive Officer. The employment agreement is for an initial term of five years and shall be automatically extended in 90-day increments unless either party provides notice as required under the agreement. Additionally, the Company entered into a seller financed mezzanine loan (the "Seller Note"), which is fully guaranteed by the Company, in the amount of \$34.0 million with the previous owners of Flooring Liquidators. The Seller Note bears interest at 8.24% per annum, with interest payable monthly in arrears beginning on January 18, 2024. The Seller Note has a maturity date of January 18, 2028. The fair value assigned to the Seller Note, as calculated by an independent third-party firm, was \$31.7 million, or a discount of \$2.3 million. The \$2.3 million discount is being accreted to interest expense, using the effective interest rate method, as required by GAAP, over the term of the Seller Note. As of June 30, 2024 and September 30, 2023, the carrying value of the Seller Note was approximately \$35.4 million and \$33.5 million, respectively.

PMW

In connection with the purchase of PMW (see Note 3), on July 20, 2023, the Company entered into a consulting agreement with the previous owner of PMW to serve as its part-time President and Chief Executive Officer. The consulting agreement shall terminate upon the later of (i) Sellers' receipt of earn-out payments in an aggregate amount equal to \$3.0 million and (ii) the full satisfaction and payment of all amounts due and to that are to become due under the seller note, unless earlier terminated in accordance with the terms set forth in the consulting agreement. Additionally, PMW entered into two seller financed loans, in the aggregate amount of \$2.5 million, which are fully guaranteed by the Company (the "Seller Financed

Loans"). The Seller Financed Loans bear interest at 8.0% per annum, with interest payable quarterly in arrears. As of June 30, 2024, the Company concluded that PMW was in default of its Fixed Cost Coverage Ratio ("FCCR") covenant, as specified in the credit agreement governing the Revolving Credit Facility (see Note 10). The Seller Financed Loans stipulate that payment of the notes will be due and payable upon any event of default under the Revolving Credit Facility, and the Live Ventures Incorporated guarantee shall go into effect. Consequently, as of June 30, 2024, the balances on the Seller Financed Loans, in the amount of \$2.5 million in the aggregate, have been reclassified to current liabilities. The Company is in the process of resolving the default with Fifth Third Bank. The Seller Financed Loans have a maturity date of July 18, 2028. As of June 30, 2024 and September 30, 2023, the carrying value of the seller financed loans was approximately \$2.5 million.

Central Steel

In connection with the purchase of Central Steel, on May 15, 2024, Precision Marshall entered into an employment agreement with the previous owner of Central Steel to serve as its President. The employment agreement is for an initial term of two years and shall be automatically extended in 90-day increments unless either party provides notice as required under the agreement. Additionally, Precision Marshall entered into a seller financed loan in the amount of \$ 1.1 million with the previous owner of Central Steel (the "Sellers Subordinated Promissory Note"). The Sellers Subordinated Promissory Note bears interest at 8.0% per annum, with interest payable quarterly in arrears. The Sellers Subordinated Promissory Note has a maturity date of May 15, 2029. As of June 30, 2024, the remaining principal balance was \$1.1 million.

Note 13: Stockholders' Equity

Series E Convertible Preferred Stock

As of June 30, 2024 and September 30, 2023, there were 47,840 shares of Series E Convertible Preferred Stock issued and outstanding, respectively.

Treasury Stock

As of June 30, 2024 and September 30, 2023, the Company had 694,414 and 660,063 shares of Treasury Stock, respectively. During the nine months ended June 30, 2024 and 2023, the Company repurchased 34,351 and 38,990 shares of its common stock for approximately \$62,000 and \$988,000, respectively. During the nine months ended June 30, 2024 and 2023, the average price paid per share was \$25.09 and \$25.35, respectively.

Note 14: 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. 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 fiscal year ended September 30, 2023 and the nine months ended June 30, 2024:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2022	87,500	\$ 18.81	0.78	\$ 771
Granted	17,500	\$ 35.00		
Exercised	(31,250)	\$ 14.64		
Outstanding at June 30, 2023	<u>73,750</u>	\$ 24.42	1.38	\$ 762
Exercisable at June 30, 2023	<u>73,750</u>	\$ 24.42	1.38	\$ 762
Outstanding at September 30, 2023	53,750	\$ 21.51	1.54	\$ 540
Granted	17,500	\$ 40.00		
Exercised	(6,250)	\$ 15.00		
Forfeited	(5,000)	\$ 40.00		
Outstanding at June 30, 2024	<u>60,000</u>	\$ 26.04	1.54	\$ 317
Exercisable at June 30, 2024	60,000	\$ 26.04	1.54	\$ 317

The Company recognized compensation expense of approximately \$175,000 and \$287,000 during the three months ended June 30, 2024 and 2023, respectively, and approximately \$275,000 and \$396,000 during the nine months ended June 30, 2024 and 2023, respectively, related to stock option awards and restricted stock awards granted to certain employees and officers based on the grant date fair value of the awards, and the revaluation for existing options whereby the expiration date was extended.

As of June 30, 2024, the Company had no unrecognized compensation expense associated with stock option awards.

Note 15: Earnings Per Share

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

The following table presents the computation of basic and diluted net earnings per share (in \$000's):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
<i>Basic</i>				
Net (loss) income	\$ (2,855)	\$ 1,060	\$ (6,818)	\$ 4,462
Less: preferred stock dividends	—	—	—	—
Net (loss) income applicable to common stock	\$ (2,855)	\$ 1,060	\$ (6,818)	\$ 4,462
Weighted average common shares outstanding	3,140,191	3,166,842	3,153,034	3,123,177
Basic (loss) earnings per share	\$ (0.91)	\$ 0.33	\$ (2.16)	\$ 1.43
<i>Diluted</i>				
Net (loss) income applicable to common stock	\$ (2,855)	\$ 1,060	\$ (6,818)	\$ 4,462
Add: preferred stock dividends	—	—	—	—
Net (loss) income applicable to diluted earnings per share	\$ (2,855)	\$ 1,060	\$ (6,818)	\$ 4,462
Weighted average common shares outstanding	3,140,191	3,166,842	3,153,034	3,123,177
Add: Options	—	19,823	—	20,218
Add: Series E Preferred Stock	—	239	—	239
Assumed weighted average common shares outstanding	3,140,191	3,186,904	3,153,034	3,143,634
Diluted (loss) earnings per share	\$ (0.91)	\$ 0.33	\$ (2.16)	\$ 1.42

Basic earnings per common share ("EPS") is computed by dividing net income by the weighted average number of shares of Common Stock outstanding for the period. Diluted EPS is computed by dividing net income by the sum of the weighted average number of shares of Common Stock outstanding and the effect of dilutive securities. No diluted EPS computation was made for the three and nine months ended June 30, 2024, as the Company recorded a net loss. Had the Company calculated diluted EPS for the three and nine months ended June 30, 2024, the total assumed weighted average common shares outstanding would have been 3,155,546 and 3,168,619, respectively, and there would have been 35,000 options to purchase shares of common stock that were anti-dilutive. For the three and nine months ended June 30, 2023, there were 8,500 options to purchase shares of common stock that were anti-dilutive, and not included in the diluted EPS computation.

Note 16: Related Party Transactions

Transactions with Isaac Capital Group, LLC

As of June 30, 2024, Isaac Capital Group, LLC ("ICG") beneficially owns 49.3% of the Company's issued and outstanding capital stock. Jon Isaac, the Company's President and Chief Executive Officer, is the President and sole member of ICG, and, accordingly, has sole voting and dispositive power with respect to these shares. Mr. Isaac also personally owns 219,177 shares of common stock and holds options to purchase up to 25,000 shares of common stock at an exercise price of \$1.00 per share, all of which are currently exercisable. On January 13, 2023, the expiration date for Mr. Isaac's options was extended from January 15, 2023 to January 15, 2025.

ICG Term Loan

During 2015, Marquis entered into a mezzanine loan in the amount of up to \$7.0 million (the "ICF Loan") with Isaac Capital Fund I, LLC ("ICF"), a private lender whose managing member is Jon Isaac. On July 10, 2020, (i) ICF released and discharged Marquis from all obligations under the loan, (ii) ICF assigned all of its rights and obligations under the instruments, documents, and agreements with respect to the ICF Loan to ICG, of which Jon Isaac, the Company's President and Chief Executive Officer, is the sole member, and (iii) Live Ventures borrowed

\$2.0 million (the "ICG Loan") from ICG. The ICG Loan bears interest at 12.5% and matures in May 2025. As of June 30, 2024 and September 30, 2023, the outstanding balance on this note was \$2.0 million.

ICG Revolving Promissory Note

On April 9, 2020, the Company, as borrower, entered into an unsecured revolving line of credit promissory note whereby ICG agreed to provide the Company with a \$1.0 million revolving credit facility (the "ICG Revolver"). On June 23, 2022, as approved by unanimous consent of the Board of Directors of the Company, the amount of available revolving credit under the facility was increased to \$6.0 million. No other terms of the Note were changed. On April 1, 2023, the Company entered into the Second Amendment of the ICG Revolver that extended the maturity date to April 8, 2024, increased the interest rate from 10% to 12% per annum, and decreased the amount of available revolving credit under the facility to \$1.0 million. On January 11, 2024, the Company entered into the Third Amendment of the ICG Revolver that extended the maturity date to April 8, 2025 and increased the amount of available revolving credit under the facility to \$5.0 million. As of June 30, 2024 and September 30, 2023, the outstanding balance on the ICG Revolver was \$2.3 million and 1.0 million, respectively.

ICG Flooring Liquidators Note

On January 18, 2023, in connection with the acquisition of Flooring Liquidators, Flooring Affiliated Holdings, LLC, a wholly-owned subsidiary of the Company, as borrower, entered into a promissory note for the benefit of ICG in the amount of \$5.0 million ("ICG Flooring Liquidators Loan"). The ICG Flooring Liquidators Loan matures on January 18, 2028, and bears interest at 12%. Interest is payable in arrears on the last day of each calendar month. The note is fully guaranteed by the Company. As of June 30, 2024 and September 30, 2023, the outstanding balance on this note was \$5.0 million.

Transactions with JanOne Inc.

Tony Isaac, a member of the Company's board of directors, and father of the Company's Chief Executive Officer, Jon Isaac, is the Chief Executive Officer and a director of JanOne Inc. ("JanOne"). Richard Butler, a member of the Company's board of directors, is a director of JanOne.

Lease Agreement

Customer Connexx LLC, formerly a subsidiary of JanOne, previously rented approximately 9,900 square feet of office space from the Company at its Las Vegas office, which totals 16,500 square feet. JanOne paid the Company \$35,000 and \$55,000 in rent and other reimbursed expenses for three months ended June 30, 2024 and 2023, respectively, and \$109,000 and \$160,000 for the nine months ended June 30, 2024 and 2023, respectively.

Purchase Agreement with ARCA Recycling

On April 5, 2022, the Company entered into a Purchasing Agreement with ARCA Recycling, Inc. ("ARCA"), which was a wholly owned subsidiary of JanOne until March 2023. Pursuant to the agreement, the Company agreed to purchase inventory from time to time for ARCA as set forth in submitted purchase orders. The inventory is owned by the Company until ARCA installs it in customer's homes, and payment by ARCA to the Company is due upon ARCA's receipt of payment from the customer. All purchases made by the Company shall be paid back by ARCA in full plus an additional five percent surcharge or broker-type fee. As of June 30, 2024, the Company had a full allowance of approximately \$690,000 recorded in the reserve for doubtful accounts for the amount due.

On February 7, 2024, the Company converted outstanding receivables from JanOne and amounts due under the Purchase Agreement with ARCA Recycling into a promissory note with JanOne. On March 6, 2024, the Company entered into a Note Sale Agreement ("NSA") with an unaffiliated third party under which the third party acquired the promissory note for approximately \$700,000. The NSA requires payment of 50% of the amount due upon execution, and the balance due no later than three days following 60 days after the date of execution. On March 11, 2024, the Company received payment of approximately \$350,000, which was recorded as other income, and recorded a receivable for the deferred payment, which was subsequently received on April 29, 2024. In connection with the execution of the NSA, the Company recognized a gain of approximately \$0.6 million in the second quarter.

Transactions with Vintage Stock CEO

Rodney Spriggs, the President and Chief Executive Officer of Vintage Stock, Inc., a wholly owned subsidiary of the Company, is the sole member of Spriggs Investments, LLC (“Spriggs Investments”).

Spriggs Promissory Note I

On July 10, 2020, the Company executed a promissory note (the “Spriggs Promissory Note I”) in favor of Spriggs Investments that memorializes a loan by Spriggs Investments to the Company in the initial principal amount of \$2.0 million (the “Spriggs Loan I”). The Spriggs Loan I originally matured on July 10, 2022; however, the maturity date was extended to July 10, 2023, pursuant to unanimous written consent of the Board of Directors. The Spriggs Promissory Note I bears simple interest at a rate of 10.0% per annum. On January 19, 2023, the Company entered into a modification agreement of the Spriggs Loan I. Under the modification agreement, the Spriggs Promissory Note I will bear interest at a rate of 12% per annum, and the maturity date was extended to July 31, 2024. On February 29, 2024, the Company entered into a loan modification agreement of the Spriggs Loan I. Under the loan modification agreement, the Company was required to make a principal payment of \$600,000 to Spriggs Investments within five business days following the effective date of the loan modification agreement, and make principal payments of not less than \$300,000 each 90-day period thereafter, beginning on April 1, 2024, until the Spriggs Promissory Note I is fully repaid. Further, under the loan modification agreement, the maturity date of the Spriggs Promissory Note I was extended to July 31, 2025. All monthly payments under the original Spriggs Promissory Note I remain in effect through the maturity date as amended. As of June 30, 2024 and September 30, 2023, the principal amount owed was \$1.1 million and \$2.0 million, respectively.

Spriggs Promissory Note II

On January 19, 2023, in connection with the acquisition of Flooring Liquidators, the Company executed a promissory note in favor of Spriggs Investments in the initial principal amount of \$1.0 million (the “Spriggs Loan II”). The Spriggs Loan II matures on July 31, 2024, and bears interest at a rate of 2% per annum. On February 29, 2024, the Company entered into a loan modification agreement of the Spriggs Loan II. Under the loan modification agreement, upon full principal repayment of the Spriggs Promissory Note I (see above), the Company will make principal payments of not less than \$300,000, per each 90-day period, until the Spriggs Loan II is fully repaid. Further, under the loan modification agreement, the maturity date of the Spriggs Loan II was extended to July 31, 2025. All monthly payments under the original Spriggs Loan II remain in effect through the maturity date as amended. As of June 30, 2024 and September 30, 2023, the principal amount owed was \$1.0 million.

Transactions with Spyglass Estate Planning, LLC

Jon Isaac, the Company's President and Chief Executive Officer, is the sole member of Spyglass Estate Planning, LLC (“Spyglass”).

Building Leases

On July 1, 2022, in connection with its acquisition of certain assets and intellectual property of Better Backers, Inc., Marquis entered into two building leases with Spyglass. The building leases are for 20 years with two options to renew for an additional five years each. The provisions of the lease agreements include an initial 24-month month-to-month rental period, during which the lessee may cancel with 90-day notice, followed by a 20-year lease term with two five-year renewal options. The Company has evaluated each lease and determined the rental amounts to be at market rates.

Transactions with Flooring Liquidators CEO

Stephen Kellogg is the Chief Executive Officer of Flooring Liquidators, a wholly owned subsidiary of the Company.

Flooring Liquidators leases four properties from K2L Property Management, and one from Railroad Investments, each of which Mr. Kellogg is a member. Additionally, Flooring Liquidators leases two properties from Stephen Kellogg and Kimberly Hendrick as a couple, and properties from each of The Stephen Kellogg and Kimberly Hendrick Trust, The Stephen Kellogg Trust, and Mr. Kellogg personally. Ms. Hendrick is Mr. Kellogg's spouse.

Seller Notes

The Company routinely enters into related-party seller notes in conjunction with its acquisitions. See Note 12 for the details related to existing seller notes.

Procedures for Approval of Related Party Transactions

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

Note 17: Commitments and Contingencies

Litigation

SEC Investigation

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 was conducting an investigation. The subpoena requested 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. On August 12, 2020, three of the Company’s corporate executive officers (together, the “Executives”) each received a “Wells Notice” from the Staff of the SEC relating to the Company’s SEC investigation. On October 7, 2020, the Company received a “Wells Notice” from the Staff of the SEC relating to the SEC investigation. The Wells Notices related to, among other things, the Company’s reporting of its financial performance for its fiscal year ended September 30, 2016, certain disclosures related to executive compensation, and its previous acquisition of ApplianceSmart, Inc. A Wells Notice is neither a formal charge of wrongdoing nor a final determination that the recipient has violated any law. The Wells Notices informed the Company and the Executives that the SEC Staff had made a preliminary determination to recommend that the SEC file an enforcement action against the Company and each of the Executives to allege certain violations of the federal securities laws. On October 1, 2018, the Company received a letter from the SEC requesting information regarding a potential violation of Section 13(a) of the Securities Exchange Act of 1934, based upon the timing of the Company’s Form 8-K filed on February 14, 2018. The Company cooperated fully with the SEC inquiry and provided a response to the SEC on October 26, 2018.

On August 2, 2021, the SEC filed a civil complaint in the United States District Court for the District of Nevada naming the Company and two of its executive officers - Jon Isaac, the Company’s current President and Chief Executive Officer, and Virland Johnson, the Company’s former Chief Financial Officer, as defendants (collectively, the “Company Defendants”) as well as certain other related third parties (the “SEC Complaint”). The SEC Complaint alleges various financial, disclosure, and reporting violations related to income and earnings per share data, purported undisclosed stock promotion and trading, purported inaccurate disclosure regarding beneficial ownership of common stock, and undisclosed executive compensation from 2016 through 2018. The violations are brought under Section 10(b) of the Exchange Act and Rule 10b-5; Sections 13(a), 13(b)(2)(B) and 13(b)(5) of the Exchange Act and Rules 12b-20, 13a-1, 13a-14, 13a-13, 13b2-1, 13b2-2; Section 14(a) of the Exchange Act and Rule 14a-3; and Section 17(a) of the Securities Act of 1933. The SEC seeks permanent injunctions against the Company Defendants, permanent officer-and-director bars, disgorgement of profits, and civil penalties. The foregoing is only a general summary of the SEC Complaint, which may be accessed on the SEC’s website at <https://www.sec.gov/litigation/litreleases/2021/lr25155.htm>.

On October 1, 2021, the Company Defendants and third-party defendants moved to dismiss the SEC complaint. On September 7, 2022, the court denied the Company Defendants’ motion to dismiss, but granted one of the third-party defendant’s motions to dismiss, granting the SEC leave to file an amended complaint. On September 21, 2022, the SEC filed an amended complaint to which the Company Defendants filed an answer on October 11, 2022, denying liability. The court subsequently entered a discovery scheduling order and the parties exchanged initial disclosures. The parties participated in a mediation in June 2023. The mediation was not successful and the case is currently in the midst of discovery. Fact discovery was completed on May 20, 2024. The parties are currently engaged in expert discovery, which is set to conclude on August 26, 2024. The Company Defendants strongly dispute and deny the allegations and intend to continue to defend themselves vigorously against the claims.

Sieggreen Class Action

On August 13, 2021, Daniel E. Sieggreen, individually and on behalf of all others similarly situated claimants (the "Plaintiff"), filed a class action complaint for violation of federal securities laws in the United States District Court for the District of Nevada, naming the Company, Jon Isaac, the Company's current President and Chief Executive Officer, and Virland Johnson, the Company's former Chief Financial Officer, as defendants (collectively, the "Company Defendants"). The allegations asserted are similar to those in the SEC Complaint. Among other sought relief, the complaint seeks damages in connection with the purchases and sales of the Company's securities between December 28, 2016 and August 3, 2021. As of December 17, 2021, the judge granted a stipulation to stay proceedings pending the resolutions of the motions to dismiss in the SEC Complaint. On February 1, 2023, the final motion to dismiss relating to the SEC Complaint was denied, which was subsequently noticed in the Sieggreen action on February 2, 2023. Plaintiff filed an Amended Complaint on March 6, 2023. On May 5, 2023, the Company Defendants filed a Motion to Dismiss the Amended Complaint, and the briefing on that motion is now complete. Discovery is automatically stayed in this case until after the disposition of the Motion to Dismiss. The Motion to Dismiss is set for hearing on August 28, 2024. If the Motion to Dismiss is not successful, the case will proceed to discovery. The Company Defendants strongly dispute and deny the allegations at issue in this case and intend to continue to defend themselves vigorously against these claims.

Holdback Matter

On October 10, 2022, a representative for the former shareholders of Precision Industries, Inc. filed a civil complaint in the Court of Chancery of the State of Delaware. The complaint alleged that the Company violated the terms of an agreement and plan of merger dated July 14, 2020, by failing to pay the shareholders a certain indemnity holdback of \$2,500,000. The Chancery Court dismissed that action for lack of jurisdiction. On January 12, 2023, the representative re-filed the same action in the United States District Court for the Western District of Pennsylvania. On October 26, 2023, the Company counterclaimed against the representative and all represented shareholders for fraudulently misrepresenting the seller's inventory and accounting methodology and asserting damages in excess of \$4,500,000. On April 10, 2024, the District Court dismissed the individual shareholders, leaving intact the company's misrepresentation claims against the shareholder representative. The Court subsequently denied the shareholder representative's motion for leave to amend to assert statute of limitation defenses. The Company expects discovery to last for approximately one year.

Wage and Hour Matter

On July 27, 2022, Irma Sanchez, a former employee of Elite Builder Services, Inc. ("Elite Builders"), filed a class action complaint against Elite Builders in the Superior Court of California, County of Alameda, which was transferred to Stanislaus County. The complaint alleges that Elite Builders failed to pay all minimum and overtime wages, failed to provide lawful meal periods and rest breaks, failed to provide accurate itemized wage statements, and failed to pay all wages due upon separation as required by California law. The complaint was later amended as a matter of right on October 4, 2022. Further, Ms. Sanchez put the Labor & Workforce Development Agency on notice to exhaust administrative remedies and enable her to bring an additional claim under the California Labor Code Private Attorneys General Act, which permits an employee to assert a claim for violations of certain California Labor Code provisions on behalf of all aggrieved employees to recover statutory penalties. The parties have agreed to participate in mediation on October 30, 2024, in an effort to minimize litigation costs and seek resolution.

General

The Company is 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. The Company currently believes that the ultimate outcome of such lawsuits and proceedings will not, individually, or in the aggregate, have a material adverse effect on our condensed consolidated financial position, results of operations or cash flows. As applicable, liabilities pertaining to these matters, that are probable and estimable, have been accrued.

Note 18: Segment Reporting

The Company operates in five operating segments which are characterized as: (1) Retail-Entertainment, (2) Retail-Flooring, (3) Flooring Manufacturing, (4) Steel Manufacturing, and (5) Corporate and Other. The Retail-Entertainment segment consists of Vintage Stock; the Retail-Flooring segment consists of Flooring Liquidators; the Flooring Manufacturing Segment consists of Marquis; and the Steel Manufacturing Segment consists of Precision Marshall and Kinetic.

The following tables summarize segment information (in \$000's):

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2024	2023	2024	2023
Revenue				
Retail-Entertainment	\$ 16,503	\$ 18,009	\$ 53,930	\$ 60,388
Retail-Flooring	36,981	27,449	103,332	48,218
Flooring Manufacturing	31,264	27,424	94,689	84,195
Steel Manufacturing	39,047	18,409	107,889	56,306
Corporate & Other	83	225	257	2,517
Total revenue	<u>\$ 123,878</u>	<u>\$ 91,516</u>	<u>\$ 360,097</u>	<u>\$ 251,624</u>
Gross profit				
Retail-Entertainment	\$ 9,552	\$ 9,845	\$ 30,916	\$ 32,606
Retail-Flooring	13,525	10,386	38,259	18,128
Flooring Manufacturing	7,731	6,388	22,913	18,377
Steel Manufacturing	6,161	5,381	16,513	15,420
Corporate & Other	76	169	238	1,190
Total gross profit	<u>\$ 37,045</u>	<u>\$ 32,169</u>	<u>\$ 108,839</u>	<u>\$ 85,721</u>
Operating income (loss)				
Retail-Entertainment	\$ 1,332	\$ 1,548	\$ 6,305	\$ 7,542
Retail-Flooring	(1,498)	1,049	(4,433)	833
Flooring Manufacturing	1,856	2,022	4,779	5,179
Steel Manufacturing	1,370	2,703	3,225	6,972
Corporate & Other	(1,929)	(1,761)	(6,042)	(5,446)
Total operating income	<u>\$ 1,131</u>	<u>\$ 5,561</u>	<u>\$ 3,834</u>	<u>\$ 15,080</u>
Depreciation and amortization				
Retail-Entertainment	\$ 208	\$ 316	\$ 700	\$ 949
Retail-Flooring	1,304	1,107	3,931	2,102
Flooring Manufacturing	1,036	1,067	3,148	3,259
Steel Manufacturing	1,796	1,146	5,040	3,353
Corporate & Other	5	47	13	315
Total depreciation and amortization	<u>\$ 4,349</u>	<u>\$ 3,683</u>	<u>\$ 12,832</u>	<u>\$ 9,978</u>
Interest expense				
Retail-Entertainment	\$ 41	\$ 134	\$ 278	\$ 423
Retail-Flooring	1,277	1,200	3,751	2,221
Flooring Manufacturing	1,126	1,028	3,126	3,082
Steel Manufacturing	1,577	903	4,756	2,531
Corporate & Other	212	220	652	510
Total interest expense	<u>\$ 4,233</u>	<u>\$ 3,485</u>	<u>\$ 12,563</u>	<u>\$ 8,767</u>
Net (loss) income before provision for income taxes				
Retail-Entertainment	\$ 1,327	\$ 1,418	\$ 6,282	\$ 7,155
Retail-Flooring	(3,223)	(338)	(9,338)	(1,729)
Flooring Manufacturing	635	840	1,297	1,741
Steel Manufacturing	(1,105)	1,485	(3,180)	3,469

Corporate & Other	(1,457)	(2,048)	(4,288)	(4,712)
Total (loss) net income before provision for income taxes	<u>\$ (3,823)</u>	<u>\$ 1,357</u>	<u>\$ (9,227)</u>	<u>\$ 5,924</u>

Note 19: Subsequent Events

The Company has evaluated subsequent events through the filing of this Form 10-Q, and determined that there have been no events that have occurred that would require adjustments to disclosures in its condensed consolidated financial statements.

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 nine months ended June 30, 2024, 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, 2023 (the "2023 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 that the cash on hand and additional cash generated from operations together with potential sources of cash through issuance of debt or equity will provide the Company with sufficient liquidity for the next 12 months, and (vi) statements that the outcome of pending legal proceedings will not have a material adverse effect on business, financial position and results of operations, cash flow or liquidity.

Forward-looking statements involve risks, uncertainties, and other factors, which may cause our actual results, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results, future performance and capital requirements and cause them to materially differ from those contained in the forward-looking statements include those identified in our 2023 Form 10-K under Item 1A "Risk Factors" and Part II, Item 1A. "Risk Factors" below, 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 except as required by federal securities laws. Any information contained on our website www.liveventures.com or any other websites referenced in this Quarterly Report are not incorporated into and should not be deemed a 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 companies in various industries that have historically demonstrated a strong history of earnings power. We currently have five segments to our business: Retail-Entertainment, Retail-Flooring, Flooring Manufacturing, Steel Manufacturing, and Corporate and Other.

Under the Live Ventures brand, we seek opportunities to acquire profitable and well-managed companies. We work closely with consultants who 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 Form 10-Q) is located at www.liveventures.com. Our common stock trades on the Nasdaq Capital Market under the symbol "LIVE".

Retail-Entertainment Segment

Our Retail-Entertainment Segment is composed of Vintage Stock, Inc., doing business as Vintage Stock, V-Stock, Movie Trading Company and EntertainMart (collectively, "Vintage Stock").

Vintage Stock is an award-winning specialty entertainment retailer that offers a large selection of entertainment products, including new and pre-owned movies, video games and music products, as well as ancillary products, such as books, comics, toys and collectibles, 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 72 retail locations strategically positioned across Arkansas, Colorado, Idaho, Illinois, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, Texas, and Utah.

Retail-Flooring Segment

Our Retail-Flooring Segment is composed of Flooring Liquidators, Inc. ("Flooring Liquidators").

Flooring Liquidators is a leading retailer and installer of flooring, carpeting, and countertops to consumers, builders, and contractors in California and Nevada, operating 20 warehouse-format stores and a design center. Over the years, the company has established a strong reputation for innovation, efficiency and service in the home renovation and improvement market. Flooring Liquidators serves retail and builder customers through two businesses: retail customers through its Flooring Liquidators retail stores, and builder and contractor customers through Elite Builder Services, Inc.

On October 13, 2023, Flooring Liquidators acquired certain assets and assumed certain liabilities of Carpet Remnant Outlet, Inc. ("CRO"), a floor covering retailer and installer serving residential and commercial customers throughout Northwest Arkansas.

On November 30, 2023, CRO acquired certain assets and assumed certain liabilities of Johnson Floor & Home ("Johnson"), a floor covering retailer and installer serving residential and commercial customers through locations in Tulsa, Oklahoma and Joplin, Missouri. On May 24, 2024, CRO entered into an asset purchase agreement with the original Seller of Johnson under which the original Seller agreed to purchase certain assets and assume certain obligations acquired by CRO under the original asset purchase agreement.

Flooring Manufacturing Segment

Our Flooring Manufacturing segment is comprised of Marquis Industries, Inc. ("Marquis").

Marquis is a leading carpet manufacturer and distributor of carpet and hard-surface flooring products. Over the last decade, Marquis has been an innovator and leader in the value-oriented polyester carpet sector, which is currently the market's fastest-growing fiber category. Marquis focuses on the residential, niche commercial, and hospitality end-markets and serves thousands of 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.

On July 1, 2022, Live acquired certain assets and intellectual property of Better Backers, Inc., a Georgia corporation, which was accomplished through an Asset Purchase Agreement.

Steel Manufacturing Segment

Our Steel Manufacturing segment is comprised of Precision Industries, Inc. ("Precision Marshall"), and its wholly-owned subsidiaries, The Kinetic Co., Inc. ("Kinetic"), CSF Holdings, LLC ("Central Steel"), and Precision Metal Works, Inc. ("PMW").

Precision Marshall is the North American leader in providing and manufacturing, pre-finished de-carb free tool and die steel. For over 75 years, Precision Marshall has served steel distributors through quick and accurate service. Precision Marshall has led the industry with exemplary availability and value-added processing that saves distributors time and processing costs.

Founded in 1948, Precision Marshall "The Deluxe Company" has built a reputation of high integrity, speed of service and doing things the "Deluxe Way". The term Deluxe refers to all aspects of the product and customer service to be head and shoulders above the rest. From order entry to packaging and delivery, Precision Marshall makes it easy to do business and backs all products and service with a guarantee.

Precision Marshall provides four key products to over 500 steel distributors in four product categories: Deluxe Alloy Plate, Deluxe Tool Steel Plate, Precision Ground Flat Stock, and Drill Rod. With over 5,000 distinct size grade combinations in stock every day, Precision Marshall arms tool steel distributors with deep inventory availability and same day shipment to their place of business or often ships direct to their customer saving time and handling.

On June 28, 2022, Precision Marshall acquired Kinetic. Kinetic is a highly recognizable and regarded brand name in the production of industrial knives and hardened wear products for the tissue, metals, and wood industries and is known as a one-stop shop for in-house grinding, machining, and heat-treating. Kinetic is headquartered in Greendale, Wisconsin. Kinetic manufactures more than 90 types of knives and numerous associated parts with modifications and customizations available to each. Kinetic employs approximately 100 non-union employees.

On July 20, 2023, Precision Marshall acquired PMW. Founded nearly 76 years ago in 1947 in Louisville, Kentucky, PMW manufactures and supplies highly engineered parts and components across 400,000 square feet of manufacturing space. PMW offers world-class metal forming, assembly, and finishing solutions across diverse industries, including appliance, automotive, hardware, electrical, electronic, medical products, and devices.

On May 17, 2024, we acquired Central Steel. Founded in 1969 in Chicago, Illinois, Central Steel is a manufacturer of specialized fabricated metal products. Central Steel offers over 2,300 unique products to more than 500 customers. Its extensive product line, primarily for data centers, includes cable racks, auxiliary framing, hardware, insulation products, and network bays.

On June 10, 2024, Kinetic acquired certain assets and assumed certain liabilities of Midwest Grinding. Founded in 1961 in Milwaukee, Wisconsin, Midwest Grinding is a grinding house dedicated to precision Blanchard and specialty surface grinding of small to extra-large capacity.

Corporate and Other Segment

Our Corporate and Other segment consists of certain corporate general and administrative costs, Salomon Whitney LLC, which was shut down during the three months ended June 30, 2023, and operations of certain legacy products and service offerings for which we are no longer accepting new customers.

Critical Accounting Policies

Our 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, Income Taxes, Segment Reporting and Concentrations of Credit Risk. For a summary of our significant accounting policies and the means by which we develop estimates thereon, see Part II, Item 8 – Financial Statements - Notes to unaudited condensed consolidated financial statements Note 2 – summary of significant accounting policies in our 2023 Form 10-K.

Adjusted EBITDA

We evaluate the performance of our operations based on financial measures such as “Adjusted EBITDA”, which is a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) before interest expense, interest income, income taxes, depreciation, amortization, stock-based compensation, and other non-cash or nonrecurring charges. We believe that Adjusted EBITDA is an important indicator of the operational strength and performance of the business, including the business' ability to fund acquisitions and other capital expenditures, and to service its debt. Additionally, this measure is used by management to evaluate operating results and perform analytical comparisons and identify strategies to improve performance. Adjusted EBITDA is also a measure that is customarily used by financial analysts to evaluate a company's financial performance, subject to certain adjustments. Adjusted EBITDA does not represent cash flows from operations, as defined by GAAP, and should not be construed as an alternative to net income or loss and is indicative neither of our results of operations, nor of cash flows available to fund all our cash needs. It is, however, a measurement that the Company believes is useful to investors in analyzing its operating performance. Accordingly, Adjusted EBITDA should be considered in addition to, but not as a substitute for, net income, cash flow provided by operating activities, and other measures of financial performance prepared in accordance with GAAP. As companies often define non-GAAP

financial measures differently, Adjusted EBITDA, as calculated by the Company, should not be compared to any similarly titled measures reported by other companies.

Results of Operations Three Months Ended June 30, 2024 and 2023

The following table sets forth certain statement of income items and as a percentage of revenue, for the three months ended June 30, 2024 and 2023 (in \$000's):

	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023	
		% of Total Revenue		% of Total Revenue
Selected Data				
Revenue	\$ 123,878		\$ 91,516	
Cost of revenue	86,833	70.1 %	59,347	64.8 %
General and administrative expenses	30,062	24.3 %	23,226	25.4 %
Sales and marketing expenses	5,852	4.7 %	3,382	3.7 %
Interest expense, net	4,233	3.4 %	3,485	3.8 %
(Loss) income before provision for income taxes	(3,823)	(3.1 %)	1,357	1.5 %
(Benefit) provision for income taxes	(968)	(0.8 %)	297	0.3 %
Net (loss) income	\$ (2,855)	(2.3 %)	\$ 1,060	1.2 %
Adjusted EBITDA (a)				
Retail-Entertainment	\$ 1,575		\$ 1,864	
Retail-Flooring	(258)		2,083	
Flooring Manufacturing	2,797		2,935	
Steel Manufacturing	3,102		3,534	
Corporate & Other	(1,093)		(841)	
Total Adjusted EBITDA	\$ 6,123		\$ 9,575	
Adjusted EBITDA as a percentage of revenue				
Retail-Entertainment	9.5 %		10.3 %	
Retail-Flooring	(0.7 %)		7.6 %	
Flooring Manufacturing	8.9 %		10.7 %	
Steel Manufacturing	7.9 %		19.2 %	
Corporate & Other	N/A		N/A	
Consolidated adjusted EBITDA as a percentage of revenue	4.9 %		10.5 %	

(a) See reconciliation of net income to Adjusted EBITDA below.

The following table sets forth revenue by segment (in \$000's):

	For the Three Months Ended June 30, 2024		For the Three Months Ended June 30, 2023	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Revenue				
Retail-Entertainment	\$ 16,503	13.3 %	\$ 18,009	19.7 %
Retail-Flooring	36,981	29.9 %	27,449	30.0 %
Flooring Manufacturing	31,264	25.2 %	27,424	30.0 %
Steel Manufacturing	39,047	31.5 %	18,409	20.1 %
Corporate & Other	83	0.1 %	225	0.2 %
Total Revenue	\$ 123,878	100.0 %	\$ 91,516	100.0 %

The following table sets forth gross profit earned by segment and gross profit as a percentage of total revenue for each segment (in \$000's):

	For the Three Months Ended June 30, 2024		For the Three Months Ended June 30, 2023	
	Gross Profit	Gross Profit % of Total Revenue	Gross Profit	Gross Profit % of Total Revenue
Gross Profit				
Retail-Entertainment	\$ 9,552	7.7 %	\$ 9,845	10.8 %
Retail-Flooring	13,525	10.9 %	10,386	11.3 %
Flooring Manufacturing	7,731	6.2 %	6,388	7.0 %
Steel Manufacturing	6,161	5.0 %	5,381	5.9 %
Corporate & Other	76	0.1 %	169	0.2 %
Total Gross Profit	\$ 37,045	29.9 %	\$ 32,169	35.2 %

Revenue

Revenue increased approximately \$32.3 million, or 35.4%, to approximately \$123.9 million for the quarter ended June 30, 2024, compared to revenue of approximately \$91.5 million in the prior year period. The increase is primarily attributable to the acquisitions of PMW, which was acquired during the fourth quarter of fiscal year 2023, and Central Steel, which was acquired in May 2024, which collectively added approximately \$21.1 million, an increase of approximately \$9.5 million in the Flooring Retail segment, as well as an increase of approximately \$3.8 million in the Flooring Manufacturing segment. The increase was partially offset by decreased revenue of approximately \$2.2 million in the Company's other business segments due to general economic conditions.

Cost of Revenue

Cost of revenue as a percentage of revenue was 70.1% for three months ended June 30, 2024 as compared to 64.8% for the three months ended June 30, 2023. The increase was primarily attributable to the acquisition of PMW, which historically has generated lower margins, as well as a decrease in margins in our Steel Manufacturing segment as a whole due to decreased production related to a slowdown in sales, partially offset by an increase in margins in our Flooring Manufacturing segment due to increased sales of Harris Flooring Group® brands, which generates higher margins.

General and Administrative Expense

General and Administrative expenses increased by 29.4% to approximately \$30.1 million for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The increase is primarily due to the acquisition of PMW during fiscal 2023, as well as increased expenses in our Flooring Retail segment.

Sales and Marketing Expense

Sales and marketing expense increased by 73.0% to approximately \$5.9 million for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023, primarily due to expanding our sales force in connection with the acquisition of the Harris Flooring Group® brands, increased convention and trade show activity in our Flooring Manufacturing segment, as well as increased sales force in our Retail Flooring segment.

Interest Expense, net

Interest expense, net, increased by approximately \$750,000 to \$4.3 million for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023, primarily due to increased debt balances related to the acquisition of PMW, and for our Retail Flooring segment, and to fund operations, and increased interest rates during the period.

Results of Operations Nine Months Ended June 30, 2024 and 2023

The following table sets forth certain statement of income items and as a percentage of revenue, for the nine months ended June 30, 2024 and 2023 (in \$000's):

	For the Nine Months Ended June 30, 2024		For the Nine Months Ended June 30, 2023	
		% of Total Revenue		% of Total Revenue
Statement of Income Data:				
Revenue	\$ 360,097		\$ 251,624	
Cost of revenue	251,258	69.8 %	165,903	65.9 %
General and administrative expenses	87,565	24.3 %	60,443	24.0 %
Sales and marketing expenses	17,440	4.8 %	10,198	4.1 %
Interest expense, net	12,563	3.5 %	8,767	3.5 %
Income before provision for income taxes	(9,227)	(2.6 %)	5,924	2.4 %
Provision for income taxes	(2,409)	(0.7 %)	1,462	0.6 %
Net income	\$ (6,818)	(1.9 %)	\$ 4,462	1.8 %
Adjusted EBITDA (a)				
Retail-Entertainment	\$ 7,441		\$ 8,519	
Retail-Flooring	(803)		3,194	
Flooring Manufacturing	7,571		8,082	
Steel Manufacturing	8,235		9,729	
Corporate & Other	(3,169)		(3,224)	
Total Adjusted EBITDA	\$ 19,275		\$ 26,300	
Adjusted EBITDA as a percentage of revenue				
Retail-Entertainment	13.8 %		14.1 %	
Retail-Flooring	(0.8 %)		6.6 %	
Flooring Manufacturing	8.0 %		9.6 %	
Steel Manufacturing	7.6 %		17.3 %	
Corporate & Other	N/A		N/A	
Consolidated adjusted EBITDA as a percentage of revenue	5.4 %		10.5 %	

(a) See reconciliation of net income to Adjusted EBITDA below.

The following table sets forth revenue by segment (in \$000's):

	For the Nine Months Ended June 30, 2024		For the Nine Months Ended June 30, 2023	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Revenue				
Retail-Entertainment	\$ 53,930	15.0 %	\$ 60,388	24.0 %
Retail-Flooring	103,332	28.7 %	48,218	19.2 %
Flooring Manufacturing	94,689	26.3 %	84,195	33.5 %
Steel Manufacturing	107,889	30.0 %	56,306	22.4 %
Corporate & other	257	0.1 %	2,517	1.0 %
Total Revenue	\$ 360,097	100.0 %	\$ 251,624	100.0 %

The following table sets forth gross profit earned by segment and gross profit as a percentage of total revenue for each segment (in \$000's):

	For the Nine Months Ended June 30, 2024		For the Nine Months Ended June 30, 2023	
	Gross Profit	Gross Profit % of Total Revenue	Gross Profit	Gross Profit % of Total Revenue
Gross Profit				
Retail-Entertainment	\$ 30,916	8.6 %	\$ 32,606	13.0 %
Retail-Flooring	38,259	10.6 %	18,128	7.2 %
Flooring Manufacturing	22,913	6.4 %	18,377	7.3 %
Steel Manufacturing	16,513	4.6 %	15,420	6.1 %
Corporate & other	238	0.1 %	1,190	0.5 %
Total Gross Profit	\$ 108,839	30.2 %	\$ 85,721	34.1 %

Revenue

Revenue increased approximately \$108.5 million, or 43.1%, to \$360.1 million for the nine months ended June 30, 2024, as compared to the prior year period revenue of \$251.6 million. The increase is primarily attributable to the acquisitions of PMW and Flooring Liquidators, which collectively added \$110.2 million, as well as an increase of approximately \$10.5 million in the Flooring Manufacturing segment. The increase was partially offset by decreased revenue of approximately \$12.2 million in the Company's other business segments due to general economic conditions.

Cost of Revenue

Cost of revenue as a percentage of revenue was 69.8% for nine months ended June 30, 2024 as compared to 65.9% for the nine months ended June 30, 2023. The increase was primarily attributable to the acquisition of PMW, which historically has generated lower margins, as well as a decrease in margins in our Steel Manufacturing segment as a whole due to decreased production due to a slow down in sales, partially offset by an increase in margins in our Flooring Manufacturing segment due to increased sales of Harris Flooring Group® brands, which generates higher margins.

General and Administrative Expense

General and administrative expenses increased by 44.9% to approximately \$87.6 million for the nine months ended June 30, 2024, as compared to the nine months ended June 30, 2023. The increase is primarily due to the acquisitions of Flooring Liquidators and PMW during fiscal 2023.

Sales and Marketing Expense

Sales and marketing expense increased by 71.0% to approximately \$17.4 million for the nine months ended June 30, 2024, as compared to the nine months ended June 30, 2023, primarily due to expanding our sales force in connection with the

acquisition of the Harris Flooring Group® brands, increased convention and trade show activity in our Flooring Manufacturing segment, as well as the acquisition of Flooring Liquidators.

Interest Expense, net

Interest expense, net, increased by approximately \$3.8 million for the nine months ended June 30, 2024, as compared to the nine months ended June 30, 2023, primarily due to increased debt balances related to the acquisitions of Flooring Liquidators and PMW, and to fund operations, and increased interest rates during the period.

Results of Operations by Segment for the Three Months Ended June 30, 2024 and 2023

	For the Three Months Ended June 30, 2024						For the Three Months Ended June 30, 2023					
	Retail-Entertainment	Retail-Flooring	Flooring Manufacturing	Steel Manufacturing	Corporate & Other	Total	Retail-Entertainment	Retail-Flooring	Flooring Manufacturing	Steel Manufacturing	Corporate & Other	Total
Revenue	\$ 16,503	\$ 36,981	\$ 31,264	\$ 39,047	\$ 83	\$ 123,878	\$ 18,009	\$ 27,449	\$ 27,424	\$ 18,409	\$ 225	\$ 91,516
Cost of Revenue	6,951	23,456	23,533	32,886	7	86,833	8,164	17,063	21,036	13,028	56	59,347
Gross Profit	9,552	13,525	7,731	6,161	76	37,045	9,845	10,386	6,388	5,381	169	32,169
General and Administrative Expense	8,043	13,760	1,662	4,596	2,001	30,062	8,086	9,188	1,501	2,551	1,900	23,226
Selling and Marketing Expense	177	1,263	4,213	195	4	5,852	211	149	2,865	127	30	3,382
Operating Income (Loss)	\$ 1,332	\$ (1,498)	\$ 1,856	\$ 1,370	\$ (1,929)	\$ 1,131	\$ 1,548	\$ 1,049	\$ 2,022	\$ 2,703	\$ (1,761)	\$ 5,561

Retail-Entertainment Segment

Retail-Entertainment segment revenue for the quarter ended June 30, 2024 was approximately \$16.5 million, a decrease of approximately \$1.5 million, or 8.4%, compared to prior year period revenue of approximately \$18.0 million. Revenue decreased primarily due to reduced consumer demand and a shift in sales mix toward used products, which generally have lower ticket sales with higher margins. The shift in sales mix also contributed to the increase in gross margin to 57.9% for the quarter ended June 30, 2024, compared to 54.7% for the prior year period. Operating income for the quarter ended June 30, 2024 was approximately \$1.3 million, compared to operating income of approximately \$1.5 million for the prior year period.

Retail-Flooring Segment

The Retail-Flooring segment consists of Flooring Liquidators, which was acquired in January 2023. Revenue for the quarter ended June 30, 2024, was approximately \$37.0 million, an increase of approximately \$9.5 million, or 34.7%, compared to prior year period revenue of approximately \$27.4 million. The increase is primarily due to increased revenue in Flooring Liquidator's builder design and installation segment, EBS, and the acquisitions of CRO and Johnson by Flooring Liquidators during the first quarter of fiscal year 2024. The gross margin for the quarter ended June 30, 2024 was 36.6%, compared to 37.8% for the prior year period. Operating loss for the quarter ended June 30, 2024 was approximately \$1.5 million, compared to operating income of approximately \$1.0 million for the prior year period. The increase in operating loss was primarily due to temporary inefficiencies associated with the acquisitions of CRO and Johnson.

Flooring Manufacturing Segment

Revenue for the quarter ended June 30, 2024 was approximately \$31.3 million, an increase of approximately \$3.8 million, or 14.0%, compared to prior year period revenue of approximately \$27.4 million. The gross margin was 24.7% for the quarter ended June 30, 2024, compared to 23.3% for the prior year period. The revenue and gross margin increases are primarily due to increased sales associated with the acquisition of the Harris Flooring Group® brands in the fourth quarter of fiscal year 2023. Operating income for the quarter ended June 30, 2024 was approximately \$1.9 million, compared to operating income of approximately \$2.0 million for the prior year.

Steel Manufacturing Segment

Revenue for the quarter ended June 30, 2024 was approximately \$39.0 million, an increase of approximately \$20.6 million or 112.1%, compared to the prior year period revenue of approximately \$18.4 million. The increase is primarily due to increased revenue of approximately \$19.2 million at PMW, which was acquired during July 2023, and approximately \$1.9 million at Central Steel, which was acquired during May 2024, partially offset by a \$0.5 million decrease in the Company's other Steel Manufacturing businesses. The gross margin was 15.8% for the quarter ended June 30, 2024, compared to

29.2% for the prior year period. The decrease in gross margin is primarily due to the acquisition of PMW, which has historically generated lower margins, as well as an overall decrease in margins in the Steel Manufacturing segment due to reduced production efficiencies as a result of lower demand. Operating income for the quarter ended June 30, 2024 was approximately \$1.4 million, compared to operating income of approximately \$2.7 million in the prior year period.

Corporate and Other Segment

Revenue for the quarter ended June 30, 2024 was approximately \$0.1 million, a decrease of approximately \$0.1 million, or 63.1%, compared to the prior year period revenue of approximately \$0.2 million. The decrease was primarily due to the closure of SW Financial in May 2023. Operating loss for the quarter ended June 30, 2024 was approximately \$1.9 million, compared to an operating loss of approximately \$1.8 million in the prior year period.

Results of Operations by Segment for the Nine Months Ended June 30, 2024 and 2023

	For the Nine Months Ended June 30, 2024						For the Nine Months Ended June 30, 2023					
	Retail-Entertainment	Retail-Flooring	Flooring Manufacturing	Steel Manufacturing	Corporate & Other	Total	Retail-Entertainment	Retail-Flooring	Flooring Manufacturing	Steel Manufacturing	Corporate & Other	Total
Revenue	\$ 53,930	\$ 103,332	\$ 94,689	\$ 107,889	\$ 257	\$ 360,097	\$ 60,388	\$ 48,218	\$ 84,195	\$ 56,306	\$ 2,517	\$ 251,624
Cost of Revenue	23,014	65,073	71,776	91,376	19	251,258	27,782	30,090	65,818	40,886	1,327	165,903
Gross Profit	30,916	38,259	22,913	16,513	238	108,839	32,606	18,128	18,377	15,420	1,190	85,721
General and Administrative Expense	24,117	39,251	5,133	12,801	6,263	87,565	24,528	17,061	4,430	8,019	6,405	60,443
Selling and Marketing Expense	494	3,441	13,001	487	17	17,440	536	234	8,768	429	231	10,198
Operating Income (Loss)	\$ 6,305	\$ (4,433)	\$ 4,779	\$ 3,225	\$ (6,042)	\$ 3,834	\$ 7,542	\$ 833	\$ 5,179	\$ 6,972	\$ (5,446)	\$ 15,080

Retail-Entertainment Segment

Retail-Entertainment segment revenue for the nine months ended June 30, 2024 was approximately \$53.9 million, a decrease of approximately \$6.5 million, or 10.7%, compared to the prior year period revenue of approximately \$60.4 million. The decrease in revenue is primarily due to reduced consumer demand and a shift in sales mix toward used products, which generally have lower ticket sales with higher margins. The shift in sales mix also contributed to the increase in gross margin to 57.3% for the nine months ended June 30, 2024, compared to 54.0% for the prior year period. Operating income for the nine months ended June 30, 2024 was approximately \$6.3 million, compared to operating income of approximately \$7.5 million for the prior year period.

Retail-Flooring Segment

The Retail-Flooring segment consists of Flooring Liquidators, which was acquired in January 2023. Revenue for the nine months ended June 30, 2024 was approximately \$103.3 million, an increase of approximately \$55.1 million, or 114.3%, compared to the prior year period revenue of \$48.2 million. The increase is due to the acquisition of Flooring Liquidators in the second quarter of fiscal year 2023 and the acquisitions of CRO and Johnson by Flooring Liquidators during the first quarter of fiscal year 2024. The gross margin for the nine months ended June 30, 2024 was 37.0%, compared to 37.6% for the prior year period. Operating loss for the nine months ended June 30, 2024 was approximately \$4.4 million, compared to operating income of approximately \$0.8 million for the prior year period. The increase in operating loss was primarily due to temporary inefficiencies associated with the acquisitions of CRO and Johnson in the current period.

Flooring Manufacturing Segment

Revenue for the nine months ended June 30, 2024 was approximately \$94.7 million, an increase of approximately \$10.5 million, or 12.5%, compared to the prior year period revenue of approximately \$84.2 million. The gross margin was 24.2% for the nine months ended June 30, 2024, compared to 21.8% for the prior year period. The increase in revenue and gross margin are primarily due to increased sales associated with the acquisition of the Harris Flooring Group® brands in the fourth quarter of fiscal year 2023. Operating income for the nine months ended June 30, 2024 was approximately \$4.8 million, compared to operating income of approximately \$5.2 million for the prior year period.

Steel Manufacturing Segment

Revenue for the nine months ended June 30, 2024 increased approximately \$51.6 million or 91.6% to approximately \$107.9 million, as compared to the prior year period revenue of \$56.3 million. The increase is primarily due to increased revenue of approximately \$55.1 million at PMW, which was acquired during Q4 2023, and \$1.9 million at Central Steel, which was acquired during May 2024, partially offset by a \$5.4 million decrease in the Company's other Steel

Manufacturing businesses. The gross margin was 15.3% for the nine months ended June 30, 2024, compared to 27.4% for the prior year period. The decrease in gross margin is primarily due to the acquisition of PMW, which has historically generated lower margins, as well as overall decreased margins in the Steel Manufacturing segment due to reduced production. Operating income for the nine months ended June 30, 2024 was approximately \$3.2 million, compared to operating income of approximately \$7.0 million in the prior year period.

Corporate and Other Segment

Revenue for the nine months ended June 30, 2024 decreased by approximately \$2.3 million. The decrease was primarily due to the closure of SW Financial in May 2023. Operating loss for the nine months ended June 30, 2024 was approximately \$6.0 million, compared to a loss of approximately \$5.4 million in the prior year period.

Adjusted EBITDA Reconciliation

The following table presents a reconciliation of net income to Adjusted EBITDA for the three and nine months ended June 30, 2024 and 2023 (in 000's):

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net (loss) income	\$ (2,855)	\$ 1,060	\$ (6,818)	\$ 4,462
Depreciation and amortization	4,349	3,683	12,832	9,978
Stock-based compensation	174	287	274	396
Interest expense, net	4,233	3,485	12,563	8,767
Income tax (benefit) expense	(968)	297	(2,409)	1,462
SW Financial settlement gain	—	(1,000)	—	(2,000)
Disposition of SW Financial	—	1,697	—	1,697
Acquisition costs	889	66	1,762	1,538
Debt acquisition costs	—	—	183	—
Disposition of Johnson	301	—	301	—
Other non-recurring charges	—	—	587	—
Adjusted EBITDA	\$ 6,123	\$ 9,575	\$ 19,275	\$ 26,300

Adjusted EBITDA for the quarter ended June 30, 2024 was approximately \$6.1 million, a decrease of approximately \$3.5 million, or 36.1%, compared to the prior year period. The decrease is primarily due to decreases in gross profit and operating income.

Adjusted EBITDA for the nine months ended June 30, 2024 was \$19.3 million, a decrease of approximately \$7.0 million, or 26.7%, compared to the prior year period. The decrease is primarily due to decreases in gross profit and operating income.

Liquidity and Capital Resources

As of June 30, 2024, we had total cash on hand of approximately \$4.7 million and approximately \$29.7 million of available borrowing under our revolving credit facilities. As we continue to pursue acquisitions and other strategic transactions to expand and grow our business, we regularly monitor capital market conditions and may raise additional funds through borrowings or public or private sales of debt or equity securities. The amount, nature, and timing of any borrowings or sales of debt or equity securities will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

Based on our current operating plans, we believe that available cash balances, cash generated from our operating activities and funds available under our asset-based revolver lines of credit will provide sufficient liquidity to do the following: fund our operations; pay our scheduled loan payments; ability to repurchase shares under our share buyback program; 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.

Working Capital

We had working capital of approximately \$57.5 million as of June 30, 2024, as compared to working capital of approximately \$85.0 million as of September 30, 2023; a decrease of approximately \$27.5 million. The decrease is primarily due to increases in accrued liabilities, the current portion of long-term debt, and the current portion of operating lease obligations, and a decrease in income taxes receivable, partially offset by decreases in the current portion of notes payable to related parties and accounts payable, and an increase in accounts receivable.

Cash Flows from Operating Activities

The Company's cash, as of June 30, 2024, was approximately \$4.7 million compared to approximately \$4.3 million as of September 30, 2023, an increase of approximately \$0.4 million. Net cash provided by operations was approximately \$13.8 million and \$26.0 million for the nine months ended June 30, 2024 and 2023, respectively. The decrease was primarily due to decreases in net income, deferred income tax liabilities, prepaids and other current assets, and trades receivables, partially offset by increases in accrued liabilities, depreciation and amortization expense, and accounts payable.

Our primary sources of cash inflows are from customer receipts from sales on account, factored 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 approximately \$18.0 million for the nine months ended June 30, 2024 consisted of the acquisitions of CRO by Flooring Liquidators, Johnson by CRO, Central Steel by Precision Marshall, Midwest Grinding by Kinetic, and purchases of property and equipment. Our cash flows used in investing activities of approximately \$38.7 million for the nine months ended June 30, 2023 consisted of the acquisitions of Flooring Liquidators and Cal Coast Carpets, and purchases of property and equipment.

Cash Flows from Financing Activities

Our cash flows provided by financing activities of approximately \$4.6 million during the nine months ended June 30, 2024 consisted of proceeds from failed sales and leaseback transactions of approximately \$7.9 million, proceeds from the issuance of notes payable of approximately \$2.7 million, net borrowings under revolver loans of approximately \$2.0 million, and net borrowings under related party revolver loans of approximately \$1.3 million, partially offset by payments on notes payable of approximately \$5.1 million, payments for finance leases of approximately \$2.5 million, payments of related party notes payable of \$0.9 million, and purchases of treasury stock of approximately \$860,000.

Our cash flows provided by financing activities of approximately \$11.7 million during the nine months ended June 30, 2023 consisted of proceeds from notes payable of approximately \$9.9 million, proceeds from related party notes payable of approximately \$7.0 million, net proceeds under revolver loans of approximately \$3.1 million, partially offset by payments of notes payable, financing leases, seller financing arrangements, debt acquisition costs and taxes paid for net settlement of stock options of approximately \$7.3 million, and purchases of treasury stock in the amount of approximately \$988,000.

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

Future Sources of Cash; New Products and Services

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2024, 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. 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, as of June 30, 2024, we concluded that the Company's disclosure, controls, and procedures were effective.

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 Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent or detect all errors 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 design and effectiveness of our internal control over financial reporting as of June 30, 2024. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission of 2013 regarding Internal Control – Integrated Framework. Based on our assessment using those criteria, as of June 30, 2024, our management concluded that our internal controls over financial reporting were operating effectively.

There were no changes in our internal control over financial reporting that occurred during the nine months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION**ITEM 1. Legal Proceedings**

The information in response to this item is included in Note 17, Commitments and Contingencies, to the Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q. Please also refer to “Item 3. Legal Proceedings” in our 2023 Form 10-K for information regarding material pending legal proceedings. Except as set forth herein and therein, there have been no new material legal proceedings and no material developments in the legal proceedings previously disclosed.

ITEM 1A. Risk Factors

None.

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

On February 20, 2018, the Company announced a \$10 million common stock repurchase program (“2018 Program”), which expired on June 1, 2024. During the three months ended June 30, 2024, the Company made the following repurchases under the 2018 Program:

Month	Number of Shares Purchased	Average Purchase Price Paid	Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Amount that May be Purchased Under the Announced Plan or Program
April 2024	1,820	\$ 25.26	1,820	\$ 2,849,006
May 2024	16,336	\$ 25.18	16,336	\$ 2,437,737
Totals	18,156	\$ 25.18	18,156	\$ —

On June 4, 2024, the Company announced a \$10 million common stock repurchase program (“2024 Program”), which will remain effective until May 31, 2025 unless extended, canceled, or modified by the Company’s Board of Directors.

ITEM 3. Defaults Upon Senior Securities

As of June 30, 2024, the Company concluded that PMW was in default of its Fixed Cost Coverage Ratio (“FCCR”) covenant, as specified in the credit agreement governing the Revolving Credit Facility. This default provides the creditor rights to accelerate and made immediately due the borrowings under the Revolving Credit Facility and Fifth Third M&E Loan. As such, as of June 30, 2024, PMW’s long-term debt balances, in the amount of approximately \$15.1 million, have been reclassified to current liabilities. The Seller Financed Loans, entered into in connection with the acquisition of PMW, stipulate that payment of the Seller Financed Loans will be due and payable upon any event of default under the Revolving Credit Facility, and the Live Ventures Incorporated guarantee shall go into effect. Consequently, as of June 30, 2024, the balances on the Seller Financed Loans, in the amount of \$2.5 million in the aggregate, have also been reclassified to current liabilities. As of the date of the filing of this 10-Q, Fifth Third Bank has not exercised these rights and management is actively working with Fifth Third Bank to resolve the default.

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.

Exhibit Number	Exhibit Description	Form	File Number	Exhibit Number	Filing Date
3.1	Amended and Restated Articles of Incorporation	8-K	001-33937	3.1	08/15/07
3.2	Certificate of Change	8-K	001-33937	3.1	09/07/10
3.3	Certificate of Correction	8-K	001-33937	3.1	03/11/13
3.4	Certificate of Change	10-Q	001-33937	3.1	02/14/14
3.5	Articles of Merger	8-K	001-33937	3.1.4	10/08/15
3.6	Certificate of Change	8-K	001-33937	3.1.5	11/25/16
3.7	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	10-K	001-33937	3.1.6	12/29/16
3.8	Bylaws	10-Q	001-33937	3.8	08/14/18
10.1	Cooperation Agreement, dated as of April 29, 2024, by and among Live Ventures Incorporated, a Nevada corporation, Isaac Capital Group LLC, a Delaware limited liability company, and LL Flooring Holdings, Inc., a Delaware corporation	8-K	001-33937	10.1	04/30/24
31.1	* Certification of the President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	* Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1	* Certification of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2	* Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	* Inline XBRL Instance Document				
101.SCH	* Inline XBRL Taxonomy Extension Schema Document				
101.CAL	* Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	* Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	* Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	* Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)				

* Filed herewith

† Indicates a management contract or compensatory plan or arrangement.

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 8, 2024

/s/ Jon Isaac

President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 8, 2024

/s/ David Verret

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 for the quarterly period ended June 30, 2024 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 8, 2024

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

I, David Verret, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 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/ David Verret

David Verret

Chief Financial Officer

(Principal Financial Officer)

Dated: August 8, 2024

**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 3 Quarterly Report of Live Ventures Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2024, 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

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

Dated: August 8, 2024

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 for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Verret, the Chief Accounting 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/ David Verret

David Verret

Chief Financial Officer

(Principal Financial Officer)

Dated: August 8, 2024

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.