

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, 2018

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) 939-0231

(Registrant's telephone number, including area code)

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

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

Indicate by check mark 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 (do not check if a smaller reporting company)	<input 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 \$.001 per share, outstanding as of August 14, 2018 was 1,960,059.

INDEX TO FORM 10-Q FILING
FOR THE QUARTER ENDED JUNE 30, 2018

TABLE OF CONTENTS

PART I

FINANCIAL INFORMATION

	<u>Page</u>
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets as of June 30, 2018 (Unaudited) and September 30, 2017</u>	3
<u>Condensed Consolidated Statements of Income (Unaudited) for the Three months and Nine months ended June 30, 2018 and 2017</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine months ended June 30, 2018 and 2017</u>	5
<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>	6
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	33
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	46
Item 4. <u>Controls and Procedures</u>	46

PART II

OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	48
Item 1A. <u>Risk Factors</u>	48
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
Item 3. <u>Defaults upon Senior Securities</u>	48
Item 4. <u>Mine Safety Disclosures</u>	48
Item 5. <u>Other Information</u>	48
Item 6. <u>Exhibits</u>	49
<u>Signatures</u>	50

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**LIVE VENTURES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>June 30, 2018</u>	<u>September 30, 2017</u>
	<u>(Unaudited)</u>	
Assets		
Cash	\$ 2,293,016	\$ 3,972,539
Trade receivables, net	13,418,871	10,636,925
Inventories	43,797,720	34,501,801
Prepaid expenses and other current assets	<u>4,463,065</u>	<u>6,435,891</u>
Total current assets	63,972,672	55,547,156
Property and equipment, net	28,244,258	22,817,860
Restricted cash	750,000	–
Deposits and other assets	1,087,313	77,520
Deferred taxes	3,787,827	9,000,010
Intangible assets, net	7,016,617	4,205,314
Goodwill	<u>36,946,735</u>	<u>36,946,735</u>
Total assets	<u>\$ 141,805,422</u>	<u>\$ 128,594,595</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 11,595,214	\$ 8,224,057
Accrued liabilities	10,180,331	8,986,734
Income taxes payable	350,217	351,689
Current portion of long-term debt	14,087,636	48,877,536
Current portion of related parties long-term debt	<u>391,949</u>	<u>–</u>
Total current liabilities	36,605,347	66,440,016
Long-term debt, net of current portion	59,914,025	26,570,271
Long-term debt, related parties, net of current portion	5,425,765	2,000,000
Other non-current obligations	<u>357,345</u>	<u>–</u>
Total liabilities	<u>102,302,482</u>	<u>95,010,287</u>
Commitments and contingencies		
Stockholders' equity:		
Series B convertible preferred stock, \$0.001 par value, 1,000,000 shares authorized, 214,244 shares issued and outstanding at June 30, 2018 and September 30, 2017	214	214
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 shares issued and 77,840 shares outstanding at June 30, 2018 127,840 shares issued and outstanding at September 30, 2017, with a liquidation preference of \$0.30 per share outstanding	128	128
Common stock, \$0.001 par value, 10,000,000 shares authorized, 2,088,186 shares issued and 1,960,059 shares outstanding at June 30, 2018; 2,088,186 shares issued and 1,991,879 shares outstanding at September 30, 2017	2,088	2,088
Paid in capital	63,605,148	63,157,178
Treasury stock common 126,050 shares as of June 30, 2018 and 128,127 shares as of September 30, 2017	<u>(1,401,912)</u>	<u>(999,584)</u>
Treasury stock Series E preferred 50,000 shares as of June 30, 2018 and no shares as of September 30, 2017	(4,000)	–
Accumulated deficit	<u>(22,698,726)</u>	<u>(28,575,716)</u>
Total stockholders' equity	<u>39,502,940</u>	<u>33,584,308</u>
Total liabilities and stockholders' equity	<u>\$ 141,805,422</u>	<u>\$ 128,594,595</u>

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

LIVE VENTURES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues	\$ 54,662,057	\$ 41,377,493	\$ 147,210,049	\$ 112,102,582
Cost of revenues	35,847,839	24,383,596	92,349,240	65,988,083
Gross profit	<u>18,814,218</u>	<u>16,993,897</u>	<u>54,860,809</u>	<u>46,114,499</u>
Operating expenses:				
General and administrative expenses	13,374,721	9,335,904	35,630,426	25,544,443
Sales and marketing expenses	4,541,677	2,274,866	10,337,812	6,237,004
Total operating expenses	<u>17,916,398</u>	<u>11,610,770</u>	<u>45,968,238</u>	<u>31,781,447</u>
Operating income	897,820	5,383,127	8,892,571	14,333,052
Other (expense) income:				
Interest expense, net	(2,711,282)	(2,127,790)	(7,001,314)	(5,612,319)
Bargain purchase gain on acquisition	3,644,889	-	7,418,375	-
Other income	70,805	12,652	254,175	197,814
Total other (expense) income, net	<u>1,004,412</u>	<u>(2,115,138)</u>	<u>671,236</u>	<u>(5,414,505)</u>
Income before provision for income taxes	1,902,232	3,267,989	9,563,807	8,918,547
Provision (benefit) for income taxes	(174,806)	1,139,946	3,685,941	3,521,265
Net income	<u>\$ 2,077,038</u>	<u>\$ 2,128,043</u>	<u>\$ 5,877,866</u>	<u>\$ 5,397,282</u>
Earnings per share:				
Basic	<u>\$ 1.05</u>	<u>\$ 1.04</u>	<u>\$ 2.98</u>	<u>\$ 2.36</u>
Diluted	<u>\$ 0.56</u>	<u>\$ 0.55</u>	<u>\$ 1.56</u>	<u>\$ 1.31</u>
Weighted average common shares outstanding:				
Basic	<u>1,970,136</u>	<u>2,044,767</u>	<u>1,972,758</u>	<u>2,289,646</u>
Diluted	<u>3,740,204</u>	<u>3,869,248</u>	<u>3,765,344</u>	<u>4,131,912</u>

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

LIVE VENTURES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended June 30,	
	2018	2017
OPERATING ACTIVITIES:		
Net income	\$ 5,877,866	\$ 5,397,282
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	4,524,397	3,112,786
Gain on bargain purchase of acquisition	(7,418,375)	–
Loss on disposal of property and equipment	4,615	55,703
Charge off and amortization of debt issuance cost	930,695	157,158
Stock based compensation expense	447,970	137,011
Deferred rent	133,241	–
Change in reserve for uncollectible accounts	148,714	(39,865)
Change in reserve for obsolete inventory	(45,470)	(771,971)
Change in deferred income taxes	3,612,623	3,020,553
Changes in assets and liabilities:		
Trade receivables	(1,000,496)	(2,908,689)
Inventories	(1,806,167)	(1,760,954)
Prepaid expenses and other current assets	2,297,475	308,373
Deposits and other assets	(5,952)	(57,755)
Accounts payable	1,981,807	495,296
Accrued liabilities	27,215	(449,799)
Income taxes payable	(1,472)	318,144
Net cash provided by operating activities	<u>9,708,686</u>	<u>7,013,273</u>
INVESTING ACTIVITIES:		
Acquisition of business, net of cash acquired and seller financing provided	–	(47,310,900)
Purchase of intangible assets - software	(545,982)	(124,230)
Proceeds from the sale of property and equipment	10,000	37,920
Purchases of property and equipment	(7,910,430)	(5,936,900)
Net cash used in investing activities	<u>(8,446,412)</u>	<u>(53,334,110)</u>
FINANCING ACTIVITIES:		
Net borrowings (payments) under revolver loans	1,302,148	17,152,852
Payments of debt issuance costs	(1,263,011)	(1,155,000)
Payment of series E preferred stock dividends	–	(959)
Purchase of series E preferred treasury stock	(4,000)	–
Proceeds from issuance of notes payable	27,931,591	36,984,434
Purchase of common treasury stock	(402,328)	(496,366)
Payments on related party notes payable	(158,628)	–
Payments on notes payable	(30,347,569)	(2,659,967)
Net cash provided by (used in) financing activities	<u>(2,941,797)</u>	<u>49,824,994</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,679,523)	3,504,157
CASH AND CASH EQUIVALENTS, beginning of period	3,972,539	770,895
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,293,016</u>	<u>\$ 4,275,052</u>
Supplemental cash flow disclosures:		
Interest paid	<u>\$ 6,349,977</u>	<u>\$ 4,340,486</u>
Income taxes paid	<u>\$ 328,500</u>	<u>\$ 103,704</u>
Noncash financing and investing activities:		
Notes payable issued to sellers of Vintage Stock	<u>\$ –</u>	<u>\$ 10,000,000</u>
Due to sellers of ApplianceSmart, Inc. less liabilities assumed post acquisition	<u>\$ 4,598,205</u>	<u>\$ –</u>
Restated equipment deposit as a purchase of equipment in fiscal 2016	<u>\$ –</u>	<u>\$ (1,816,855)</u>
Conversion of accrued expense liability to series B preferred stock	<u>\$ –</u>	<u>\$ 2,800,000</u>
Conversion of accrued expense liabilities into common stock	<u>\$ –</u>	<u>\$ 584,500</u>

Accrued and unpaid dividends	\$ <u>876</u>	\$ <u>479</u>
------------------------------	---------------	---------------

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

LIVE VENTURES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED JUNE 30, 2018 AND 2017

Note 1: Background and Basis of Presentation

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

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for audited financial statements. In the opinion of the Company’s management, this interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for three and nine months ended June 30, 2018 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2018. This financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2017 and for the fiscal year then ended included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2017, as amended, filed with the U.S. Securities and Exchange Commission (the “SEC”) on January 18, 2018 (the “2017 10-K”).

On November 22, 2016, the Company’s Board of Directors authorized a one-for-six (1:6) reverse stock split and a contemporaneous one-for-six (1:6) reduction in the number of authorized shares of common stock from 60,000,000 to 10,000,000 shares, to take effect for stockholders of record as of December 5, 2016. No fractional shares were issued. All share, option and warrant related information presented in these financial statements and accompanying footnotes has been retroactively adjusted to reflect the decreased number of shares resulting this reverse stock split.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements represent the consolidated financial position, results of operations and cash flows of Live Ventures Incorporated and its wholly-owned subsidiaries. On July 6, 2015, the Company acquired 80% of Marquis Industries, Inc. and subsidiaries (“Marquis”). Effective November 30, 2015, the Company acquired the remaining 20% of Marquis. On November 3, 2016, the Company acquired 100% of Vintage Stock, Inc., a Missouri corporation (“Vintage Stock”), through its newly formed, wholly-owned subsidiary, Vintage Stock Affiliated Holdings LLC (“VSAH”). Effective December 30, 2017, the Company acquired 100% of ApplianceSmart through its newly formed, wholly-owned subsidiary, ApplianceSmart Holdings LLC (“ASH”). All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

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

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

Financial Instruments

Financial instruments consist primarily of cash equivalents, trade and other receivables, advances to affiliates and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash equivalents, trade receivables and other receivables, accounts payable, accrued expenses and short-term notes payable approximate fair value because of the short maturity of these instruments. The fair value of the long-term debt is calculated based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements, unless quoted market prices were available (Level 2 inputs). The carrying amounts of long-term debt at June 30, 2018 and September 30, 2017 approximate fair value.

Cash and Restricted Cash

Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase. Restricted cash consists of balances on deposit, \$750,000 as of June 30, 2018, pledged as collateral for a letter of credit. Fair value of cash equivalents and restricted cash approximates carrying value.

Trade Receivables

The Company grants trade credit to customers under credit terms that it believes are customary in the industry it operates and does not require collateral to support customer trade receivables. Some of the Company's trade receivables are factored primarily through two factors. Factored trade receivables are sold without recourse for substantially all of the balance receivable for credit approved accounts. The factor purchases the trade receivables for the gross amount of the respective invoice(s), less factoring commissions, trade and cash discounts. The factor charges the Company a factoring commission for each trade account, which is between 0.75-1.00% of the gross amount of the invoice(s) factored on the date of the purchase, plus interest calculated at 3.25%-6% per annum. The minimum annual commission due the factor is \$112,500 per contract year. Total commissions paid to factors were \$231,761 and \$210,961 for nine months ended June 30, 2018 and 2017, respectively. The total amount of trade receivables factored was \$29,592,944 and \$27,373,263 for the nine months ended June 30, 2018 and 2017, respectively.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts, which includes allowances for accounts and factored trade receivables, customer refunds, dilution and fees from local exchange carrier billing aggregators and other uncollectible accounts. The allowance for doubtful accounts is based upon historical bad debt experience and periodic evaluations of the aging and collectability of the trade receivables. This allowance is maintained at a level which the Company believes is sufficient to cover potential credit losses and trade receivables are only written off to bad debt expense as uncollectible after all reasonable collection efforts have been made. The Company has also purchased accounts receivable credit insurance to cover non-factored trade and other receivables which helps reduce potential losses due to doubtful accounts. At June 30, 2018 and September 30, 2017, the allowance for doubtful accounts was \$1,239,937 and \$1,091,223, respectively.

Inventories

Manufacturing Segment

Inventories are valued at the lower of the inventory's cost (first in, first out basis ("FIFO")) or market. Management compares the cost of inventory with its net realizable value and an allowance is made to write down inventory to net realizable value, if lower. Management also reviews inventory to determine if excess or obsolete inventory is present and a reserve is made to reduce the carrying value for inventory for such excess and or obsolete inventory. At June 30, 2018 and September 30, 2017, the reserve for obsolete inventory was \$91,940.

Retail and Online Segment

Merchandise inventories are valued at the lower of cost or market using the average cost method which approximates FIFO. Under the average cost method, as new product is received from vendors, its current cost is added to the existing cost of product on-hand and this amount is re-averaged over the cumulative units in inventory available for sale. Pre-owned products traded in by customers are recorded as merchandise inventory for the amount of cash consideration or store credit less any premiums given to the customer. Management reviews the merchandise inventory to make required adjustments to reflect potential obsolescence or the lower of cost or market. In valuing merchandise inventory, management considers quantities on hand, recent sales, potential price protections, returns to vendors and other factors. Management's ability to assess these factors is dependent upon forecasting customer demand and to provide a well-balanced merchandise assortment. Merchandise inventory valuation is adjusted based on anticipated physical inventory losses or shrinkage and actual losses resulting from periodic physical inventory counts. Merchandise inventory reserves as of June 30, 2018 and September 30, 2017 were \$1,211,159 and \$1,256,629, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of building and improvements are three to forty years, transportation equipment is five to ten years, machinery and equipment are five to ten years, furnishings and fixtures are three to five years and office and computer equipment are three to five years. Depreciation expense was \$1,335,174 and \$976,296 for the three months ended June 30, 2018 and 2017, respectively. Depreciation expense was \$3,562,368 and \$2,677,039 for the nine months ended June 30, 2018 and 2017, respectively.

The Company periodically reviews our property and equipment when events or changes in circumstances indicate that their carrying amounts may not be recoverable or their depreciation or amortization periods should be accelerated. We assess recoverability based on several factors, including our intention with respect to our stores and those stores projected undiscounted cash flows. An impairment loss would be recognized for the amount by which the carrying amount of the assets exceeds their fair value, as approximated by the present value of their projected discounted cash flows.

Goodwill

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

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

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

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

Intangible Assets

The Company's intangible assets consist of customer relationship intangibles, trade names, licenses for the use of internet domain names, Universal Resource Locators, or URL's, software, and marketing and technology related intangibles. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include but are not limited to: future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining the fair values. All intangible assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, customer relationships – 7 to 15 years. Intangible amortization expense is \$486,060 and \$113,245 for the three months ended June 30, 2018 and 2017, respectively. Intangible amortization expense is \$962,029 and \$435,747 for the nine months ended June 30, 2018 and 2017, respectively.

Revenue Recognition

Manufacturing Segment

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

Retail and Online Segment

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

Services Segment

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

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

Shipping and Handling

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

Customer Liabilities

The Company establishes a liability upon the issuance of merchandise credits and the sale of gift cards. Breakage income related to gift cards which are no longer reportable under state escheatment laws for the three months ended June 30, 2018 and 2017, is expense of \$53,225 and income of \$25,092, respectively. For the nine months ended June 30, 2018, breakage income of \$39,918, and the period of November 3, 2016 through June 30, 2017, breakage income of \$98,183 is recorded in other income in our consolidated financial statements. No amounts were recorded for breakage for any period prior to November 3, 2016.

Fair Value Measurements

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

Income Taxes

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

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

Lease Accounting

The Company leases retail stores, warehouse facilities and office space. These assets and properties are generally leased under noncancelable agreements that expire at various dates through 2024 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for minimum and, in some cases percentage rent and require us to pay all insurance, taxes and other maintenance costs. Leases with step rent provisions, escalation clauses or other lease concessions are accounted for on a straight-line basis over the lease term and includes "rent holidays" (periods in which we are not obligated to pay rent). Cash or lease incentives received upon entering into certain store leases ("tenant improvement allowances") are recognized on a straight-line basis as a reduction to rent expense over the lease term. The Company records the unamortized portion of tenant improvement allowances as a part of deferred rent. The Company does not have leases with capital improvement funding. Percentage rentals are based on sales performance in excess of specified minimums at various stores and are accounted for in the period in which the amount of percentage rent can be accurately estimated.

Stock-Based Compensation

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

Earnings Per Share

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

Segment Reporting

ASC Topic 280, “*Segment Reporting*,” requires use of the “management approach” model for segment reporting. The management approach model is based on the way a Company’s management organizes segments within the Company for making operating decisions and assessing performance. The Company determined it has three reportable segments (See Note 17).

Concentration of Credit Risk

The Company maintains cash balances at several banks in multiple states including, Arkansas, California, Colorado, Georgia, Idaho, Illinois, Kansas, Missouri, Minnesota, Nevada, New Mexico, New York, Ohio, Oklahoma, Texas, and Utah. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution as of June 30, 2018. At times, balances may exceed federally insured limits.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported net income or stockholders’ equity.

Recently Issued Accounting Pronouncements

ASU 2016-02, *Leases (Topic 842)*. The standard requires a lessee to recognize a liability to make lease payments and a right-of-use asset representing a right to use the underlying asset for the lease term on the balance sheet. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

Note 3: Comprehensive Income

Comprehensive income is the sum of net income and other items that must bypass the income statement because they have not been realized, including items like an unrealized holding gain or loss from available for sale securities and foreign currency translation gains or losses. For the Company, for three and nine months ended June 30, 2018 and 2017, net income does not differ from comprehensive income.

Note 4: Balance Sheet Detail Information

	June 30, 2018 (Unaudited)	September 30, 2017
Trade receivables, current, net:		
Accounts receivable, current	\$ 14,314,236	\$ 11,383,576
Less: Reserve for doubtful accounts	(895,365)	(746,651)
	<u>\$ 13,418,871</u>	<u>\$ 10,636,925</u>
Trade receivables, long term, net:		
Accounts receivable, long term	\$ 344,572	\$ 344,572
Less: Reserve for doubtful accounts	(344,572)	(344,572)
	<u>\$ —</u>	<u>\$ —</u>
Total trade receivables, net:		
Gross trade receivables	\$ 14,658,808	\$ 11,728,148
Less: Reserve for doubtful accounts	(1,239,937)	(1,091,223)
	<u>\$ 13,418,871</u>	<u>\$ 10,636,925</u>
Components of reserve for doubtful accounts are as follows:		
Reserve for dilution and fees on amounts due from billing aggregators	\$ 1,063,617	\$ 1,063,617
Reserve for customer refunds	856	978
Reserve for trade receivables	175,464	26,628
	<u>\$ 1,239,937</u>	<u>\$ 1,091,223</u>
Inventory		
Raw materials	\$ 9,848,607	\$ 7,709,969
Work in progress	1,220,457	987,689
Finished goods	4,608,920	3,922,362
Merchandise	29,422,835	23,230,350
	<u>45,100,819</u>	<u>35,850,370</u>
Less: Inventory reserves	(1,303,099)	(1,348,569)
	<u>\$ 43,797,720</u>	<u>\$ 34,501,801</u>
Property and equipment, net:		
Building and improvements	\$ 10,770,186	\$ 8,090,797
Transportation equipment	82,266	104,853
Machinery and equipment	23,256,746	17,402,064
Furnishings and fixtures	2,586,465	4,360,820
Office, computer equipment and other	2,337,960	224,822
	<u>39,033,623</u>	<u>30,183,356</u>
Less: Accumulated depreciation	(10,789,365)	(7,365,496)
	<u>\$ 28,244,258</u>	<u>\$ 22,817,860</u>
Intangible assets, net:		
Domain name and marketing related intangibles	\$ 18,957	\$ 18,957
Lease intangibles	2,239,008	1,033,412
Customer relationship intangibles	4,709,241	2,689,039
Purchased software	2,193,947	1,595,977
	<u>9,161,153</u>	<u>5,337,385</u>
Less: Accumulated amortization	(2,144,536)	(1,132,071)
	<u>\$ 7,016,617</u>	<u>\$ 4,205,314</u>
Accrued liabilities:		
Accrued payroll and bonuses	\$ 2,603,171	\$ 2,602,695
Accrued sales and use taxes	530,278	824,206
Accrued property taxes	239,866	—
Accrued rent	90,677	502,617
Deferred revenue	454,030	—
Accrued gift card and escheatment liability	1,684,210	1,479,622
Accrued interest payable	371,314	464,184
Accrued accounts payable and bank overdrafts	3,604,422	1,367,539
Accrued professional fees	149,178	—
Customer deposits	192,812	182,052
Accrued expenses - other	260,373	1,563,819
	<u>\$ 10,180,331</u>	<u>\$ 8,986,734</u>

Note 5: Acquisitions

Acquisition of Vintage Stock Inc.

On November 3, 2016 (the "Vintage Stock Closing Date"), the Company, through its newly formed, wholly-owned subsidiary, VSAH, entered into a series of agreements in connection with its purchase of Vintage Stock. Vintage Stock is a retailer that sells, buys and trades new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles.

Total consideration paid of \$57,653,698 was paid through a combination of (i) \$8,000,000 of capital provided by the Company, (ii) debt financing provided by the TCB Revolver (as defined below) in the aggregate amount of approximately \$12,000,000, and mezzanine financing from the Capitala Term Loan (as defined below) of approximately \$30 million, and (iii) \$10,000,000 of Company-issued subordinated acquisition notes payable to the sellers of Vintage Stock, all as more fully described in Note 8.

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

Cash and cash equivalents	\$	272,590
Trade and other receivables		177,338
Inventory		18,711,192
Prepaid expenses and other current assets		814,201
Property and equipment		4,859,676
Intangible - leases		1,033,412
Intangible - trade names		1,200,000
Intangible - customer list		50,000
Intangible - customer relationship		1,000,000
Goodwill		36,946,735
Notes payable		(542,074)
Accounts payable		(5,165,612)
Accrued expenses		(1,703,760)
	\$	<u>57,653,698</u>

In connection with the purchase of Vintage Stock, we incurred bank fees of \$15,000, appraisal fees of \$20,497, legal fees of \$192,339 and consulting fees of \$119,774, totaling \$347,610, all of which was recorded as general and administrative expense during the year ended September 30, 2017. Goodwill of \$36,946,735 is the excess of total consideration less identifiable assets at fair value less debt assumed at fair value and is tax deductible. Goodwill is attributable to Vintage Stock's management, assembled workforce, operating model, the number of stores, locations and competitive presence in each of its respective markets.

The operating results of Vintage Stock have been included in our consolidated financial statements beginning on November 3, 2016 and are reported in our Retail and Online segment.

The estimated fair value of the customer relationship intangible related to Vintage Stock was determined using the income approach, which discounts expected future cash flows to present value. The Company estimated the fair value of this intangible asset using the residual method and a present value discount rate of 17% or \$1,000,000. Customer relationships relate to the Company's ability to sell existing and future products. The Company is amortizing the Customer relationships intangible asset on a straight-line basis over an estimated life of 5 years.

The estimated fair value of the trade names intangible that Vintage Stock uses – “Vintage Stock”, “EntertainMart” and “Movie Trading Company” was determined using a royalty income approach, which estimates an assumed royalty income stream and then discounts that expected future revenue or cash flow stream to present value. The Company estimated the fair value of this intangible asset using the residual method and a present value discount rate of 17%, or \$1,200,000. Trade names relate to the Company’s awareness by consumers in the market place. The Company is amortizing the trade names intangible asset on a straight-line basis over an estimated life of 7 years.

The estimated fair value of the customer list intangible asset was determined using the cost approach, which estimates the cost to acquire each email address in the list. The Company estimated the fair value of this intangible asset to be \$0.19 per acquired email address, less a discount 40% attributable to domain and trade names or a net cost per email address of \$0.11 or approximately \$50,000. The Company is amortizing the customer list intangible asset on a straight-line basis over an estimated life of 3 years.

Acquisition of ApplianceSmart Inc.

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

Total consideration was \$6,500,000, with no liabilities assumed by ASH. On December 30, 2017, ASH agreed to pay the \$6,500,000 no later than March 31, 2018. Effective April 1, 2018, ASH issued an interest bearing promissory note the Seller, with interest at 5% per annum, with a three-year term in the original amount of \$3,919,494 for the balance of the purchase price. Interest is payable monthly in arrears. Ten percent of the outstanding principal amount is due to be repaid annually on a quarterly basis, with any remainder due and payable on maturity, April 1, 2021. This promissory note is guaranteed by ApplianceSmart. The remaining \$2,580,506 was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal amount. On December 31, 2017, ASH offset certain liabilities and was provided certain assets from the Seller in the net amount of \$1,901,796, against the amount due Seller. ASH and Seller agreed to the offset as if it were payment in cash against the purchase price. At June 30, 2018, the net amount owing to the Seller was \$3,817,714 and is included in long term debt. See Note 8.

Net liabilities assumed by ASH on December 31, 2017:

Accounts payable	\$ 1,374,647
Accrued expenses	1,374,682
Capital leases	29,631
Credit card receivables	(255,301)
Cash	(621,863)
Total net liabilities assumed by ASH	<u>\$ 1,901,796</u>

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

Trade Receivables	\$ 1,930,164
Inventory	7,444,282
Prepaid expenses	69,347
Refundable deposits	1,003,841
Intangible asset - trade names	2,015,000
Intangible asset - customer list	5,202
Intangible asset - leases	1,205,596
Restricted cash	750,000
Property and equipment	1,094,503
Deferred income tax	(1,599,560)
Bargain gain on acquisition	7,418,375
	<u>\$ (6,500,000)</u>

The operating results of ApplianceSmart are included in our unaudited condensed consolidated financial statements beginning on December 31, 2017 and are reported in our Retail and Online Segment.

The estimated fair value of the customer list intangible asset was determined using the cost approach, which estimates the cost to acquire each email address in the list. The Company estimated the fair value of this intangible asset to be \$0.10 per acquired active contact information or approximately \$5,202. The Company is amortizing the customer list intangible asset on a straight-line basis over an estimated life of 20 years.

The estimated fair value of the trade names intangible that ApplianceSmart uses – “ApplianceSmart” was determined using a royalty income approach, which estimates an assumed royalty income stream and then discounts that expected future revenue or cash flow stream to present value. The Company estimated the fair value of this intangible asset using the residual method and a present value discount rate of 18.6%, or \$2,015,000. Trade name relates to the Company’s awareness by consumers in the market place. The Company is amortizing the trade name intangible asset on a straight-line basis over an estimated life of 20 years.

The estimated fair value of the lease assets that ApplianceSmart leases was determined comparing the existing leases assumed to current market rates within a three-mile radius of existing stores. These market rates were then compared to existing ApplianceSmart contracted lease rates over the remaining lease terms. If the lease contract began within six months of acquisition date or the square footage price difference was within 10% of the contracted lease rate, or the overall discounted cash flow effect of the difference was less than \$150,000, the lease was excluded for intangible valuation purposes. The remaining leases that were included were then compared to market rates, with the differences discounted using a discount rate of 7.50% to determine the discounted present value of the lease intangibles. The Company is amortizing the lease intangibles on a straight-line basis over the remaining life of each lease ranging between two and ten years.

Note 6: Intangibles

The Company’s intangible assets consist of customer relationship intangibles, trade names, licenses for the use of internet domain names, URL’s, software, and marketing and technology related intangibles. All such assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, customer relationships – 7 to 15 years; intangible lease assets – 2 to 10 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determined lives may be adjusted. Intangible amortization expense is \$486,060 and \$113,245 for the three months ended June 30, 2018 and 2017, respectively. Intangible amortization expense is \$962,029 and \$435,747 for the nine months ended June 30, 2018 and 2017, respectively.

The following table summarizes estimated future amortization expense related to intangible assets that have net balances as of June 30, 2018:

2019	\$ 1,461,929
2020	1,450,817
2021	1,321,300
2022	673,804
2023	381,806
Thereafter	1,726,961
	<u>\$ 7,016,617</u>

Note 7: Goodwill

Goodwill is not amortized, but rather is evaluated for impairment on July 1 annually or when indicators of a potential impairment are present. The annual evaluation for impairment of goodwill is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. We believe such assumptions are also comparable to those that would be used by other marketplace participants.

Note 8: Long Term Debt

Bank of America Revolver Loan

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

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

Borrowing availability under the BofA Revolver is limited to a borrowing base which allows Marquis to borrow up to 85% of eligible accounts receivable, plus the lesser of (i) \$7,500,000; (ii) 65% of the value of eligible inventory; or (iii) 85% of the appraisal value of the eligible inventory. For purposes of clarity, the advance rate for inventory is 55.3% for raw materials, 0% for work-in-process and 70% for finished goods subject to eligibility, special reserves and advance limit. Letters of credit reduce the amount available to borrow under the BofA Revolver by an amount equal to the face value of the letters of credit.

As of February 22, 2017, Marquis’s ability to make prepayments against Marquis subordinated debt, including the related party loan with Isaac Capital Group, LLC (“ICG”) and pay cash dividends is generally permitted if (i) excess availability under the BofA Revolver is more than \$4 million, and has been for each of the 90 days preceding the requested distribution and (ii) excess availability under the BofA Revolver is more than \$4 million, and the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is 2:1 or greater. Restrictions apply to our ability to make additional prepayments against Marquis subordinated debt and pay cash dividends if the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is less than 2:1 and excess availability under the BofA Revolver is less than \$4 million at the time of payment or distribution. There is no restriction on dividends that can be taken by the Company so long as Marquis maintains \$4 million of current availability at the time of the dividend or distribution. This translates to having no restriction on Net Income so long as the Company retains sufficient assets to establish \$4 million of current availability and continues to meet the required fixed charge coverage ratio of 2:1 as stated above.

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

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

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

On October 20, 2016, Marquis and Bank of America agreed that Level IV interest rates would be applicable until October 20, 2017, and the Level would subsequently be adjusted up or down on a quarterly basis going forward based upon the above fixed coverage ratio achieved by Marquis.

The BofA Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Marquis, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Marquis or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Marquis or certain of its subsidiaries. During the period of October 1, 2017 through June 30, 2018, Marquis cumulatively borrowed \$69,661,042 and repaid \$66,755,088 under the BofA Revolver. Our maximum borrowings outstanding during the same period were \$8,530,509. Our weighted average interest rate on those outstanding borrowings for the period of October 1, 2017 through June 30, 2018 was 3.73%. As of June 30, 2018, total additional availability under the BofA Revolver was \$7,170,515; with \$7,756,769 outstanding, and outstanding standby letters of credit of \$72,715.

Real Estate Transaction

On June 14, 2016, Marquis entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was \$10,000,000, which consisted of \$644,479 from the sale of the land and a note payable of \$9,355,521. In connection with the transaction, Marquis entered into a lease with a 15-year term commencing on the closing of the transaction, which provides Marquis an option to extend the lease upon the expiration of its term. The initial annual lease rate is \$59,614. The proceeds from this transaction were used to pay down the BofA Revolver and Term loans, and related party loan, as well as purchasing a building from the previous owners of Marquis that was not purchased in the July 2015 transaction. The note payable bears interest at 9.25% per annum, with principal and interest due monthly. The note payable matures June 13, 2056. For the first five years of the note payable, there is a pre-payment penalty of 5%, which declines by 1% for each year the loan remains un-paid. At the end of five years, there is no pre-payment penalty. In connection with the note payable, Marquis incurred \$457,757 in transaction costs that are being recognized as a debt issuance cost that is being amortized and recorded as interest expense over the term of the note payable.

Kingston Diversified Holdings LLC Agreement (\$2 Million Line of Credit)

On December 21, 2016, the Company and Kingston Diversified Holdings LLC (“Kingston”) entered into an agreement (the “December 21 Agreement”) modifying its then existing agreement between the parties. The December 21 Agreement, effective September 15, 2016, memorializes an October 2015 interim agreement to extend the maturity date of notes issued by Kingston to the Company (the “Kingston Notes”) by twelve months for 55,888 shares of the Company’s Series B Convertible Preferred Stock with a value on September 15, 2016 of \$2,800,000, as a compromise between the parties in respect of certain of their respective rights and duties under the agreement. The December 21 Agreement also decreases the maximum principal amount of the Kingston Notes from \$10,000,000 in principal amount to \$2,000,000 in principal amount, and eliminates any and all actual, contingent, or other obligations of the Company to issue to Kingston any shares of the Company’s common stock, or to grant any rights, warrants, options, or other derivatives that are exercisable or convertible into shares of the Company’s common stock.

Kingston acknowledges that from the effective date through and including December 31, 2021, it shall not sell, transfer, assign, hypothecate, pledge, margin, hedge, trade, or otherwise obtain or attempt to obtain any economic value from any of the shares of Series B Preferred Stock or any shares into which they may be converted or from which they may be exchanged. As a result of the December 21 Agreement, the Company recorded \$2,800,000 as an outstanding accrued liability as of September 30, 2016. As of June 30, 2018, and September 30, 2017, the Company had no borrowings on the Kingston line of credit. On December 29, 2016, the Company issued 55,888 shares of Series B Convertible Preferred Stock in settlement of the outstanding accrued liability due Kingston of \$2,800,000.

Equipment Loans

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

Note #1 is \$5 million, secured by equipment. The Equipment Loan #1 is due September 23, 2021, payable in 59 monthly payments of \$84,273 beginning September 23, 2016, with a final payment in the sum of \$584,273, bearing interest at 3.8905% per annum.

Note #2 is \$2,209,807, secured by equipment. The Equipment Loan #2 is due January 30, 2022, payable in 59 monthly payments of \$34,768 beginning January 30, 2017, with a final payment in the sum of \$476,729, bearing interest at 4.63% per annum.

Note #3 is \$3,679,514, secured by equipment. The Equipment Loan #3 is due December 30, 2023, payable in 84 monthly payments of \$51,658 beginning January 30, 2017, with a final payment due December 30, 2023, bearing interest rate at 4.7985% per annum.

Note #4 is \$1,095,113, secured by equipment. The Equipment Loan #4 is due December 30, 2023, payable in 81 monthly payments of \$15,901 beginning April 30, 2017, with final payment due December 30, 2023, bearing interest at 4.8907% per annum.

Note #5 is \$3,931,591, secured by equipment. The Equipment Loan #5 is due December 28, 2024, payable in 84 monthly payments of \$54,943 beginning January 28, 2018, with the final payment due December 28, 2024, bearing interest at 4.67% per annum.

Texas Capital Bank Revolver Loan

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

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

Borrowing availability under the TCB Revolver is limited to a borrowing base which allows Vintage Stock to borrow up to 95% of the appraisal value of the inventory, plus 85% of eligible receivables, net of certain reserves. The borrowing base provides for borrowing up to 95% of the appraisal value for the period of November 4, 2016 through December 31, 2016, then 90% of the appraisal value during the fiscal months of January through September and 92.5% of the appraisal value during the fiscal months of October through December. Letters of credit reduce the amount available to borrow under the TCB Revolver by an amount equal to the face value of the letters of credit.

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

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

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

The TCB Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Vintage Stock, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Vintage Stock, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Vintage Stock. During the period of October 1, 2017 through June 30, 2018, Vintage Stock cumulatively borrowed \$57,546,998 and repaid \$59,150,804 under the TCB Revolver. Our maximum borrowings outstanding during the period of October 1, 2017 through June 30, 2018 was \$16,077,915. Our weighted average interest rate on those outstanding borrowings for the period of October 1, 2017 through June 30, 2018 was 4.502899%. As of June 30, 2018, total additional availability under the TCB Revolver was \$1,083,369, with \$10,916,631 outstanding; and outstanding standby letters of credit of \$0. In connection with the TCB Revolver, Vintage incurred \$25,000 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the TCB Revolver.

Capitala Term Loan

On November 3, 2016, the Company, through VSAH, entered into a series of agreements in connection with its purchase of Vintage Stock. As a part of those agreements, VSAH and Vintage Stock (the “Term Loan Borrowers”) obtained \$29,871,650 of mezzanine financing from the lenders (the “Term Loan Lenders”) as defined in the term loan agreement (the “Term Loan Agreement”) between the Term Loan Borrowers and Capitala Private Credit Fund V, L.P., in its capacity as lead arranger. Wilmington Trust, National Association, acts as administrative and collateral agent on behalf of the Term Loan Lenders (the “Term Loan Administrative Agent”).

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

The interest rate for LIBO rate loans under the term loan agreement is equal to the sum of (a) the greater of (i) a rate per annum equal to (A) the offered rate for deposits in United States Dollars for the applicable interest period and for the amount of the applicable loan that is a LIBOR loan that appears on Bloomberg ICE LIBOR Screen (or any successor thereto) that displays an average ICE Benchmark Administration Limited Interest Settlement Rate for deposits in United States Dollars (for delivery on the first day of such interest period) with a term equivalent to such interest period, determined as of approximately 11:00 a.m. (London time) two business days prior to the first day of such interest period, divided by (B) the sum of one minus the daily average during such interest period of the aggregate maximum reserve requirement (expressed as a decimal) then imposed under Regulation D of the Federal Reserve Board for “Eurocurrency Liabilities” (as defined therein), and (ii) 0.50% per annum, *plus* (b) the sum of (i) 12.50% per annum in cash *plus* (ii) 3.00% per annum payable in kind by compounding such interest to the principal amount of the obligations under the Term Loan Agreement on each interest payment date.

The interest rate for base rate loans under the term loan agreement is equal to the sum of (a) the highest of (with a minimum of 1.50%) (i) the federal funds rate plus 0.50%, (ii) the prime rate, and (iii) the LIBO rate plus 1.00%, *plus* (b) the sum of (i) 11.50% per annum payable in cash *plus* (ii) 3.00% per annum payable in kind by compounding such interest to the principal amount of the obligations under the Term Loan Agreement on each interest payment date.

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

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

The payment obligations under the Term Loan Agreement include (i) monthly payments of interest and (ii) principal installment payments in an amount equal to \$725,000 due on March 31, June 30, September 30, and December 31 of each year, with the first such payment due on December 31, 2016. The outstanding principal amounts of the term loans and all accrued interest thereon under the Term Loan Agreement are due and payable in November 2021.

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

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

- (i) an amount not to exceed \$3 million of the term loans;
- (ii) in addition to any amount prepaid in respect of item (i), an additional amount not to exceed \$1.45 million, but only if that additional amount is paid prior to the first anniversary of the Closing Date; and
- (iii) in addition to any amount prepaid in respect of item (i), an additional amount not to exceed the difference between \$2.9 million and any amount prepaid in respect of item (ii), but only if that additional amount is paid from and after the first anniversary of the Closing Date but prior to the second anniversary of the Closing Date.

There are also various mandatory prepayment triggers under the Term Loan Agreement, including in respect of excess cash flow, dispositions, equity and debt issuances, extraordinary receipts, equity contributions, change in control, and failure to obtain required landlord consents. Our weighted average interest rate on our Capitala Term Loan outstanding borrowings for the period of October 1, 2017 through June 7, 2018 was 16.94%. In connection with the Capitala Term Loan, Vintage Stock incurred \$1,088,000 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the Capitala Term Loan. On June 7, 2018, the Capitala Term Loan was paid in full, and the Company recorded as additional interest expense \$742,000 of un-amortized debt issuance cost related to the Capitala Term Loan.

Sellers Subordinated Acquisition Note

In connection with the purchase of Vintage Stock, on November 3, 2016, VSAH and Vintage Stock entered into a seller financed mezzanine loan in the amount of \$10 million with the previous owners of Vintage Stock. The Sellers Subordinated Acquisition Note bears interest at 8% per annum, with interest payable monthly in arrears. The Sellers Subordinated Acquisition Note matures five years and six months from November 3, 2016.

Comvest Term Loan

On June 7, 2018, Vintage Stock Affiliated Holdings LLC (“Holdings”) and Vintage Stock, Inc. (the “Borrower”), entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) by and among Borrower, Holdings, the lenders party thereto and Comvest Capital IV, L.P. (“Comvest”), as agent. The Credit Agreement provides for a \$24,000,000 secured term loan (the “Term Loan”). The proceeds of the Term Loan, together with a cash equity contribution of approximately \$4.0 million from the Company to the Borrower, will be used by the Borrower (i) to refinance and terminate the Borrower’s credit facility (the “Prior Credit Facility”) with Capitala Private Credit Fund and certain of its affiliates, as lenders, and Wilmington Trust National Association (the “Term Loan Administrative Agent”), as agent, (ii) to pay transaction costs, and (iii) for the Borrower’s working capital and other general corporate purposes. In connection with the closing of the refinancing transaction with Comvest, all defaults under the Prior Credit Facility were extinguished.

The Term Loan bears interest at the base or LIBOR rates (as described below) plus an applicable margin in each case. The applicable margin ranges from 8.00% to 9.50% per annum (subject to a LIBOR floor of 1.00%) and is determined based on the Borrower’s senior leverage ratio pricing grid. The applicable margin during the first six months following the June 7, 2018 closing is 9.50%.

The base rate under the Comvest Credit Agreement is equal to the greatest of (i) the per annum rate of interest which is identified as the “Prime Rate” and normally published in the Money Rates section of The Wall Street Journal (or, if such rate ceases to be so published, as quoted from such other generally available and recognizable source as Agent may select), (ii) the sum of the Federal Funds Rate plus one half percent (0.50%), (iii) the most recently used LIBO Rate and (iv) two percent (2.00%) per annum.

LIBOR rate is defined as the greater of (a) a rate per annum equal to the London interbank offered rate for deposits in Dollars for a period of one month and for the outstanding principal amount of the Term Loan as published in the “Money Rates” section of The Wall Street Journal (or another national publication selected by Agent if such rate is not so published), two Business Days prior to the first day of such one month period and (b) one percent (1.00%) per annum.

The Term Loan matures on May 26, 2023 and is subject to amortization of 12.5% (decreasing to 10% upon the Borrower's senior leverage ratio being less than 1.50 times the Borrower's EBITDA (as defined in the Credit Agreement)) of principal per annum payable in equal quarterly installments due on March 31, June 30, September 30, and December 31 of each year, with the first such payment due on June 30, 2018; plus, to the extent the Borrower generates excess cash flow (as defined in the Credit Agreement), a percent of such excess cash flow (ranging from 50% to 100%), all in accordance with the terms of the Credit Agreement.

Under the Credit Agreement, any and all mandatory prepayments arising from any voluntary act of the Borrower are subject to a prepayment premium, ranging from 5.00% of the principal amount prepaid plus a make-whole amount to 1.00%, depending on when the mandatory prepayment is made. There is no prepayment premium after June 7, 2021.

The Term Loan is secured by a pledge of substantially all of the assets of the Borrower and a pledge of the capital stock of the Borrower. In addition, the Company is guaranteeing (the "Sponsor Guaranty") that portion of the Term Loan that results in the Borrower's senior leverage ratio being greater than 2.30:1.00, and only for so long as such ratio exceeds 2.30:1.00. The Sponsor Guaranty terminates on the date that the Borrower's senior leverage ratio is less than 2.30:1.00 for two consecutive fiscal quarters.

The Term Loans place certain restrictions and covenants on Vintage Stock, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness for Vintage Stock. Vintage Stock is required to maintain a minimum of \$12,000,000 of EBITA on a trailing twelve months basis as measured quarterly starting June 30, 2018 through December 31, 2018. Beginning quarter ending March 31, 2019 and thereafter, Vintage Stock is required to maintain a minimum of \$12,500,000 of EBITA on a trailing twelve months basis. So long as the Senior leverage ratio is greater than 2.0 to 1.0, Vintage Stock is required to spend no more than \$1,000,000 on capital expenditures in fiscal year 2018, \$1,500,000 in fiscal year 2019, \$2,000,000 in fiscal year 2020, \$1,750,000 in fiscal year 2021, and \$1,500,000 in fiscal years 2022 and thereafter. Vintage Stock is required to maintain a declining maximum senior leverage ratio on a trailing twelve month basis beginning June 30, 2018 of 2.85:1.00, September 30, 2018 2.85:1.00, December 31, 2018 2.65:1.00, March 31, 2019 2.60:1.00, June 30, 2019 2.40:1.00, September 30, 2019 2.10:1.00, December 31, 2019 1.90:1.00, March 31, 2020 1.80:1.00, June 30, 2020 1.75:1.00 and September 30, 2020 and each fiscal quarter thereafter 1.50:1.00. Vintage Stock is required to maintain on a trailing twelve-month basis a minimum fixed charge ratio of less than 1.30:1.00 for quarters ending June 30, 2018, September 30, 2018 and December 31, 2018. For quarter ending March 31, 2019 1.10:1.00. For quarters ending June 30, 2019, September 30, 2019 and December 31, 2019 1.30:1.00. For quarter ending March 31, 2020 and each fiscal quarter thereafter 1.40:1.00. Vintage Stock may only open three new retail locations within a twelve-month period so long as the senior leverage ratio is 2.00:1.00 or more. If the senior leverage ratio is less than 2.00:1.00, Vintage Stock may only open no more than four new retail locations within a twelve-month period. At all times that the senior leverage ratio is greater than or equal to 1.50:1.00, Vintage Stock cannot have the same store sales percentage to be less than or equal to a negative 5.5 percent as of the last day of any fiscal quarter. Vintage Stock may cure both payment and financial covenant defaults through infusion of equity cures as determined by the Credit Agreement. EBITDA, senior leverage ratio, same store sales decline percentage and fixed charge ratio are terms defined within the Credit Agreement.

In connection with the Comvest Term Loan, Vintage Stock incurred \$1,263,011 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the Comvest Term Loan.

Loan Covenant Compliance

We were in compliance with all covenants under our existing revolving and other loan agreements as of September 30, 2017 due to waivers granted by both Texas Capital Bank for the TCB Revolver and Capitala for the Capitala Term Loan. We are in compliance as of June 30, 2018 with all covenants under our existing revolving and other loan agreements.

Long-term debt as of June 30, 2018 and September 30, 2017 consisted of the following:

	June 30, 2018	September 30, 2017
Bank of America Revolver Loan - variable interest rate based upon a base rate plus a margin, interest payable monthly, maturity date July 2020, secured by substantially all Marquis assets	\$ 7,756,769	\$ 4,850,815
Texas Capital Bank Revolver Loan - variable interest rate based upon the one-month LIBOR rate plus a margin, interest payable monthly, maturity date November 2020, secured by substantially all Vintage Stock assets	10,916,634	12,520,437
Note Payable Capitala Term Loan - variable interest rate based upon a base rate plus a margin, 3% per annum interest payable in kind, with the balance of interest payable monthly in cash, principal due quarterly in the amount of \$725,000, maturity date November 2021, note subordinate to Texas Capital Bank Revolver Loan, secured by Vintage Stock Assets	-	28,310,505
Note Payable Comvest Term Loan - variable interest rate based upon LIBOR rate plus a margin, interest payable monthly in cash, principal due quarterly March 31, June 30, September 30, December 31, subject to a variable amortization of principal, maturity date May 26, 2023 note subordinate to Texas Capital Bank Revolver Loan, secured by Vintage Stock Assets	24,000,000	-
Note Payable to the Sellers of Vintage Stock, interest at 8% per annum, with interest payable monthly, maturity date May 2022, note subordinate to both Texas Capital Bank Revolver and Capitala Term Loan, secured by Vintage Stock Assets	10,000,000	10,000,000
Note #1 Payable to Banc of America Leasing & Capital LLC - interest at 3.8905% per annum, with interest and principal payable monthly in the amount of \$84,273 for 59 months, beginning September 23, 2016, with a final payment due in the amount of \$584,273, maturity date September 2021, secured by equipment	3,450,523	4,097,764
Note #2 Payable to Banc of America Leasing & Capital LLC - interest at 4.63% per annum, with interest and principal payable monthly in the amount of \$34,768 for 59 months, beginning January 30, 2017, with a final payment due in the amount of \$476,729, maturity date January 2022, secured by equipment	1,721,642	1,969,954
Note #3 Payable to Banc of America Leasing & Capital LLC - interest at 4.7985% per annum with interest and principal payable monthly in the amount of \$51,658 for 84 months, beginning January 30, 2017, secured by equipment	2,991,416	3,341,642
Note #4 Payable to Banc of America Leasing & Capital LLC - interest at 4.8907% per annum, with interest and principal payable monthly in the amount of \$15,901 for 81 months, beginning April 30, 2017, secured by equipment.	918,559	1,025,782
Note #5 Payable to Banc of America Leasing & Capital LLC - interest at 4.67% per annum, with interest and principal payable monthly in the amount of \$54,943 for 84 months, beginning January 28, 2018, secured by equipment.	3,691,222	-
Note Payable to Store Capital Acquisitions, LLC, - interest at 9.25% per annum, with interest and principal payable monthly in the amount of \$73,970 for 480 months, beginning July 1, 2016, maturity date of June 2056, secured by Marquis land and buildings	9,309,038	9,328,208
Note Payable to Cathay Bank, variable interest rate, Prime Rate plus 2.50%, with interest payable monthly, maturity date December 2017, secured by substantially all Modern Everyday assets	-	174,757
Note Payable to Cathay Bank, variable interest rate, Prime Rate plus 1.50%, with interest payable monthly, maturity date December 2017, secured by substantially all Modern Everyday assets	-	249,766
Note payable to individual, interest at 11% per annum, payable on a 90 day written notice, unsecured	206,529	206,529
Note payable to individual, interest at 10% per annum, payable on a 90 day written notice, unsecured	500,000	500,000
Note payable to individual, interest at 8.25% per annum, payable on a 120 day written demand notice, unsecured	225,000	225,000
Total notes payable	75,687,332	76,801,159
Less unamortized debt issuance costs	(1,685,671)	(1,353,352)
Net amount	74,001,661	75,447,807
Less current portion	(14,087,636)	(48,877,536)
Long-term portion	<u>\$ 59,914,025</u>	<u>\$ 26,570,271</u>

Future maturities of long-term debt at June 30, 2018 are as follows which does not include related party debt separately stated:

2019	\$	14,087,636
2020		5,508,736
2021		16,539,871
2022		15,646,059
2023		4,716,537
Thereafter		19,188,493
Total	\$	<u>75,687,332</u>

Note 9: Long Term Debt, Related Parties

Appliance Recycling Centers of America, Inc. Note

As previously announced by Live Ventures Incorporated (the “Company”), on December 30, 2017, ApplianceSmart Holdings LLC, a wholly-owned subsidiary of the Company (the “Purchaser”), entered into a Stock Purchase Agreement (the “Agreement”) with Appliance Recycling Centers of America, Inc. (the “Seller”) and ApplianceSmart, Inc. (“ApplianceSmart”), a subsidiary of the Seller. Pursuant to the Agreement, the Purchaser purchased (the “Transaction”) from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for \$6,500,000 (the “Purchase Price”). The Purchaser was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, the Purchaser and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, the Purchaser delivered to the Seller that certain Promissory Note (the “ApplianceSmart Note”) in the original principal amount of \$3,919,494 (the “Original Principal Amount”), as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on April 1, 2021 (the “Maturity Date”). The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining \$2,580,506 of the Purchase Price was paid in cash by the Purchaser to the Seller. The Purchaser may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of June 30, 2018, there was \$3,817,714 outstanding on the Appliance Recycling Center of America, Inc. Note.

Isaac Capital Fund Note

In connection with the acquisition of Marquis by the Company, the Company entered into a mezzanine loan in the amount of up to \$7,000,000 with Isaac Capital Fund (“ICF”), a private lender whose managing member is Jon Isaac, our President and Chief Executive Officer. The ICF mezzanine loan bears interest at 12.5% per annum with payment obligations of interest each month and all principal due in January 2021. As of June 30, 2018, and September 30, 2017, there was \$2,000,000 outstanding on this mezzanine loan.

Long-term debt, related parties as of June 30, 2018 and September 30, 2017 consisted of the following:

	June 30, 2018	September 30, 2017
Note Payable and revolving line of credit to the Sellers of ApplianceSmart, Inc., interest rate is 5% per annum, with interest payable monthly, maturity date April 1, 2021, 10% of principal will be repaid annually on a quarterly basis, with accrued interest and principal due at maturity. ApplianceSmart may reborrow funds up to the Original Principal amount	\$ 3,817,714	\$ –
Note Payable to Isaac Capital Fund, interest rate is 12.5% per annum, with interest payable monthly, maturity date January 2021.	2,000,000	2,000,000
Total notes payable - related parties	5,817,714	2,000,000
Less unamortized debt issuance costs	–	–
Net amount	5,817,714	2,000,000
Less current portion	(391,949)	–
Long-term portion	<u>\$ 5,425,765</u>	<u>\$ 2,000,000</u>

Future maturities of long-term debt, related parties at June 30, 2018 are as follows:

2019	\$	391,949
2020		391,948
2021		391,948
2022		4,641,869
2023		—
Thereafter		—
Total	\$	<u>5,817,714</u>

Note 10: Stockholders' Equity

Series B Convertible Preferred Stock

On December 27, 2016, the Company established a new series of preferred stock, Series B Convertible Preferred Stock. The shares, as a series, are entitled to dividends as declared by the board of directors in an amount equal to \$1.00 (in the aggregate for all then-issued and outstanding shares of Series B Convertible Preferred Stock). The series does not have any redemption rights or Stock basis, except as otherwise required by the Nevada Revised Statutes. The series does not provide for any specific allocation of seats on the Board of Directors. At any time and from time to time, the shares of Series B Convertible Preferred Stock are convertible into shares of common stock at a ratio of one share of Series B Preferred Stock into five shares of common stock, subject to equitable adjustment in the event of forward stock splits and reverse stock splits.

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

During the nine months ended June 30, 2018, the Company did not issue any shares of Series B Convertible Preferred Stock.

During the nine months ended June 30, 2017, the Company issued:

55,888 shares of Series B Convertible Preferred Stock to Kingston Diversified Holdings LLC on December 29, 2016 to settle and pay for an outstanding accrued liability in the amount of \$2,800,000. The 55,888 shares of Series B Convertible Preferred Stock issued are convertible at an exchange ratio of (five) shares of common stock for each share of Series B Convertible Preferred Stock, or 279,440 shares of common stock.

158,356 shares of Series B Convertible Preferred Stock were issued to ICG on December 27, 2016 in exchange for 791,758 shares of our common stock at an exchange ratio of five shares of common stock for each share of Series B Convertible Preferred Stock.

Series E Convertible Preferred Stock

As of June 30, 2018, there were 127,840 shares of Series E Convertible Preferred Stock and 77,840 shares outstanding. The shares accrue dividends at the rate of 5% per annum on the liquidation preference per share, payable quarterly from legally available funds. The shares carry a cash liquidation preference of \$0.30 per share, plus any accrued but unpaid dividends. If such funds are not available, dividends shall continue to accumulate until they can be paid from legally available funds. Holders of the preferred shares are entitled, after two years from issuance, to convert them into shares of our common stock on a one-to-one basis together with payment of \$85.50 per converted share. On November 18, 2017, the Company repurchased 50,000 shares of Series E Convertible Preferred Stock for an aggregate purchase price of \$4,000.

Series E Convertible Preferred Stock Dividends

During the nine months ended June 30, 2018 and June 30, 2017, the Company accrued dividends of \$876 and \$1,438, respectively, payable to holders of Series E preferred stock. As of June 30, 2018, and September 30, 2017, unpaid dividends were \$876 and \$959, respectively.

Common Stock

On November 22, 2016, the Company's board of directors authorized a one-for-six (1:6) reverse stock split and a contemporaneous one-for-six (1:6) reduction in the number of authorized shares of common stock from 60,000,000 to 10,000,000 shares, to take effect for stockholders of record as of December 5, 2016. No fractional shares were issued. All share, option and warrant related information presented in these financial statements and footnotes has been retroactively adjusted to reflect the decreased number of shares resulting in this action.

During the nine months ended June 30, 2018, the Company did not issue any shares of common stock.

During the nine months ended June 30, 2017, the Company issued:

58,333 shares of common stock to Novalk Apps S.A.S. on December 28, 2016 to settle and pay for an outstanding accrued liability in the amount of \$584,500. The value was based on the market value of the Company's common stock on the date of issuance.

2,284 shares of common stock to various holders of fractional shares of the Company's common stock pursuant to the 1:6 stock split effective for stockholders of record on December 5, 2016. All fractional shares of the Company's common stock were eliminated.

Treasury Stock

For the year ended September 30, 2017, the Company purchased a total of 96,307 shares of its common stock in the open market (treasury shares) over a two-year period, for \$999,584. For the nine months ended June 30, 2018, the Company purchased 31,820 additional shares of its common stock in the open market (treasury shares) for \$402,328. The Company accounted for the purchase of these treasury shares using the cost method. Treasury shares held by the Company as of June 30, 2018 are 128,127 common shares for a cost of \$1,401,912.

2014 Omnibus Equity Incentive Plan

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

Note 11: Warrants

The Company issued several notes in prior periods and converted them, resulting in the issuance of warrants. The following table summarizes information about the Company's warrants at June 30, 2018:

	Number of Units - Series B Convertible preferred warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding at June 30, 2018	118,029	\$ 20.80	1.60	\$ 4,956,654
Exercisable at June 30, 2018	118,029	\$ 20.80	1.60	\$ 4,956,654

As of September 30, 2016, the Company had 590,146 common stock warrants outstanding with weighted average exercise price, weighted average remaining contractual term and intrinsic value of \$4.14, 1.73 years and \$4,307,493, respectively. On December 27, 2016, ICG and the Company agreed to amend and exchange the common stock warrants for warrants to purchase shares of Series B Convertible Preferred Stock, and the number of warrants held adjusted by an exchange ratio of 5:1 shares of common stock for shares of Series B Convertible Preferred Stock. ICG, the holder of the warrants outstanding, is not permitted to sell, transfer, assign, hypothecate, pledge, margin, hedge, trade or otherwise obtain or attempt to obtain any economic value from the shares of Series B Convertible Preferred Stock should the warrants be exercised prior to December 31, 2021.

Warrants for 10,914, 12,383, 54,396 and 17,857 shares of Series B Convertible Preferred Stock were set to expire on September 10, 2017, December 11, 2017, March 27, 2018 and March 28, 2018, respectively. On January 16, 2018, the Company memorialized an agreement reached prior to any of the warrants expiring, to extend the expiration date for two years, just prior to expiration for all warrants listed. Warrants outstanding and exercisable as of June 30, 2018 and September 30, 2017 reflect the time extended warrants in addition to 22,479 warrants for shares of Series B Convertible Preferred Stock with an original expiration date of December 3, 2019.

The exercise price for the Series B Convertible Preferred Stock warrants outstanding and exercisable at June 30, 2018 is as follows:

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

Note 12: Stock-Based Compensation

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

Stock Options

The following table summarizes stock option activity for the nine months ended June 30, 2018:

	Number of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2017	211,668	\$ 13.19	3.47	\$ 454,417
Granted	20,000	32.24	10.00	
Exercised	—			
Forfeited	—			
Outstanding at June 30, 2018	<u>231,668</u>	<u>\$ 14.84</u>	<u>3.29</u>	<u>\$ 471,458</u>
Exercisable at June 30, 2018	<u>187,167</u>	<u>\$ 11.75</u>	<u>2.33</u>	<u>\$ 471,458</u>

The Company recognized compensation expense of \$49,817 and \$67,491 during the three months ended June 30, 2018 and 2017, respectively. The Company recognized compensation expense of \$447,970 and \$137,011 during the nine months ended June 30, 2018 and 2017, respectively, related to stock option and warrant extension awards granted to certain employees and officers based on the grant date fair value of the awards, net of estimated forfeitures.

At June 30, 2018, the Company has \$335,992 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the company expects to recognize as compensation expense through October of 2022.

The exercise price for stock options outstanding and exercisable outstanding at June 30, 2018 is as follows:

Outstanding		Exercisable	
Number of Options	Exercise Price	Number of Options	Exercise Price
31,250	\$ 5.00	31,250	\$ 5.00
25,000	7.50	25,000	7.50
31,250	10.00	31,250	10.00
4,167	10.86	4,167	10.86
4,167	10.86		
4,167	10.86		
4,167	10.86		
6,250	12.50	6,250	12.50
6,250	15.00	6,250	15.00
75,000	15.18	75,000	15.18
8,000	23.41	8,000	15.18
8,000	27.60		
8,000	31.74		
8,000	36.50		
8,000	41.98		
<u>231,668</u>		<u>187,167</u>	

The following table summarizes information about the Company's non-vested shares outstanding as of June 30, 2018:

Non-vested Shares	Number of Shares	Weighted Average Grant-Date Fair Value
Non-vested at September 30, 2017	36,668	\$ 17.70
Granted	20,000	\$ 10.14
Vested	(12,167)	\$ 13.32
Non-vested at June 30, 2018	44,501	\$ 13.54

Options were granted during fiscal 2017 and 2016, where the exercise price was less than the common stock price at the date of grant or where the exercise price was greater than the common stock price at the date of grant. There have been no options granted in fiscal 2018 to date. The assumptions used in calculating the fair value of stock options granted use the Black-Scholes option pricing model for options granted were as follows:

Risk-free interest rate	1.25%
Expected life of the options	5.0 to 10.0 years
Expected volatility	107%
Expected dividend yield	0%

Note 13: Earnings Per Share

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

The following table presents the computation of basic and diluted net earnings per share:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2018	2017	2018	2017
<i>Basic</i>				
Net income	\$ 2,077,038	\$ 2,128,043	\$ 5,877,866	\$ 5,397,282
Less: preferred stock dividends	(292)	(479)	(876)	(1,438)
Net income applicable to common stock	<u>\$ 2,076,746</u>	<u>\$ 2,127,564</u>	<u>\$ 5,876,990</u>	<u>\$ 5,395,844</u>
Weighted average common shares outstanding	<u>1,970,136</u>	<u>2,044,767</u>	<u>1,972,758</u>	<u>2,289,646</u>
Basic earnings per share	<u>\$ 1.05</u>	<u>\$ 1.04</u>	<u>\$ 2.98</u>	<u>\$ 2.36</u>
<i>Diluted</i>				
Net income applicable to common stock	\$ 2,076,746	\$ 2,127,564	\$ 5,876,990	\$ 5,395,844
Add: preferred stock dividends	292	479	876	1,438
Net income applicable for diluted earnings per share	<u>\$ 2,077,038</u>	<u>\$ 2,128,043</u>	<u>\$ 5,877,866</u>	<u>\$ 5,397,282</u>
Weighted average common shares outstanding	1,962,039	2,044,767	1,983,719	2,289,646
Add: Options	38,980	35,296	42,440	53,081
Add: Series B Preferred Stock	1,071,200	1,071,200	1,071,200	1,071,200
Add: Series B Preferred Stock Warrants	590,145	590,145	590,145	590,145
Add: Series E Preferred Stock	77,840	127,840	77,840	127,840
Assumed weighted average common shares outstanding	<u>3,740,204</u>	<u>3,869,248</u>	<u>3,765,344</u>	<u>4,131,912</u>
Diluted earnings per share	<u>\$ 0.56</u>	<u>\$ 0.55</u>	<u>\$ 1.56</u>	<u>\$ 1.31</u>

There are 121,250 and 124,168 common stock options that are anti-dilutive that are not included in the three months ended June 30, 2018 and 2017, diluted earnings per share computations, respectively. There are 121,250 and 111,668 common stock options that are anti-dilutive that are not included in the nine months ended June 30, 2018 and 2017, diluted earnings per share computations, respectively.

Note 14: Related Party Transactions

In connection with its purchase of Marquis, Marquis entered into a mezzanine loan in the amount of up to \$7,000,000 with ICF. The ICF mezzanine loan bears interest at a rate of 12.5% per annum with payment obligations of interest each month and all principal due in January 2021. As of June 30, 2018, and September 30, 2017, respectively, there was \$2,000,000 outstanding on this mezzanine loan. During the three months ended June 30, 2018 and 2017, the Company recognized total interest expense of \$63,194, associated with the ICF notes. During the nine months ended June 30, 2018 and 2017, we recognized total interest expense of \$189,583, associated with the ICF notes.

Customer Connexx LLC, a wholly-owned subsidiary of Appliance Recycling Centers of America, Inc. (“ARCA”), rents approximately 9,879 square feet of office space from the Company at its Las Vegas office which totals 11,100 square feet. ARCA paid the Company \$29,929 in rent and other common area reimbursed expenses for the three months ended June 30, 2018. ARCA paid the Company \$149,336 in rent and other common area reimbursed expenses for the nine months ended June 30, 2018. Tony Isaac, a member of the Board of Directors of the Company and Virland Johnson, Chief Financial Officer of the Company, are Chief Executive Officer and Board of Directors member and Chief Financial Officer of ARCA, respectively.

Warrants for 10,914, 12,383, 54,396 and 17,857 shares of Series B Convertible Preferred Stock were set to expire on September 10, 2017, December 11, 2017, March 27, 2018 and March 28, 2018, respectively. On January 16, 2018, the Company memorialized an agreement reached prior to any of the warrants expiring, to extend the expiration date for two years, just prior to expiration for all warrants listed. Warrants outstanding and exercisable as of June 30, 2018 and September 30, 2017 reflect the time extended warrants in addition to 22,479 warrants for shares of Series B Convertible Preferred Stock with an original expiration date of December 3, 2019.

On December 30, 2017, ASH, a wholly owned subsidiary of the Company, entered into a Stock Purchase Agreement (the “Agreement”) with ARCA and ApplianceSmart, a subsidiary of ARCA. Pursuant to the Agreement, the Purchaser purchased from ARCA all of the issued and outstanding shares of capital stock (the “Stock”) of ApplianceSmart in exchange for \$6,500,000 (the “Purchase Price”). Effective April 1, 2018, ASH issued an interest-bearing promissory note, with interest at 5% per annum, with a three-year term in the original amount of \$3,919,494 for the balance of the purchase price. ApplianceSmart paid ARCA transition services fees of \$67,500 and \$135,000 for the three months and nine months ended June 30, 2018.

In connection with the acquisition of Vintage Stock on November 3, 2016, Rodney Spriggs, President of Vintage Stock, holds a 41.134752% interest in the \$10,000,000 Seller Subordinated Acquisition Note payable by VSAH. The terms of payment are interest only, payable monthly on the 1st of each month, until maturity 5 years and 6 months from the date of the note – November 3, 2016. Interest paid to Mr. Spriggs for the three months ended June 30, 2018 and 2017, was \$84,098 and \$84,098, respectively. Interest paid to Mr. Spriggs for the nine months ended June 30, 2018 and 2017, was \$249,552 and \$191,049, respectively. Interest unpaid and accrued as of June 30, 2018 and September 30, 2017 is \$27,423 and \$27,423, respectively.

Also see Note 5, 8, 9, 10 and 11.

Note 15: Commitments and Contingencies

Litigation

The Company is involved in various claims and lawsuits arising in the normal course of business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that the Company cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period which a ruling or settlement occurs. However, based on information available to the Company’s management to date, the Company’s management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on the Company’s consolidated financial position as of June 30, 2018, results of operations, cash flows or liquidity of the Company.

Note 16: Income Taxes

The income tax rate for the nine months ended June 30, 2018 and June 30, 2017 were 38.3% and 39.5%, respectively. The effective income tax rate differs from the U.S. federal statutory rate primarily due to state taxes, extraordinary gains, and certain non-deductible expenses. As of June 30, 2018, and June 30, 2017 the Company had no uncertain tax positions. The Company is subject to taxation and files income tax returns in the U.S., and various state jurisdictions. The Company is subject to audit for U.S. purposes for the current and prior three years; and for state purposes the current and prior four years. The Company has net operating loss carry-forwards of approximately \$29.5 million for U.S. income tax purposes, these net operating loss carryforwards are subject to IRC Section 382 limitations and can be carried forward indefinitely.

During the first quarter, the Company revised its estimated annual effective rate to reflect a change in the federal statutory rate from 34% to 21%, resulting from legislation that was enacted on December 22, 2017. The rate change is administratively effective as of January 1, 2018, which requires the Company to use a blended rate for the annual period. As a result, the blended federal statutory rate for the year is 24.53%. In addition, we recognized a tax expense in our tax provision for the period related to adjusting our deferred tax balance to reflect the new corporate tax rate. As a result, income tax expense reported for the six months was adjusted to reflect the effects of the change in tax law and resulted in an increase in income tax expense of approximately \$2.3 million for the nine-month period ended June 30, 2018.

Note 17: Segment Reporting

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

The following tables summarize segment information for the three and nine months ended June 30, 2018 and 2017:

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues				
Retail and Online	\$ 29,705,192	\$ 19,267,959	\$ 82,182,175	\$ 54,020,215
Manufacturing	24,773,123	21,898,645	64,460,280	57,429,871
Services	183,742	210,889	567,594	652,496
	<u>\$ 54,662,057</u>	<u>\$ 41,377,493</u>	<u>\$ 147,210,049</u>	<u>\$ 112,102,582</u>
Gross profit				
Retail and Online	\$ 12,141,262	\$ 10,953,602	\$ 38,133,949	\$ 30,105,864
Manufacturing	6,498,207	5,839,412	16,187,021	15,388,787
Services	174,749	200,883	539,839	619,848
	<u>\$ 18,814,218</u>	<u>\$ 16,993,897</u>	<u>\$ 54,860,809</u>	<u>\$ 46,114,499</u>
Operating income (loss)				
Retail and Online	\$ (1,978,657)	\$ 2,268,438	\$ 2,644,667	\$ 6,547,564
Manufacturing	2,703,380	2,915,516	5,710,457	7,168,164
Services	173,097	199,173	537,447	617,324
	<u>\$ 897,820</u>	<u>\$ 5,383,127</u>	<u>\$ 8,892,571</u>	<u>\$ 14,333,052</u>
Depreciation and amortization				
Retail and Online	\$ 988,169	\$ 329,416	\$ 2,106,133	\$ 884,522
Manufacturing	833,064	760,125	2,418,264	2,228,264
Services	—	—	—	—
	<u>\$ 1,821,233</u>	<u>\$ 1,089,541</u>	<u>\$ 4,524,397</u>	<u>\$ 3,112,786</u>
Interest expenses				
Retail and Online	\$ 2,223,285	\$ 1,600,589	\$ 5,594,983	\$ 4,283,015
Manufacturing	487,997	527,201	1,406,331	1,329,304
Services	—	—	—	—
	<u>\$ 2,711,282</u>	<u>\$ 2,127,790</u>	<u>\$ 7,001,314</u>	<u>\$ 5,612,319</u>
Net income before provision for income taxes				
Retail and Online	\$ (503,861)	\$ 797,504	\$ 4,710,315	\$ 2,842,206
Manufacturing	2,232,996	2,175,749	4,316,045	5,363,455
Services	173,097	294,736	537,447	712,886
	<u>\$ 1,902,232</u>	<u>\$ 3,267,989</u>	<u>\$ 9,563,807</u>	<u>\$ 8,918,547</u>

	As of June 30, 2018	As of September 30, 2017
Total assets		
Retail and Online	\$ 88,761,358	\$ 81,703,371
Manufacturing	52,942,685	46,783,429
Services	101,379	107,795
	<u>\$ 141,805,422</u>	<u>\$ 128,594,595</u>
Goodwill and intangible assets		
Retail and Online	\$ 43,612,119	\$ 40,778,865
Manufacturing	351,233	373,184
Services	—	—
	<u>\$ 43,963,352</u>	<u>\$ 41,152,049</u>

Note 18: Subsequent Events

None.

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, 2018, 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 2017 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 Quarterly 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 and prospects, (v) statements about future results and future performance, (vi) statements that the cash on hand and additional cash generated from operations together with potential sources of cash through issuance of debt or equity will provide the company with sufficient liquidity for the next 12 months; and (vii) statements that the outcome of pending legal proceedings will not have a material adverse effect on business, financial position and results of operations, cash flow or liquidity.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results, future performance and capital requirements and cause them to materially differ from those contained in the forward-looking statements include those identified in our 2017 Form 10-K under Item 1A “Risk Factors”, as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

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

Our Company

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

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

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

Manufacturing Segment

Marquis Industries

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

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

Retail and Online Segment

Our Retail and Online Segment is composed of Vintage Stock Affiliated Holdings LLC and wholly-owned subsidiaries (“Vintage”), Appliancesmart Holdings LLC and its wholly-owned subsidiary (“Appliancesmart”), Modern Everyday, Inc. (“MEI”) and LiveDeal Inc. (“LiveDeal”).

Vintage Stock

On November 3, 2016, Live Ventures through its wholly-owned subsidiary Vintage Stock Affiliated Holdings LLC, acquired 100% of Vintage Stock (collectively “Vintage Stock”). Vintage Stock is an award-winning specialty entertainment retailer with 58 storefronts across the Midwest and Southwest. Vintage Stock enjoys a wide customer base comprised of electronic entertainment enthusiasts, avid collectors, female gamers, children, seniors and more. Vintage Stock offers a large selection of entertainment products including new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles all available in a single location. With its integrated buy-sell-trade business model, Vintage Stock buys, sells and trades new and pre-owned movies, music, video games, electronics and collectibles through 33 Vintage Stock, 3 V-Stock, 13 Movie Trading company and 9 EntertainMart retail locations strategically positioned across Texas, Idaho, Oklahoma, Kansas, Missouri, Colorado, Illinois, Arkansas, Utah and New Mexico. In addition to offering a wide array of products, Vintage Stock also offers services to customers, such as rentals, special orders, disc and video game hardware repair and more. Vintage Stock’s “Cooler Than Cash” program rewards loyal customers. When Vintage Stock customers bring in items to sell, the customer has two options: (i) sell their pre-owned products for cash or (ii) opt for store credit and receive a fifty percent bonus.

ApplianceSmart

On December 30, 2017, the Company, through its newly formed, wholly-owned subsidiary, Appliancesmart Holdings LLC, entered into a series of agreements in connection with its purchase of Appliancesmart. Appliancesmart is engaged in the sale of new major appliances through a chain of company-owned retail stores. Appliancesmart is a leading appliance dealer in Minnesota, Ohio, Georgia and Texas with 17 stores. Appliancesmart sells leading brands such as Whirlpool, General Electric, Frigidaire, LG and Samsung.

Modern Everyday

Modern Everyday, Inc. (“MEI”) was a specialty retailer offering consumers a selection of products that range from home, kitchen and dining products, apparel and sporting goods to children's toys and beauty products. Some of MEI’s products remain available for sale on amazon.com. The Company has decided not to invest additional funds in this line of business and is in the process of selling the remaining inventory.

LiveDeal

LiveDeal Inc. operates LiveDeal.com, a real time “deal engine” connecting restaurants with consumers. LiveDeal.com provides marketing solutions to restaurants to boost customer awareness and merchant visibility on the internet. The marketing solutions that LiveDeal.com provides have not provided any revenue to date. The Company is evaluating possibilities for using the LiveDeal.com deal engine for alternative marketing purposes.

Services Segment

Telco

Telco Billing Inc. (“Telco”) provides legacy services primarily under our InstantProfile[®] line of directory listing services. We no longer accept new customers under our legacy service offerings.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and do not include all disclosures required under GAAP for complete financial statements. 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. For a summary of significant accounting policies and the means by which we develop estimates thereon, see (“Part 1, Item 1 of this 10-Q report – Financial Statements - Notes to unaudited condensed consolidated financial statements Note 2 – summary of significant accounting policies), which are an integral component of this filing.

Results of Operations Three Months Ended June 30, 2018 and 2017

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

	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017	
		% of Total Revenue		% of Total Revenue
Statement of Income Data:				
Revenue	\$ 54,662,057	100.0%	\$ 41,377,493	100.0%
Cost of Revenue	35,847,839	65.6%	24,383,596	58.9%
Gross Profit	18,814,218	34.4%	16,993,897	41.1%
General and Administrative Expense	13,374,721	24.5%	9,335,904	22.6%
Selling and Marketing Expense	4,541,677	8.3%	2,274,866	5.5%
Operating Income	897,820	1.6%	5,383,127	13.0%
Interest Expense, net	(2,711,282)	-5.0%	(2,127,790)	-5.1%
Bargain Purchase Gain on Acquisition	3,644,889	6.7%	–	0.0%
Other Income	70,805	0.1%	12,652	0.0%
Net Income before Income Taxes	1,902,232	3.5%	3,267,989	7.9%
Provision for Income Taxes	(174,806)	-0.3%	1,139,946	2.8%
Net Income	\$ 2,077,038	3.8%	\$ 2,128,043	5.1%

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

	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
	Revenue			
Used Movies, Music, Games and Other	\$ 10,072,323	18.4%	\$ 11,538,897	27.9%
New Movies, Music, Games and Other	6,738,302	12.3%	7,407,257	17.9%
Rentals, Concessions and Other	1,272,099	2.3%	312,878	0.8%
Retail Appliance Boxed Sales	7,615,797	13.9%	–	0.0%
Retail Appliance UnBoxed Sales	3,158,719	5.8%	–	0.0%
Retail Appliance Delivery, Warranty and Other	847,950	1.6%	–	0.0%
Kitchen and Home Products	–	0.0%	8,927	0.0%
Carpets	16,520,435	30.2%	15,356,111	37.1%
Hard Surface Products	6,323,491	11.6%	4,696,210	11.3%
Synthetic Turf Products	1,929,198	3.5%	1,846,324	4.5%
Directory Services	183,743	0.3%	210,889	0.5%
Total Revenue	<u>\$ 54,662,067</u>	<u>100.0%</u>	<u>\$ 41,377,493</u>	<u>100.0%</u>

	Three Months Ended June 30, 2018		Three Months Ended June 30, 2017	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
	Gross Profit			
Used Movies, Music, Games and Other	\$ 7,819,418	77.6%	\$ 8,965,104	77.7%
New Movies, Music, Games and Other	1,542,971	22.9%	1,911,963	25.8%
Rentals, Concessions and Other	689,708	54.2%	203,494	65.0%
Retail Appliance Boxed Sales	811,026	10.6%	–	–
Retail Appliance UnBoxed Sales	1,496,828	47.4%	–	–
Retail Appliance Delivery, Warranty and Other	(218,692)	-25.8%	–	–
New Kitchen and Home Products	–	–	(126,959)	-1422.2%
Carpets	4,677,755	28.3%	4,514,597	29.4%
Hard Surface Products	1,554,752	24.6%	1,002,955	21.4%
Synthetic Turf Products	265,702	13.8%	321,860	17.4%
Directory Services	174,750	95.1%	200,883	95.3%
Total Gross Profit	<u>\$ 18,814,218</u>	<u>34.4%</u>	<u>\$ 16,993,897</u>	<u>41.1%</u>

Revenue

Revenue increased \$13,284,564, or 32.1% for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

The increase in revenue was primarily attributable to the following:

Revenue from our new acquisition of Appliancesmart – Retail Appliance Boxed Sales \$7,615,797, Retail Appliance UnBoxed Sales \$3,158,719 and Retail Appliance Delivery, Warranty and Other \$847,950.

Revenue increased in the following categories as compared to the prior year period:

Rentals, Concessions and Other \$959,221 or 306.6%.

Carpets increased \$1,164,324 or 7.6%.

Hard Surface Products increased \$1,627,281 or 34.7%

Synthetic Turf Products increased \$82,874 or 4.5%

The revenue increases were partially offset by the following decreases in revenue as compared to the prior year period:

Used Movies, Music, Games and Other decreased \$1,466,574 or 12.7%.

New Movies, Music, Games and Other decreased \$668,955 or 9.0%

Kitchen and Home Products decreased \$8,927 or 100%, and Directory Services decreased \$27,146 or 12.9%

Cost of Revenue

Cost of revenue increased \$11,464,243, or 47.0% for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily because of the change in revenue discussed above as well as the changes in gross profit discussed below.

Gross Profit

Gross profit increased \$1,820,321 or 10.7%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

The increase in gross profit was primarily attributable to the following:

Gross profits from our acquisition of Appliancesmart – Retail Appliance Boxed Sales \$811,026 or 10.6% gross profit margin after purchase price allocation adjustments, Retail appliance UnBoxed Sales \$1,496,828 after purchase price allocation adjustments or 47.4% gross profit margin and Retail Appliance Delivery, Warranty and Other a margin loss of \$218,692.

Gross profit increased in the following categories as compared to the prior year period:

Rentals, Concession and Other increased \$486,214, or 238.9%. Gross profit margin decreased to 54.2% from 65.0%.

Carpets increased \$163,158 or 3.6%. Gross profit margin decreased to 28.3% from 29.4%.

Hard Surface Products increased \$551,797 or 55.0%. Gross profit margin increased to 24.6% from 21.4%.

New Kitchen and Home Products increased \$126,959 or 100.0%.

Gross profit increases were partially offset by the following decreases in gross profit as compared to the prior year period.

Used Movies, Music, Games and Other decreased \$1,145,686, or 12.8%. Gross profit margin decreased slightly to 77.6% from 77.7%.

New Movies, Music, Games and Other decreased \$368,992 or 19.3%. New Movies, Music, Games and Other gross profit margin decreased to 22.9% from 25.8%.

Synthetic Turf Products decreased \$56,158 or 17.4%. Synthetic Turf Products gross profit margin decreased from 17.4% to 13.8%.

Directory Services decreased \$26,133 or 13.0%. Directory Services gross profit margin decreased slightly to 95.1% from 95.3%.

General and Administrative Expense

General and Administrative expense increased \$4,038,817 or 43.3%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The increase in general and administrative expense was primarily attributable to general and administrative expense from our new acquisition Appliancesmart of \$3,237,147.

Selling and Marketing Expense

Selling and marketing expense increased \$2,266,811 or 99.6%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The increase in selling and marketing expense was primarily attributable an increase from our new acquisition Appliancesmart of \$2,140,659.

Operating Income

Because of the factors described above, operating income of \$897,820 for the three months ended June 30, 2018, represented a decrease of \$4,485,307 over the comparable prior year period of \$5,383,127, or 83.3%.

Interest Expense, net

Interest expense net increased \$583,492 or 27.4%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 primarily due to the Comvest financing and payoff of the Capitala Term Note, the Company recorded \$742,000 of un-amortized debt issuance cost as interest expense. During the quarter, the Company continued to pay down of debt for the financing related to the acquisition of Vintage Stock as more fully discussed in Notes 5 and 8 of the unaudited condensed consolidated financial statements reducing interest expense.

Other Income and Expense

Other income and expense increased \$3,703,042 for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. Additional bargain purchase gain associated with the ApplianceSmart Inc. acquisition was recognized in the quarter of \$3,644,889 due to completing the final purchase price allocation.

Provision for Income Taxes

Benefit for income taxes was \$174,806, for the three months ended June 30, 2018 as compared to a provision for income taxes of \$1,139,946 for the three months ended June 30, 2017.

Net Income

The factors described above led to net income of \$2,077,038 for the three months ended June 30, 2018, or a 2.4% decrease from net income of \$2,128,043 for the three months ended June 30, 2017.

Results of Operations Nine Months Ended June 30, 2018 and 2017

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

	Nine Months Ended June 30, 2018		Nine Months Ended June 30, 2017	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Statement of Income Data:				
Revenue	\$ 147,210,049	100.0%	\$ 112,102,582	100.0%
Cost of Revenue	92,349,240	62.7%	65,988,083	58.9%
Gross Profit	54,860,809	37.3%	46,114,499	41.1%
General and Administrative Expense	35,630,426	24.2%	25,544,443	22.8%
Selling and Marketing Expense	10,337,812	7.0%	6,237,004	5.6%
Operating Income	8,892,571	6.0%	14,333,052	12.8%
Interest Expense, net	(7,001,314)	-4.8%	(5,612,319)	-5.0%
Bargain Purchase Gain on Acquisition	7,418,375	5.0%	—	0.0%
Other Income	254,175	0.2%	197,814	0.2%
Net Income before Income Taxes	9,563,807	6.5%	8,918,547	8.0%
Provision for Income Taxes	3,685,941	2.5%	3,521,265	3.1%
Net Income	\$ 5,877,866	4.0%	\$ 5,397,282	4.8%

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

	Nine Months Ended June 30, 2018		Nine Months Ended June 30, 2017	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Total Revenue
Revenue				
Used Movies, Music, Games and Other	\$ 32,928,269	22.4%	\$ 30,649,693	27.3%
New Movies, Music, Games and Other	24,498,907	16.6%	22,431,088	20.0%
Rentals, Concessions and Other	1,872,014	1.3%	810,530	0.7%
Retail Appliance Boxed Sales	15,357,486	10.4%	—	0.0%
Retail Appliance UnBoxed Sales	6,215,171	4.2%	—	0.0%
Retail Appliance Delivery, Warranty and Other	1,310,326	0.9%	—	0.0%
Kitchen and Home Products	—	0.0%	128,904	0.1%
Carpets	43,245,710	29.4%	41,918,688	37.4%
Hard Surface Products	17,101,815	11.6%	11,164,743	10.0%
Synthetic Turf Products	4,112,756	2.8%	4,346,440	3.9%
Directory Services	567,595	0.4%	652,496	0.6%
Total Revenue	\$ 147,210,049	100.0%	\$ 112,102,582	100.0%

Revenue

Revenue increased \$35,107,467, or 31.3% for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017.

The increase in revenue was primarily attributable to the following:

	Nine Months Ended June 30, 2018		Nine Months Ended June 30, 2017	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Gross Profit				
Used Movies, Music, Games and Other	\$ 25,617,429	77.8%	\$ 23,798,787	77.6%
New Movies, Music, Games and Other	5,890,637	24.0%	5,897,796	26.3%
Rentals, Concessions and Other	1,068,407	57.1%	493,160	60.8%
Retail Appliance Boxed Sales	2,473,367	16.1%	—	
Retail Appliance UnBoxed Sales	2,698,188	43.4%	—	
Retail Appliance Delivery, Warranty and Other	385,919	29.5%	—	
New Kitchen and Home Products	—		(83,879)	-65.1%
Carpets	11,652,047	26.9%	12,000,954	28.6%
Hard Surface Products	4,284,236	25.1%	2,390,197	21.4%
Synthetic Turf Products	250,739	6.1%	997,636	23.0%
Directory Services	539,840	95.1%	619,848	95.0%
Total Gross Profit	<u>\$ 54,860,809</u>	37.3%	<u>\$ 46,114,499</u>	41.1%

Revenue from our new acquisition Appliancesmart for the short period of December 31, 2017 through June 30, 2018 – Retail Appliance Box Sales \$15,357,486, Retail Appliance UnBoxed Sales \$6,215,171 and Retail Appliance Delivery, Warranty and Other \$1,310,326.

Revenue increased in the following categories as compared to the prior year period:

Used Movies, Music, Games and Other increased \$2,278,576 or 7.4%, New Movies, Music, Games and Other increased \$2,067,819 or 9.2%, Rentals, Concessions and Other increased \$1,061,484 or 131.0%. Please note that Vintage Stock was acquired November 3, 2016. The prior year results are not a full nine months of revenue.

Carpets increased \$1,327,022 or 3.2%

Hard Surface Products increased \$5,937,072 or 53.2%

The revenue increases were partially offset by the following decreases in revenue as compared to the prior year period:

Synthetic Turf Products decreased \$233,684 or 5.4%

Kitchen and Home Products decreased \$128,904 or 100.0%

Directory Services decreased \$84,901 or 13.0%

Cost of Revenue

Cost of revenue increased \$26,361,157, or 39.9% for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017, primarily because of the change in revenue discussed above as well as the changes in gross profit discussed below.

Gross Profit

Gross profit increased \$8,746,310 or 19.0%, for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017.

The increase in gross profit was primarily attributable to the following:

The gross profits provided by our Appliancesmart acquisition;

Retail Appliance Boxed Sales \$2,473,367 or 16.1% gross profit margin.

Retail Appliance UnBoxed Sales \$2,698,188 or 43.4% gross profit margin.

Retail Appliance Delivery, Warranty and Other \$385,919 or 29.5% gross profit margin.

Gross profit increased in the following categories as compared to the prior year period:

Used Movies, Music, Games and Other increased \$1,818,642 or 7.6%. Used Movies, Music, Games and Other gross profit margin increased slightly to 77.8% from 77.6%.

Rentals, Concessions and Other \$575,247 or 116.6%. Rentals, Concessions and Other gross profit margin decreased to 57.1% from 60.8%.

Hard Surface Products increased \$1,894,039 or 79.2%. Hard Surface Products gross profit increased to 25.1% from 21.4%.

Gross profit increases were partially offset by the following decreases in gross profit as compared to the prior year period.

New Movies, Music, Games and Other decreased by \$7,159 or 0.1%. New Movies, Music, Games and Other gross profit margin decreased to 24.0% from 26.3%.

New Kitchen and Home Products increased \$83,879 or 100.0%.

Carpets decreased \$348,907 or 2.9%. Carpets gross profit margin decreased to 26.9% from 28.6%.

Synthetic Turf Products decreased \$746,897 or 74.9%.

Directory Services gross profit decreased \$80,008 or 12.9%. Directory Services gross profit margin increased to 95.1% from 95.0%

General and Administrative Expense

General and Administrative expense increased \$10,085,983 or 39.5%, for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017. The increase in general and administrative expense was primarily attributable to an increase from our new acquisition ApplianceSmart of \$4,907,629.

Selling and Marketing Expense

Selling and marketing expense increased \$4,100,808 or 65.7%, for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017. The increase in selling and marketing expense was primarily attributable to an increase from our new acquisition ApplianceSmart of \$3,552,428.

Operating Income

Because of the factors described above, operating income of \$8,892,571 for the nine months ended June 30, 2018, represented a decrease of \$5,440,481, or 38.0% over the comparable prior year period of \$14,333,052.

Interest Expense, net

Interest expense net increased \$1,388,995 or 24.7%, for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017 primarily due to increased borrowing and the recording of \$742,000 of un-amortized debt issuance cost related to the Capitala Term Loan payoff.

Other Income and Expense

Other income and expense increased \$7,474,736, for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017. The increase in other income and expense was primarily the result of the bargain purchase gain on acquisition of Appliancesmart of \$7,418,375.

Provision for Income Taxes

Provision for income taxes increased \$164,676, for the nine months ended June 30, 2018 as compared to the nine months ended June 30, 2017.

Net Income

The factors described above led to net income of \$5,877,866 for the nine months ended June 30, 2018, or a 8.9% increase in net income of \$5,397,282 for the nine months ended June 30, 2017.

Segment Performance

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

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

	Three Months Ended June 30, 2018				Three Months Ended June 30, 2017			
	Segments in \$				Segments in \$			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	\$29,705,192	\$ 24,773,123	\$ 183,742	\$54,662,057	\$19,267,959	\$ 21,898,645	\$ 210,889	\$41,377,493
Cost of Revenue	17,563,930	18,274,916	8,993	35,847,839	8,314,357	16,059,233	10,006	24,383,596
Gross Profit	12,141,262	6,498,207	174,749	18,814,218	10,953,602	5,839,412	200,883	16,993,897
General and Administrative Expense	11,732,687	1,640,384	1,650	13,374,721	8,320,919	1,013,275	1,710	9,335,904
Selling and Marketing Expense	2,387,232	2,154,443	2	4,541,677	364,245	1,910,621	–	2,274,866
Operating Income (Loss)	\$ (1,978,657)	\$ 2,703,380	\$ 173,097	\$ 897,820	\$ 2,268,438	\$ 2,915,516	\$ 199,173	\$ 5,383,127

	Three Months Ended June 30, 2018				Three Months Ended June 30, 2017			
	Segments in %				Segments in %			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	59.1%	73.8%	4.9%	65.6%	43.2%	73.3%	4.7%	58.9%
Gross Profit	40.9%	26.2%	95.1%	34.4%	56.8%	26.7%	95.3%	41.1%
General and Administrative Expense	39.5%	6.6%	0.9%	24.5%	43.2%	4.6%	0.8%	22.6%
Selling and Marketing Expense	8.0%	8.7%	0.0%	8.3%	1.9%	8.7%	0.0%	5.5%
Operating Income (Loss)	-6.7%	10.9%	94.2%	1.6%	11.8%	13.3%	94.4%	13.0%

Retail and Online Segment

Segment results for Retail and Online include Vintage, Modern Everyday and LiveDeal. Revenue for the three months ended June 30, 2018 increased \$10,437,233, or 54.2%, as compared to the prior year period, as a result of the acquisition of the Appliancesmart business on December 30, 2017 which provided \$7,615,797 of Retail Appliance Box Sales, \$3,158,719 of Retail Appliance UnBox Sales and \$847,950 of Retail Appliance Delivery, Warranty and Other revenue, \$959,221 or 306.6% of Movie Rental, concession and other revenue; partially offset by a decrease in New kitchen and home products revenue of \$8,927, or 100.0% from the prior year period, \$1,466,574 of Used movies, music, games and other revenue or 12.7% and \$668,955 or 9.0% of New movies, music, games and other revenue.

Cost of revenue for the three months ended June 30, 2018 increased \$9,249,573, or 111.2%, because of the Appliancesmart business which had cost of revenue for Retail Appliances Boxed of \$6,804,771, \$1,661,891 for Retail Appliances UnBoxed, Retail Appliance Delivery, Warranty and Other of \$1,066,642 partially offset by a decrease in cost of revenue for New movies, music, games and other of \$299,963 and Used Movies, Music, Games and Other \$320,888 and Kitchen and home products of \$135,886.

Operating income for the three months ended June 30, 2018 decreased \$4,247,095, because of increased gross profit of \$1,187,660, offset by an increase in general and administrative expense of \$3,411,768, and an increase in selling and marketing expense of \$2,022,987.

Manufacturing Segment

Segment results for Manufacturing include Marquis, which is our carpet, hard surface and synthetic turf products business. Revenue for the three months ended June 30, 2018 increased \$2,874,478, or 13.1%, as compared to the prior year period, because of increased sales of hard surface products of \$1,627,281, carpets of \$1,164,324 and Synthetic turf products of \$82,874. Cost of revenue for the three months ended June 30, 2018 increased \$2,215,683, or 13.8%, as compared to the prior year period, because of an increase in cost of revenue for synthetic turf products of \$139,032, hard surface products of \$1,075,484 and carpets of \$1,001,166. Operating income for the three months ended June 30, 2018 decreased \$212,136, or 7.3%, as compared to the prior year period, because of an increase in gross profit of \$658,795, an increase in general and administrative expense of \$627,109 and an increase in selling and marketing expense of \$243,822.

Services Segment

Segment results for Services include Telco results, which is our directory services business. Revenues for the three months ended June 30, 2018 decreased \$27,147, or 12.9%, as compared to the prior year period, because of decreasing renewals. Operating earnings for the three months ended June 30, 2018 decreased \$26,076, or 13.1% compared to the prior year period, primarily due to decreased renewal revenues. We expect revenue and operating income from this segment to continue to decrease in the future. We are no longer accepting new customers in our directory services business.

	Nine Months Ended June 30, 2018				Nine Months Ended June 30, 2017			
	Segments in \$				Segments in \$			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	\$82,182,175	\$64,460,280	\$567,594	\$147,210,049	\$54,020,215	\$57,429,871	\$652,496	\$112,102,582
Cost of Revenue	44,048,226	48,273,259	27,755	92,349,240	23,914,351	42,041,084	32,648	65,988,083
Gross Profit	38,133,949	16,187,021	539,839	54,860,809	30,105,864	15,388,787	619,848	46,114,499
General and Administrative Expense	31,244,208	4,383,829	2,389	35,630,426	22,588,786	2,953,133	2,524	25,544,443
Selling and Marketing Expense	4,245,074	6,092,735	3	10,337,812	969,514	5,267,490	–	6,237,004
Operating Income	\$2,644,667	\$5,710,457	\$537,447	\$8,892,571	\$6,547,564	\$7,168,164	\$617,324	\$14,333,052

	Nine Months Ended June 30, 2018				Nine Months Ended June 30, 2017			
	Segments in % of Revenue				Segments in % of Revenue			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	53.6%	74.9%	4.9%	62.7%	44.3%	73.2%	5.0%	58.9%
Gross Profit	46.4%	25.1%	95.1%	37.3%	55.7%	26.8%	95.0%	41.1%
General and Administrative Expense	38.0%	6.8%	0.4%	24.2%	41.8%	5.1%	0.4%	22.8%
Selling and Marketing Expense	5.2%	9.5%	0.0%	7.0%	1.8%	9.2%	0.0%	5.6%
Operating Income	3.2%	8.9%	94.7%	6.0%	12.1%	12.5%	94.6%	12.8%

Retail and Online Segment

Segment results for Retail and Online include Vintage, Modern Everyday and LiveDeal. Revenue for the nine months ended June 30, 2018 increased \$28,161,960, or 52.1%, as compared to the prior year period, as a result of the acquisition of the Appliancesmart business on December 30, 2017 which provided \$15,357,486 of Retail Appliance Boxed Sales, \$6,215,171 of Retail Appliance UnBoxed Sales and \$1,310,326 of Retail Appliance Delivery, Warranty and Other; \$2,278,576 of Used movies, music, games and other revenue; \$2,067,819 of New movies, music, games and other revenue; \$1,061,484 of Movie Rental, concession and other revenue; partially offset by a decrease in New kitchen and home products revenue of \$128,904, or 100.0% from the prior year period.

Cost of revenue for the nine months ended June 30, 2018 increased \$20,133,875, or 84.2%, because of the Appliancesmart business which had cost of revenue for Retail Appliance Boxed Sales \$12,884,119, Retail Unboxed Sales of \$3,516,983 and Retail Appliance Delivery, Warranty and Other of \$924,407; Used movies, music, games and other of \$459,934, New movies, music, games and other of \$2,074,978; Movie Rental, concession and other of \$486,237; partially offset by a decrease in cost of revenue for New Kitchen and home products of \$212,783, or 100.0% from the prior year period.

Operating income for the nine months ended June 30, 2018 decreased \$3,902,897, because of increased gross profit of \$8,028,085, offset by an increase in general and administrative expense of \$8,655,422, and an increase in selling and marketing expense of \$3,275,560.

Manufacturing Segment

Segment results for Manufacturing include Marquis, which is our carpet, hard surface and synthetic turf products business. Revenue for the nine months ended June 30, 2018 increased \$7,030,409, or 12.2%, as compared to the prior year period, because of increased sales of hard surface products of \$5,937,072, carpet products of \$1,327,022, partially offset by a decrease in synthetic turf products of \$233,684. Cost of revenue for the nine months ended June 30, 2018 increased \$6,232,175, or 14.8%, as compared to the prior year period, because of an increase in the cost of revenue of synthetic turf products of \$513,213, hard surface products of \$4,043,033 and of carpets of \$1,675,929. Operating income for the nine months ended June 30, 2018 decreased \$1,457,707, or 20.3%, as compared to the prior year period, because of an increase in gross profit of \$798,234 offset by an increase in general and administrative expense of \$1,430,696 and an increase in selling and marketing expense of \$825,245.

Services Segment

Segment results for Services include Telco results, which is our directory services business. Revenues for the nine months ended June 30, 2018 decreased \$84,902, or 13.0%, as compared to the prior year period, because of decreasing renewals. Operating earnings for the nine months ended June 30, 2018 decreased \$79,877, or 12.9%, compared to the prior year period, primarily due to decreased renewal revenues. We expect revenue and operating income from this segment to continue to decrease in the future. We are no longer accepting new customers in our directory services business.

Liquidity and Capital Resources

Overview

Based on our current operating plans, we believe that available cash balances, cash generated from our operating activities and funds available under the BofA Revolver and the TCB Revolver, together will provide sufficient liquidity to fund our operations, pay our scheduled loan payments, fund our continued investments in store openings and remodeling activities, continue to repurchase shares and pay dividends on our series E preferred shares as declared by the Board of Directors, for at least the next 12 months.

We have two asset-based revolver lines of credit (a) the Bank of America Revolver Loan (“BofA Revolver”) utilized by Marquis and (b) the Texas Capital Bank Revolver Loan (“TCB Revolver”) utilized by Vintage Stock.

As of June 30, 2018, we had total cash on hand of \$2,293,016 and an additional \$7,170,515 of available borrowing under the BofA Revolver and an additional \$1,083,369 of available borrowing under the TCB Revolver. As we continue to pursue acquisitions and other strategic transactions to expand and grow our business, we regularly monitor capital market conditions and may raise additional funds through borrowings or public or private sales of debt or equity securities. The amount, nature and timing of any borrowings or sales of debt or equity securities will depend on our operating performance and other circumstances, our then-current commitments and obligations, the amount, nature and timing of our capital requirements, any limitations imposed by our current credit arrangements and overall market conditions.

Cash Flows

During the nine months ended June 30, 2018, cash provided by operations was \$9,708,686, compared to \$7,013,273 during the nine months ended June 30, 2017. The increase in cash provided by operations of \$2,695,413 as compared to the prior period; was primarily due to an increase in net income of \$480,584, an increase in depreciation and amortization expense of \$1,411,611, a decrease due to the bargain purchase gain of Appliancesmart of \$7,418,375, an increase due to loss on sale of equipment of \$51,088, an increase to the change in deferred income taxes primarily related to the change in corporate tax rates of \$592,070, an increase in non-cash expenses of \$2,132,817, and an increase in cash provided by operations for working capital purposes of \$5,547,794.

Some of the significant changes in cash provided by or used by operations for working capital purposes, as compared to the prior year period include:

Cash provided by a decrease in prepaid expenses and other current assets of \$1,989,102 was the primary result of financing deposits initially placed with equipment manufacturers from Banc of America Leasing & Capital LLC upon receiving and putting into service certain new equipment at Marquis.

Cash provided by a decrease in accounts receivable of \$1,908,193 due to increased collections at Marquis and ApplianceSmart.

Cash provided by an increase in accounts payable by \$1,486,511 at Marquis, Vintage and Appliancesmart.

Cash used in investing activities was \$8,446,412 and \$53,334,110 for the nine months ended June 30, 2018 and June 30, 2017, respectively. The \$44,887,698 decrease in cash used in investing activities, as compared to the prior period, is primarily attributable to the acquisition of Vintage Stock for \$47,310,900 of consideration given, net of cash acquired, including the \$10,000,000 of seller financing provided; partially offset by the increase in purchase and placement into service of new equipment of \$1,973,530, primarily for Marquis; the increase in purchases of intangible assets – software of \$421,752, and the decrease in the proceeds from the sale of equipment of \$27,920.

Cash used by financing activities was \$2,941,797 and provided by financing activities of \$49,824,994 for the nine months ended June 30, 2018 and June 30, 2017, respectively. The \$52,766,791 decrease in cash provided, as compared to the prior period, was attributable to decreased net borrowings on our two revolver loans of \$15,850,704; a decrease in the proceeds from notes payable of \$9,052,843 primarily attributable to the acquisition of Vintage Stock, an increase in debt issuance costs of \$108,011, a decrease in series A preferred stock dividends of \$959, an increase in payments of notes payable of \$27,687,602, an increase in payments on related party notes payable of \$158,628, a decrease in purchase of common treasury stock of \$94,038, and an increase in the purchase of series E preferred treasury stock of \$4,000.

Sources of Liquidity

We utilize cash on hand and cash generated from operations and have funds available to us under our two revolving loan facilities (BofA Revolver and TCB Revolver) to cover normal and seasonal fluctuations in cash flows and to support our various growth initiatives. Our cash and cash equivalents are carried at cost and consist primarily of demand deposits with commercial banks.

BofA Revolver

Marquis may borrow funds for operations under the BofA Revolver subject to availability as described in Note 8 to the unaudited condensed consolidated financial statements. At June 30, 2018 and September 30, 2017, we had \$7,170,515 and \$9,691,672 of additional borrowing availability on the BofA Revolver, respectively. Maximum borrowing under the BofA Revolver is \$15 million. A total of approximately \$72,715 of letters of credit was outstanding at June 30, 2018 and September 30, 2017. The weighted average interest rate for the period of October 1, 2017 through June 30, 2018 was 3.73%. We borrowed \$69,661,042 and repaid \$66,755,088 on the BofA Revolver during the nine months ended June 30, 2018, resulting in an outstanding balance on the BofA Revolver of \$7,756,769 and \$4,850,815 at June 30, 2018 and September 30, 2017, respectively.

TCB Revolver

Vintage Stock may borrow funds for operations under the TCB Revolver, subject to availability as described in Note 8 to the unaudited condensed consolidated financial statements. On June 30, 2018 and September 30, 2017, we had \$1,083,369 and \$6,214,324, of additional borrowing availability on the TCB Revolver, respectively. Maximum borrowing under the TCB Revolver has been reduced to \$12,000,000. No letters of credit were outstanding at any time during the period of October 1, 2017 through June 30, 2018. The weighted average interest rate for the period of October 1, 2017 through June 30, 2018 was 4.502899%. We borrowed \$57,546,998 and repaid \$59,150,804 on the TCB Revolver during the period of October 1, 2017 through June 30, 2018, resulting in an outstanding balance on the TCB Revolver of \$10,916,631 and \$12,520,437 at June 30, 2018 and September 30, 2017, respectively.

Future Sources of Cash; New Acquisitions, Products and Services

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

Off-Balance Sheet Arrangements

At June 30, 2018, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2018, 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, foreign customer purchases or commodity price risk.

ITEM 4. CONTROLS AND PROCEDURES

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

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Management has concluded that adequate definition and documentation of existing accounting processes, internal controls and the testing thereof are not in place to be deemed adequate and reliable. The Company and its management are working to remediate these deficiencies in our financial reporting.

Changes in Internal Control over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2018. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013 regarding Internal Control – Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting was not effective as of June 30, 2018. Our assessment found the following material weaknesses. Management's assessment concluded that it has the following material weaknesses: (a) lack of sufficient controls around the financial reporting process; (b) lack of proper segregation of duties within the financial reporting process; (c) lack of adequate controls surrounding management's review of the income tax provision process; (d) lack of controls surrounding the assessment of certain cash flow and balance sheet classifications; and (e) lack of sufficient controls around the process for business combinations.

The Company is evaluating the material weaknesses and developing a plan of remediation to strengthen our overall internal control over accounting for business combinations, income tax provision process, the financial reporting process, the assessment of certain cash flow and balance sheet classifications and segregation of duties. The remediation plan will include the following actions: implement additional monitoring controls through revising and formalize the income tax review processes, enhance the formality and rigor of review and reconciliation procedures, and hire resources with specific tax, business combinations and financial accounting expertise whereby there can be effective segregation of duties. The Company is committed to maintaining a strong internal control environment and believes that these remediation efforts will represent significant improvements in our controls and processes. The Company has started to implement these steps, however, some of these steps will take time to be fully integrated and confirmed to be effective and sustainable. Additional controls may also be required over time. Until the remediation steps set forth above are fully implemented and tested, the material weakness described above will continue to exist.

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

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

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

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

ITEM 1A. Risk Factors

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

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

On February 20, 2018, the Company announced a \$10.0 million common stock repurchase program. Below are the purchases during the nine months ended June 30, 2018:

Period	Number of Shares	Average Purchase Price Paid	Number of Share Purchases as Part of a Publicly Announced Plan or Program	Maximum Amount that May be Purchased Under the Announced Plan or Program
				\$ 10,000,000
March 2018	10,000	\$ 12.79	10,000	\$ 9,971,945
April 2018	2,077	\$ 11.98	2,077	\$ 9,947,064
Totals	<u>12,077</u>		<u>12,077</u>	

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

None.

ITEM 5. Other Information

None.

ITEM 6. EXHIBITS

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

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>File Number</u>	<u>Exhibit Number</u>	<u>Filing Date</u>
3.1	Amended and Restated Articles of Incorporation	8-K	000-24217	3.1	08/15/07
3.2	Certificate of Change	8-K	001-333937	3.1	09/07/10
3.3	Certificate of Correction	8-K	001-333937	3.1	03/11/13
3.4	Certificate of Change	10-Q	001-333937	3.1	02/14/14
3.5	Articles of Merger	8-K	001-333937	3.1.4	10/08/15
3.6	Certificate of Change	8-K	001-333937	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	001-333937	3.1.6	12/29/16
3.8*	Bylaws of Live Ventures Incorporated				
10.1	Second Amendment and Waiver to Term Loan Agreement	8-K	001-33937	10.1	03/16/18
10.2	Waiver Agreement	8-K	001-33937	10.2	03/16/18
10.3	Promissory Note	8-K	001-33937	10.1	04/26/18
10.4	Amended and Restated Credit Agreement	8-K	001-33937	10.1	06/11/18
10.5	Limited Guaranty	8-K	001-33937	10.2	06/11/18
10.6	Third Amendment to Loan Agreement	8-K	001-33937	10.3	06/11/18
10.7*	Consent and Sixth Amendment to Loan and Security Agreement dated June 5, 2018 among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., Bank of America, N.A., and the other parties thereto				
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				
Ex. 101.INS*	XBRL Instance Document				
Ex. 101.SCH*	XBRL Taxonomy Extension Schema Document				
Ex. 101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
Ex. 101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				
Ex. 101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				
Ex. 101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				

*Filed herewith

SIGNATURES

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

Live Ventures Incorporated

Dated: August 14, 2018

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

Dated: August 14, 2018

/s/ Virland A Johnson
Chief Financial Officer
(Principal Financial Officer)

Dated: August 14, 2018

**BYLAWS
OF
LIVE VENTURES INCORPORATED
a Nevada Corporation**

**ARTICLE 1
OFFICES**

1.1 REGISTERED OFFICE. The registered office of the Corporation in the State of Nevada shall be in a county and city of the State of Nevada designated by the Board of Directors in accordance with applicable law.

1.2 OTHER OFFICES. The Corporation also may have offices at such other places both within and without the State of Nevada as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II
STOCKHOLDERS**

2.1 STOCKHOLDER MEETINGS.

(a) **TIME AND PLACE OF MEETINGS.** Meetings of the stockholders shall be held at such date and times and places, either within or without the State of Nevada, as may from time to time be fixed by the Board of Directors and stated in the notices or waivers of notice of such meetings.

(b) **ANNUAL MEETING.** Annual meetings of stockholders shall be held at such date and time as the Board of Directors shall determine. At the annual meeting, stockholders shall elect a board of directors by plurality vote and transact such other business as properly may be brought before the annual meeting in accordance with Section 2.7 of this Article II.

(c) **SPECIAL MEETINGS.** Special meetings of the stockholders of the Corporation may be called for any purpose or purposes at any time only by the Chairman of the Board, the Chief Executive Officer or the President. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice of such meeting.

(d) **NOTICE OF MEETINGS.** Except as otherwise provided by law, the Articles of Incorporation or these Bylaws, written notice of each meeting of the stockholders shall be given not less than ten days nor more than sixty days before the date of such meeting to each stockholder entitled to vote thereat, directed to such stockholder's address as it appears upon the stock ledger of the Corporation, such notice to specify the place; date, hour, and purpose or purposes of such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the stockholder at his address as it appears on the stock ledger of the Corporation. When a meeting of the stockholders is adjourned to another time and/or place, notice need not be given of such adjourned meeting if the time and place are announced at the meeting of the stockholders at which the adjournment is taken, unless the adjournment is for more than thirty days or unless after the adjournment a new record date is fixed for such adjourned meeting, in which event a notice of such adjourned meeting shall be given to each stockholder of record entitled to vote thereat. Notice of the time, place, and purpose of any meeting of the stockholders may be waived in writing either before or after such meeting and will be waived by any stockholder by such stockholder's attendance thereat in person or by proxy. Any stockholder so waiving notice of such a meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

(e) **QUORUM.** Except as otherwise required by law; the Articles of Incorporation or these Bylaws, the holders of not less than a majority of the shares entitled to vote at any meeting of the stockholders, present in person or by proxy, shall constitute a quorum and the affirmative vote of the majority of such quorum shall be deemed the act of the stockholders. If a quorum shall fail to attend any meeting of the stockholders, the presiding officer of such meeting may adjourn such meeting from time to time to another place, date or time, without notice other than announcement at such meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting of the stockholders as originally noticed. The foregoing notwithstanding if a notice of any adjourned special meeting of the stockholders is sent to all stockholders entitled to vote thereat, which states that such adjourned special meeting will be held with those present in person or by proxy constituting a quorum, then, except as otherwise required by law; those present at such adjourned special meeting of the stockholders shall constitute a quorum and all matters shall be determined by majority of the Votes cast at such special meeting.

2.2 DETERMINATION OF STOCKHOLDERS ENTITLED to NOTICE AND TO VOTE. To determine the stockholders entitled to notice of any meeting of the stockholders or to vote thereat, the Board of Directors may fix in advance a record date as provided in Article II, Section 2.8 of these Bylaws, or if no record date is fixed by the Board of Directors, a record date shall be determined as provided by law.

2.3 VOTING.

(a) Except as otherwise required by law, the Article of Incorporation or these Bylaws, each stockholder present in person or by proxy at the meeting of the stockholders shall be entitled to one vote for each full share of stock registered in the name of such stockholder at the time fixed by the Board of Directors or by law at the record date of the determination of stockholders entitled to vote at such meeting.

(b) Every stockholder entitled to vote at a meeting of the stockholders may do so either (i) in person or (ii) by one or more agents authorized by a written proxy executed by the person or such stockholder's duly authorized agent, whether by manual signature, typewriting, telegraphic transmission; or otherwise as permitted by law. No proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

(c) Voting may be by voice or by ballot as the presiding officer of the meeting of the stockholders shall determine. On a vote ballot, each ballot shall be signed by the stockholder voting, or by such stocker's proxy, and shall state the number of shares voted.

(d) Shares of the Corporation held by another corporation may be voted by such corporation's officer, agent, or proxy as its bylaws may prescribe, or in absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent; or other person so designated may vote such corporation's shares in the Corporation in person or by proxy appointed by him.

(e) Shares held by an administrator, executor, guardian, or conservator may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name, Shares standing in the name of a trustee; other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(f) Shares standing in the name of a receiver; trustee in bankruptcy, or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver or trustee was appointed.

(g) A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(h) If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants tenants in common, tenants by community property, or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Corporation is given notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (1) if only one votes, his act binds; (2) if more than one votes, the act of majority so voting binds all; or (3) if more than one votes, but the vote is evenly split on any particular matter, each fraction may vote the shares in question proportionally.

(i) Shares standing in the name of a married woman but not also standing in the name of her husband with such a designation of mutual relationship on the certificate, may be voted and all rights incident thereto may be exercised in the same manner as if she were unmarried.

(j) Shares of its own stock belonging to the Corporation or to another corporation; if a majority of the shares entitled to vote in the elections of directors and such other corporation is held, directly or indirectly, by the Corporation; shall neither be entitled to vote nor counted for quorum purposes.

(k) Nothing in the Section shall be construed as limiting the right of the Corporation to vote its own stock held by it in a fiduciary capacity. In advance of or at any meeting of the stockholders, the Chairman of the Board of Directors may appoint one or more persons as inspectors of election (the "Inspectors") to act at such meeting. Such Inspectors shall take charge of the ballots at such meeting. After the balloting on any question, the Inspectors shall count the ballots cast and make a written report to the secretary of such meeting of the results. Subject to the direction of the Chairman of the Board of Directors, the duties of such Inspectors may further include without limitation: determining the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes of consents and determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all stockholders. An inspector need not be a stockholder of the Corporation and any officer of the Corporation may be an Inspector on any question other than a vote for or against such officer's election to any position with the Corporation or any other questions in which such officer may be directly interested. If there are three or more Inspectors, the determination, report, or certificate of a majority of such Inspectors shall be effective as if unanimously made by all Inspectors.

2.4 LIST OF STOCKHOLDERS. The officer who has charge of the stock ledger of the Corporation shall prepare and make available, at least 10 days or such other period of time as may be required by Federal, State, or other jurisdictional body whose rules and regulations govern the allotted time before every meeting of stockholders, a complete list of the stockholders entitled to vote thereat, arranged in either alphabetical order or by zip code, showing the address of and the number of shares registered in the names of each such stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to such meeting, either at a place within the city where such meeting is to be held and which place shall be specified in the notice of such meeting, or; if not so specified, at the place where such meeting is to be held. The list also shall be produced and kept at the time and place of the meeting of the stockholders during the whole time thereof, and may be inspected by any stockholder who is present.

2.5 ACTION BY WRITTEN CONSENT OF STOCKHOLDERS.

(a) Subject to restrictions imposed by the Corporation's Articles of Incorporation or by applicable law, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation's Secretary. Prompt notice of the taking of the Corporate action without a meeting by less than unanimous written consent shall, to the extent required by law, be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation.

(b) The Board of Directors may fix a record date for the determination of stockholders entitled to consent to corporate action in writing without a meeting, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors; and Which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date is set; the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Secretary of the Corporation.

2.6 CONDUCT OF MEETINGS. The Chairman of the Board of Directors shall have full and complete authority to determine the agenda, to set the procedures and order the conduct of meetings, all as deemed appropriate by such person in his sole discretion with due regard to the orderly conduct of business.

2.7 ACTION AT MEETING OF STOCKHOLDERS.

(a) No business may be transacted at an annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors or (iii) otherwise properly brought before the annual meeting by any stockholder of the Corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.7 and on the record date for the determination of stockholders entitled to Vote at such annual meeting and (B) who complies with the notice procedures set forth in this Section 2.7.

(b) In addition to any other applicable requirements, for business properly to be brought before an annual meeting by the stockholder, such stockholder must have given timely notice thereof in proper .Written form to the Chairman of the Board of Directors, if any, the Chief Executive Officer, President, or the Secretary of the Corporation.

(c) To be timely, a stockholder's notice that includes a proposal for the Corporation's annual meeting must be received at the principal executive offices of the Corporation not less than 120 days before the date of the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting; provided, however, that in the event the Corporation did not hold an annual meeting the previous year or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the Corporation begins to print and mail its proxy materials. For any stockholder's notice that includes a proposal for a meeting of stockholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the Corporation begins to print and mail its proxy materials. Notwithstanding any of the provisions contained herein, any notice that includes a proposal that seeks action by the Corporation's stockholders at any meeting will comply with the guidelines established by Regulation 14A of the Securities Exchange Act of 1934, as amended, to the extent such regulation is then applicable to the Corporation.

(d) To be in proper written form, a stockholder's notice must set forth, as to each matter such stockholder proposes to bring before the annual meeting, (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

(e) No business shall be conducted at the annual meeting of the stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.7; provided, however, that, once business has been brought properly before the annual meeting in accordance with such procedures, nothing in this Section 2.7 may be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not brought properly before the annual meeting in accordance with the foregoing procedures, the chairman will declare to the meeting that the business was not brought properly before the meeting and such business will not be transacted.

(f) Whenever all parties entitled to vote at any meeting consent either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberation at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted, which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceeding of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

(g) Whenever any notice whatever is required to be given under the provisions of Nevada law, of the Articles of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

2.8 RECORD DATE.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitlement to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days prior to the date of such meeting. If not fixed by the Board of Directors, the record date shall be determined as provided by law;

(b) A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournments of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting.

(c) Holders of stock on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of the shares set forth in the stock ledger of the Corporation after the record date, except as otherwise provided by agreement or by law, the Articles of Incorporation or these Bylaws.

2 . 9 **INFORMALITIES AND IRREGULARITIES.** All informalities or irregularities in any call or notice of a meeting of the stockholders or in the areas of credentials, proxies, quorums, voting; and similar matters, will be deemed waived if no objection is made at the meeting.

ARTICLE III BOARD OF DIRECTORS

3.1 GENERAL POWERS. Unless otherwise restricted by law, the Articles of Incorporation or these Bylaws as to action which shall be authorized or approved by the stockholders, and subject to the duties of directors as prescribed by these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person, provided that the business and affairs of the Corporation will be managed, and all corporate powers shall be exercised, under the ultimate direction and responsibility of the Board of Directors.

3.2 ELECTION OF DIRECTORS.

(a) **NUMBER, QUALIFICATION AND TERM OF OFFICE.** The exact number of directors of the Corporation shall not be less than three or more than nine. The authorized number of directors may from time to time be increased or decreased by resolution of the directors of the Corporation amending this provision of the Bylaws in compliance with Section 8.5 of Article VIII. No reduction of the a authorized number of directors shall have the effect of removing any director prior to the expiration of his or her term in office. Beginning with the Corporation's annual meeting of stockholders to be held in 2016, the directors shall be elected for a term lasting until the next annual meeting of stockholders following their election, and until their successors are elected and qualified, subject to their earlier death, resignation, or removal from the Board of Directors.

(b) **RESIGNATION.** Any director may resign from the Board of Directors at any time by giving written notice to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or if the time when such resignation shall become effective shall not be so specified, then such resignation shall take effect immediately upon its receipt by the Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(c) **VACANCIES.** Vacancies and new directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director. If no directors are in office, an election, may be held as provided by statute. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. A directorship to be filled by reason of an increase in the number of directors may be filled by the Board of Directors for a term of office continuing only until the next annual meeting or the next election of one or more directors by the stockholders at a special meeting of stockholders called for that purpose. Any director may be removed from office only in accordance with the Articles of Incorporation.

3.3 MEETINGS OF THE BOARD OF DIRECTORS.

(a) **REGULAR MEETINGS.** Regular meetings of the Board of Directors shall be held without notice at such time and place as shall from time to time be determined by the Board of Directors:

(i) at such times as the Board of Directors shall from time to time by resolution determine; and

(ii) one half-hour prior to any special meeting of the stockholders and immediately following the adjournment of any annual or special meeting of the stockholders.

(b) SPECIAL MEETINGS.

(i) Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer or the President, and will be called by the Secretary at the written request of two or more directors. Notice of the time and place of special meetings of the Board of Directors shall be given by the Secretary or an Assistant Secretary of the Corporation, or by any other officer authorized by the Board of Directors. Such notice shall be given to each director personally or by mail, messenger, telephone, telegraph, or electronic mail at such director's business, residence, or electronic address. Notice by mail shall be deposited in the United States mail, postage prepaid, not later than the fifth day prior to the date fixed for such special meeting. Notice by telephone, telegraph, or electronic mail shall be sent, and notice given personally or by messenger shall be delivered, at least twenty-four hours prior to the time set for such special meeting. Notice of a special meeting of the Board of Directors need not contain a statement of the purpose of such special meeting.

(ii) Whenever all parties entitled to vote at any meeting consent either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meetings shall be a valid as if they had occurred at a meeting regularly called and noticed, and at such meeting any business may be transacted, which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or such consent provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meeting; and such consent or approval of directors may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

(iii) Whenever any notice whatsoever is required to be given under the provisions of Nevada law, of the Articles of Incorporation, or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent hereto.

(c) ADJOURNED MEETINGS. A majority of directors present at any regular or special meeting of the Board of Directors or any committee thereof, whether or not constituting a quorum, may adjourn any meeting from time to time until a quorum is present or otherwise, however, notice of the time and place of holding any adjourned meeting shall be required as provided in Section 3.3(b) of these Bylaws.

(d) PLACE OF MEETINGS. Meetings of the Board of Directors, both regular and special, may be held either within or without the State of Nevada.

(e) PARTICIPATION BY TELEPHONE. Members of the Board of Directors or any committee may participate in any meeting of the Board of Directors or committee through the use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.

(f) QUORUM. At all meetings of the Board of Directors or any committee thereof, a majority of the total number of directors of the entire then authorized Board of Directors or such committee shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any such meeting at which there is a quorum shall be the act of the Board of Directors or any committee, except as may be otherwise specifically prohibited by law, the Articles of Incorporation or these Bylaws. A meeting of the Board of Directors or any committee at which a quorum initially is present may continue to transact business notwithstanding the withdrawal of directors so long as any action is approved by at least a majority of the required quorum for such meeting. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other members of the Board of Directors, shall be as valid and effective in all respects as if passed by the Board of Directors in a regular meeting.

(g) WAIVER OF NOTICE. The transactions of any meeting of the Board of Directors or any committee, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to hold such meeting, or an approval of the minutes thereof. All such Waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

3.4 ACTION WITHOUT MEETING. Any action required or permitted to be taken by the Board of Directors at any meeting or at any meeting of a committee may be taken without a meeting if all members of the Board of Directors or such committee consent in writing and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee.

3.5 COMPENSATION OF DIRECTOR. Unless otherwise restricted by law, the Articles of Incorporation, or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as a director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees of the Board of Directors may be allowed like compensation for attending committee meetings.

3.6 COMMITTEES OF THE BOARD OF DIRECTORS.

(a) **EXECUTIVE COMMITTEE.** The Board of Directors may, by resolution adopted by a majority of the whole Board of Directors, name two or more of its members and General Counsel, or such other legal advisor as it deems appropriate; as an Executive Committee. Such Executive Committee will have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation while the Board of Directors is not in session, subject to such limitations as may be included in the Board of Director's resolution; provided, however, that such Executive Committee shall not have the authority of the Board of Directors in reference to the following matters: (1) the submission to stockholders of any action that requires the authorization or approval under applicable law; (2) the filing of vacancies on the Board of Directors or in any committee of the Board of Directors; (3) the amendment or repeal of these Bylaws, or the adoption of new bylaws; and (4) the fixing of compensation of directors for serving on the Board of Directors or on any Committee of the Board of Directors. A majority of those named to the Executive Committee will constitute a quorum and the Executive Committee may at any time act by the written consent of a quorum, thereof, although not formally convened.

(b) **OTHER COMMITTEES.** The Board of Directors may from time to time, by resolution adopted by a majority of the whole Board of Directors, appoint other standing or temporary Committees consisting of at least one current member of the Board of Directors, and such other individuals as the Board of Directors may determine. These Committees will be vested with such powers as the Board of Directors may include in its resolution; provided, however, that such Committees shall be restricted in their authority that all actions taken are subject to review and ratification by the Executive Committee and the Board of Directors. A majority of those named to any such Committees will constitute a quorum and the Committee may at any time act by the written consent of a quorum thereof, although not formally convened.

(c) **MINUTES OF MEETINGS.** Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

3.7 INTERESTED DIRECTORS. In addition to the statutory and corporate common laws of Nevada, no contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have an financial interest, shall be void or voidable solely for this reason; or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof, which authorizes the contract or transaction, or solely because his, her, or their votes are counted for such purpose if (i) the material facts as to his, her, or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors and the Board of Directors in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his, her, or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved, or ratified, by the Board of Directors, a committee thereof, or the stockholders. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of the duly appointed Executive Committee, which authorizes the contract or transaction.

**ARTICLE IV
OFFICERS**

4.1 OFFICERS.

(a) **NUMBER.** The officers of the Corporation shall be chosen by the Board of Directors and shall include a Chairman of the Board of Directors (who must be a director as chosen by the Board of Directors), a President, Secretary, and a Treasurer, and may include Chief Officers and any number of Vice Presidents. The Board of Directors also may appoint one or more Assistant Secretaries or Assistant Treasurers and such other officers and agents with such powers and duties as it shall deem necessary. Any Vice President may be given such specific designation as may be determined from time to time by the Board of Directors. Any number of offices may be held by the same person, unless otherwise restricted by law, the Articles of Incorporation, or these Bylaws. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

(b) **ELECTION AND TERM OF OFFICE.** The officers shall be elected annually by the Board of Directors at its regular meeting following the annual meeting of the stockholders and each officer shall hold office until the next annual election of officers and until such officer's successor is elected and qualified, or until such officer's death, resignation, or removal. Any officer may be removed at any time, with or without cause, by a vote of the majority of the whole Board of Directors or by an officer upon whom such power of removal may be conferred by the Board of Directors. Any vacancy occurring in any office may be filled by the Board of Directors.

(c) **SALARIES.** The salaries of all officers of the Corporation shall be fixed by the Board of Directors or a committee thereof from time to time.

4.2 CHAIRMAN OF THE BOARD OF DIRECTORS. The Board of Directors will elect a Chairman to serve as a Non-Executive Officer of the Corporation. The Chairman will preside at all meetings of the Board of Directors and be vested with such other powers and duties as the Board may from time to time delegate to him.

4.3 CHIEF OFFICERS. The Board of Directors may elect a Chief Executive Officer, a Chief Financial Officer, and a Chief Operating Officer (collectively, the "Chief Officers"). The Chief Executive Officer shall be the presiding officer over all business affairs of the Corporation, subject only to the direction of the Board of Directors. The Chief Financial Officer of the Corporation shall be the presiding officer over the financial affairs of the Corporation, subject only to the direction of the Board of Directors and the Chief Executive Officer. The Chief Operation Officer of the Corporation shall be the presiding officer over the operational affairs of the Corporation, subject only to the direction of the Board of Directors and the Chief Executive Officer. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the Chief Officers will be proper officers to sign on behalf of the Corporation any deed, bill of sale; assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or other), agreement, indenture, or other instrument of any significant importance to the Corporation.

4.4 PRESIDENT. The President, absent the election of a Chief Executive Officer, will supervise the business and affairs of the Corporation and the performance by all of its other officers, excluding Chief Officers, of their respective duties, subject to the control of the Board of Directors. Absent the election of a Chief Executive Officer by the Board of Directors, the President will be the Chief Executive Officer of the Corporation. Except as may otherwise be specifically provided in a resolution of the Board of Directors, the President will be a proper officer to sign on behalf of the Corporation any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence, of indebtedness, application, consent (to service of process or other), agreement, indenture or other instrument of any significant importance to the Corporation. The President may represent the Corporation at any meeting of the stockholders of any other Corporation in which this Corporation then holds shares, and may vote this Corporation's shares in such other corporation in person or by proxy appointed by him, provided that the Board of Directors may from time to time confer the foregoing authority upon any other person or persons. The President may designate any Vice President to perform any acts, on behalf of the Corporation, in his place.

4.5 VICE PRESIDENTS. One or more Vice Presidents may be elected by the Board of Directors each of whom (in the order designated by the Board of Directors) will be vested with all of the powers and charged with all of the duties (including those herein before specifically set forth) of the President in the event of his absence or disability. Each Vice President will perform such other duties as may from time to time be delegated or assigned to him/her by the Board of Directors, Chief Executive Officer, Chief Operating Officer, or the President, in that order.

4.6 SECRETARY AND ASSISTANT SECRETARIES. The Secretary will keep the minutes of meetings of the stockholders, Board of Directors, and any Committee, and all unanimous written consents of the stockholders, Board of Directors, and any Committee of the Corporation, see that aH notices are duly given in accordance with the provisions of these Bylaws or as required by applicable law, be custodian of the corporate seal and corporate records, and, in general, perform aI duties incident to his office, Except as may otherwise be specifically provided in a resolution of the Board of Directors, the Secretary and each Assistant Secretary will be a proper officer to take charge of the Corporation's stock ledger, and to compile the voting record; and to impress the Corporation's seal on any instrument signed by a duly authorized or empowered officer; and to attest to the same.

4.6 TREASURER AND ASSISTANT TREASURERS. The Treasurer, absent the election of a Chief Financial Officer, shall serve as the Chief Financial Officer, maintain the financial records of the Corporation, and supervise all corporate reporting with any and all government agencies. The Treasurer will keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and will cause all money and other valuable effects to be deposited in the name and to the credit of the Corporation in such depositories, subject to withdrawal in such a manner as may be designated by the Board of Directors and the Chief Executive Officer. The Treasurer will render to the Chief Executive Officer, President, and to the Board of Directors (at the regular meetings of the Board of Directors or whenever they may require), an account of all his transactions as Treasurer, and of the financial condition of the Corporation.

ARTICLE V INDEMNIFICATION AND INSURANCE

5.1 RIGHT TO INDEMNIFICATION. Subject to the terms and conditions of this Article V, each officer or director of the Corporation who was or is made a party or witness or is threatened to be made a party or witness to or is otherwise involved in any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that he is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to the employee benefit plans (hereinafter "indemnitee"), whether the basis of such proceeding is alleged action or inaction in an official capacity while serving as a director, officer, employee, or agent shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the general corporate law of Nevada as set forth in Section ,78 et. seq. of the Nevada Revised Statutes ("GCL"), as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendments permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expenses, liability, and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) reasonably incurred or .suffered by such indemnitee who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the indemnitee's heirs, executors, and administrators; provided, however, that, except as provided in Article V hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation, The right to indemnification conferred in this Section shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that if the GCL requires an advancement of expenses incurred by an indemnitee, such advancement of expenses shall be made only upon delivery to the Corporation of an undertaking in the form then required by GCL (if any), by or on behalf of such indemnitee, with respect to the repayment of amounts so advanced (hereinafter an "undertaking").

5.2 RIGHT TO INDEMNITEE TO BRING SUIT. If a claim under Section 5.1 of this Article V is not paid in full by the Corporation within sixty days after written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expenses of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of express pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the GCL Neither the failure of the Corporation (including the Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the GCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such suit brought by the Indemnitee, be a defense to such suit in any suit brought by the Indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaken, the burden of proving that the Indemnitee is not entitled to be indemnified or to such advancement of expenses under this Section or otherwise shall be on the Corporation.

5.3 SPECIFIC LIMITATIONS ON INDEMNIFICATION. Notwithstanding anything in this Article to the contrary, the Corporation shall not be obligated to make any payment to any indemnitee with respect to any proceeding (i) to the extent that payment is actually made to the indemnitee under any insurance policy, or is made to indemnitee by the Corporation or an affiliate thereof otherwise than pursuant to this Article, (ii) for any expense, liability, or loss in connection with a proceeding settled without the Corporation's written consent, which consent, however, shall not be unreasonably withheld, (iii) for an accounting of profits made from the purchase or sale by the Indemnitee of the Corporation within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any state statutory or common law, (iv) where the indemnitee acted in bad faith or with gross negligence, or (v) where prohibited by applicable law.

5.4 CONTRACT. The provisions of this Article shall be deemed to be a contract between the Corporation and each director and officer who serves in such capacity at any time while such Section is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit, or proceeding theretofore or thereafter based in whole or in part upon any such state of facts.

5.5 PARTIAL INDEMNITY. If the indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses, liabilities, or losses incurred in connection with a proceeding but not, however, for the entire amount thereof, the Corporation shall nevertheless indemnify the indemnitee for the portion thereof to which the indemnitee is entitled. Moreover, notwithstanding any other provision of this Article, to the extent that the indemnitee has been successful on the merits or otherwise in defense of any or all claims relating in whole or in part to a proceeding or in defense of any issue or matter therein, including dismissal without prejudice, the indemnitee against all loss, expense, and liability incurred in connection with the portion of the proceeding with respect to which the indemnitee was successful on the merits or otherwise.

5.6 NON-EXCLUSIVITY OF RIGHTS. The rights to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Articles of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors, or otherwise.

5.7 INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, or agent of the Corporation or another corporation, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss. Whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the GCL.

5.8 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation, or to such lesser extent as may be determined by the Board of Directors.

5.9 NOTICE BY INDEMNITEE AND DEFENSE OF CLAIM. The indemnitee shall promptly notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any matter, whether civil, criminal, administrative or investigative, but the omission so to notify the Corporation will not relieve it from any liability which it may have to the indemnitee if such omission does prejudice the Corporation's right of the Corporation will be relieved from liability only to the extent of such prejudice; nor will such omission relieve the Corporation from any liability which it may have to the indemnitee otherwise than under this Article V. With respect to any proceedings as to which the indemnitee notifies the Corporation of the commencement thereof:

(a) The Corporation will be entitled to participate therein at its own expense; and

(b) The Corporation will be entitled to assume the defense thereof, with counsel reasonably satisfactory to the indemnitee; provided, however, that the Corporation shall not be entitled to assume the defense of any proceeding (and this Section 5.9 shall be inapplicable to such proceeding) if the indemnitee shall have reasonably concluded that there may be a conflict of interest between the Corporation and the indemnitee with respect to such proceeding. After notice from the Corporation to the indemnitee of its election to assume the defense thereof, the Corporation will not be liable to the indemnitee under this Article V for any expenses subsequently incurred by the indemnitee in connection with the defense thereof, other than reasonable cost of investigation or as otherwise provided below. The indemnitee shall have the right to employ his own counsel in such proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the indemnitee unless:

(i) The employment of counsel by the indemnitee has been authorized by the Corporation in writing; or

(i i) The Corporation shall not have employed counsel to assume the defense in such proceeding or shall not have assumed such defense and be acting in connection therewith with reasonable diligence; in each of which cases the fees and expenses of such counsel shall be at the expense of the Corporation.

(c) The Corporation shall not settle any proceeding in any manner which would impose any penalty or limitation on the indemnitee without the indemnitee's written consent; provided, however, that the indemnitee will not unreasonably withhold his consent to any proposed settlement.

ARTICLE VI CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.1 CERTIFICATES FOR SHARES. Unless otherwise provided by a resolution of the Board of Directors, the shares of the Corporation shall be represented by a certificate. The certificates of stock of the Corporation shall be numbered and shall be entered in the stock ledger of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by or in the name of the Corporation by (a) the Chief Executive Officer, or the President and (b) the Secretary or any Assistant Secretary. Any or all of the signatures on a certificate may be by facsimile. In case any officer of the Corporation, transfer agent, or registrar who has signed, or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer; transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issuance.

6.2 CLASSES OF STOCK.

(a) If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences, and relative participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations, or restrictions of such preferences or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, that except as otherwise provide in Section 78.195 (5) of the GCL in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences, and relative participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations, or restrictions of such preferences or rights.

(b) Within a reasonable time after the issuance or transfer of uncertified stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to applicable law (including Sections 78.195, 78.205, 78.255 and 78.242 of the GCL) or a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences, and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications; limitations, or restrictions of such preferences or rights.

6.3 TRANSFER. Subject to applicable federal and state securities laws, upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorse or accompanied by proper evidence of succession 1 assignment, or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate; and record the transaction upon its stock ledger. Upon receipt of proper transfer instructions from the registered ,owner of uncertified shares, such uncertified shares shall be canceled, issuance of new equivalent certified shares or certified shares shall be made to the person entitled thereto, and the transaction shall be recorded upon the stock ledger of the Corporation.

6.4 RECORD OWNER. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder hi fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Nevada.

6.5 LOST CERTIFICATES. The Board of Directors may direct a new certificate or certificates or uncertified shares to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of the fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates or uncertified shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

6.6 DIVIDENDS. In the event a dividend is declared, the stock transfer books will not be closed but a record on that date will be fixed by the Board of Directors, and only stockholders of record on that date shall be entitled to the dividend.

**ARTICLE VII
EMERGENCY PROVISIONS**

7.1 GENERAL. THE PROVISIONS OF THIS ARTICLE VII WILL BE OPERATIVE ONLY DURING A NATIONAL EMERGENCY DECLARED BY THE PRESIDENT OF THE UNITED STATES OR THE PERSON PERFORMING THE PRESIDENT'S FUNCTIONS, OR IN THE EVENT OF A NUCLEAR, ATOMIC, OR OTHER ATTACK ON THE UNITED STATES OR A DISASTER MAKING IT IMPOSSIBLE OR IMPRACTICABLE FOR THE CORPORATION TO CONDUCT ITS BUSINESS WITHOUT RECOURSE TO THE PROVISIONS OF THIS ARTICLE VII. Said provisions in such event shall override all other Bylaws of the Corporation in conflict with any provisions of this Article VII, and shall remain operative so long as it remains impossible or impracticable to continue the business of the Corporation otherwise, but thereafter shall be inoperative; provided that all actions taken in good faith pursuant to such provisions shall thereafter remain in full force and effect unless and until revoked by action taken in accordance with the provisions of the Bylaws (other than those contained in this Article VII).

7.2 UNAVAILABLE DIRECTORS . All directors of the Corporation who are not available to perform their duties as directors by reason of physical or mental capacity or for any other reason or who are unwilling to perform their duties or whose whereabouts are unknown shall automatically cease to be directors, with like effect as if such persons had resigned as directors, so long as such unavailability continues.

7.3 AUTHORIZED NUMBER OF DIRECTORS. The authorized number of directors shall be the number of directors remaining after eliminating those who have ceased to be directors pursuant to Section 7.2 hereof, or the minimum number required by law, whichever number is greater, until such time: as the vacancy created thereby can be filled, or the applicable provisions of these Bylaws can be amended to reflect such change.

7.4 QUORUM. The number of directors necessary to constitute a quorum shall be one third of the authorized number of directors as specified in the foregoing Section 7.3, or such other minimum number as pursuant to the law or lawful decree then in force, is possible for the Bylaws of the Corporation to specify.

7.5 CREATION OF EMERGENCY COMMITTEE. in the event the number of directors remaining after eliminating those who have ceased to be directors pursuant to Section 7.2 of this Article VII is less than the minimum number of authorized directors required by law, then until the appointment of additional directors to make up such required minimum, all the powers and authorities, which the Board of Directors could by law delegate, including all powers and authorities which the Board of Directors could delegate to a committee, shall be automatically vested in an emergency committee (the "Emergency Committee"), and the Emergency Committee shall thereafter manage the affairs of the Corporation pursuant to such powers and authorities and shall have all such other powers and authorities as may by law or lawful decree be conferred on any person or body of persons during a period of emergency.

7.6 CONSTITUTION OF EMERGENCY COMMITTEE. The Emergency Committee shall consist of all the directors remaining after eliminating those who have ceased to be directors pursuant to Section 7.2 of this Article VII, provided that such remaining directors are not less than three in number (unless such a lesser number would otherwise be permissible under applicable law if no emergency existed). In the event such remaining directors are less than three in number (and such number is not otherwise permitted under applicable law), then the Emergency Committee shall consist of three persons, who shall be the remaining director or directors plus either one or two officers or employees of the Corporation, as the remaining director or directors may in writing designate. If there is no remaining director, the Emergency Committee shall consist of the three most senior officers of the Corporation who are available to serve, and if and to the extent such officers are not available, the most senior employees of the Corporation. Seniority shall be determined in accordance with any designation of seniority in the minutes of the proceedings of the Board of Directors, and in the absence of such designation, shall be determined by the highest rate of remuneration. In the event that there are no remaining directors and no officers or employees of the Corporation available, the Emergency Committee shall consist of three persons designated in writing by the stockholder owning the largest number of shares of record as of the date of the last record date.

7.7 POWERS OF EMERGENCY COMMITTEE. The Emergency Committee, once appointed, shall govern its own procedures and shall have power to increase the number of members thereof beyond the original number, and in the event of a vacancy or vacancies therein, arising at any time, the remaining member or members of the Emergency Committee shall have the power to fill such vacancy or vacancies. In the event at any time after its appointment; all members of the Emergency Committee shall die or resign or become unavailable to act for any reason whatsoever, a new Emergency Committee shall be appointed in accordance with the foregoing provisions of this Article VII.

7.8 DIRECTORS BECOMING AVAILABLE . Any person who has ceased to be a director pursuant to the provisions of Section 7.2 of this Article VII, and who thereafter becomes available to serve as a director shall automatically become a member of the Emergency Committee.

7.9 ELECTION OF BOARD OF DIRECTORS. The Emergency Committee shall, as soon after its appointment as is practicable, take all requisite action to secure the election of a Board of Directors, and upon such election all the powers and authorities of the Emergency Committee shall be vested therein, and the Emergency Committee shall thereafter cease.

7.10 TERMINATION OF BOARD OF DIRECTORS. In the event, after the appointment of an Emergency Committee, a sufficient number of persons who ceased to be directors pursuant to Section 7.2 of this Article VII become available to serve as directors, so that if they had not ceased to be directors as aforesaid, there would be enough directors to constitute the minimum number of directors required by law, then all such persons shall automatically be deemed to be reappointed as directors, the powers and authorities of the Emergency Committee shall again be vested in the Board of Directors, and the Emergency Committee shall thereafter cease.

ARTICLE VIII MISCELLANEOUS

8.1 EXECUTION OF INSTRUMENTS. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other persons to execute any corporate instrument or document or to sign the corporate name without limitation, except where otherwise provided by law, the Articles of Incorporation, or these Bylaws. Such designation may be general or confined to specific instances.

8.2 VOTING OF SECURITIES OWNED BY THE CORPORATION. All stock and other securities of other corporations held by the Corporation shall be voted, and all proxies with respect thereto shall be executed by the person so authorized by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board.

8.3 Corporate Seal. A corporate seal shall not be requisite to the validity of any instrument executed by or on behalf of the Corporation,.

8.4 CONSTRUCTION AND DEFINITIONS. Unless the context requires otherwise the general provisions, rules of construction and definitions in the GCL and the Articles of Incorporation shall govern the construction of these Bylaws.

8.5 AMENDMENTS. These Bylaws may be altered, amended, or repealed by a majority vote of the Board of Directors or the stockholders.

8.6 DESCRIPTIVE HEADINGS. The descriptive headings of the paragraphs of these Bylaws are inserted for convenience only and shall not control or affect the meaning or construction of any provision hereof.

8.7 REFERENCE THERETO. Any reference herein made to the Corporation's Articles of Incorporation will be deemed to refer to its Articles of Incorporation and all Amendments thereto as at any given time on file with the Nevada Secretary of State, together with any and all certificates theretofore filed by the Corporation with the Nevada Secretary of State pursuant to applicable law.

8.8 SENIORITY THEREOF. The Articles of Incorporation will in all respects be considered senior and superior to these Bylaws, with any inconsistency to be resolved in favor of the Articles of Incorporation, and with these Bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

8.9 NUMBER AND GENDER. Whenever used herein, the singular number shall include the plural and the singular, and the use of any gender shall be applicable to all genders.

CERTIFICATE OF ADOPTION

The undersigned Secretary of the Corporation hereby certifies that the foregoing Bylaws of LIVE VENTURES INCORPORATED, a Nevada corporation (the "Corporation"), constitute the Bylaws of said Corporation, duly adopted and approved, pursuant to a resolution of the Board of Directors.

10/7/15
Date

/s/ Jon Isaac
Corporate Secretary

June 5, 2018

Marquis Affiliated Holdings LLC
Marquis Industries, Inc.
2743 Highway 76
Chatsworth, Georgia 30705
Attention: Timothy A. Bailey
Facsimile No.: (706) 695-2384

RE: Consent and Sixth Amendment to Loan and Security Agreement (this "Agreement")

Ladies and Gentlemen:

Reference is made to that certain Loan and Security Agreement dated as of July 6, 2015 (as at any time amended, modified, restated or supplemented, the "Loan Agreement"), among **MARQUIS AFFILIATED HOLDINGS LLC**, a Delaware limited liability company ("Holdings"), **MARQUIS INDUSTRIES, INC.**, a Georgia corporation, and successor by merger with A-O Industries, LLC, a Georgia limited liability company, Astro Carpet Mills, LLC, a Georgia limited liability company, Constellation Industries, LLC, a Georgia limited liability company, and S F Commercial Properties, LLC, a Georgia limited liability company ("Marquis"), together with Holdings, collectively, "Borrowers" and each individually, a "Borrower"), and **BANK OF AMERICA, N.A.**, a national banking association ("Lender").

Borrowers have informed Lender that Holdings intends to make a one-time Distribution to holders of its Equity Interests on or before June 8, 2018 in an aggregate amount not to exceed \$4,000,000 (the "Sixth Amendment Distribution"). Distributions are not permitted under Section 10.2.4 of the Loan Agreement unless they constitute Upstream Payments, Permitted Tax Distributions or Permitted Non-Tax Distributions. The Sixth Amendment Distribution does not constitute an Upstream Payment, a Permitted Tax Distribution or a Permitted Non-Tax Distribution.

Borrowers have requested that Lender consent to the Sixth Amendment Distribution. Lender is willing to consent to the Sixth Amendment Distribution on the terms and subject to the conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

- 1. Consent to Sixth Amendment Distribution.** Subject to the satisfaction of the conditions set forth in Section 2 hereof, each in form and substance satisfactory to Lender, Lender hereby consents to the Sixth Amendment Distribution and waives compliance with Section 10.2.4 of the Loan Agreement to the extent necessary to permit Borrowers to make the Sixth Amendment Distribution.
- 2. Amendments to Loan Agreement.** The Loan Agreement is hereby amended by deleting the definition of "Fixed Charges" set forth in Section 1.1 of the Loan Agreement in its entirety and by substituting in lieu thereof the following:

Fixed Charges: the sum of interest expense (other than payment-in-kind) and principal payments made on Borrowed Money, income taxes paid in cash and Distributions made (excluding (a) Upstream Payments, (b) Permitted Non-Tax Distributions, (c) Distributions made on or about the Closing Date that relate to transactions contemplated by the Marquis SPA Documents, as in effect on the Closing Date, and (d) except solely for purposes of calculating the *pro forma* Fixed Charge Coverage Ratio pursuant to clause (c) of the definition of Permitted Non-Tax Distribution, the Sixth Amendment Distribution).

3 . Conditions Precedent. The effectiveness of the consent contained in Section 1 hereof is subject to the satisfaction of each of the following conditions precedent, in form and substance satisfactory to Lender, unless satisfaction thereof is specifically waived in writing by Lender:

- (a) Lender shall have received a counterpart of this Amendment, duly executed by Borrowers;
- (b) Lender shall have received a secretary's certificate for each Borrower, in substantially the forms attached hereto;
- (c) No Default or Event of Default shall exist either before or after giving effect to the terms of this Agreement;
- (d) Availability, on the date of the Sixth Amendment Distribution, immediately after giving *pro forma effect* to the consummation of the Sixth Amendment Distribution (including any Loans made under the Loan Agreement to finance the Sixth Amendment Distribution) shall be greater than or equal to \$4,000,000;
- (e) Prior to the consummation of the Sixth Amendment Distribution, Borrowers shall have obtained written consent to the Sixth Amendment Distribution from Mezzanine Lender, on substantially the same terms as set forth herein; and
- (f) Lender shall have received such other agreements, instruments and documents as Lender may reasonably request.

4. Miscellaneous.

(a) Each Borrower hereby ratifies and reaffirms the Obligations, the Loan Agreement, each of the other Loan Documents and all of such Borrower's covenants, duties, indebtedness and liabilities under the Loan Agreement and the other Loan Documents.

(b) Each Borrower acknowledges and stipulates that the Loan Agreement and the other Loan Documents executed by such Borrower are legal, valid and binding obligations of such Borrower that are enforceable against such Borrower in accordance with the terms thereof; all of the Obligations are owing and payable without defense, offset or counterclaim (and to the extent there exists any such defense, offset or counterclaim on the date hereof, the same is hereby waived by such Borrower); the security interests and liens granted by such Borrower in favor of Lender are duly perfected, first priority security interests and liens; and as of the close of business on June 4, 2018, (i) the unpaid principal amount of the Revolver Loans totaled \$4,225,630.68, and (ii) outstanding Letters of Credit totaled \$72,715.

(c) Each Borrower represents and warrants to Lender, to induce Lender to enter into this Agreement, that no Default or Event of Default exists immediately prior to and immediately after giving effect to this Agreement, including, without limitation, pursuant to Section 11.1(f) due to any breach under (i) a certain guaranty from Marquis in favor of STORE CAPITAL ACQUISITIONS, LLC, a Delaware limited liability company ("STORE"), with respect to the obligations owing by MARQUIS REAL ESTATE HOLDINGS, LLC, a Delaware limited liability company ("SPE"), to STORE under certain lease and loan documentation to which SPE and STORE are parties from time to time, or (ii) certain lease documentation between Marquis and Banc of America Leasing & Capital, LLC, as in existence from time to time; the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate or limited liability company action on the part of such Borrower and this Agreement has been duly executed and delivered by such Borrower; and all of the representations and warranties made by such Borrower in the Loan Agreement are true and correct in all material respects on and as of the effective date of this Agreement (except for representations and warranties that expressly relate to an earlier date). This Agreement shall be part of the Loan Agreement and a breach of any representation, warranty or covenant herein shall constitute an Event of Default.

(d) Except as otherwise expressly provided in this Agreement, nothing herein shall be deemed to amend or modify any provision of the Loan Agreement or any of the other Loan Documents, each of which shall remain in full force and effect. This Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Loan Agreement as herein modified shall continue in full force and effect.

(e) This Agreement shall be effective when accepted by Lender (notice of which acceptance is hereby waived), whereupon this Agreement shall be a contract governed by and construed in accordance with the internal laws of the State of Georgia and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may be executed in any number of counterparts and by different parties to this Agreement on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature hereto.

(f) To the fullest extent permitted by Applicable Law, the parties hereto each hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Agreement.

[Remainder of page intentionally left blank;
signatures appear on following pages.]

ATTEST:

/s/ Tony Isaac
Tony Isaac, Secretary

[COMPANY SEAL]

ATTEST:

/s/ Rhonda Bailey
Rhonda Bailey, Secretary

BORROWERS:

MARQUIS AFFILIATED HOLDINGS LLC

By: /s/ John Isaac
Jon Isaac, President and Chief Executive Officer

MARQUIS INDUSTRIES, INC.

By: /s/ Timothy A. Bailey
Timothy A. Bailey, Chief Executive Officer

Exhibit 31.1

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, 2018 of Live Ventures Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Jon Isaac

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

Dated: August 14, 2018

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

I, Virland A. Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 of Live Ventures Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

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

Dated: August 14, 2018

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Live Ventures Incorporated (the "Company") on Form 10-Q for the period ended June 30, 2018, 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 14, 2018

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, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Virland A. Johnson, the Chief Financial Officer (Principal Financial Officer) of the Company, to the best of my knowledge and belief, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: August 14, 2018

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.