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, 2020

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

For the transition period from _____________ to _______________

Commission File Number 001-33937

Live Ventures Incorporated

(Exact name of registrant as specified in its charter)

Nevada	**85-0206668**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
325 E. Warm Springs Road, Suite 102 **Las Vegas, Nevada**	**89119**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

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

The number of shares of the issuer's common stock, par value $0.001 per share, outstanding as of August 4, 2020 was 1,603,031.

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FOR THE NINE MONTHS ENDED JUNE 30, 2020

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Item 1. Financial Statements

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

	June 30, 2020 (Unaudited)	September 30, 2019
Assets		
Cash	$ 5,689	$ 2,681
Trade receivables, net	13,540	11,901
Inventories, net	42,927	38,558
Income taxes receivable	83	235
Prepaid expenses and other current assets	2,313	2,377
Debtor in possession assets	611	—
Total current assets	65,163	55,752
Property and equipment, net	24,687	22,596
Right of use asset - operating leases	24,585	—
Deposits and other assets	88	90
Deferred taxes	2,678	4,869
Intangible assets, net	1,196	2,199
Goodwill	37,577	36,947
Total assets	$ 155,974	$ 122,453
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 9,841	$ 14,144
Accrued liabilities	6,724	12,984
Lease obligation short term - operating leases	6,900	—
Current portion of long-term debt	18,075	7,897
Debtor-in-possession liabilities	12,022	—
Total current liabilities	53,562	35,025
Long-term debt, net of current portion	39,250	47,819
Lease obligation long term - operating leases	18,439	—
Notes payable related parties, net of current portion	4,826	4,826
Other non-current obligations	318	654
Total liabilities	116,395	88,324
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 March 31, 2020 and September 30, 2019	—	—
Series E convertible preferred stock, $0.001 par value, 200,000 shares authorized, 47,840 and 77,840 shares issued and outstanding at June 30, 2020 and September 30, 2019, respectively, with a liquidation preference of $0.30 per share outstanding	—	—
Common stock, $0.001 par value, 10,000,000 shares authorized, 1,613,281 and 1,826,009 shares issued and outstanding at June 30, 2020 and September 30, 2019, respectively	2	2
Paid in capital	64,359	63,924
Treasury stock common 474,905 shares as of June 30, 2020 and 262,177 shares as of September 30, 2019	(3,871)	(2,438)
Treasury stock Series E preferred 80,000 shares as of June 30, 2020 and 50,000 shares as of September 30, 2019	(7)	(4)
Accumulated deficit	(20,904)	(27,355)
Total stockholders' equity	39,579	34,129
Total liabilities and stockholders' equity	$ 155,974	$ 122,453

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

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

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	For the Nine Months Ended June 30, 2020	For the Nine Months Ended June 30, 2019
Revenues	$ 42,472	$ 47,043	$ 130,904	$ 147,212
Cost of revenues	25,759	27,797	79,789	89,978
Gross profit	16,713	19,246	51,115	57,234
Operating expenses:				
General and administrative expenses	8,221	12,191	30,731	37,886
Sales and marketing expenses	2,502	3,246	7,839	11,403
Total operating expenses	10,723	15,437	38,570	49,289
Operating income	5,990	3,809	12,545	7,945
Other (expense) income:				
Interest expense, net	(1,155)	(1,605)	(3,782)	(4,793)
Gain on lease settlement, net	—	—	223	—
Other income (expense)	173	(162)	(133)	1,663
Total other (expense) income, net	(982)	(1,767)	(3,692)	(3,130)
Income before provision for income taxes	5,008	2,042	8,853	4,815
Provision for income taxes	1,423	562	2,402	1,331
Net income	$ 3,585	$ 1,480	$ 6,451	$ 3,484
Dividends declared - series B convertible preferred stock	$ —	$ —	$ —	$ —
Dividends declared - series E convertible preferred stock	$ —	$ —	$ —	$ —
Dividends declared - common stock	$ —	$ —	$ —	$ —
Earnings per share:				
Basic	$ 2.18	$ 0.78	$ 3.72	$ 1.81
Diluted	$ 1.07	$ 0.41	$ 1.87	$ 0.95
Weighted average common shares outstanding:				
Basic	1,646,836	1,886,445	1,735,416	1,919,221
Diluted	3,356,043	3,625,652	3,444,623	3,663,038

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

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

	For the Nine Months Ended June 30, 2020	For the Nine Months Ended June 30, 2019
OPERATING ACTIVITIES:		
Net income	$ 6,451	$ 3,484
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	3,954	4,132
Gain on lease settlement, net	(223)	—
Gain or loss on disposal of property and equipment	263	(1,407)
Amortization of debt issuance cost	274	299
Stock based compensation expense	67	110
Warrant extension fair value adjustment	368	—
Amortization of right-to-use assets	985	
Change in deferred rent	—	370
Change in reserve for uncollectible accounts	424	(193)
Change in reserve for obsolete inventory	(84)	(569)
Change in deferred income taxes	2,190	1,211
Change in other	(316)	256
Changes in assets and liabilities:		
Trade receivables	2,702	2,807
Inventories	9,398	6,898
Income taxes receivable	152	114
Prepaid expenses and other current assets	24	483
Deposits and other assets	173	29
Accounts payable	(6,266)	(2,230)
Accrued liabilities	(2,461)	(1,008)
Net cash provided by operating activities	18,075	14,786
INVESTING ACTIVITIES:		
Purchase of intangible assets	(30)	(112)
Lonesome Oak acquisition	(550)	—
Note receivable	(55)	—
Proceeds from the sale of property and equipment	—	4,382
Purchase of property and equipment	(2,357)	(2,019)
Net cash provided by (used in) investing activities	(2,992)	2,251
FINANCING ACTIVITIES:		
Net borrowings (payments) under revolver loans	(5,169)	(5,446)
Purchase of series E preferred treasury stock	(3)	—
Payment of debt issuance cost	—	(168)
Proceeds from issuance of notes payable	9,768	—
Purchase of common treasury stock	(1,433)	(631)
Payments on related party notes payable	—	(1,069)
Debtor-in-possession cash	(86)	—
Payments on notes payable	(15,152)	(10,048)
Net cash used in financing activities	(12,075)	(17,362)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,008	(325)
CASH AND CASH EQUIVALENTS, beginning of period	2,681	2,742
CASH AND CASH EQUIVALENTS, end of period	$ 5,689	$ 2,417
Supplemental cash flow disclosures:		
Interest paid	$ 3,415	$ 4,437
Income taxes paid (refunded)	$ —	$ 86

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

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

	Series B Preferred Stock		Series E Preferred Stock		Common Stock			Series E Preferred Stock	Common Stock		
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Treasury Stock	Treasury Stock	Accumulated Deficit	Total Equity
Balance, March 31, 2020	214,244	$ —	47,840	$ —	1,719,442	$ 2	$ 64,340	$ (7)	$ (3,197)	$ (24,489)	$ 36,649
Stock based compensation	—	—	—	—	—	—	19	—	—	—	19
Warrant extension fair value adjustment	—	—	—	—	—	—	—	—	—	—	—
Purchase of common treasury stock	—	—	—	—	(106,161)	—	—	—	(674)	—	(674)
Net income	—	—	—	—	—	—	—	—	—	3,585	3,585
Balance, June 30, 2020	214,244	$ —	47,840	$ —	1,613,281	$ 2	$ 64,359	$ (7)	$ (3,871)	$ (20,904)	$ 39,579

	Series B Preferred Stock		Series E Preferred Stock		Common Stock			Series E Preferred Stock	Common Stock		
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Treasury Stock	Treasury Stock	Accumulated Deficit	Total Equity
Balance, March 31, 2019	214,244	$ —	77,840	$ —	1,901,900	$ 2	$ 63,732	$ (4)	$ (1,871)	$ (20,650)	$ 41,209
Stock based compensation	—	—	—	—	—	—	32	—	—	—	32
Purchase of common treasury stock	—	—	—	—	(41,618)	—	—	—	(310)	—	(310)
Net income	—	—	—	—	—	—	—	—	—	1,480	1,480
Balance, June 30, 2019	214,244	$ —	77,840	$ —	1,860,282	$ 2	$ 63,764	$ (4)	$ (2,181)	$ (19,170)	$ 42,411

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

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

	Series B Preferred Stock		Series E Preferred Stock		Common Stock			Series E Preferred Stock	Common Stock		
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Treasury Stock	Treasury Stock	Accumulated Deficit	Total Equity
Balance, September 30, 2019	214,244	$ —	77,840	$ —	1,826,009	$ 2	$ 63,924	$ (4)	$ (2,438)	$ (27,355)	$ 34,129
Stock based compensation	—	—	—	—	—	—	67	—	—	—	67
Warrant extension fair value adjustment	—	—	—	—	—	—	368	—	—	—	368
Purchase of common treasury stock	—	—	—	—	(212,728)	—	—	—	(1,433)	—	(1,433)
Purchase of Series E preferred stock	—	—	(30,000)	—	—	—	—	(3)	—	—	(3)
Net income	—	—	—	—	—	—	—	—	—	6,451	6,451
Balance, June 30, 2020	214,244	$ —	47,840	$ —	1,613,281	$ 2	$ 64,359	$ (7)	$ (3,871)	$ (20,904)	$ 39,579

	Series B Preferred Stock		Series E Preferred Stock		Common Stock			Series E Preferred Stock	Common Stock		
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Treasury Stock	Treasury Stock	Accumulated Deficit	Total Equity
Balance, September 30, 2018	214,244	$ —	77,840	$ —	1,945,247	$ 2	$ 63,654	$ (4)	$ (1,550)	$ (22,654)	$ 39,448
Stock based compensation	—	—	—	—	—	—	110	—	—	—	110
Purchase of common treasury stock	—	—	—	—	(84,965)	—	—	—	(631)	—	(631)
Net income	—	—	—	—	—	—	—	—	—	3,484	3,484
Balance, June 30, 2019	214,244	$ —	77,840	$ —	1,860,282	$ 2	$ 63,764	$ (4)	$ (2,181)	$ (19,170)	$ 42,411

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

Note 1: Background and Basis of Presentation

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

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

Coronavirus

In March 2020, there was a global outbreak of COVID-19 (Coronavirus) that has resulted in changes in global supply of certain products.The pandemic is having an unprecedented impact on the U.S. economy as federal, state, and local governments react to this public health crisis, which has created significant uncertainties. These uncertainties include, but are not limited to, the potential adverse effect of the pandemic on the economy, our supply chain partners, our employees and customers, customer sentiment in general, and traffic within shopping centers, and, where applicable, malls, containing our stores. As the pandemic continues to grow, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state, and local authorities to avoid large gatherings of people or self-quarantine are continuing to increase, which has already affected, and may continue to affect, traffic to our stores . As of March 31, 2020, Vintage Stock had closed all of its retail locations in response to the crisis. Beginning May 1, 2020, Vintage began to reopen certain locations in compliance with government regulations. Additionally, as of June 30, 2020, all Vintage retail locations were reopened while maintaining compliance with government mandates. We are unable to predict if additional periods of store closures will be needed or mandated. During March and April 2020, Marquis conducted rolling layoffs for certain employees, however, during May 2020, all employees have returned to their respective locations. Continued impacts of the pandemic could materially adversely affect our near-term and long-term revenues, earnings, liquidity, and cash flows, and may require significant actions in response, including but not limited to, employee furloughs, reduced store hours, store closings, expense reductions or discounting of pricing of our products, all in an effort to mitigate such impacts. The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the outbreak within the U.S., the impact on capital and financial markets and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

Note 2: Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

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

Financial Instruments

Financial instruments consist primarily of cash equivalents, trade and other receivables, advances to affiliates and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash equivalents, trade receivables and other receivables, accounts payable, accrued expenses and short-term notes payable approximate fair value because of the short maturity of these instruments. The fair value of the long-term debt is calculated based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements, unless quoted market prices are available (Level 2 inputs). The carrying amounts of long-term debt at June 30, 2020 and September 30, 2019 approximate fair value.

Cash and Cash Equivalents

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

Trade Receivables

The Company grants trade credit to customers under credit terms that it believes are customary in the industry it operates and does not require collateral to support customer trade receivables. Some of the Company's trade receivables are factored primarily through two factors. Factored trade receivables are sold without recourse for substantially all of the balance receivable for credit approved accounts. The factor purchases the trade receivable(s) for the gross amount of the respective invoice(s), less factoring commissions, trade and cash discounts. The factor charges the Company a factoring commission for each trade account, which is between 0.75-1.00% of the gross amount of the invoice(s) factored on the date of the purchase, plus interest calculated at 3.25%-6% per annum. The minimum annual commission due the factor is $112 per contract year.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts, which includes allowances for accounts and factored trade receivables, customer refunds, dilution and fees from local exchange carrier billing aggregators and other uncollectible accounts. The allowance for doubtful accounts is based upon historical bad debt experience and periodic evaluations of the aging and collectability of the trade receivables. This allowance is maintained at a level which the Company believes is sufficient to cover potential credit losses and trade receivables are only written off to bad debt expense as uncollectible after all reasonable collection efforts have been made. The Company has also purchased accounts receivable credit insurance to cover non-factored trade and other receivables which helps reduce potential losses due to doubtful accounts. At June 30, 2020 and September 30, 2019, the allowance for doubtful accounts was $873 and $936, respectively.

Inventories

Manufacturing Segment

Inventories are valued at the lower of the inventory's cost (first in, first out basis or "FIFO") or net realizable value of the inventory. Management compares the cost of inventory with its net realizable value and an allowance is made to write down inventory to net realizable value, if lower. Management also reviews inventory to determine if excess or obsolete inventory is present and a reserve is made to reduce the carrying value for inventory for such excess and or obsolete inventory. At June 30, 2020 and September 30, 2019, the reserve for obsolete inventory was $92.

Retail and Online Segment

Inventories are valued at the lower of the inventory's cost (first in, first out basis or "FIFO") or net realizable value of the inventory. Management compares the cost of inventory with its net realizable value and an allowance is made to write down inventory to net realizable value, if lower. Management also reviews inventory to determine if excess or obsolete inventory is present and a reserve is made to reduce the carrying value for inventory for such excess and or obsolete inventory. Merchandise inventory reserves as of June 30, 2020 and September 30, 2019 were $242 and $590, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of building and improvements are 3 to 40 years, transportation equipment is 5 to 10 years, machinery and equipment are 5 to 10 years, furnishings and fixtures are 3 to 5 years and office and computer equipment are 3 to 5 years. Depreciation expense was $1,316 and $982 for the three months ended June 30, 2020 and 2019, respectively. Depreciation expense was $3,458 and $3,055 for the nine months ended June 30, 2020 and 2019, respectively.

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

Goodwill

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

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

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

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

There was no goodwill impairment for the nine months ended June 30, 2020 and 2019.

Intangible Assets

The Company's intangible assets consist of customer relationship intangibles, licenses for the use of internet domain names, Universal Resource Locators, or URL's, software, and marketing and technology related intangibles. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include but are not limited to: future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining the fair values. All intangible assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, customer relationships – 7 to 15 years, customer lists – 20 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determined lives may be adjusted. Intangible amortization expense was $162 and $176 for the three months ended June 30, 2020 and 2019, respectively. Intangible amortization expense was $497 and $1,068 for the nine months ended June 30, 2020 and 2019, respectively.

Revenue Recognition

General

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

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

Manufacturing Segment

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

Retail and Online Segment

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

Services Segment

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

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

Spare Parts

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

Warranties

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

We sell certain extended service arrangements separately from the sale of products. During 2019, the Company became the principal for certainextended service arrangements. Revenue related to these arrangements is recognized ratably over the contract term. The warranty reserve of $231 and $292 is included in accrued liabilities on the consolidated balance sheet at June 30, 2020 and September 30, 2019, respectively.

Shipping and Handling

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

Customer Liabilities

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

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

The Company establishes a liability upon the issuance of merchandise credits and the sale of gift cards. Breakage income related to gift cards which are no longer reportable under state escheatment laws for the three months ended June 30, 2020 and 2019, was $103 and $240, respectively and $89 and $369 for the nine months ended June 30, 2020 and 2019, respectively.

Fair Value Measurements

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

Income Taxes

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

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

Lease Accounting

We lease retail stores, warehouse facilities and office space. These assets and properties are generally leased under noncancelable agreements that expire atvarious dates through 2029 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for minimum and, in some cases percentage rent and require us to pay all insurance, taxes and other maintenance costs.

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

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

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

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

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

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

Stock-Based Compensation

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

Earnings Per Share

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

Segment Reporting

ASC Topic 280, "*Segment Reporting*," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a Company's management organizes segments within the Company for making operating decisions and assessing performance. The Company determined it has three reportable segments (See Note 16).

Concentration of Credit Risk

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

Note 3: Leases

We adopted ASU No. 2016-02, Leases (Topic 842) on October 1, 2019, the beginning of our fiscal year. The Company adopted the new standard prospectively and elected certain practical expedients permitted under the new standard's transition guidance. This allows the Company to carry forward the historical lease classification and to not reassess the lease term for leases in existence as of the adoption date and to carry forward our historical accounting treatment for land easements on agreements existing on the adoption date. The Company also made policy elections for certain classes of underlying assets to not separate lease and non-lease components in a contract as permitted under the new standard.

We lease retail stores, warehouse facilities and office space. These assets and properties are generally leased under noncancelable agreements that expire atvarious dates through 2029 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for minimum and, in some cases percentage rent and require us to pay all insurance, taxes and other maintenance costs. As a result, we recognize assets and liabilities for all leases with lease terms greater than 12 months. The amounts recognized reflect the present value of remaining lease payments for all leases. The discount rate used is an estimate of the Company's blended incremental borrowing rate based on information available associated with each subsidiary's debt outstanding at lease commencement. In considering the lease asset value, the company considers fixed and variable payment terms, prepayments and options to extend, terminate or purchase. Renewal, termination or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. See the Note 2 on Lease Accounting.

The weighted average remaining lease term is 4.2 years. Our weighted average discount rate is 8.1%. Total cash payments for the nine months ended June 30, 2020 was $5,961. We did not enter into any new leases during the nine months ended June 30, 2020, however, upon completion of our acquisition of Lonesome Oak (see Note 4), we recorded right of use assets and lease liabilities of $7,691.

The following table details our right of use assets and lease liabilities as of June 30, 2020:

		June 30, 2020
Right of use asset - operating leases	$	24,585
Operating lease liabilities:		
Current		6,900
Long term		18,439

Total present value of future lease payments as of June 30, 2020:

Twelve months ended June 30,		
2021	$	6,900
2022		6,859
2023		4,368
2024		2,722
2025		1,763
Thereafter		4,604
Total		27,216
Less implied interest		(1,877)
Present value of payments	$	25,339

During the nine months ended June 30, 2020, the Company recorded a net gain on lease settlement of $223 which consisted of impairment charges of $614 related to the decision to close additional ApplianceSmart retail locations resulting in a decrease to the associated right of use asset related to these leases, offset by a gain on lease settlement of $837 resulting from the extinguishment of the lease liability associated with the closed retail locations.

As of July 1, 2020, the Company entered into a lease agreement for office space in Nevada with an initial lease term through November 30, 2025. The Company estimates the present value of the right of use asset and lease liability to be in the range of $1,000 to $1,500.

Note 4: Acquisition

Lonesome Oak Acquisition

On November 1, 2019, Marquis entered into a purchase agreement, as amended on January 31, 2020 (as amended, the "LOTC Purchase Agreement"), to acquire all of the outstanding capital stock of Lonesome Oak Trading Co., Inc. ("Lonesome Oak"). Pursuant to the LOTC Purchase Agreement, and on January 31, 2020, Marquis acquired from the sole shareholder of Lonesome Oak (the "LOTC Shareholder") all of the issued and outstanding shares of capital stock of Lonesome Oak for $2,000. In connection with the closing of the acquisition, Lonesome Oak entered into a lease agreement with the LOTC Shareholder regarding certain properties that are used in Lonesome Oak's operations and that are owned by affiliates of the LOTC Shareholder. Marquis held back $1,450 of the purchase price (the "Holdback Amount") to satisfy claims for indemnity arising out of breaches of certain representations, warranties, and covenants, and certain other enumerated items, if any. In connection with the closing of the transaction, the LOTC Shareholder entered into an employment agreement with a five-year term and serves as an Executive Vice President of Lonesome Oak pursuant to the terms thereof. Subject to certain exceptions, the LOTC Shareholder has agreed to indemnify Marquis for breaches of certain representations, warranties, and covenants, and certain other enumerated items, if any. Indemnification by the LOTC Shareholder for breaches of certain representations and warranties is generally limited to the Holdback Amount. The LOTC Shareholder is subject to a three-year non-competition and non-solicitation provisions. On March 2, 2020, Lonesome Oak merged with and into Marquis, with Marquis surviving the merger and Lonesome Oak ceasing to exist as a separate entity. The Company began consolidating the financial results of this acquisition in the unaudited Condensed Consolidated Financial Statements on January 31, 2020.

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

Note 5: Balance Sheet Detail Information

	June 30, 2020	September 30, 2019
Trade receivables, current, net:		
Accounts receivable, current	$ 14,217	$ 12,641
Less: Reserve for doubtful accounts	(677)	(740)
	$ 13,540	$ 11,901
Trade receivables , long term, net:		
Accounts receivable, long term	$ 196	$ 196
Less: Reserve for doubtful accounts	(196)	(196)
	$ —	$ —
Total trade receivables, net:		
Gross trade receivables	$ 14,413	$ 12,837
Less: Reserve for doubtful accounts	(873)	(936)
	$ 13,540	$ 11,901
Inventory, net		
Raw materials	$ 6,532	$ 7,431
Work in progress	9,805	2,141
Finished goods	10,034	6,785
Merchandise	16,890	22,883
	43,261	39,240
Less: Inventory reserves	(334)	(682)
	$ 42,927	$ 38,558
Property and equipment, net:		
Building and improvements	$ 10,566	$ 10,827
Transportation equipment	480	82
Machinery and equipment	23,845	20,035
Furnishings and fixtures	2,768	2,741
Office, computer equipment and other	2,655	2,544
	40,314	36,229
Less: Accumulated depreciation	(15,627)	(13,633)
	$ 24,687	$ 22,596
Intangible assets, net:		
Domain name and marketing related intangibles	$ 90	$ 90
Lease intangibles	—	1,033
Customer relationship intangibles	2,689	2,689
Purchased software	146	808
	2,925	4,620
Less: Accumulated amortization	(1,729)	(2,421)
	$ 1,196	$ 2,199
Accrued liabilities:		
Compensation and benefits	$ 2,329	$ 3,316
Accrued sales and use taxes	382	1,176
Accrued property and other taxes	385	191
Accrued rent	36	604
Accrued gift card and escheatment liability	1,401	1,461
Accrued interest payable	105	181
Accrued accounts payable and bank overdrafts	1,365	591
Accrued professional fees	426	4,660
Customer deposits	103	240
Accrued expenses - other	192	564
	$ 6,724	$ 12,984

Note 6: Intangibles

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

The following table summarizes estimated future amortization expense related to intangible assets that have net balances as of June 30, 2020:

2021	$	435
2022		289
2023		210
2024		87
2025		29
Thereafter		146
	$	1,196

Note 7: Long Term Debt

Bank of America Revolver Loan

On July 6, 2015 (amended most recently January 31, 2020 and July 6, 2020), Marquis entered into a $15,000 (increased per an amendment to the BofA Revolver (as defined below) credit agreement as of January 31, 2020: $25,000) revolving credit agreement with Bank of America Corporation ("BofA Revolver"). The BofA Revolver is a five-year, asset-based facility that is secured by substantially all of Marquis' assets. Availability under the BofA Revolver is subject to a monthly borrowing base calculation. Marquis' ability to borrow under the BofA Revolver is subject to the satisfaction of certain conditions, including meeting all loan covenants under the credit agreement with BofA. Marquis expects to incur operational losses in the coming months as a result of COVID-19 and as such, Marquis cannot rely on any availability under the revolving line of credit with Bank of America to fund its operations. Marquis believes that as a result of the effects of the COVID-19 pandemic and other economic conditions both globally and in the U.S., its access to the funds under the BofA Revolver may be limited.

Payment obligations under the BofA Revolver include monthly payments of interest and all outstanding principal and accrued interest thereon due in July 2020 (as of January 31, 2020: January 2025), which is when the BofA Revolver loan agreement terminates. The BofA Revolver is recorded as a currently liability due to a lockbox requirement, and a subjective acceleration clause as part of the agreement.

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

For purposes of clarity, the advance rate in certain circumstances for inventory is 39.1% or 53.5% for raw materials, 0% for work-in-process, and 54.2% or 70% for finished goods subject to eligibility, special reserves and advance limit of the lessor of $12,500 or 65% of the value of eligible inventory. Letters of credit reduce the amount available to borrow under the BofA Revolver by an amount equal to the face value of the letters of credit.

Distributions by Holdings may be made to holders of its equity Interests so long as the following conditions are satisfied with respect to each such Distribution: (a) no Default or Event of Default has occurred or would result from such Distribution, (b) Lender has received the financial statements required under Section 10.1.2 (a)(ii), (c) Lender has received evidence that after giving effect to consummation of such Distribution, Borrowers shall maintain a Fixed Charge Coverage Ratio of at least 1.1 to 1.0 on a pro forma basis, measured as of the most recently ended month for which Obligors have delivered the financial statements required under Section 10.1.2(a) or (b), as the case may be, for the twelve month period then ended, (d) Availability on each day during the 60 day period immediately preceding such Distribution calculated on a pro forma basis assuming such Distribution occurred on the first day of such period (including any Loans made hereunder to finance such Distribution) shall be greater than or equal to $4,000 (as of January 31, 2020: $5,000), and (e) Availability, on the date of such Distribution, immediately after giving pro forma effect to the consummation of such Distribution (including any Loans made hereunder to finance such Distribution) shall be greater than or equal to$4,000 (as of January 31 2020: $5,000).

The BofA Revolver places certain restrictions and covenants on Marquis, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions, incurrence of additional indebtedness for Marquis to maintain a fixed charge coverage ratio of at least 1.05 to 1, tested as of the last day of each month for the twelve consecutive months ending on such day. The BofA Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Marquis, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Marquis or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Marquis or certain of its subsidiaries.

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

Level	Fixed Charge Coverage Ratio	Base Rate Revolver	LIBOR Revolver
I	<1.20 to 1.00	1.25 %	2.25 %
II	>1.20 to 1.00 but <1.50 to 1.00	1.00 %	2.00 %
III	>1.50 to 1.00 but <1.75 to 1.00	0.75 %	1.75 %
IV	>1.75 to 1.00 but >2.00 to 1.00	0.50 %	1.50 %
V	>2.00 to 1.00	0.25 %	1.25 %

The following tables summarize the BofA Revolver for the nine months ended June 30, 2020 and 2019 and as of June 30, 2020 and September 30, 2019:

	During the nine months ended June 30,	
	2020	2019
Cumulative borrowing during the period	$ 85,563	$ 63,942
Cumulative repayment during the period	87,919	71,542
Maximum borrowed during the period	11,347	8,071
Weighted average interest for the period	2.87 %	4.19 %

	June 30, 2020	September 30, 2019
Total availability	$ 22,455	$ 14,914
Total outstanding	—	13

Real Estate Transaction

On June 14, 2016, Marquis entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was $10,000, which consisted of $644 from the sale of the land and a note payable of $9,356. In connection with the transaction, Marquis entered into a lease with a 15-year term commencing on the closing of the transaction, which provides Marquis an option to extend the lease upon the expiration of its term. The initial annual lease rate is $60 with an annual increase of 17%. The note payable bears interest at 9.25% per annum, with principal and interest due monthly. The note payable matures June 13, 2056. For the first five years of the note payable, there is a pre-payment penalty of 5%, which declines by 1% for each year the loan remains un-paid. There is no pre-payment penalty following the tenth anniversary of the of the note. In connection with the note payable, Marquis incurred $458 in transaction costs that are being recognized as a debt issuance cost that is being amortized and recorded as interest expense over the term of the note payable.

Equipment Loans

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

Note #1 is $5,000, secured by equipment. The Equipment Loan #1 is due July 24, 2021, payable in 60 monthly payments of $75 beginning September 24, 2016, bearing interest at 3.9% per annum.

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

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

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

Note #6 is $913, secured by equipment. The Equipment Loan #6 is due July 29, 2024, payable in 60 monthly payments of $15 beginning August 28, 2019, bearing interest at 4.7% per annum.

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

Lonesome Oak Equipment Loan

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

Seller Subordinated Acquisition Obligation – Marquis

In connection with the Lonesome Oak acquisition (see Note 4), under the terms of the LOTC Purchase Agreement, the Company incurred a contractual obligation of $1,450 which represents the holdback amount of the purchase price. The obligation bears interest at a rate of 3.0% per annum, with the principal and accrued interest due on July 31, 2021, the maturity date.

Texas Capital Bank Revolver Loan

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

Payment obligations under the TCB Revolver include monthly payments of interest and all outstanding principal and accrued interest thereon due in November 2020, which is when the TCB Revolver loan agreement terminates.

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

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

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

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

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

The following tables summarize the TCB Revolver for the nine months ended June 30, 2020 and 2019 and as of June 30, 2020 and September 30, 2019:

	During the nine months ended June 30,	
	2020	**2019**
Cumulative borrowing during the period	$ 46,792	$ 57,653
Cumulative repayment during the period	51,063	58,351
Maximum borrowed during the period	11,798	11,932
Weighted average interest for the period	3.59 %	4.71 %

	June 30, 2020	**September 30, 2019**
Total availability	$ 5,681	$ 1,410
Total outstanding	6,319	10,590

Sellers Subordinated Acquisition Note - Vintage

In connection with the purchase of Vintage Stock, on November 3, 2016, VSAH and Vintage Stock entered into a seller financed mezzanine loan in the amount of $10,000 with the previous owners of Vintage Stock. The Sellers Subordinated Acquisition Note bears interest at 8% per annum, with interest payable monthly in arrears. The Sellers Subordinated Acquisition Note, as amended, has a maturity date of September 23, 2023.

Crossroads Revolver

On March 15, 2019, ApplianceSmart, Inc. (the "Borrower"), entered into a Loan and Security Agreement (the "Crossroads Revolver") with Crossroads Financing, LLC ("Crossroads"), providing for a $4,000 revolving credit facility, subject to a borrowing base limitation (the "ABL Facility"). The borrowing base for the ABL Facility at any time equals the lower of (i) up to 75% of inventory cost or (ii) up to 85% of net orderly liquidation value, in each case as further described in the Loan Agreement.

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

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

Advances under the Crossroads Revolver are guaranteed by Parent and ApplianceSmart Contracting, Inc., a wholly-owned subsidiary of Parent. In addition, certain executive officers of the Borrower have agreed to provide validity guarantees. Advances under the Crossroads Revolver are secured by a pledge of substantially all of the assets of the Borrower. On March 3, 2020, the Company executed a guaranty agreement to Crossroads to induce Crossroads to continue to extend financial accommodations and consent to use of cash collateral to ApplianceSmart. The amount of the guaranty is $1,200. The guaranty terminates at such time as ApplianceSmart has paid in full all amounts owed by it to Crossroads. The Company expects the guaranty to continue in effect until August 2021.

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

On December 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code. See Notes 13 and 14 for a complete discussion.

Comvest Term Loan

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

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

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

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

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

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

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

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

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

The Term Loans place certain restrictions and covenants on Vintage Stock, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness for Vintage Stock. Vintage Stock is required to maintain a minimum of $10,000 of EBITDA on a trailing twelve months basis. So long as the Senior leverage ratio is below 2.0 to 1.0, Vintage Stock is required to spend no more than $2,000 in fiscal year 2020, $1,750 in fiscal year 2021, and $1,500 in fiscal years 2022 and thereafter. At all times that the senior leverage ratio is greater than or equal to 1.50:1.00, Vintage Stock cannot have the same store sales percentage to be less than or equal to a negative 5.5 percent as of the last day of any fiscal quarter. Vintage Stock may only open three new retail locations within a twelve-month period so long as the senior leverage ratio is 2.00:1.00 or more. If the senior leverage ratio is less than 2.00:1.00 and is compliant with the loan covenants, Vintage Stock may only open more than five new retail locations within a twelve-month period.

Vintage Stock is required to maintain a declining maximum senior leverage ratio on a trailing twelve-month basis of 2.25:1:00 declining to 1.55:1:00 through the term of the loan.

Vintage Stock is required to maintain on a trailing twelve-month basis a minimum fixed charge ratio of no less 1.40:1.00 as of March 31, 2020 through the remainder of the term of the loan. However, all covenant restrictions are waived until September 30, 2020, due to COVID-19.

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

In connection with the Comvest Term Loan, Vintage Stock incurred $1,429 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the Comvest Term Loan.

Marquis PPP Loan

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

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

Marquis expects to incur operational losses in the coming months as a result of COVID-19 and as such, Marquis cannot rely on any availability under the revolving line of credit with Bank of America to fund its operations. Marquis believes that as a result of the effects of the COVID-19 pandemic and other economic conditions both globally and in the U.S., its access to the funds under the BofA Revolver may be limited.

Loan Covenant Compliance

We were in compliance as of June 30, 2020 with all covenants under our existing revolving and other loan agreements, with the exception of covenants related to the Crossroads Revolver.

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

	June 30, 2020	September 30, 2019
Bank of America Revolver Loan	$ —	$ 13
Texas Capital Bank Revolver Loan	6,319	10,590
Note Payable Comvest Term Loan	8,845	15,412
Note Payable to the Sellers of Vintage Stock	10,000	10,000
Crossroads Financial Revolver Loan	—	1,981
Note #1 Payable to Banc of America Leasing & Capital LLC	1,439	2,057
Note #3 Payable to Banc of America Leasing & Capital LLC	1,994	2,379
Note #4 Payable to Banc of America Leasing & Capital LLC	613	731
Note #5 Payable to Banc of America Leasing & Capital LLC	2,672	3,065
Note #6 Payable to Banc of America Leasing & Capital LLC	792	891
Note #7 Payable to Banc of America Leasing & Capital LLC	4,819	—
Lonesome Oak equipment loans	3,200	—
Note payable to the Sellers of Lonesome Oak	2,344	—
Note Payable to Store Capital Acquisitions, LLC	9,251	9,274
Paycheck Protection Program	4,768	—
Note payable to individual, noninterest bearing, monthly payments of $19 through March 2023	657	—
Note payable to individual, interest at 11% per annum, payable on a 90 day written notice, unsecured	207	207
Note payable to individual, interest at 10% per annum, payable on a 90 day written notice, unsecured	500	500
Total notes payable	58,420	57,100
Less unamortized debt issuance costs	(1,095)	(1,384)
Net amount	57,325	55,716
Less current portion	(18,075)	(7,897)
Long-term portion	$ 39,250	$ 47,819

Future maturities of long-term debt as of June 30, 2020, are as follows which does not include related party debt separately stated:

Twelve months ending June 30,		
2021	$	18,075
2022		8,988
2023		7,410
2024		11,844
2025		1,202
Thereafter		10,901
Total	$	58,420

Note 8: Notes Payable, Related Parties

JanOne Inc. Note

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

On April 25, 2018, ASH delivered to the Seller that certain Promissory Note (the "ApplianceSmart Note") in the original principal amount of $3,919 (the "Original Principal Amount"), as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on April 1, 2021 (the "Maturity Date"). The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining $2,581 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of June 30, 2020, and September 30, 2019, there was $2,826 principal outstanding on the ApplianceSmart Note.

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

On December 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code. See Notes 13 and 14 for a complete discussion.

Isaac Capital Fund Mezzanine Loan

During 2015, the Company entered into a mezzanine loan in the amount of up to $7,000 with Isaac Capital Fund ("ICF"), a private lender whose managing member is Jon Isaac, our President and Chief Executive Officer. The ICF mezzanine loan bears interest at 12.5% per annum with payment obligations of interest each month and all principal due in May 2025. As of June 30, 2020, and September 30, 2019, there was $2,000 outstanding on this mezzanine loan.

Isaac Capital Fund Revolving Promissory Note

On April 9, 2020, the Company entered into an unsecured revolving line of credit promissory note whereby the Isaac Capital Group, LLC ("ICG") agreed to provide the Company with a $1,000 revolving credit facility (the "ICG Revolver"). The ICG Revolver bears interest at 10.0% per annum and provides for the payment of interest monthly in arrears and matures April 2023. The foregoing transaction did not include the issuance of any shares of the Company's common stock, warrants, or other derivative securities. As of June 17, 2020, ICG is a record and beneficial owner of approximately 45.4% of the outstanding capital stock of the Company, and Jon Isaac, the Company's President and Chief Executive Officer, and manager and sole member of ICG, is a record and beneficial owner of approximately 52.9% of the outstanding capital stock of the Company.

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

	June 30, 2020	September 30, 2019
JanOne Inc	$ 2,826	$ 2,826
Isaac Capital Fund	2,000	2,000
Total notes payable - related parties	4,826	4,826
Less current portion	—	—
Long-term portion	$ 4,826	$ 4,826

Future maturities of notes payable, related parties as of June 30, 2020 are as follows:

Twelve months ending June 30,	
2021	$ 2,826
2022	—
2023	—
2024	—
2025	2,000
Thereafter	—
Total	$ 4,826

Note 9: Stockholders' Equity

Series E Convertible Preferred Stock

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

Treasury Stock

For the nine months ended June 30, 2020 and 2019, the Company purchased 212,728 and 43,347 shares of its common stock on the open market (treasury shares for $1,433 and $631, respectively).

Note 10: Warrants

The warrants listed below expire at various timeframes over the next two years. However, Company and ICG entered into an agreement whereby if the warrants are not exercised on or before the applicable expiration date, the applicable expiration date is deemed automatically extended for successive two-year periods immediately prior to such expiration. During the three and nine months ended June 30, 2020, the Company recorded a fair value adjustment of $nil and $368, respectively, related to the extension of warrants that expired during this period. There was no such adjustment during the three and nine months ended June 30, 2019.

The following table summarizes information about the Company's warrants at June 30, 2020 and September 30, 2019, respectively:

	Number of units - Series B Convertible preferred warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding and Exercisable at September 30, 2019	118,029	$ 20.80	0.53	$ —
Outstanding and Exercisable at June 30, 2020	118,029	$ 20.80	1.60	$ —

The warrants may be exchanged for shares of common stock at a ratio of one share of Series B Preferred Stock into five common shares. The following table provides information assuming the warrants are exercised and exchanged for common shares:

	Number of units - Series B Convertible preferred warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding and Exercisable at September 30, 2019	590,147	$ 4.16	0.53	$ 2,602
Outstanding and Exercisable at June 30, 2020	590,147	$ 4.16	1.60	$ 3,151

The exercise price for the Series B Convertible Preferred Stock warrants outstanding and exercisable atJune 30, 2020 and September 30, 2019, are as follows:

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

Note 11: Stock-Based Compensation

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

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

The following table summarizes stock option activity for the twelve months ended September 30, 2019 and the nine months ended June 30, 2020:

	Number of Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life	Intrinsic Value	
Outstanding at September 30, 2018	231,668	$	14.84	3.04	$	163
Forfeited/Expired	(31,250)					
Outstanding at September 30, 2019	200,418	$	16.37	2.40	$	27
Exercisable at September 30, 2019	164,084	$	13.92	1.44	$	27
Outstanding at September 30, 2019	200,418	$	16.37	2.40	$	27
Forfeited/Expired	(81,250)					
Outstanding at June 30, 2020	119,168	$	19.07	2.96	$	—
Exercisable at June 30, 2020	95,001	$	15.50	1.75	$	—

The Company recognized compensation expense of $19 and $32 during the three months ended June 30, 2020 and 2019, respectively, and $67 and $110 during the nine months ended June 30, 2020 and 2019, respectively, related to stock option awards granted to certain employees and officers based on the grant date fair value of the awards, net of estimated forfeitures.

As of June 30, 2020, the Company has $78 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 as of June 30, 2020 is as follows:

Outstanding		Exercisable	
Number of Options	Exercise Price ($)	Number of Options	Exercise Price ($)
25,000	10.00	25,000	10.00
16,668	10.86	12,501	10.86
6,250	12.50	6,250	12.50
6,250	15.00	6,250	15.00
25,000	15.18	25,000	15.18
8,000	23.41	8,000	23.41
8,000	27.60	8,000	27.60
8,000	31.74	4,000	32
8,000	36.50	—	—
8,000	41.98	—	—
119,168		95,001	

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

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

Note 12: Earnings Per Share

Net earnings per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Diluted net earnings per share is computed using the weighted average number of common shares outstanding and if dilutive, potential common shares outstanding during the period. Potential shares of common stock consist of the additional shares of common stock issuable in respect of restricted share awards, stock options and convertible preferred stock. Preferred stock dividends are subtracted from net earnings to determine the amount available to common stockholders.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Basic				
Net income	$ 3,585	$ 1,480	$ 6,451	$ 3,484
Less: preferred stock dividends	—	—	—	—
Net income applicable to common stock	$ 3,585	$ 1,480	$ 6,451	$ 3,484
Weighted average common shares outstanding	1,646,836	1,886,445	1,735,416	1,919,221
Basic earnings per share	$ 2.18	$ 0.78	$ 3.72	$ 1.81
Diluted				
Net income applicable to common stock	$ 3,585	$ 1,480	$ 6,451	$ 3,484
Add: preferred stock dividends	—	—	—	—
Net income applicable for diluted earnings per share	$ 3,585	$ 1,480	$ 6,451	$ 3,484
Weighted average common shares outstanding	1,646,836	1,886,445	1,735,416	1,919,221
Add: Options	—	—	—	4,610
Add: Series B Preferred Stock	1,071,220	1,071,220	1,071,220	1,071,220
Add: Series B Preferred Stock Warrants	590,147	590,147	590,147	590,147
Add: Series E Preferred Stock	47,840	77,840	47,840	77,840
Assumed weighted average common shares outstanding	3,356,043	3,625,652	3,444,623	3,663,038
Diluted earnings per share	$ 1.07	$ 0.41	$ 1.87	$ 0.95

There are 119,168 common stock options that are anti-dilutive that are not included in the threeand six months ended June 30, 2020, diluted earnings per share computations, respectively.

Note 13: Related Party Transactions

In connection with its purchase of Marquis, Marquis entered into a mezzanine loan in the amount of up to $7,000 with ICF. The ICF mezzanine loan bears interest at a rate of 12.5% per annum with payment obligations of interest each month and all principal due in May 2025. As of June 30, 2020, and September 30, 2019, respectively, there was $2,000 outstanding on this mezzanine loan. During the three months ended June 30, 2020 and 2019, the Company recognized total interest expense of $62, associated with the ICF note. During the nine months ended June 30, 2020 and 2019, the Company recognized interest expense of $190 associated with the ICF note.

Customer Connexx LLC, a wholly-owned subsidiary of JanOne Inc. (“JanOne”), rents approximately 9,879 square feet of office space from the Company at its Las Vegas office which totals 11,100 square feet. JanOne paid the Company $97 and $97 in rent and other reimbursed expenses for the three months ended June 30, 2020 and 2019, respectively. JanOne paid the Company $278 and $285 in rent and other reimbursed expenses for the nine months ended June 30, 2020 and 2019, respectively. Tony Isaac, a member of the Board of Directors of the Company and Virland Johnson, Chief Financial Officer of the Company, are Chief Executive Officer and Board of Directors member, and Chief Financial Officer of JanOne, respectively.

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

On December 30, 2017, ASH, a wholly owned subsidiary of the Company, entered into a Stock Purchase Agreement with JanOne and ApplianceSmart, a subsidiary of JanOne. Pursuant to the Agreement, the Purchaser purchased from JanOne all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for $6,500. Effective April 1, 2018, ASH issued an interest-bearing promissory note, with interest at 5% per annum, with a three-year term in the original amount of $3,919 for the balance of the purchase price.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller. At June 30, 2020 and September 30, 2019, respectively, there was $2,826 outstanding on this ApplianceSmart Note. On December 9, 2019, ApplianceSmart filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of Title 11 of the United States Code.

On or about April 23, 2020, the Company sold ApplianceSmart Contracting Inc. (“ApplianceSmart Contracting”) to a related party for $60. In connection with the sale, and under the terms of a purchase and sale agreement and a secured promissory note (the “ASC Note”), the Company agreed to loan ApplianceSmart Contracting up to $382 to satisfy then outstanding sales tax obligations owed by ApplianceSmart Contracting. Advances under the ASC Note are only made by the Company to ApplianceSmart Contracting upon the presentation of evidence by ApplianceSmart Contracting of the satisfaction of one or more outstanding state sales tax amounts. Advances under the ASC Note bear interest at 8.0% per annum. The loan matures on September 30, 2022 or on such earlier date as provided in the ASC Note. The loan is guaranteed by the related party and secured by the assets of ApplianceSmart Contracting. At the closing of the sale transaction, the Company advanced ApplianceSmart Contracting $55.

In connection with the acquisition of Vintage Stock on November 3, 2016, as amended, Rodney Spriggs, President of Vintage Stock, holds a 41% interest in the $10,000 Seller Subordinated Acquisition Note payable by VSAH. The terms of payment are interest only, payable monthly on the 1st of each month, until maturity on September 23, 2023. Interest paid to Mr. Spriggs for the three months ended June 30, 2020 and 2019, was $84. Interest paid to Mr. Spriggs for the nine months ended June 30, 2020 and 2019 was $250. Interest unpaid and accrued as of June 30, 2020 and September 30, 2019 is $27.

On April 9, 2020, the Company entered into and delivered to Isaac Capital Group, LLC (“ICG”) an unsecured revolving line of credit promissory note whereby ICG agreed to provide the Company with a $1,000 revolving credit facility (the “Unsecured Revolving Credit Facility”). The Unsecured Revolving Credit Facility matures on April 8, 2023, bears interest at 10.0% per annum, and provides for the payment of interest monthly in arrears. The foregoing transaction did not include the issuance of any shares of the Company’s common stock, warrants, or other derivative securities. As of June 17, 2020, the Lender is a record and beneficial owner of approximately 45.4% of the outstanding capital stock of the Company, and Jon Isaac, the Company’s President and Chief Executive Officer, and manager and sole member of the Lender, is a record and beneficial owner of approximately 52.9% of the outstanding capital stock of the Company.

Also see Notes 7 and 8.

Note 14: Commitments and Contingencies

Litigation

Generally

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

SEC Notice

On February 21, 2018, the Company received a subpoena from the Securities and Exchange Commission ("SEC") and a letter from the SEC stating that it is conducting an investigation. The subpoena requests documents and information concerning, among other things, the restatement of the Company's financial statements for the quarterly periods ended December 31, 2016, March 31, 2017, and June 30, 2017, the acquisition of Marquis Industries, Inc., Vintage Stock, Inc., and ApplianceSmart, Inc., and the change in auditors. The letter from the SEC states that "this inquiry does not mean that the SEC has concluded that the Company or any of its officers and directors has broken the law or that the SEC has a negative opinion of any person, entity, or security." The Company is cooperating with the SEC in its investigation. During August 2020, three of the Company's executives received a Wells Notice from the SEC. See Note 17 for a complete discussion.

ApplianceSmart Bankruptcy and Other ApplianceSmart Related Litigation Matters

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

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

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

On November 1, 2019, OIRE Minnesota, L.L.C. filed suit against ApplianceSmart in the Hennepin Court alleging, among other things, breach of contract and seeking damages in excess of $60. This matter was subsequently settled for an aggregate of $20 on February 18, 2020 in exchange for full mutual releases.

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

On September 12, 2019, Fisher & Paykel Appliances, Inc. ("F&P") initiated an arbitration against ApplianceSmart in San Diego alleging breach of contract and seeking damages in excess of $100. This matter was stayed as a result of the Chapter 11 Case. On July 9, 2020, discontinued the arbitration.

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

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

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

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

On May 29, 2019, Hopkins Mainstreet II, LLC ("Hopkins Mainstreet") filed suit against ApplianceSmart, Inc. in the Hennepin Court alleging, among other things, breach of contract and failure to pay rent. The Hennepin Court subsequently entered a default judgment in favor of Hopkins Mainstreet in the amount of $225, plus attorneys' fees in the amount of $3, and costs and disbursements in the amount of $1. This matter has been stayed as a result of the Chapter 11 Case. The Company and Hopkins Mainstreet reached a settlement agreement during March 2020 in the amount of $25.

On April 26, 2019, New Leaf Serv. Contracts, LLC ("New Leaf") filed suit against ApplianceSmart and the Company in the District Court of Dallas County, Texas (the "Dallas Court") alleging, among other things, breach of contract. Plaintiff seeks damages of approximately $215, plus interest and attorneys' fees. This matter was subsequently abated to allow the parties to arbitrate this dispute. The Company has asserted certain counterclaims against New Leaf. This matter was stayed as a result of the Chapter 11 Case. On June 29, 2020, this matter was dismissed by New Leaf with prejudice.

Warranties

During 2019, the Company became the principal for certain extended warranties, as a result, warranty reserves are included in accrued liabilities in our consolidated balance sheet. The following table summarizes the warranty reserve activity for the nine months ended June 30, 2020:

Beginning balance, September 30, 2019	$	292
Warranties issued/accrued		—
Warranty settlements		(61)
Ending balance, June 30, 2020	$	231

Note 15:Income Taxes

The income tax rate for the three months ended June 30, 2020 and 2019 was 27.8% and 27.5%, respectively. The income tax rate for the nine months ended June 30, 2020 and 2019 was 26.8% and 27.6%, respectively. The effective income tax rate differs from the U.S. federal statuary rate primarily due to state taxes and certain non-deductible expenses. As of June 30, 2020, the Company had no uncertain tax positions. The Company is subject to taxation and files income tax returns in the U.S., and various state jurisdictions. The Company is subject to audit for U.S. purposes for the current and prior three years; and for state purposes the current and prior four years.

Note 16: Segment Reporting

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

The following tables summarize segment information for the threeand nine months ended June 30, 2020 and 2019:

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Retail and Online	$ 14,259	$ 23,973	$ 54,733	$ 80,366
Manufacturing	28,079	22,913	75,747	66,358
Services	134	157	424	488
	$ 42,472	$ 47,043	$ 130,904	$ 147,212
Gross profit				
Retail and Online	$ 8,009	$ 12,455	$ 29,464	$ 38,773
Manufacturing	8,579	6,644	21,255	18,001
Services	125	147	396	460
	$ 16,713	$ 19,246	$ 51,115	$ 57,234
Operating income				
Retail and Online	$ 1,586	$ 552	$ 2,770	$ 183
Manufacturing	4,280	3,111	9,381	7,304
Services	124	146	394	458
	$ 5,990	$ 3,809	$ 12,545	$ 7,945
Depreciation and amortization				
Retail and Online	$ 331	$ (520)	$ 1,482	$ 1,150
Manufacturing	984	610	2,472	2,982
Services	—	—	—	—
	$ 1,315	$ 90	$ 3,954	$ 4,132
Interest expenses				
Retail and Online	$ 715	$ 1,206	$ 2,512	$ 3,501
Manufacturing	440	399	1,270	1,292
Services	—	—	—	—
	$ 1,155	$ 1,605	$ 3,782	$ 4,793
Net income (loss) before provision for income taxes				
Retail and Online	$ 1,199	$ (617)	$ 778	$ (3,222)
Manufacturing	3,685	2,512	7,681	7,579
Services	124	147	394	458
	$ 5,008	$ 2,042	$ 8,853	$ 4,815

Chapter 11 Filing of ApplianceSmart, Inc.

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

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

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

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

Note 17: Subsequent Events

Acquisition of Precision Industries, Inc.

On July 14, 2020 (the "Closing Date"), the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Precision Industries, Inc., a Pennsylvania corporation ("Precision"), President Merger Sub Inc., a Pennsylvania corporation and a wholly-owned subsidiary of Live Ventures ("Merger Sub"), and D. Jackson Milhollan, as shareholders' representative, pursuant to which Live Ventures acquired Precision by the consummation of a merger (the "Merger") of its Merger Sub with and into Precision, with Precision surviving the Merger.

Pursuant to the Merger Agreement, and subject to the terms and conditions contained therein, at the closing of the Merger, Live Ventures paid Precision's shareholders aggregate consideration of $31,475 in cash (the "Merger Consideration"), subject to (i) certain adjustments with respect to Precision's cash, expenses incurred in connection with the Merger, debt, and net working capital balances at the closing of the Merger, (ii) the withholding of a portion of the Merger Consideration in connection with the Precision shareholders' indemnification obligations under the Merger Agreement, and (iii) the withholding of a portion of the Merger Consideration as an expense account for the shareholders' representative. At the effective time of the Merger (the "Effective Time"), shares of Precision's outstanding common stock (the "Precision Common Stock") were converted into the right to receive a portion of the Merger Consideration in accordance with the terms of the Merger Agreement.

The Merger Agreement contains customary representations, warranties, covenants, and agreements of Live Ventures, Merger Sub, and Precision, including indemnification rights in favor of Live Ventures that are customary for a transaction of this nature and magnitude.

In connection with the Merger, Live Ventures formed "Precision Affiliated Holdings LLC", a Delaware limited liability company ("Precision Holdings"), as its wholly-owned subsidiary for the purpose of its holding 100% of the issued and outstanding shares of capital stock of Precision. Pursuant to the terms of a Contribution Agreement (the "Contribution Agreement") and in connection with the Merger and the financing of the acquisition of Precision, Live Ventures caused the capital stock of Precision to be vested in Precision Holdings.

Financing Transactions

<u>Loan with Encina Business Credit, LLC</u>

On the Closing Date, Precision Holdings, a wholly-owned subsidiary of Live Ventures and the holder of 100% of the issued and outstanding shares of capital stock of Precision and Merger Sub entered into a Loan and Security Agreement (the "Loan Agreement") by and among Precision and Merger Sub, as Borrowers, Precision Holdings, as a Loan Party Obligor, the lenders from time to time party thereto, and Encina Business Credit, LLC, as Agent (the "Agent"). The Loan Agreement provides for a $1.72 million secured term loan (the "Term Loan"), and secured revolving loans (the "Revolving Loans", and together with the Term Loan, the "Encina Loans") in a principal amount not to exceed the lesser of (i) $23,500 and (ii) a borrowing base equal to the sum of (a) 85% of eligible accounts receivable of the two Borrowers, plus (b) 85% of eligible inventory of the two Borrowers, subject to an eligible inventory sublimit that begins at $14,000 and declines to $12,000 during the term of the Loan Agreement, minus (c) customary reserves. The Encina Loans will be used (v) in connection with the consummation and financing of the Merger, (w) to repay in full certain indebtedness of Precision, (x) to pay the fees, costs, and expenses incurred in connection with the Loan Agreement and the Merger Agreement, (y) for Borrowers' working capital purposes, and (z) for other lawful business purposes.

The Revolving Loans bear interest at an interest rate equal to the one-month London interbank offered rate ("LIBOR") plus the applicable margin. The applicable margin ranges from 4.50% to 5.50% per annum (subject to a LIBOR floor of 1.00%) and is determined based on a pricing grid based on the Borrowers' inventory-to-accounts receivable availability ratio and average

Revolving Loan excess availability. The applicable margin through January 31, 2021 is 5.50%. The Term Loan bears interest at an interest rate equal to LIBOR plus 6.50%.

The outstanding principal amounts of the Encina Loans and all accrued and unpaid interest are due and payable on July 14, 2023 (the "Scheduled Maturity Date"). The Term Loan requires monthly payments of principal in the amount of $28,666.67 plus accrued and unpaid interest. The Revolving Loans require monthly payments of accrued and unpaid interest. The Borrowers may prepay the Term Loan in whole or in part, and may prepay the Revolving Loans in part, at any time without penalty or premium. The Borrowers may prepay and terminate the Revolving Loans in whole at any time, subject to the payment (with certain exceptions described below) of an early termination fee equal to: (i) 3.0% of the Revolving Loan Commitment ($23,500) 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 Revolving Loan Commitment on and after the first anniversary of the Closing Date, but on or before the second anniversary of the Closing Date, or (iii) 0.50% on and after the second anniversary of the Closing Date, but on or before the third anniversary of the Closing Date; provided, during the three months preceding the Scheduled Maturity Date, no early termination fee will be payable so long as Borrowers provide at least 90-days' prior written notice to Agent of such proposed Revolving Loan Commitment termination.

The Encina Loans are also subject to customary mandatory prepayments upon the occurrence of certain asset dispositions, casualty, taking or condemnation events, equity issuances, the incurrence of certain indebtedness, and receipt of extraordinary receipts.

The Encina Loans are secured by a lien on substantially all of the assets of Precision Holdings, the Borrowers, and any future subsidiaries of the Borrowers, and are guaranteed by Precision Holdings and future subsidiaries of the Borrowers.

Loan from Isaac Capital Group LLC

On July 10, 2020, the Company borrowed $2,000 (the "ICG Loan") from Isaac Capital Group LLC ("ICG"). The ICG Loan matures on May 1, 2025 and bears interest at a rate of 12.5% per annum. Interest is payable in arrears on the last day of each month, commencing July 31, 2020. Live Ventures used the proceeds from the ICG Loan to finance the acquisition of Precision. The ICG Loan documents contain events of default and other provisions customary for a loan of this type.

Jon Isaac, the Company President and Chief Executive Officer, is the President and sole member of ICG. As of June 17, 2020, Mr. Isaac is the beneficial owner of approximately 52.9% of the outstanding capital stock (on an as-converted and as-exercised basis) of the Company, which percentage includes ICG's beneficial ownership of approximately 45.4% of the outstanding capital stock (on an as-converted and as-exercised basis) of the Company.

The foregoing description of the ICG Loan is qualified in its entirety by reference to the complete text of the Loan and Security Agreement among Isaac Capital Fund I, LLC ("ICF") and certain direct and indirect wholly-owned subsidiaries of Live Ventures, dated as of July 6, 2015, and that certain Consent, Joinder and First Amendment to Loan and Security Agreement among ICF and certain of the same subsidiaries and one additional indirect wholly-owned subsidiary of Live Ventures, dated as of January 31, 2020, the Second Amendment to Loan and Security Agreement and Novation by and among Live Ventures, Marquis Affiliated Holdings LLC, Marquis Industries, Inc., and Isaac Capital Fund I LLC, and the Assignment and Assumption Agreement between ICF and ICG, dated as of July 10, 2020.

Loan from Spriggs Investments LLC

On July 10, 2020, the Company executed a promissory note (the "Spriggs Promissory Note") in favor of Spriggs Investments LLC ("Spriggs Investments"), a limited liability company whose sole member is Rodney Spriggs, the President and Chief Executive Officer of Vintage Stock, Inc., a wholly-owned subsidiary of the Company, that memorializes a loan by Spriggs Investments to the Company in the initial principal amount of $2,000 (the "Spriggs Loan"). The Spriggs Loan matures on July 10, 2022 and bears simple interest at a rate of 10.0% per annum. Interest is payable in arrears on the last day of each month, commencing July 31, 2020. the Company may prepay the Spriggs Loan in whole or in part at any time or from time to time without penalty or premium by paying the principal amount to be prepaid, together with accrued interest thereon to the date of prepayment; provided, however, that, if the Company prepays the Spriggs Loan in whole or in part on or prior to December 10, 2020, then the Company would also be obligated to pay a prepayment penalty to Spriggs Investments in an amount equal to $100, less the amount of any interest paid or to be paid by the Company up to the date of prepayment. the Company used the proceeds from the Spriggs Loan to finance the acquisition of Precision. The Spriggs Promissory Note contains events of default and other provisions customary for a loan of this type. The Spriggs Loan was guaranteed by Jon Isaac, Live Ventures' President and Chief Executive Officer, and by ICG.

ApplianceSmart Bankruptcy and Other ApplianceSmart Litigation Matters

On August 4, 2020, Valassis Communications, Inc. and Valassis Digital Corp. (collectively, "Valassis") filed suit against ApplianceSmart Holdings LLC in the State of Michigan, Third Judicial Circuit, Wayne County, alleging, among other things, breach of contract and account stated and seeking damages of approximately $700. The Company believes that ApplianceSmart, Inc., not

ApplianceSmart Holdings LLC is the responsible party. On December 9, 2019, ApplianceSmart filed a Chapter 11 Case in the Bankruptcy Court seeking relief under Chapter 11 of the Bankruptcy Code. The bankruptcy affects Live Ventures' indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, including, but not limited to ASH, or Live Ventures itself. The Company believes that this matter has been stayed by the Chapter 11 Case, and, if the Bankruptcy Court determines that this matter has not been stayed, the Company intends to vigorously defend on behalf of ASH.

SEC Notice

On August 12, 2020, three of the Company's corporate executive officers (together, the "Executives") each received a "Wells Notice" from the Staff of the SEC relating to the Company's previously-disclosed SEC investigation. The Wells Notices relate to, among other things, the Company's reporting of its financial performance for its fiscal year ended September 30, 2016, certain disclosures related to executive compensation, and its previous acquisition of ApplianceSmart. A Wells Notice is neither a formal charge of wrongdoing nor a final determination that the recipient has violated any law. The Wells Notices informed the Executives that the SEC Staff has made a preliminary determination to recommend that the SEC file an enforcement action against each of the Executives that would allege certain violations of the federal securities laws. The Executives and the Company maintain that their actions were appropriate and intends to vigorously defend against any and all allegations brought forth.

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, 2020, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the condensed consolidated financial statements, including the related notes, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 (the "2019 Form 10-K").

Note about Forward-Looking Statements

This Quarterly Report on Form 10-Q includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "intends," "plans," "expects," or "anticipates," and do not reflect historical facts.

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

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results, future performance and capital requirements and cause them to materially differ from those contained in the forward-looking statements include those identified in our 2019 Form 10-K under Item 1A "Risk Factors", as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

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

Our Company

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

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

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

Manufacturing Segment

Marquis Industries

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

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

Retail and Online Segment

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

Vintage Stock

Vintage Stock Holdings LLC, Vintage Stock, V-Stock, Movie Trading Company and EntertainMart (collectively "Vintage Stock") is an award-winning specialty entertainment retailer offering a large selection of entertainment products including new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles all available in a single location. With its integrated buy-sell-trade business model, Vintage Stock buys, sells and trades new and pre-owned movies, music, video games, electronics and collectibles through 62 retail locations strategically positioned across Arkansas, Colorado, Idaho, Illinois, Kansas, Missouri, New Me xico, Oklahoma Texas and Utah. Due to the COIVD-19 pandemic As of March 31, 2020, Vintage Stock had closed all of its retail locations in response to the crisis. Beginning May 1, 2020, Vintage began to reopen certain locations in compliance with government regulations. Additionally, as of June 30, 2020, all Vintage retail locations were reopened while maintaining compliance with government mandates. We are unable to predict if additional periods of store closures will be needed or mandated.

ApplianceSmart

At December 31, 2019, ApplianceSmart Affiliated Holdings LLC, ApplianceSmart Inc. and ApplianceSmart Contracting, Inc (collectively "ApplianceSmart") operated three stores: two in Minnesota and one Ohio. As of March 31, 2020, ApplianceSmart operates one store in Ohio. ApplianceSmart is a major household appliance retailer with two product categories: one consisting of typical and commonly available, innovative appliances, and the other consisting of affordable value-priced, niche offerings such as close-outs, factory overruns, discontinued models, and special-buy appliances, including open box merchandise and others. On April 22, 2020, the Company sold ApplianceSmart Contracting Inc. to a related party for $60 (see Note 13 to the consolidated financial statements for a complete discussion).

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

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

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Preparation of these statements requires us to make judgments and estimates. Some accounting policies have a significant and material impact on amounts reported in these financial statements. Estimates and assumptions are based on management's experience and other information available prior to the issuance of our financial statements. Our actual realized results may differ materially from management's initial estimates as reported. Our critical and significant accounting policies include Trade and Other Receivables, Inventories, Goodwill, Revenue Recognition, Fair Value Measurements, Stock Based Compensation, Income Taxes, Segment Reporting and Concentrations of Credit Risk. For a summary of significant accounting policies and the means by which we develop estimates thereon, see ("Part 1, Item 1 of this 10-Q report – Financial Statements - Notes to unaudited condensed consolidated financial statements Note 2 – summary of significant accounting policies), which are an integral component of this filing.

Results of Operations Three Months Ended June 30, 2020 and 2019

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

	For the Three Months Ended June 30, 2020		For the Three Months Ended June 30, 2019	
		% of Total Revenue		% of Total Revenue
Statement of Income Data:				
Revenues	$ 42,472	100.0 %	$ 47,043	100.0 %
Cost of revenues	25,759	60.6 %	27,797	59.1 %
Gross profit	16,713	39.4 %	19,246	40.9 %
General and administrative expenses	8,221	19.4 %	12,191	25.9 %
Sales and marketing expenses	2,502	5.9 %	3,246	6.9 %
Operating income	5,990	14.1 %	3,809	8.1 %
Interest expense, net	(1,155)	(2.7)%	(1,605)	(3.4)%
Gain on lease settlement, net	—	0.0 %	—	0.0 %
Other income (expense)	173	0.4 %	(162)	(0.3)%
Income before provision for income taxes	5,008	11.8 %	2,042	4.3 %
Provision for income taxes	1,423	3.4 %	562	1.2 %
Net income	$ 3,585	8.4 %	$ 1,480	3.1 %

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

	For the Three Months Ended June 30, 2020		For the Three Months Ended June 30, 2019	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Revenue				
Used Movies, Music, Games and Other	$ 7,544	17.8 %	$ 10,140	21.6 %
New Movies, Music, Games and Other	5,943	14.0 %	7,396	15.7 %
Rentals, Concessions and Other	76	0.2 %	234	0.5 %
Retail Appliance	696	1.6 %	6,203	13.2 %
Carpets	19,290	45.4 %	14,937	31.8 %
Hard Surface Products	8,789	20.7 %	7,650	16.3 %
Synthetic Turf Products	—	0.0 %	326	0.7 %
Directory Services	134	0.3 %	157	0.3 %
Total Revenue	$ 42,472	100.0 %	$ 47,043	100.0 %

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

	For the Three Months Ended June 30, 2020		For the Three Months Ended June 30, 2019	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Gross Profit				
Used Movies, Music, Games and Other	$ 6,111	81.0 %	$ 8,037	79.3 %
New Movies, Music, Games and Other	1,727	29.1 %	1,651	22.3 %
Rentals, Concessions and Other	29	38.5 %	155	66.2 %
Retail Appliance	142	20.4 %	2,612	42.1 %
Carpets	5,444	28.2 %	4,441	29.7 %
Hard Surface Products	3,135	35.7 %	2,002	26.2 %
Synthetic Turf Products	—	0.0 %	201	61.7 %
Directory Services	125	93.2 %	147	93.6 %
Total Gross Profit	$ 16,713	39.4 %	$ 19,246	40.9 %

Revenue

Revenue decreased $4,571 or 10% to $42,472 for the three months ended June 30, 2020 as compared to $47,043 for the three months ended June 30, 2019. Revenue from retail appliances decreased significantly due to ApplianceSmart declining sales and the closure of certain retail locations. Revenue from new and used movies, music, games and other decreased primarily due to retail location closures impacted by COVID-19. The decrease in retail revenue was offset by an increase in carpet and hard surface products as a result of the Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements).

Cost of Revenue

Cost of revenue remained consistent at $25,759 for the three months ended June 30, 2020 as compared $27,797 for the three months ended June 30, 2019. Costs of revenue varied proportionately with the variance in revenue.

Gross Profit

Gross profit decreased $2,533 or 13% to $16,713 for the three months ended June 30, 2020 as compared to $19,246 for the three months ended June 30, 2019, primarily due to the decrease in revenue as discussed above.

General and Administrative Expense

General and Administrative expense decreased $3,970 or 33%, to $8,221 for the three months ended June 30, 2020 as compared to $12,191 for the three months ended June 30, 2019 primarily due to lower costs resulting from the decrease rent expense and employee costs associated with permanent closure of the ApplianceSmart retail locations and the temporary closure of Vintage retail locations due to COVID-19.

Selling and Marketing Expense

Selling and marketing expense decreased $744 or 23%, for the three months June 30, 2020 as compared to the three months ended June 30, 2019 primarily due to reduced marketing efforts related to the permanent ApplianceSmart retail location closures and reduced activities due to COVID-19.

Operating Income

Because of the factors described above, operating income of $5,990 for the three months ended June 30, 2020 represented an increase of $2,181 or 57% over the comparable prior year period of $3,809.

Interest Expense, net

Interest expense, net decreased $450 or 28% for the three months ended June 30, 2020 as compared to the three months ended June 30, 2019 due to a decrease in certain interest rates and the continued efforts to repay debt obligations.

Other Income

Other income of $173 for the three months ended June 30, 2020 was primarily related to the settlement of certain ApplianceSmart liabilities under bankruptcy. Other expense of $162 for the three months ended June 30, 2019 was driven by the disposal of certain assets.

Provision for Income Taxes

Provision for income taxes was $1,423, for the three months ended June 30, 2020 as compared to $562 for the three months ended June 30, 2019 primarily due to the variance in pre-tax net income.

Net Income

The factors described above led to net income of $3,585 for the three months ended June 30, 2020, which was an increase of $2,105 compared to net income of $1,480 for the three months ended June 30, 2019.

Results of Operations Nine Months Ended June 30, 2020 and 2019

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

	For the Nine Months Ended June 30,2020	% of Total Revenue	For the Nine Months Ended June 30,2019	% of Total Revenue
Statement of Income Data:				
Revenues	$ 130,904	100.0 %	$ 147,212	100.0 %
Cost of revenues	79,789	61.0 %	89,978	61.1 %
Gross profit	51,115	39.0 %	57,234	38.9 %
General and administrative expenses	30,731	23.5 %	37,886	25.7 %
Sales and marketing expenses	7,839	6.0 %	11,403	7.7 %
Operating income	12,545	9.6 %	7,945	5.4 %
Interest expense, net	(3,782)	(2.9)%	(4,793)	(3.3)%
Gain on lease settlement, net	223	0.2 %	—	0.0 %
Other income (expense)	(133)	-0.1 %	1,663	1.1 %
Income before provision for income taxes	8,853	6.8 %	4,815	3.3 %
Provision for income taxes	2,402	1.8 %	1,331	0.9 %
Net income	$ 6,451	4.9 %	$ 3,484	2.4 %

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

	For the Nine Months Ended June 30,2020		For the Nine Months Ended June 30,2019	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Revenue				
Used Movies, Music, Games and Other	$ 27,475	21.0 %	$ 32,082	21.8 %
New Movies, Music, Games and Other	23,346	17.8 %	26,334	17.9 %
Rentals, Concessions and Other	462	0.4 %	784	0.5 %
Retail Appliance	3,450	2.6 %	21,166	14.4 %
Carpets	52,174	39.9 %	43,275	29.4 %
Hard Surface Products	23,403	17.9 %	21,287	14.5 %
Synthetic Turf Products	170	0.1 %	1,796	1.2 %
Directory Services	424	0.3 %	488	0.3 %
Total Revenue	$ 130,904	100.0 %	$ 147,212	100.0 %

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

	For the Nine Months Ended June 30,2020		For the Nine Months Ended June 30,2019	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Gross Profit				
Used Movies, Music, Games and Other	$ 22,168	80.7 %	$ 25,846	80.6 %
New Movies, Music, Games and Other	6,406	27.4 %	6,555	24.9 %
Rentals, Concessions and Other	178	38.6 %	515	65.7 %
Retail Appliance	712	20.6 %	5,857	27.7 %
Carpets	14,628	28.0 %	12,048	27.8 %
Hard Surface Products	6,544	28.0 %	5,547	26.1 %
Synthetic Turf Products	83	48.8 %	406	22.6 %
Directory Services	396	93.4 %	460	94.3 %
Total Gross Profit	$ 51,115	39.0 %	$ 57,234	38.9 %

Revenue

Revenue decreased $16,308 or 11% to $130,904 for the nine months ended June 30, 2020 as compared to $147,212 for the nine months ended June 30, 2019. Revenue from retail appliances decreased significantly due to ApplianceSmart declining sales and the closure of certain retail locations. New and used movies, music, games and other revenue slightly decreased due to retail location temporary closures as a result of COVID-19. Synthetic turf revenue decreased due to the sale of the equipment as the Company exits this division. Carpet and hard surface products as a result of the Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements).

Cost of Revenue

Cost of revenue decreased $10,189 or 11% to $79,789 for the nine months ended June 30, 2020 as compared to $89,978 for the nine months ended June 30, 2019. Costs of revenue varied proportionately with the variance in revenue.

Gross Profit

The decrease in revenue and costs of revenues discussed above resulted in a decrease in gross profit of $6,119 or 11% for the nine months ended June 30, 2020 as compared to the nine months ended June 30, 2019.

General and Administrative Expense

General and Administrative expense decreased $7,155 or 19% to $30,731 for the nine months ended June 30, 2020 as compared to $37,886 for the nine months ended June 30, 2019 primarily due to lower costs resulting from the decrease rent expense and employee costs associated with permanent closure of the ApplianceSmart retail locations and the temporary closure of Vintage retail locations due to COVID-19.

Sales and Marketing Expense

Sales and marketing expense decreased $3,564 or 31% to $7,839 for the nine months June 30, 2020 as compared to $11,403 for the nine months ended June 30, 2019 primarily due to reduced marketing efforts related to the permanent ApplianceSmart retail location closures and reduced activities due to COVID-19.

Operating Income

Because of the factors described above, operating income of $12,545 for the nine months ended June 30, 2020 represented an increase of $4,600 or 58% over the comparable prior year period of $7,945.

Interest Expense, net

Interest expense net decreased $1,011 or 21%, for the nine months ended June 30, 2020 as compared to the nine months ended June 30, 2019 due to a decrease in certain interest rates and the continued efforts to repay debt obligations.

Gain on lease settlement, net

During the nine months ended June 30, 2020, the Company recorded a net gain on lease settlement of $223 which consisted of impairment charges of $614 related to the decision to close additional ApplianceSmart retail locations resulting in a decrease to the associated right of use asset related to these leases, offset by a gain on lease settlement of $837 resulting from the extinguishment of the lease liability associated with the closed retail locations. There were no such transactions during the nine months ended June 30, 2019.

Other Income

Other expense of $133 for the nine months ended June 30, 2020 was primarily related to the warrant extension fair value adjustment, offset by the settlement of certain ApplianceSmart liabilities under bankruptcy. Other income of $1,663 for the nine months ended June 30, 2019 was driven by $1,518 of gain on sale of the Marquis Synthetic Turf Products business during December 2018.

Provision for Income Taxes

Provision for income taxes was $2,402, for the nine months ended June 30, 2020 as compared to $1,331 for the nine months ended June 30, 2019 primarily due to the variance in pre-tax net income.

Net Income

The factors described above led to net income of $6,451 for the nine months ended June 30, 2020, which was a $2,967 or 85% increase to net income of $3,484 for the nine months ended June 30, 2019

Segment Performance

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

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

	For the Three Months Ended June 30, 2020				For the Three Months Ended June 30, 2019			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	$ 14,259	$ 28,079	$ 134	$ 42,472	$ 23,973	$ 22,913	$ 157	$ 47,043
Cost of Revenue	6,250	19,500	9	25,759	11,518	16,269	10	27,797
Gross Profit	8,009	8,579	125	16,713	12,455	6,644	147	19,246
General and Administrative Expense	6,291	1,929	1	8,221	10,599	1,592	—	12,191
Selling and Marketing Expense	132	2,370	—	2,502	1,305	1,941	—	3,246
Operating Income	$ 1,586	$ 4,280	$ 124	$ 5,990	$ 551	$ 3,111	$ 147	$ 3,809

	Three Months Ended June 30, 2020 Segments in % of Revenue				Three Months Ended June 30, 2019 Segments in % of Revenue			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	43.8%	69.4%	6.8%	60.6%	48.0%	71.0%	6.4%	59.1%
Gross Profit	56.2%	30.6%	93.2%	39.4%	52.0%	29.0%	93.6%	40.9%
General and Administrative Expense	44.1%	6.9%	1.8%	19.4%	44.2%	6.9%	0.0%	25.9%
Selling and Marketing Expense	0.9%	8.4%	0.0%	5.9%	5.4%	8.5%	0.0%	6.9%
Operating Income	11.1%	15.2%	92.1%	14.1%	2.3%	13.6%	93.6%	8.1%

Retail and Online Segment

Segment results for Retail and Online include Vintage Stock and ApplianceSmart. Revenue for the three months ended June 30, 2020 decreased $9,714, or 41%, as compared to the prior year, primarily due to the ApplianceSmart retail location closures during fiscal 2019 and the temporary closure of Vintage retail locations due to COVID-19. Cost of revenue for the three months ended June 30, 2020 decreased $5,268 or 46%, as compared to the prior year period, primarily due to the decrease in revenue. Operating income for the three months ended June 30, 2020 was $1,586, as compared to operating income of $551 the prior year period, primarily due to the decrease in gross profit, general and administrative costs and selling and marketing expenses due to ApplianceSmart retail location closures and COVID-19.

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, 2020 increased $5,166 or 23%, as compared to the prior year period, due to Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements). Cost of revenue for the three months ended June 30, 2020 increased proportionately with revenue, as compared to the prior year period. Operating income for the three months ended June 30, 2020 of $4,280 increased $1,169 compared to the prior year period of $3,111.

Services Segment

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

	For the Nine Months Ended June 30,2020				For the Nine Months Ended June 30,2019			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	$ 54,733	$ 75,747	$ 424	$ 130,904	$ 80,366	$ 66,358	$ 488	$ 147,212
Cost of Revenue	25,269	54,492	28	79,789	41,593	48,357	28	89,978
Gross Profit	29,464	21,255	396	51,115	38,773	18,001	460	57,234
General and Administrative Expense	25,630	5,099	2	30,731	33,269	4,614	3	37,886
Selling and Marketing Expense	1,064	6,775	—	7,839	5,320	6,083	—	11,403
Operating Income	$ 2,770	$ 9,381	$ 394	$ 12,545	$ 184	$ 7,304	$ 457	$ 7,945

	Nine Months Ended June 30, 2020 Segments in % of Revenue				Nine Months Ended June 30, 2019 Segments in % of Revenue			
	Retail & Online	Manufacturing	Services	Total	Retail & Online	Manufacturing	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	46.2%	71.9%	6.6%	61.0%	51.8%	72.9%	5.7%	61.1%
Gross Profit	53.8%	28.1%	93.4%	39.0%	48.2%	27.1%	94.3%	38.9%
General and Administrative Expense	46.8%	6.7%	0.6%	23.5%	41.4%	7.0%	0.6%	25.7%
Selling and Marketing Expense	1.9%	8.9%	0.0%	6.0%	6.6%	9.2%	0.0%	7.7%
Operating Income	5.1%	12.4%	93.0%	9.6%	0.2%	11.0%	93.6%	5.4%

Retail and Online Segment

Segment results for Retail and Online include Vintage Stock and ApplianceSmart. Revenue for the nine months ended June 30, 2020 decreased $25,633, or 32%, as compared to the prior year, primarily due to the ApplianceSmart retail location closures during fiscal 2019 and the temporary closure of Vintage retail locations due to COVID-19. Cost of revenue for the nine months ended June 30, 2020 decreased $16,324 or 39%, as compared to the prior year period, primarily due to the decrease in revenue. Operating income for the nine months ended June 30, 2020 was $2.770, as compared to operating loss of $184 the prior year period, primarily due to the decrease in gross profit, general and administrative costs and selling and marketing expenses due to ApplianceSmart retail location closures and COIVD-19.

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, 2020 increased $9,389, or 14%, as compared to the prior year period, due to the Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements), partially offset by a decrease in synthetic turf products due to the sale of equipment for this division during December 2018. Cost of revenue for the nine months ended June 30, 2020 decreased proportionately with revenue, as compared to the prior year period. Operating income for the nine months ended June 30, 2020 increased $2,077 to $9,381 from $7,304 for the nine months ended June 30, 2019.

Services Segment

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

Liquidity and Capital Resources

Overview

Based on our operating plans as of June 30, 2020, we believe that available cash balances, cash generated from our operating activities and funds available under our asset based revolver lines of credit will provide sufficient liquidity to fund our operations, pay our scheduled loan payments, fund our continued investments in store openings and remodelling activities, continue to repurchase shares, and pay dividends on our shares of Series E Preferred Stock as declared by the Board of Directors, for at least the next 12 months.

As of June 30, 2020, we had total cash on hand of $5,689, an additional $22,455 of available borrowing under the BofA Revolver, an additional $5,681 of available borrowing under the TCB Revolver and an additional $1,000 under the ICG Revolver (as defined below).

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

Additionally, on April 9, 2020, the Company entered into an unsecured revolving line of credit promissory note whereby the Isaac Capital Group, LLC (“ICG”) agreed to provide the Company with a $1,000 revolving credit facility (the “ICG Revolver”). The ICG Revolver bears interest at 10.0% per annum and provides for the payment of interest monthly in arrears and matures April 2023. The foregoing transaction did not include the issuance of any shares of the Company’s common stock, warrants, or other derivative securities. As of June 17, 2020, ICG is a record and beneficial owner of approximately 45.4% of the outstanding capital stock of the Company, and Jon Isaac, the Company’s President and Chief Executive Officer, and manager and sole member of ICG, is a record and beneficial owner of approximately 52.9% of the outstanding capital stock of the Company.

As we continue to pursue acquisitions and other strategic transactions to expand and grow our business, we regularly monitor capital market conditions and may raise additional funds through borrowings or public or private sales of debt (including convertible debt) or equity securities. The amount, nature, and timing of any borrowings or sales of debt (including convertible debt) or equity securities will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

In March 2020, there was a global outbreak of COVID-19 (Coronavirus) that has resulted in changes in global supply of certain products.The pandemic is having an unprecedented impact on the U.S. economy as federal, state, and local governments react to this public health crisis, which has created significant uncertainties. These uncertainties include, but are not limited to, the potential adverse effect of the pandemic on the economy, our supply chain partners, our employees and customers, customer sentiment in general, and traffic within shopping centers, and, where applicable, malls, containing our stores. As the pandemic continues to grow, consumer fear about becoming ill with the virus and recommendations and/or mandates from federal, state, and local authorities to avoid large gatherings of people or self-quarantine are continuing to increase, which has already affected, and may continue to affect, traffic to our stores. As of March 31, 2020, Vintage Stock had closed all of its retail locations in response to the crisis. Beginning May 1, 2020, Vintage began to reopen certain locations in compliance with government regulations. Additionally, as of June 30, 2020, all Vintage retail locations were reopened while maintaining compliance with government mandates. We are unable to predict if additional periods of store closures will be needed or mandated. During March and April 2020, Marquis conducted rolling layoffs for certain employees, however, during May 2020, all employees have returned to their respective locations. Continued impacts of the pandemic could materially adversely affect our near-term and long-term revenues, earnings, liquidity, and cash flows, and may require significant actions in response, including but not limited to, employee furloughs, reduced store hours, store closings, expense reductions or discounting of pricing of our products, all in an effort to mitigate such impacts. The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the outbreak within the U.S., the impact on capital and financial markets and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

Working Capital

We had working capital of $11,601 as of June 30, 2020 as compared to working capital of $20,727 as of September 30, 2019 with current assets increasing by $9,411 and current liabilities increasing by $18,537. Such changes in working capital were primarily attributable to the Lonesome Oak acquisition, increase in short term lease obligations due to the adoption of the new lease accounting standard, an increase in the current portion of debt, a decrease in trade receivables and net debtor-in-possession liabilities.

Cash Flows from Operating Activities

The Company's cash and cash equivalents at June 30, 2020 was $5,689 compared to $2,681 at September 30, 2019, an increase of $3,088. Net cash provided by operations was $18,075 for the nine months ended June 30, 2020 as compared to net cash provided by operations of $14,786 for the same period in 2019 primarily due to the Result of operations discussed above.

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

Cash Flows from Investing Activities

Our cash flows used in investing activities of $2,992 for the nine months ended June 30, 2020 consisted primarily of purchases of property and equipment of $2,357 and a $550 payment associated with the Lonesome Oak acquisition (see Note 4 to the condensed consolidated financial statements). Our cash flows provided by investing activities of $2,251 for the nine months ended June 30, 2019 consisted primarily of $4,382 proceeds from the sale of property and equipment, partially offset by purchases of property and equipment of $2,019.

Cash Flows from Financing Activities

Our cash flows used in financing activities during the nine months ended June 30, 2020 consisted of $5,169 net payments under revolver loans, purchase of treasury stock $1,433, payment on notes payable $15,152, proceeds on notes payable of $9,768 and cash classified as debtor-in-possession of $86.

Our cash flows used in financing activities during the nine months ended June 30, 2019 consisted of $5,446 in net payments under revolver loans, $168 in payments of debt issuance costs, purchase of treasury stock of $631, $1,069 payment on related party notes payable and payment on notes payable of $10,048.

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

Sources of Liquidity

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

BofA Revolver

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

	During the nine months ended June 30, 2020	2019
Cumulative borrowing during the period	$ 85,563	$ 63,942
Cumulative repayment during the period	87,919	71,542
Maximum borrowed during the period	11,347	8,071
Weighted average interest for the period	2.87 %	4.19 %

	June 30, 2020	September 30, 2019
Total availability	$ 22,455	$ 14,914
Total outstanding	—	13

TCB Revolver

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

	During the nine months ended June 30, 2020	2019
Cumulative borrowing during the period	$ 46,792	$ 57,653
Cumulative repayment during the period	51,063	58,351
Maximum borrowed during the period	11,798	11,932
Weighted average interest for the period	3.59 %	4.71 %

	June 30, 2020	September 30, 2019
Total availability	$ 5,681	$ 1,410
Total outstanding	6,319	10,590

ICG Revolver

The Company may borrow funds for operations under the ICG Revolver subject to availability as described in Note 7 to the consolidated financial statements. As of June 30, 2020, the Company had not borrowed any funds and the full amount of $1,000 was available.

Future Sources of Cash; New Products and Services

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

Off-Balance Sheet Arrangements

At June 30, 2020, we had no off-balance sheet arrangements, commitments, or guarantees that require additional disclosure or measurement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2020, we did not participate in any market risk-sensitive commodity instruments for which fair value disclosure would be required. We believe we are not subject in any material way to other forms of market risk, such as foreign currency exchange risk or foreign customer purchases or commodity price risk.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure control and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2020, the period covered in this report, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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

Our management assessed the effectiveness of our internal control over financial reporting as ofJune 30, 2020. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") of 2013 regarding Internal Control – Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal controls over financial reporting were ineffective as of June 30, 2020. Management noted the following deficiencies that management believes to be material weaknesses:

- The Company does not have sufficient segregation of duties within its accounting functions, which is a basic internal control. Due to its size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of its failure to have segregation of duties on its assessment of its disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness;
- The Company does not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act;
- Management has not established appropriate and rigorous procedures for evaluating internal controls over financial reporting. Due to limited resources and lack of segregation of duties, documentation of the limited control structure has not been accomplished; and
- The Company employ policies and procedures for reconciliation of the financial statements and note disclosures, however, these processes are not appropriately followed or documented.

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

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

PART II – OTHER INFORMATION

ITEM 1. Legal Proceedings

Please refer to ''Item 3. Legal Proceedings'' in our Annual Report on Form 10-K for the year ended September 30, 2019 and our Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2019 for information regarding material pending legal proceedings. Except as set forth therein and below, there have been no new material legal proceedings and no material developments in the legal proceedings previously disclosed.

On April 26, 2019, New Leaf Serv. Contracts, LLC ("New Leaf") filed suit against ApplianceSmart and the Company in the District Court of Dallas County, Texas (the "Dallas Court") alleging, among other things, breach of contract. Plaintiff seeks damages of approximately $215, plus interest and attorneys' fees. This matter was subsequently abated to allow the parties to arbitrate this dispute. The Company asserted certain counterclaims against New Leaf. This matter was stayed as a result of the Chapter 11 Case. On June 29, 2020, this matter was dismissed by New Leaf with prejudice.

On August 4, 2020, Valassis Communications, Inc. and Valassis Digital Corp. (collectively, "Valassis") filed suit against ApplianceSmart Holdings LLC in the State of Michigan, Third Judicial Circuit, Wayne County, alleging, among other things, breach of contract and account stated and seeking damages of approximately $700,000. The Company believes that ApplianceSmart, Inc., not ApplianceSmart Holdings LLC is the responsible party. On December 9, 2019, ApplianceSmart filed a voluntary petition (the "Chapter 11 Case") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") seeking relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The bankruptcy affects Live Ventures' indirect subsidiary ApplianceSmart only and does not affect any other subsidiary of Live Ventures, including, but not limited to ASH, or Live Ventures itself. The Company believes that this matter has been stayed by the Chapter 11 Case, and, if the Bankruptcy Court determines that this matter has not been stayed, the Company intends to vigorously defend on behalf of ASH.

On August 12, 2020, three of the Company's corporate executive officers (together, the "Executives") each received a "Wells Notice" from the Staff of the U.S. Securities and Exchange Commission (the "SEC") relating to the Company's previously-disclosed SEC investigation. The Wells Notices relate to, among other things, the Company's reporting of its financial performance for its fiscal year ended September 30, 2016, certain disclosures related to executive compensation, and its previous acquisition of ApplianceSmart. A Wells Notice is neither a formal charge of wrongdoing nor a final determination that the recipient has violated any law. The Wells Notices informed the Executives that the SEC Staff has made a preliminary determination to recommend that the SEC file an enforcement action against each of the Executives that would allege certain violations of the federal securities laws. The Executives and the Company maintain that their actions were appropriate and intends to vigorously defend against any and all allegations brought forth.

ITEM 1A. Risk Factors

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

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

On February 20, 2018, the Company announced a $10 million common stock repurchase program. Below are the purchases during the three months ended June 30, 2020:

Period	Number of Shares	Average Purchase Price Paid	Number of Share Purchases as Part of a Publicly Announced Plan or Program	Maximum Amount that May be Purchased Under the Announced Plan or Program
April 2020	26,434	$ 5.97	26,434	$ 7,971,687
May 2020	18,212	7.52	18,212	7,518,378
June 2020	6,515	9.31	6,515	7,461,760
	51,161		51,161	

Additionally, during May 2020, we repurchased 55,000 common shares at $5.72 per share per an agreement in a private transaction.

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.

Exhibit Number		Exhibit Description	Form	File Number	Exhibit Number	Filing Date
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-Q	001-33937	3.8	08/14/18
10.1		Promissory Note between Marquis Industries, Inc. and Bank of America, N.A.	8-K	001-33937	10.1	05/08/20
10.2		Ninth Amendment to Loan and Security Agreement dated May 4, 2020 among Marquis Affiliated Holdings LLC, Marquis Industries, Inc. and Bank of America, N.A.	8-K	001-33937	10.2	05/08/20
10.3	*	Tenth Amendment to Loan and Security Agreement and Consent dated July 6, 2020 by and among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., and Bank of America, N.A.				
31.1	*	Certification of the President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 202				
31.2	*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 202				
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, 2020	/s/ Jon Isaac President and Chief Executive Officer (Principal Executive Officer)
Dated: August 14, 2020	/s/ Virland A. Johnson Chief Financial Officer (Principal Financial Officer)

Exhibit 10.3

TENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT AND CONSENT

THIS TENTH AMENDMENT TO LOAN AND SECURITY AGREEMENT AND CONSENT (this "Amendment") is made and entered into this 6th day of July, 2020, by and 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, S F Commercial Properties, LLC, a Georgia limited liability company, and Lonesome Oak Trading Co., Inc., a Georgia corporation (" Marquis", together with Holdings, collectively, the "Borrowers" and each, individually, a " Borrower") and **BANK OF AMERICA, N.A.**, a national banking association (together with its successors and assigns, "Lender").

Recitals:

Lender and Borrowers are parties to a certain Loan and Security Agreement dated as of July 6, 2015 (as at any time amended, restated, supplemented or otherwise modified, the "Loan Agreement") pursuant to which Lender has made loans and other financial accommodations to Borrowers.

Borrowers have informed Lender of their desire to prepay in full the outstanding principal balance of (and accrued interest on) the Mezzanine Debt ("2020 Mezzanine Debt Prepayment"). Pursuant to Section 4 of the Debt and Lien Subordination Agreement, Borrowers are restricted from making prepayments of the Mezzanine Debt unless all of the conditions set forth therein are satisfied at the time of and after giving effect to such prepayment. As such, Borrowers have requested that Lender waives compliance with clause (ii)(b) of the definition of Permitted Payments in the Debt and Lien Subordination Agreement, solely to the extent necessary to permit the 2020 Mezzanine Debt Prepayment.

The parties desire to amend the Loan Agreement as hereinafter set forth.

NOW, THEREFORE, for TEN DOLLARS ($10.00) in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby severally acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Loan Agreement.

2. Amendments to Loan Agreement. The Loan Agreement is hereby amended as follows:

(a) By adding the following new definition to Section 1.1 of the Loan Agreement in alphabetical sequence:

2020 Mezzanine Debt Prepayment: that certain prepayment in full of the Mezzanine Debt by the Borrowers made on or before July 31, 2020 in the aggregate amount of the sum of (x) $2,000,000.00 of principal, plus (y) $694.45 of interest accruing on a daily basis from July 1, 2020 until the date of prepayment.

(b) By deleting the definition of Fixed Charges contained in Section 1.1 of the Loan Agreement and replacing in lieu thereof the following:

Fixed Charges: the sum of interest expense (other than payment-in-kind) and principal payments made on Borrowed Money (other than the 2020 Mezzanine Debt Prepayment), income taxes paid in cash and Distributions made (excluding (a) Upstream Payments, (b) 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, (c) the Sixth Amendment Distribution , (d) the Synovus Debt, and (e) the LOTC Holdback Amount).

3. **Consent to the 2020 Mezzanine Debt Prepayment.** Lender hereby waives compliance with clause (ii)(b) of the definition of Permitted Payments in the Debt and Lien Subordination Agreement, solely to the extent necessary to permit the 2020 Mezzanine Debt Prepayment, so long as each of the following conditions precedent are satisfied, in form and substance satisfactory to Lender: (a) all conditions precedent to the effectiveness of this Amendment have been satisfied; (b) no Default or Event of Default exists; (c) all conditions to the 2020 Mezzanine Debt Prepayment in the Debt and Lien Subordination Agreement are satisfied other than the requirement under clause (ii)(b) of the definition of Permitted Payments contained therein, and (d) the 2020 Mezzanine Debt Prepayment is made on or before July 31, 2020.

4. **Ratification and Reaffirmation.** Borrowers hereby ratify and reaffirm the Obligations, each of the Loan Documents, and all of Borrowers' covenants, duties, indebtedness and liabilities under the Loan Documents.

5. **Acknowledgments and Stipulations.** Each Borrower acknowledges and stipulates that each of the Loan Documents executed by such Borrower creates 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 knowingly and voluntarily 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.

6. **Representations and Warranties.** Each Borrower represents and warrants to Lender, to induce Lender to enter into this Amendment, that no Default or Event of Default exists on the date hereof; the execution, delivery and performance of this Amendment have been duly authorized by all requisite company action on the part of such Borrower and this Amendment 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 on and as of the date hereof.

7. **Reference to Loan Agreement.** Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," or words of like import shall mean and be a reference to the Loan Agreement, as amended by this Amendment.

8. **Breach of Amendment.** This Amendment shall be part of the Loan Agreement and a breach of any representation, warranty or covenant herein shall constitute an Event of Default.

9. Conditions Precedent. The effectiveness of the amendments contained in Section 2 hereof and the consent contained in Section 3 hereof are 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 each Borrower;

(b) Lender shall have received an executed secretary's certificate for each Borrower, in substantially the forms attached hereto; and

(c) Lender shall have received such other agreements, instruments and documents as Lender may reasonably request.

10. __Expenses of Lender__. Each Borrower agrees to pay, **on demand**, all costs and expenses incurred by Lender in connection with the preparation, negotiation and execution of this Amendment and any other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of Lender's legal counsel and any taxes, filing fees and other expenses associated with or incurred in connection with the execution, delivery or filing of any instrument or agreement referred to herein or contemplated hereby.

11. **__Release of Claims__. To induce Lender to enter into this Amendment, each Borrower hereby RELEASES, ACQUITS AND FOREVER DISCHARGES Lender, and all officers, directors, agents, employees, successors and assigns of Lender, from any and all liabilities, claims, demands, actions or causes of action of any kind or nature (if there be any), whether absolute or contingent, disputed or undisputed, at law or in equity, or known or unknown, that such Borrower now has or ever had against Lender arising under or in connection with any of the Loan Documents or otherwise. Each Borrower represents and warrants to Lender that such Borrower has not transferred or assigned to any Person any claim that such Borrower ever had or claimed to have against Lender.**

12. **__Effectiveness; Governing Law__.** This Amendment shall be effective upon acceptance by Lender in Atlanta, Georgia (notice of which acceptance is hereby waived), whereupon the same shall be governed by and construed in accordance with the internal laws of the State of Georgia.

13. **__No Novation, etc.__** Except as otherwise expressly provided in this Amendment, 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 Amendment 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.

14. **__Successors and Assigns__.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

15. **__Further Assurances__**. Each Borrower agrees to take such further actions as Lender shall reasonably request from time to time in connection herewith to evidence or give effect to the amendments set forth herein or any of the transactions contemplated hereby.

16. **__Miscellaneous__**. This Amendment expresses the entire understanding of the parties with respect to the subject matter hereof and may not be amended except in a writing signed by the parties.

17. **__Waiver of Jury Trial__. To the fullest extent permitted by Applicable Law, each party hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Amendment**.

18. **__Execution__.** This Amendment may be in the form of an Electronic Record and may be executed using electronic signatures (including facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Amendment. For the avoidance of doubt, the authorization under this paragraph may include use or acceptance by Lender of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal and delivered by their respective duly authorized officers on the date first written above.

BORROWERS:

MARQUIS AFFILIATED HOLDINGS LLC

ATTEST:

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

_/s/ Tony Isaac_________________________
Tony Isaac, Secretary

[COMPANY SEAL]

ATTEST:

MARQUIS INDUSTRIES, INC.

___/s/ Tim Young_______________________
Tim Young, Secretary

By: ____/s/ Weston A. Godfrey, Jr._______________
Weston A. Godfrey, Jr., Chief Executive Officer

[CORPORATE SEAL]

[Signatures continued on following page.]

LENDER:

BANK OF AMERICA, N.A.

By: /s/Michelle Terwilleger
Name: **Michelle Terwilleger**
Title: Vice President

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, 2020 of Live Ventures Incorporated (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jon Isaac

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

Dated: August 14, 2020

Exhibit 31.2

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, 2020 of Live Ventures Incorporated (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ *Virland A. Johnson*

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

Dated: August 14, 2020

Exhibit 32.1

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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon Isaac, the President and Chief Executive Officer of the Company, to the best of my knowledge and belief, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: August 14, 2020

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

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Virland A. Johnson, the Chief Financial Officer (Principal Financial Officer) of the Company, to the best of my knowledge and belief, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Dated: August 14, 2020

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

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.