

LIVE VENTURES Inc
Form 10-K
January 18, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended September 30, 2017

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

For the Transition period from _____ to _____

Commission File Number: 001-33937

Live Ventures Incorporated

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of Incorporation or Organization)

85-0206668
(IRS Employer Identification No.)

325 E Warm Springs Road, Suite 102, Las Vegas, Nevada
(Address of principal executive offices)

89119
(Zip Code)

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

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 Par Value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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

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Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Accelerated filer
Smaller reporting company
Emerging growth company

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

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

The aggregate market value of the registrant's common stock held by non-affiliates computed based on the closing sales price of such stock on March 31, 2017 was \$6,842,676.

The number of shares outstanding of the registrant's common stock, as of December 31, 2017, was 1,974,599 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None

LIVE VENTURES INCORPORATED

FORM 10-K

For the year ended September 30, 2017

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

Forward-Looking Statements

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

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

- competitive and cyclical factors relating to the floor covering and retail industries;
- dependence of some of our businesses on key customers;
- requirements of capital;
- requirements of our lenders;
- product liabilities in excess of insurance;
- our ability to continue to make acquisitions and to successfully integrate and operate acquired businesses;
- risks of downturns in general economic conditions and in the floor covering and retail industries that could affect our business segments;
- technological developments;

availability of raw materials;

our ability to attract and retain key personnel;

changes in governmental regulation and oversight;

domestic or international hostilities and terrorism; and

the future trading prices of our common stock.

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

Any information contained on our website (www.live-ventures.com) or any other websites referenced in this Form 10-K are not a part of this Form 10-K.

PART I

ITEM 1. Business

Our Company

Live Ventures Incorporated, a Nevada corporation originally incorporated in the State of New Mexico in 1968 as Nuclear Corporation of New Mexico, is a holding company for diversified businesses. Commencing in fiscal year 2015, we commenced a strategic shift in our business plan away from solely providing online marketing solutions for small and medium business to acquiring profitable companies in various industries that have demonstrated a strong history of earnings power. Prior to that shift, we primarily promoted online marketing solutions to small and medium businesses to help them boost customer awareness, gain visibility and manage their online presence under our Velocity Local™ brand. In 2013, we launched LiveDeal.com, a real-time “deal engine” that connects restaurants across the United States and consumers via an online mobile platform, and helps restaurants attract new customers.

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

Products and Services

Manufacturing Segment

Marquis Industries, Inc.

In July 2015, we acquired a majority interest (80%) in Marquis Industries, Inc., a Georgia corporation (“Marquis” or “Marquis Industries”), through our subsidiary, Marquis Affiliated Holdings LLC. In November 2015, we acquired the remaining outstanding interest (20%) of Marquis. Marquis Industries is a leading carpet manufacturer and a manufacturer of innovative yarn products, as well as a reseller of hard surface flooring products. Over the last decade, Marquis has been an innovator and leader in the value-oriented polyester carpet sector. We focus on the residential, niche commercial, and hospitality end-markets and serve over 2,000 customers.

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

Marquis operates its business through 13 divisions, each specializing in a distinct area of the business. Marquis' flooring source division is the largest of all of the operating divisions, with sales to over 2,000 carpet dealers. The following is a breakdown of each division and the specialized products sold:

Division	Products and/or Services
Marquis Industries	All forms of carpets to dealers
Marquis Carpet	Carpet products to home centers
Marquis Hard Surfaces	Hard surface products manufactured by third parties to dealers
A-O Industries	Monofilament nylon, polypropylene and polyethylene yarns for the outdoor turf industry
Omega Pattern Works	Specialty printed carpet to the entertainment industry (bowling alleys, fund centers, movie theaters, casinos)
Astro Carpet Mills	Specialty printed carpet to the entertainment industry and artificial turf
Artisans Hospitality	Carpets to commercial and hospitality markets
Artisans Carpet	Carpets to carpet distributors
Dalton Carpet Depot	Sells specials and off grade carpet products to dealers
M&M Fibers	Extrusion carpet fiber division supplying raw material to Marquis
Quantum Textiles	Internal twisting and heat set yarn plant – some commission work for local mills
B&H Tufters	Internal tufting operations
Constellation Industries	Contract commission printing

Products

Carpets & Rugs

Marquis is one of the top residential carpet manufacturers in the U.S. by revenue and also produces innovative commercial products for the carpet industry. Marquis has 21 running line styles offering outstanding quality and value. It also offers special value in polyester styles and residential nylon roll buy. Beginning in 2014, Marquis began offering eight carpet styles with 6.8 twists or better, six styles in ¼ gauge construction and two with a 1/8 gauge construction.

Hard Surfaces

Marquis has developed one of the strongest and most competitive, high styled hard surface lines on the market. The Marquis Hard Surface running line is a mainstream line-up of high styled luxury vinyl tile, several unique laminates

and hand scraped engineered wood along with six individual series of vinyl. Marquis Hard Surfaces also features hundreds of rolls of vinyl specials at promotional prices.

Yarns

Through its A-O Division, Marquis uses state-of-the-art yarn extrusion capacity to market monofilament textured yarn products to the artificial turf industry.

Industry and Market

Marquis is an integrated carpet manufacturer, seller of hard surface products and manufacturer of nylon and polypropylene monofilament turf yarn within a fragmented industry composed of a wide variety of companies from small privately held firms to large multinationals. In 2016, the U.S. floor covering industry had an estimated \$24.47 billion in sales.

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

Our Market

Carpet and Rugs

The carpet and rug industry had shipments of \$11.53 billion in 2016. The carpet and rugs industry has two primary markets, residential and commercial, with the residential market making up the largest portion of the industry. The industry has two primary sub-markets, replacement and new construction, with the replacement market making up the larger portion of the sub-markets. Approximately 60% of industry shipments are made in response to residential replacement demand.

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

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

Hard Surfaces

Hard flooring surfaces such as ceramic, luxury vinyl tile, hardwood, stone, and laminate have shipments of \$12.94 billion in 2016. As with carpet and rugs, the market is split between residential and commercial and replacement and new construction, with residential replacement being the largest segment of the market.

Synthetic Turf

Northwest Georgia is also the home to a thriving synthetic turf industry, a relative of the carpet industry. Early versions of artificial turf, or fake grass, in domed and open-air sports stadiums used to be referred to as Astro Turf by the athletes who played upon the turf. Today, artificial turf is more akin to a manmade organism, with advanced

underlay, cushioning and drainage systems. AstroTurf, the granddaddy of artificial turf, is headquartered in Dalton, GA.

Other major turf players in Georgia include Challenger Industries, Controlled Products, Synthetic Turf Resources, Fieldturf and Turf Store. Marquis, through its A-O Industries division, has developed significant yarn extrusion expertise and services the synthetic turf industry through the sale of highest quality yarns. We believe that Marquis is the only company in the industry able to efficiently perform certain texturizing processes that are valued by turf manufacturers.

Competition

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

Raw Materials and Suppliers

Our principal suppliers include Honeywell, DAK, Syntec, Global Backing and Mattex. We believe that we will have access to an adequate supply of raw material on satisfactory commercial terms for the foreseeable future. We are not dependent on any one supplier.

Customers

Marquis sells products to flooring dealers, home centers, other flooring manufacturers and directly to end users. Approximately 70% of sales are to a network of over 2,000 flooring dealers across several different end markets, geographies, and product lines. Management believes that the dealer market is the most profitable market for its products because it's a diversified customer base that values innovation, style and service. Dealer networks typically allow Marquis to achieve higher margin, lower volume accounts. As a result, we are not dependent on any one customer to sustain our revenue. Although we also sell our products to a limited number of retailers, sales to those individual retailers make up a small percentage of Marquis' revenue.

Manufacturing

Marquis has a manufacturing facility with state-of-the-art equipment in all phases of its vertically integrated production, from extrusion of yarn to yarn processing to tufting carpet. Marquis manufactures high quality products and offer unique customization with exceptionally short lead-times. Marquis has recently invested in new, efficient equipment to expand its yarn extrusion capacity to enter new markets. The new equipment allows Marquis to reduce production costs and increase margins. Marquis has existing capacity to grow sales by 25% without additional investment.

Marketing

Marquis has a team of 23 full-time salespeople who deepen customer relationships throughout its markets.

Retail and Online Segment

Vintage Stock

On November 3, 2016, Live Ventures through its wholly-owned subsidiary Vintage Stock Holdings LLC, acquired 100% of Vintage Stock, V-Stock, Movie Trading Company and Entertain Mart (collectively "Vintage Stock").

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

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

LiveDeal.com

In September 2013, we launched LiveDeal.com. LiveDeal.com is a real-time "deal engine" connecting restaurants with consumers. LiveDeal.com provides marketing solutions to restaurants to boost customer awareness and merchant visibility on the Internet. Restaurants can sign up to use the LiveDeal platform at our website.

Highlights of LiveDeal.com include:

— an intuitive interface enabling restaurants to create limited-time offers and publish them immediately, or on a preset schedule that is fully customizable;

— state-of-the-art scheduling technology giving restaurants the freedom to choose the days, times and duration of the offers, enabling them to create offers that entice consumers to visit their establishment during their slower periods;

We were best known for migrating print yellow pages to the Internet in 1994 and began to develop the model for LiveDeal.com after having worked closely with well-known publishers in the daily deal market. In mid-2013, we tested the beta platform in a number of cities, and the model has been well received by restaurants, consumers, and various restaurant associations.

Marketing

Vintage Stock. Vintage Sock markets its stores primarily via social media aps including but not limited to individual store & corporate Facebook and Twitter accounts. A 200,000 plus customer active email list for weekly distribution of our digital new release catalog and promotion of online and brick and mortar sales and coupons. Vintage Stock also uses guerrilla marketing by partnering and setting up booths with movie theaters for blockbuster releases, various trade fairs, and school donations.

LiveDeal.com National Advertising Campaign. In 2014, we launched a 35 city advertising campaign to support the restaurant owners who have created more than 10,000 deals in over 8,000 restaurants in those 35 cities. The campaign, which includes TV, Radio and web-based ad delivery, was designed to expand awareness, increase user registrations and drive traffic into the restaurant locations that are utilizing the LiveDeal real-time “deal engine”.

Our Market

Vintage Stock. In 2015, we believe that revenue generated in the U.S. video game market was approximately \$44 billion, representing an average annual growth rate of 4.0% in the four-year period since 2011. IBISWorld projects future growth due to an increasing population and increased percentage of Americans that play video games. Consequently, revenue is projected to reach \$49.7 billion in 2021, growing at an annual rate of 2.4% from 2016 to 2021. In addition, filmed entertainment is distributed through a variety of channels, including out-of-home (movie theatres, airlines, etc.) and in-home (home video rental, pay-per-view, etc.). The retail home video industry includes the sale and rental of DVD movies by traditional store retailers, online retailers and other retailers. In 2015, the revenue generated in the U.S. movie and video distribution market was approximately \$1.6 billion. The movie distribution industry is a mature industry that is growing at less than 1% year over year through 2020.

Competition

Vintage Stock. Our industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. Competition is based on the ability to adopt new technology, aggressive franchising, establishment of brand names and quality of collections. The markets where we have a presence do not have many establishments that sell video games. For example, 0.6% of total video game retailers are in Oklahoma. In addition, although many competitors have entered the rental industry with streaming online content, the lack of broadband throughout the United States, particularly in the Midwest, has protected retailers of movies. Six of the seven states where Vintage Stock operates are among the 10 states with the worst internet speed. We compete with mass merchants and regional chains; computer product and consumer electronics stores; other video game and PC software specialty stores; toy retail chains; direct sales by software publishers; and online retailers and game rental companies. We have, however, established a presence in areas where we can take a greater portion of market share. Video game products are also distributed through other methods such as digital delivery. We also compete with sellers of pre-owned and value video game products. Additionally, we compete with other forms of entertainment activities, including casual and mobile games, movies, television, theater, sporting events and family entertainment centers.

Promotional Marketing. Our LiveDeal.com platform competes for local deals with several large competitors, such as Groupon and LivingSocial, and many smaller competitors. This business is part of a new market which has operated at a substantial scale for only a limited period of time. We expect competition in this market to continue to increase because no significant barriers to entry exist.

We believe that we are in a position to compete in this market successfully due to the unique features of our LiveDeal.com platform (as described above), our experienced sales managers, our experience at sourcing, selling and servicing large numbers of small business accounts, the comprehensiveness of our database, the effectiveness of our marketing programs, and the diversity of our publisher distribution network. Our distribution partnerships allow our clients to reach large audiences and promote their products and services in innovative ways.

The principal competitive factors in this market include personalization of service, ease of use, quality of services, availability of quality content, value-added products and services, access to consumers, effectiveness at driving business to our clients, and price.

Intellectual Property

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

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

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

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

Services Segment

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

Corporate Offices

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

Employees

As of September 30, 2017, we had 1,211 employees, of which 608 were full-time employees, in the United States, none of whom is covered by a collective bargaining agreement.

ITEM 1A. Risk Factors

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

RISKS RELATING TO OUR COMPANY GENERALLY

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

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

- fluctuating demand for our products and services, which may depend on a number of factors including:
 - changes in economic conditions and our customers' profitability, and the amount of consumers' discretionary spending,
 - changes in technologies favored by consumers,
 - customer refunds or cancellations, and
 - our ability to continue to bill through existing means;
- market acceptance of new or enhanced versions of our services or products;
- price competition or pricing changes by us or our competitors;
- new product offerings or other actions by our competitors;
- the amount and timing of expenditures for expansion of our operations, including the hiring of new employees, capital expenditure and related costs;
- technical difficulties or failures affecting our systems in general;
- the fixed nature of a significant amount of our operating expenses; and
- the ability of our check processing service providers to continue to process and provide billing information.

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

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

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

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

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

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

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

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

We have identified and disclosed in this Form 10-K material weaknesses in our internal control over financial reporting, which have resulted in a restatement of our financial statements for fiscal year 2016. If we are not able to remediate these material weaknesses and maintain an effective system of internal controls, we may not be able to accurately or timely report our financial results, which could cause our stock price to fall or result in our stock being delisted.

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

As reported in Part II – Item 9A, Controls and Procedures, there were material weaknesses in our internal controls over financial reporting at September 30, 2017. Specifically, management’s assessment concluded that the company has the following material weaknesses: (a) lack of sufficient controls around the financial reporting process; (b) lack of proper segregation of duties within the financial reporting process; (c) lack of adequate controls surrounding management’s review of the income tax provision process; (d) lack of controls surrounding the assessment of certain cash flow and balance sheet classifications; and (e) lack of sufficient controls around the process for business combinations. These material weaknesses resulted in a restatement of our consolidated financial statements for the 2016 fiscal year, as set forth in Note 4, Reclassifications and Restatements, of our Consolidated Financial Statements in Part II – Item 8. Financial Statements and Supplementary Data” in this Form 10-K.

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

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

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

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

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

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

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

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

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

- cease selling or using any of our products and services that incorporate the subject intellectual property, which would adversely affect our revenue;

- attempt to obtain a license from the holder of the intellectual property right alleged to have been infringed or misappropriated, which license may not be available on reasonable terms; and

- attempt to redesign or, in the case of trademark claims, rename our products or services to avoid infringing or misappropriating the intellectual property rights of third parties, which may be costly and time-consuming.

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

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

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

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

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

We may be required to expand or upgrade our infrastructure.

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

Any expansion of our (or our third-party service providers') infrastructure may require us (or them) to make significant upfront expenditures for servers, routers, computer equipment, and additional internet and intranet equipment, as well

as to increase bandwidth for internet connectivity. Any such expansion or enhancement may cause system disruptions.

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

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

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

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

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

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

We are subject to income and other taxes in the U.S. and our operations, plans and results are affected by tax and other initiatives. As a result of the passage of the Tax Cuts and Jobs Act, corporate tax rates in the United States will decrease in 2018, which could result in changes in the valuation of our deferred tax asset and liabilities. Any such change in valuation could have a material impact on our income tax expense and deferred tax balances.

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

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

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

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

RISKS RELATED TO OUR BUSINESS STRATEGY

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

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

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

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

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

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

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

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

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

RISKS RELATED TO OUR FLOORING MANUFACTURING BUSINESS

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

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

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

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

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

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

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

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

RISKS RELATED TO OUR RETAIL AND ONLINE BUSINESS

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

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

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

The video game industry has been cyclical in nature in response to the introduction and maturation of new technology. Following the introduction of new video game platforms, sales of these platforms and related software and accessories generally increase due to initial demand, while sales of older platforms and related products generally decrease as customers migrate toward the new platforms. A new console cycle began when Nintendo launched the Wii U in November 2012 and Sony and Microsoft each launched their next generation of consoles, the PlayStation 4 and Xbox One, respectively, in November 2013. If the new video game platforms do not continue to be successful, our sales of video game products could decline. The introduction of these next-generation consoles could negatively impact the demand for existing products or our pre-owned business, which could have a negative impact on our business, results of operations, financial condition, cash flow and liquidity.

Technological advances in the delivery and types of video, video games and PC entertainment software, as well as changes in consumer behavior related to these new technologies, could lower our sales

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

We may not compete effectively as browser, mobile and social video viewing and gaming becomes more popular.

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

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

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

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

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

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

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

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

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

expansion.

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

Our retail business, like that of many retailers, is seasonal, with a major portion of our sales and operating profit realized during the first fiscal quarter, which includes the holiday selling season. Any adverse trend in sales during the holiday selling season could lower our results of operations for the first fiscal quarter and the entire fiscal year.

Our results of operations may fluctuate from quarter to quarter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATED TO OUR SECURITIES

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

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

- variations in our operating results;
- changes in expectations of our future financial performance, including financial estimates by investors;

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

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

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

Isaac Capital Group LLC (ICG) is the beneficial owner of approximately 49.5% of our outstanding shares of common stock. Jon Isaac, our President and CEO, is the President and sole member of ICG and accordingly has the sole power to vote the shares of our common stock owned by ICG, and as a result, is able to exercise significant influence over all matters that require us to obtain shareholder approval, including the election of directors to our board and approval of significant corporate transactions that we may consider, such as a merger or other sale of our company or its assets. Moreover, such a concentration of voting power could have the effect of delaying or preventing a third party from acquiring us at a premium. This significant concentration of share ownership may also adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stock ownership.

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

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

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

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

· the authority of our Board of Directors to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, and privileges of these shares, without stockholder approval;

· stockholders must comply with advance notice requirements to transact any business at the annual meeting;

· all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent, unless such action or proposal is first approved by our Board of Directors;

· special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or the President of our company;

· a director may be removed from office only for cause by the holders of at least two-thirds of the voting power entitled to vote at an election of directors;

· our Board of Directors is expressly authorized to alter, amend or repeal our bylaws;

· newly-created directorships and vacancies on our Board of Directors may only be filled by a majority of remaining directors, and not by our stockholders; and

· cumulative voting is not allowed in the election of our directors.

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

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

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

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

At September 30, 2017, we leased approximately 11,000 square feet of space located in Las Vegas, Nevada which we utilize as principal executive and administrative offices.

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

Manufacturing Segment

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Marquis leases all of the land, and owns all of the improvements on such land, as described in the following table, which also provides information regarding the general location and use at September 30, 2017:

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

On June 14, 2016, Marquis entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was \$10,000,000, which consisted of \$644,479 from the sale of the land and a note payable of \$9,355,521. In connection with the transaction, Marquis entered into a lease with a 15-year term commencing on the closing of the transaction, which provides Marquis an option to extend the lease upon the expiration of its term. The initial annual lease rate is \$59,614.

Retail and Online Segment

At September 30, 2017, Vintage Stock leased all 58 of its stores under leases that vary as to rental amounts, expiration dates, renewal options and other rental provisions. Vintage Stock leased its corporate offices in Joplin, Missouri.

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

State	Retail Stores	Brand(s)
Arkansas	3	Vintage Stock and EntertainMart
Colorado	1	EntertainMart
Idaho	1	EntertainMart
Illinois	1	Vintage Stock
Kansas	7	Vintage Stock
Missouri	17	Vintage Stock and EntertainMart
New Mexico	1	EntertainMart
Oklahoma	11	Vintage Stock
Texas	15	Movie Trading Co. and EntertainMart
Utah	1	EntertainMart

ITEM 3. Legal Proceedings

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II**ITEM 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Our Common Stock**

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

The following table sets forth the quarterly high and low sales prices per share of our common stock during the last two fiscal years. All prices reflect a reverse stock split one-for-six (1:6) effective for stockholders of record as of December 5, 2016.

	Quarter Ended	High	Low
2017	October 1 – December 31, 2016	\$ 27.68	\$ 10.86
	January 1 – March 31, 2017	\$ 23.41	\$ 13.95
	April 1 – June 30, 2017	\$ 15.75	\$ 9.11
	July 1 – September 30, 2017	\$ 12.98	\$ 9.66
2016	October 1 – December 31, 2015	\$ 15.54	\$ 7.68
	January 1 – March 31, 2016	\$ 10.08	\$ 6.36
	April 1 – June 30, 2016	\$ 11.40	\$ 8.64
	July 1 – September 30, 2016	\$ 13.80	\$ 9.18

Holders of Record

On September 30, 2017, there were approximately 101 holders of record of our common stock, approximately 29 holders of record of our Series E Preferred Stock and 2 holders of record of our Series B Convertible Preferred Stock, (“Series B Preferred Stock”) according to our transfer agent. We have no record of the number of stockholders who hold our common stock in “street name” with various brokers.

Dividend Policy

We have two classes of authorized preferred stock. Our Series E Preferred Stock has 127,840 shares issued and outstanding. Each share of Series E Preferred Stock is entitled to and receives a dividend of \$0.015 per year. At September 30, 2017, the Company had accrued but unpaid preferred stock dividends totaling \$959.

Our Series B Preferred Stock, as of September 30, 2017 has 214,244 shares issued and outstanding. The shares, as a series, have waived their participation rights to dividends paid to the holders of our common stock, if any. The shares, as a series, are entitled to dividends of \$1.00 (in the aggregate for all then-issued and outstanding shares of Series B Preferred Stock).

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

Issuer Purchases of Equity Securities

On January 21, 2016, the Company announced a \$10 million dollar common stock repurchase program. Below are the treasury stock purchases since inception of the program.

Period	Number of Shares	Average Purchase Price Paid	Number of Share Purchases as Part of a Publicly Announced Plan or Program	Maximum Amount that May be Purchased Under the Announced Plan or Program
January 2016	–	\$ –	–	\$ 10,000,000
February 2016	4,752	8.98	4,752	9,957,330
March 2016	4,167	9.03	4,167	9,919,705
April 2016	–	–	–	9,919,705
May 2016	9,698	10.37	9,698	9,819,137
June 2016	1,994	10.61	1,994	9,797,979
July 2016	9,511	10.31	9,511	9,699,917
August 2016	–	–	–	9,699,917
September 2016	–	–	–	9,699,917
October 2016	–	–	–	9,699,917
November 2016	–	–	–	9,699,917
December 2016	–	–	–	9,699,917
January 2017	–	–	–	9,699,917
February 2017	–	–	–	9,699,917
March 2017	–	–	–	9,699,917
April 2017	–	–	–	9,699,917
May 2017	8,128	11.24	8,128	9,608,558
June 2017	39,523	10.25	39,523	9,203,447
July 2017	1,150	10.56	1,150	9,191,303
August 2017	6,060	10.56	6,060	9,127,309
September 2017	11,324	11.22	11,324	9,000,254
Totals	96,307		96,307	

Securities Authorized for Issuance under Equity Compensation Plans

See “Item 11 – Executive Compensation – Executive Compensation Plan Information.”

Recent Sales of Unregistered Securities

58,334 of common stock were issued to Novalk Apps S.A.S. on December 28, 2016 to settle and pay for an outstanding accrued liability in the amount of \$584,500. The value was based on the market value of the Company's common stock on the date of issuance.

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

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

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

ITEM 6. Selected Financial Data

Not applicable.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the year ended September 30, 2017, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Part I, Item 8 of this Annual Report on Form 10-K (this "Form 10-K") for the fiscal year ended September 30, 2017.

Note about Forward-Looking Statements

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

Specific forward-looking statements contained in this portion of the Form 10-K include, but are not limited to: (i) statements that are based on current projections and expectations about the markets in which we operate, (ii) statements about current projections and expectations of general economic conditions, (iii) statements about specific industry projections and expectations of economic activity, (iv) statements relating to our future operations and prospects, (v) statements about future results and future performance, (vi) statements that the cash on hand and additional cash generated from operations together with potential sources of cash through issuance of debt or equity will provide the Company with sufficient liquidity for the next 12 months, and (vii) statements that the outcome of pending legal proceedings will not have a material adverse effect on business, financial position and results of operations, cash flow or liquidity.

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

In addition, the foregoing factors may generally affect our business, results of operations and financial position. Forward-looking statements speak only as of the date the statements were made. We do not undertake and specifically decline any obligation to update any forward-looking statements. Any information contained on our website www.live-ventures.com or any other websites referenced in this Form 10-K are not part of this Form 10-K.

Our Company

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

Under the Live Ventures brand, we seek opportunities to acquire profitable and well-managed companies. We 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 Form 10-K) is located at www.live-ventures.com. Our common stock trades on the NASDAQ Capital Market under the symbol “LIVE”.

Manufacturing Segment

Marquis Industries

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

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

Retail and Online Segment

Our Retail and Online Segment is composed of Vintage Stock Affiliated Holdings, LLC and the legacy operations of Modern Everyday, Inc. and LiveDeal, Inc.

Vintage Stock

On November 3, 2016, Live Ventures through its wholly-owned subsidiary Vintage Stock Holdings LLC acquired 100% of Vintage Stock, V-Stock, Movie Trading Company and Entertainment (collectively “Vintage Stock”). Vintage Stock is an award-winning specialty entertainment retailer. Vintage Stock offers a large selection of entertainment products including new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles all available in a single location. With its integrated buy-sell-trade business model, Vintage Stock buys, sells and trades new and pre-owned movies, music, video games, electronics and collectibles through 33 Vintage Stock, 3 V-Stock, 13 Movie Trading Company and 8 EntertainMart retail locations strategically positioned across Texas, Idaho, Oklahoma, Kansas, Missouri, Colorado, Illinois, Arkansas and New Mexico.

Modern Everyday, Inc. (“MEI”) was a specialty retailer offering consumers a selection of products that range from home, kitchen and dining products, apparel and sporting goods to children's toys and beauty products. The Company has decided not to invest additional funds in this line of business and is in the process of selling the remaining inventory. LiveDeal Inc. operates a real time “deal engine” connecting restaurants with consumers. LiveDeal.com provides marketing solutions to restaurants to boost customer awareness and merchant visibility on the internet. The marketing solutions that LiveDeal.com provides has not provided any revenue to date.

Services Segment

Telco

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

Critical Accounting Policies

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

Results of Operations

The Company has restated its consolidated financial statements for fiscal year ended September 30, 2016. Our line of credit balance of \$222,590 as of September 30, 2016 with Bank of America for Marquis was reclassified from long-term debt to short-term debt. An advance deposit on manufacturing equipment for Marquis in the amount of \$1,816,855 was reclassified in the statement of cashflows from operating to investing. The bargain purchase gain associated with Marquis was reduced by \$3,074,623 due to deferred tax liabilities associated with the acquisition that were not recorded. The Company also found errors in how it was accounting for stock options and restricted stock as it relates to deferred income taxes of approximately \$3,074,623. There was a reclassification of paid in capital for series E preferred stock of \$10,738. For fiscal years 2012, 2013 and 2014 there were errors in warrant and derivative liabilities in the cumulative amount of \$6,238,516 which were made to the historical paid in capital and accumulated deficit accounts. The results of operations for fiscal year ended September 30, 2016 reflect the accounting restatements.

Management has evaluated the impact of the above referenced errors. The impact on our previously issued Form 10-Q's for quarters ended December 31, 2016, March 31, 2017 and June 30, 2017 are as follows, in error and will be amended to reflect the following changes:

	Fiscal Quarter Ended December 31, 2016			Fiscal Quarter Ended March 31, 2017			Fiscal Quarter Ended June 30, 2017	
	As Previously Reported	Change	(Restated)	As Previously Reported	Change	(Restated)	As Previously Reported	Change
Current portion of long-term debt	\$6,226,454	\$14,278,689	\$20,505,143	\$5,832,567	\$15,378,332	\$21,210,899	\$5,847,194	\$16,363,705
Long-term debt, net of current portion	67,287,070	(14,278,689)	53,008,381	69,019,133	(15,378,332)	53,640,801	70,104,445	(16,463,644)
Total liabilities	91,328,118		91,328,118	90,550,517		90,550,517	93,105,215	(2,554,698)
Paid in capital	56,705,679	6,249,254	62,954,933	56,773,754	6,249,254	63,023,008	56,841,245	6,181,763
Accumulated deficit	(27,408,969)	(6,238,516)	(33,647,485)	(25,568,783)	(6,238,516)	(31,807,299)	(23,441,219)	(8,366,080)
Series E convertible preferred stock	10,866	(10,738)	128	10,866	(10,738)	128	10,866	(10,738)
	29,009,849	–	29,009,849	30,918,112	–	30,918,112	32,616,801	(1,700,000)

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Total shareholders' equity								
Prepaid expenses and other current liabilities	1,990,407	(1,816,855)	173,552	2,520,099	(1,816,855)	703,244	2,104,859	(
Net cash provided by operations	4,994,685	(1,816,855)	3,177,830	5,209,543	(1,816,855)	3,392,688	8,830,128	(
Purchases of property and equipment	(4,869,153)	1,816,855	(3,052,298)	(7,100,362)	1,816,855	(5,283,507)	(7,753,755)	1
Net cash used in investing activities	(62,180,053)	1,816,855	(60,363,198)	(54,507,921)	1,816,855	(52,691,066)	(55,150,965)	1

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

	Year Ended September 30, 2017		Year Ended September 30, 2016	
		% of Total Revenue	(Restated)	% of Total Revenue
Statement of Income Data:				
Revenue	\$152,060,932	100.0%	\$78,954,247	100.0%
Cost of Revenue	89,494,297	58.9%	58,979,377	74.7%
Gross Profit	62,566,635	41.1%	19,974,870	25.3%
General and Administrative Expense	36,192,322	23.8%	8,543,877	10.8%
Selling and Marketing Expense	8,274,936	5.4%	9,112,744	11.5%
Operating Income	18,099,377	11.9%	2,318,249	2.9%
Interest Expense, net	(7,596,985)	-5.0%	(4,020,547)	-5.1%
Bargain Purchase Gain on Acquisition	–	0.0%	1,499,345	1.9%
Other Income	81,207	0.1%	2,589,160	3.3%
Net Income before Income Taxes	10,583,599	7.0%	2,386,207	3.0%
Provision (benefit) for Income Taxes	4,081,819	2.7%	(15,567,844)	-19.7%
Net income attributed to noncontrolling interest	–	0.0%	124,194	0.2%
Net Income attributed to Live Ventures	\$6,501,780	4.3%	\$17,829,857	22.6%

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

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	Year Ended September 30, 2017		Year Ended September 30, 2016	
	Net Revenue	% of Total Revenue	Net Revenue	% of Total Revenue
Revenue				
Used Movies, Music, Games and Other	\$40,752,981	26.8%	\$—	
New Movies, Music, Games and Other	29,522,356	19.4%	—	
Rentals, Concessions and Other	1,116,308	0.7%	—	
Kitchen and Home Products	128,904	0.1%	5,438,007	6.9%
Carpets	57,510,294	37.8%	56,572,212	71.7%
Hard Surface Products	16,211,404	10.7%	11,254,131	14.3%
Synthetic Turf Products	5,964,633	3.9%	4,683,014	5.9%
Directory Services	854,052	0.6%	1,006,883	1.3%
Total Revenue	\$152,060,932	100.0%	\$78,954,247	100.0%

	Year Ended September 30, 2017		Year Ended September 30, 2016	
	Gross Profit	Gross Profit %	Gross Profit	Gross Profit %
Gross Profit				
Used Movies, Music, Games and Other	\$32,373,769	79.4%	\$–	
New Movies, Music, Games and Other	8,123,685	27.5%	–	
Rentals, Concessions and Other	688,414	61.7%	–	
New Kitchen and Home Products	(83,879)	-65.1%	1,238,317	22.8%
Carpets	15,227,351	26.5%	13,561,526	24.0%
Hard Surface Products	4,214,209	26.0%	2,995,399	26.6%
Synthetic Turf Products	1,211,446	20.3%	1,214,810	25.9%
Directory Services	811,640	95.0%	964,818	95.8%
Total Gross Profit	\$62,566,635	41.1%	\$19,974,870	25.3%

Revenue

Revenue increased \$73,106,685, or 92.6% for the year ended September 30, 2017 as compared to the year ended September 30, 2016.

The increase in revenue was primarily attributable to the following:

Revenue from Vintage Stock for the short period of November 3, 2016 through September 30, 2017–Used Movies, Music, Games and Other \$40,752,981 or 26.8% of total revenue, New Movies, Music, Games and Other \$29,522,356 or 19.4% of total revenue, Rentals, Concessions and Other \$1,116,308 or 0.7% of total revenue.

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

Carpets \$938,082 or 1.7%, Hard Surface Products \$4,957,273 or 44.0%, Synthetic Turf Products \$1,281,619 or 27.4%.

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

Kitchen and Home Products \$5,309,103 or 97.6%

Directory Services \$152,831 or 15.2%

Cost of Revenue

Cost of revenue increased \$30,514,920, or 51.7% for the year ended September 30, 2017 as compared to the year ended September 30, 2016, primarily because of the change in revenue discussed above as well as the changes in gross profit discussed below.

Gross Profit

Gross profit increased \$42,591,765 or 213.2%, for the year ended September 30, 2017 as compared to the year ended September 30, 2016.

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

Gross Profits from Vintage Stock for the short period of November 3, 2016 through September 30, 2017-Used Movies, Music, Games and Other \$32,373,769 or 79.4% gross profit margin, New Movies, Music, Games and Other \$8,123,685 or 27.5% gross profit margin, Rentals, Concessions and Other \$688,414 or 61.7% gross profit margin.

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

Hard Surface Products gross profit increased \$1,218,810 or 40.7%. Hard surface products gross profit margin decreased to 26.0% from 26.6% or 1bps. Carpets gross profit increased \$1,665,825 or 12.3%. Carpets gross profit margin increased to 26.5% from 24.0% or 25bps due to an increase in cut order business and sales of some new styles with higher margins in the mix.

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

Kitchen and Home Products gross profit decreased \$1,322,196 or 106.8%. Kitchen and Home Products gross profit margin decreased to -65.1% from 22.8% due to final mix of products sold, final adjustments to net realizable value and aggressive discounting of remaining inventory available for sale.

Synthetic Turf Products gross profit decreased \$3,364 or 0.3%. Synthetic Turf Products gross profit margin decreased to 20.3% from 25.9% due to a competitor adding extrusion capability, an influx of yarns from China and raw materials up approximately 15% in this division.

Directory Services gross profit decreased \$153,178 or 15.9%. Directory Services gross profit margin decreased to 95.0% from 95.8% or 8bps due to increased billing processing fees.

General and Administrative Expense

General and Administrative expense increased \$27,648,445 or 323.6%, for the year ended September 30, 2017 as compared to the year ended September 30, 2016. The increase in general and administrative expense was primarily attributable to general and administrative expense from Vintage Stock for the short period of November 3, 2016 through September 30, 2017 of \$28,861,885, of which \$347,610 were related to Vintage Stock acquisition expenses – see Note 5; partially offset by a decrease of general and administrative expense associated with Kitchen and Home products of \$2,215,148, an increase of \$1,002,591 associated with Marquis and a decrease of \$883 associated with our Directory services business, Telco.

Selling and Marketing Expense

Selling and marketing expense decreased \$837,808 or 9.2%, for the year ended September 30, 2017 as compared to the year ended September 30, 2016. The decrease in selling and marketing expense was primarily attributable to the decrease in selling and marketing expense associated with Kitchen and Home products of \$1,914,483 due to declining revenue; partially offset by an increase from our new acquisition Vintage Stock of \$1,076,675 and a decrease in Marquis selling and marketing expense of \$6,535.

Operating Income

Because of the factors described above, operating income of \$18,099,377 for the year ended September 30, 2017, represented an increase of \$15,781,128 over the comparable prior year of \$2,318,249, or 680.7%.

Interest Expense, net

Interest expense net increased \$3,576,438 or 89.0%, for the year ended September 30, 2017 as compared to the year ended September 30, 2016, primarily due to the new financing related to the acquisition of Vintage Stock as more fully discussed in Notes 5 and 9 of the consolidated financial statements.

Other Income and Expense

Other income and expense decreased \$2,507,953 or 96.9%, for the year ended September 30, 2017 as compared to the year ended September 30, 2016 (restated). The decrease in other income and expense was primarily the result of the absence of the Modern Everyday Inc. contingency purchase price adjustment gain of \$316,000 and no bargain purchase gain of \$1,499,345.

Provision for Income Taxes

Provision for income taxes increased \$19,649,663, for the year ended September 30, 2017 as compared to the year ended September 30, 2016 (restated). The increase in provision for income taxes is primarily attributable to the increase in pre-tax income and the application of an estimated effective tax rate of 39%, and the release of the valuation allowance in 2016 (restated). The income tax provision is primarily deferred due to the Company's approximately \$22.7 million of net operating loss carryforwards for federal income tax purposes.

Net Income

The factors described above led to net income of \$6,501,780 for the year ended September 30, 2017, or a 63.5% decrease from net income of \$17,829,857 for the year ended September 30, 2016 (restated).

	Year Ended September 30, 2017				Year Ended September 30, 2016			
	Segments in \$				Segments - \$			
	Online	Mfg	Services	Total	Online	Mfg	Services	Total
Revenue	\$71,520,549	\$79,686,331	\$854,052	\$152,060,932	\$5,438,007	\$72,509,357	\$1,006,883	\$78,954,247
Cost of Revenue	30,418,560	59,033,325	42,412	89,494,297	4,199,690	54,737,622	42,065	58,979,377
Gross Profit	41,101,989	20,653,006	811,640	62,566,635	1,238,317	17,771,735	964,818	19,974,870
General and Administrative Expense	31,045,079	5,144,444	2,799	36,192,322	4,398,392	4,141,853	3,632	8,543,877
Selling and Marketing Expense	1,181,055	7,093,878	3	8,274,936	2,012,331	7,100,413	–	9,112,744
Operating Income (Loss)	\$8,875,855	\$8,414,684	\$808,838	\$18,099,377	\$(5,172,406)	\$6,529,469	\$961,186	\$2,318,249

	Year Ended September 30, 2017				Year Ended September 30, 2016			
	Segments in % of Revenue				Segments - % of Revenue			
	Online	Mfg	Services	Total	Online	Mfg	Services	Total
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenue	42.5%	74.1%	5.0%	58.9%	77.2%	75.5%	4.2%	74.7%
Gross Profit	57.5%	25.9%	95.0%	41.1%	22.8%	24.5%	95.8%	25.3%
General and Administrative Expense	43.4%	6.5%	0.3%	23.8%	80.9%	5.7%	0.4%	10.8%
Selling and Marketing Expense	1.7%	8.9%	0.0%	5.4%	37.0%	9.8%	0.0%	11.5%
Operating Income (Loss)	12.4%	10.6%	94.7%	11.9%	-95.1%	9.0%	95.5%	2.9%

Retail and Online Segment

Segment results for Retail and Online include Vintage Stock, Modern Everyday and LiveDeal. Revenue for the year ended September 30, 2017 increased \$66,082,542, or 1,215.2%, as compared to the prior year, as a result of the acquisition of the Vintage Stock business on November 3, 2016 which provided \$40,752,981 of Used movies, music, games and other revenue; \$29,522,356 of New movies, music, games and other revenue; \$1,116,308 of Movie Rental,

concession and other revenue; partially offset by a decrease in New kitchen and home products revenue of \$5,309,103, or 97.6% from the prior year. Cost of revenue for the year ended September 30, 2017 increased \$26,218,870, or 624.3%, because of the Vintage Stock's business which had cost of revenue for Used movies, music, games and other of \$8,379,212; New movies, music, games and other of \$21,398,671; Movie Rental, concession and other of \$427,894; partially offset by a decrease in cost of revenue for New Kitchen and home products of \$3,986,907, or 94.9% from the prior year period. Operating income for the year ended September 30, 2017 increased \$14,048,261, because of increased gross profit of \$39,863,672, partially offset by an increase in general and administrative expense of \$26,646,687, which included acquisition related expense related to Vintage Stock of \$347,610, and a decrease in selling and marketing expense of \$831,276.

Manufacturing Segment

Segment results for Manufacturing include Marquis, which is our carpet, hard surface and synthetic turf products business. Revenue for the year ended September 30, 2017 increased \$7,176,974, or 9.9%, as compared to the prior year period, because of increased sales of carpets of \$938,082, hard surface products of \$4,957,273 and synthetic turf products of \$1,281,619. Cost of revenue for the year ended September 30, 2017 increased \$2,881,271, or 16.2%, as compared to the prior year period, because of an increase in the cost of revenue of synthetic turf products of \$1,284,983, hard surface products of \$3,738,463; partially offset by a decrease in cost of revenue of carpets of \$727,743. Operating income for the year ended September 30, 2017 increased \$1,885,215, or 28.9%, as compared to the prior year period, because of an increase in gross profit of \$2,881,271 and an increase in general and administrative expense of \$1,002,591; partially offset by a decrease in selling and marketing expense of \$6,535.

Services Segment

Segment results for Services include Telco results, which is our directory services business. Revenues for the year ended September 30, 2017 decreased \$152,831, or 15.2%, as compared to the prior year period, because of decreasing renewals. Operating earnings for the year ended September 30, 2017 decreased \$152,348, or 15.9%, compared to the prior year period, primarily due to decreased renewal revenues. We expect revenue and operating income from this segment to continue to decrease in the future. We are no longer accepting new customers in our directory services business.

Liquidity and Capital Resources

Overview

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

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

As of September 30, 2017, we had total cash on hand of \$3,972,539 and an additional \$9,691,672 of available borrowing under the BofA Revolver and an additional \$3,250,393 of available borrowing under the TCB Revolver. As we continue to pursue acquisitions, and other strategic transactions to expand and grow our business, we regularly monitor capital market conditions and may raise additional funds through borrowings or public or private sales of debt or equity securities. The amount, nature and timing of any borrowings or sales of debt or equity securities will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

As of September 30, 2017, we have \$48,877,536 current portion of notes payable, including \$28,310,505 of loan payable to Capitala. We are not in compliance as of December 31, 2017 with the Capitala Term Loan total leverage ratio and do not anticipate that we will regain compliance with this covenant until sometime in fiscal year ended September 30, 2019 based upon our current operating forecast. The Capitala Term Loan has been classified as a short-term obligation at September 30, 2017 as a result of this default. We are seeking alternatives to resolving the out of compliance condition including negotiating with Capitala and seeking alternative credit sources. There can be no assurance that the Company will be able to complete any such transactions on acceptable terms, if at all. The resolution of the out of compliance condition has not occurred with Capitala and is not certain as of the date of issuance of these financial statements. The Capitala loan is secured by Vintage Stock's assets.

Sources of Liquidity

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

BofA Revolver

Marquis may borrow funds for operations under the BofA Revolver subject to availability as described in Note 5 to the consolidated financial statements. On September 30, 2017 and September 30, 2016, we had \$9,691,672 and \$11,071,138 of additional borrowing availability on the BofA Revolver, respectively. Maximum borrowing under the BofA Revolver is \$15,000,000. A total of approximately \$72,715 of letters of credit was outstanding at September 30, 2017. The weighted average interest rate for the period of October 1, 2016 through September 30, 2017 was 3.5667%. We borrowed \$89,923,216 and repaid \$85,294,991 on the BofA Revolver during the twelve months ended September 30, 2017, leaving an outstanding balance on the BofA Revolver of \$4,850,815 and \$222,590 at September 30, 2017 and September 30, 2016, respectively.

TCB Revolver

Vintage Stock may borrow funds for operations under the TCB Revolver subject to availability as described in Note 5 to the consolidated financial statements. On September 30, 2017 and November 3, 2016 – we had \$3,250,393 and \$2,562,782 of additional borrowing availability on the TCB Revolver, respectively. Maximum borrowing under the TCB Revolver is \$20,000,000. No letters of credit were outstanding at any time during the period of November 3, 2016 through September 30, 2017. The weighted average interest rate for the period of November 3, 2016 through September 30, 2017 was 3.60264%. We borrowed \$77,385,123 and repaid \$64,864,686 on the TCB Revolver during the period of November 3, 2016 through September 30, 2017, leaving an outstanding balance on the TCB Revolver of \$12,520,437 at September 30, 2017.

Loan Covenant Compliance

We were in compliance with all loan covenants under our existing revolving and other loan agreements as of September 30, 2017 due to waivers being granted by both Texas Capital Bank for the TCB Revolver and Capitala for the Capitala Term Loan. We are not in compliance as of December 31, 2017 with the Capitala Term Loan total leverage ratio and do not anticipate that we will regain compliance with this covenant until sometime in fiscal year ended September 30, 2019 based upon our current operating forecast. We are in compliance with Texas Capital Bank for the TCB Revolver as of December 31, 2017 and do not anticipate being out of compliance 12 months from the issuance of our consolidated financial statements. We are seeking alternatives to resolving the out of compliance condition including negotiating with Capitala and seeking alternative credit sources. The resolution of the out of compliance condition has not occurred with Capitala and is not certain as of the date of issuance of these financial

statements.

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Cash Flows from Operating Activities

The Company's cash and cash equivalents at September 30, 2017 was \$3,972,539 compared to \$770,895 at September 30, 2016, an increase of \$3,201,644. The principal reason for this increase was the cash provided by operating profits not used to pay down debt.

Net cash provided by operations was \$7,874,332 for the year ended September 30, 2017 as compared to net cash provided by operations of \$7,878,633 for the same period in 2016 (restated). This change in cash provided by operations of \$4,301 was due to a decrease in net income of \$11,452,271, an increase in non-cash depreciation expense of \$1,900,237, an increase of \$1,499,345 due to no bargain purchase gain in the current fiscal year, a decrease in loss on disposal of property and equipment of \$105,122, an increase in amortization of debt issuance cost of \$215,673, a decrease in stock based compensation expense of \$52,456, a decrease in non-cash interest expense associated with convertible debt and warrants of \$4,749, a decrease in non-cash interest expense associated with loan fees of \$2,801,732, an increase in non-cash note and agreement reductions due to settlement of \$962,941, a decrease in non-cash write-down of inventory of \$1,080,051, a decrease in non-cash issuance of common stock for services of \$19,999, a decrease in change in reserve for uncollectible accounts of \$53,938, a decrease in change in reserve for obsolete inventory of \$1,629,695, an increase in change in contingent liability of \$316,000, an increase in the change in deferred income taxes of \$19,123,777, plus changes in assets and liabilities including a decrease in accounts receivable of \$2,712,076, an increase in prepaid expenses and other current assets of \$7,802, a decrease in inventories of \$5,390,342, a decrease in deposits and other assets of \$74,080, a decrease in accounts payable of \$2,210,067, an increase in accrued liabilities of \$2,876,347 and an increase in income taxes payable of \$680,155.

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, general operating expenses, including payroll costs, 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 during the year ended September 30, 2017 consisted of \$47,381,108 for the acquisition of a new subsidiary Vintage Stock, net of \$272,590 cash acquired; \$95,976 of expenditures for intangible assets and \$6,414,971 of purchases of equipment (primarily new twisting and extrusion equipment used to manufacture carpet and synthetic turf in our Marquis operations), offset by proceeds of \$159,911 from the sale of assets. Our cash flows used in investing activities during the year ended September 30, 2016 consisted of \$3,193,540 of equipment purchases; offset by the proceeds from the sale of land in the amount of \$653,857.

Cash Flows from Financing Activities

Our cash flows provided by financing activities during the year ended September 30, 2017 consisted of \$36,984,434 from the issuance of notes payable and \$17,148,662 in net borrowings under revolver loans, offset by payment of series E preferred stock dividends of \$959, payment of debt issuance costs of \$1,155,000, purchase of treasury stock \$699,557 and payment on notes payable \$3,218,124. Our cash flows used in financing activities during the year ended September 30, 2016 consisted of repayment of notes payable of \$17,109,250, repayment of the related party note payable in the amount of \$4,495,825, payment of debt issuance costs of \$415,757 related to the Store Capital Acquisitions, LLC loan, purchase of treasury stock \$300,027, payment of series E preferred stock dividends of \$1,917 and purchase of the non-controlling interest in Marquis of \$2,000,000; offset by borrowing from the Revolver loan of \$1,739,825 and \$15,287,078 from the issuance of notes payable.

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

Working Capital

We had a working capital deficit of \$10,892,860 as of September 30, 2017 compared to working capital of \$11,407,456 as of September 30, 2016 with current assets increasing by \$30,280,860 and current liabilities increasing by \$52,628,710 from September 30, 2016 to September 30, 2017. Such changes in working capital were primarily attributable to the increase in inventory associated with the acquisition of Vintage Stock, increased borrowing from revolver loans and the reclassification of the Capitala Term Loan from long-term to short-term debt due within one year.

Equipment Loan

On June 20, 2016 and August 5, 2016, Marquis entered into a transaction (“the Equipment Loan”) with Banc of America Leasing & Capital, LLC., which provided the following financing evidenced by separate loan schedules (Note #1 through Note #4), secured by equipment.

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

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

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

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

At September 30, 2017 we had \$4,097,764, \$1,969,954, \$3,341,642 and \$1,025,782 outstanding on Equipment Loan Note #1 through Note #4, respectively. At September 30, 2016 we had \$4,931,937 outstanding on the Equipment Loan Note #1, and nothing owing on Equipment Loan Note #2, Note #3 or Note #4.

Real Estate Financing

On June 14, 2016, we entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis Industries, Inc. (“Marquis”) and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was \$10,000,000, which consisted of \$644,479 from the sale of the land and a note payable of \$9,355,521. In connection with the transaction, we entered

into a lease with a 15-year term commencing on the closing of the transaction, which provides the Company an option to extend the lease upon the expiration of its term. The initial annual lease rate is \$59,614. The proceeds from this transaction were used to pay down the BofA Revolver and Bank of America Term loans, and related party loan, as well as purchasing a building from the previous owners of Marquis that was not purchased in the July 2015 transaction. At September 30, 2017 and September 30, 2016, we had \$9,328,208 and \$9,351,796 outstanding, respectively, on the Store Capital Acquisition, LLC loan. At September 30, 2017 and September 30, 2016, there is un-amortized debt issuance costs associated with this loan in the amounts of \$444,402 and \$414,025, respectively.

Future Sources of Cash; New Products and Services

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

Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act ("The Act"), was signed into law by President Trump. The Act includes a number of provisions, including the lowering of the U.S. corporate tax rate from 35 percent to 21 percent, effective January 1, 2018. We are in the process of quantifying the tax impacts of The Act. As a result of The Act, we expect there will be one-time adjustments for the re-measurement of deferred tax assets (liabilities). We expect the adjustment to deferred tax assets (liabilities) to materially impact our income tax provision and balance sheet in our fiscal quarter ended December 31, 2017 to reflect the re-measurement of the change in corporate tax rate from 35 percent to 21 percent. The Company is in the process of quantifying the impact of the Act and will record any adjustments in accordance with the guidance provided in SAB118.

Contractual Obligations

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

	Payments due by Period				Total
	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years	
Notes payable	\$48,877,536	\$3,931,790	\$3,838,882	\$20,152,951	\$76,801,159
Notes Payable - related party			2,000,000		2,000,000
Noncancelable service contracts	7,200				7,200
Lease obligations	5,573,252	7,772,528	3,747,932	1,572,864	18,666,576
Total	\$54,457,988	\$11,704,318	\$9,586,814	\$21,725,815	\$97,474,935

Off-Balance Sheet Arrangements

At September 30, 2017, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

As of September 30, 2017, 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 (of which there were none in fiscal year 2017 or 2016) or commodity price risk.

ITEM 8. Financial Statement and Supplementary Data

LIVE VENTURES INCORPORATED AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Live Ventures Incorporated

Las Vegas, Nevada

We have audited the accompanying consolidated balance sheet of Live Ventures Incorporated as of September 30, 2017 and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Live Ventures Incorporated at September 30, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Las Vegas, Nevada

January 18, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Live Ventures, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheet of Live Ventures, Inc. and Subsidiaries (the “Company”) as of September 30, 2016 and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that we considered appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Live Ventures, Inc. and Subsidiaries as of September 30, 2016 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the consolidated financial statements, the 2016 financial statements have been reclassified, related to accounting for convertible features on notes and warrants, deferred income tax liabilities related to the Marquis Industries, Inc. acquisition, characterization of deposits on equipment purchases, and classification of a revolving credit arrangement with both a subjective acceleration clause and lock box arrangement.

/s/ Anton & Chia, LLP

Newport Beach, California

December 28, 2016, except for Notes 4, 5, 9, 17, and 18 which are as of January 18, 2018

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

	September 30, 2017	September 30, 2016 (Restated)
Assets		
Cash and cash equivalents	\$ 3,972,539	\$ 770,895
Trade Receivables, net	10,636,925	7,602,764
Inventories, net	34,501,801	11,053,085
Prepaid expenses and other current assets	6,435,891	5,792,018
Total current assets	55,547,156	25,218,762
Property and equipment, net	22,817,860	14,014,501
Deposits and other assets	77,520	19,765
Deferred taxes	9,000,010	12,524,582
Intangible assets, net	4,205,314	1,689,790
Goodwill	36,946,735	-
Total assets	\$ 128,594,595	\$ 53,467,400
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 8,224,057	\$ 5,402,654
Accrued liabilities	8,986,734	6,396,772
Income taxes payable	351,689	-
Current portion of long-term debt	48,877,536	2,011,880
Total current liabilities	66,440,016	13,811,306
Long-term debt, net of current portion	26,570,271	13,460,282
Note payable, related party	2,000,000	2,000,000
Total liabilities	95,010,287	29,271,588
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 September 30, 2017 and no shares issued and outstanding at September 30, 2016	214	-
Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 shares issued and outstanding at September 30, 2017 and at September 30, 2016, with a liquidation preference \$38,352	128	128
Common stock, \$0.001 par value, 10,000,000 shares authorized, 2,088,186 shares issued and 1,991,879 shares outstanding at September 30, 2017; 2,819,327 shares issued and 2,789,205 shares outstanding at September 30, 2016	2,088	2,819

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Paid in capital	63,157,178	59,568,471
Treasury stock 96,307 shares as of September 30, 2017 and 30,122 shares as of September 30, 2016	(999,584)	(300,027)
Accumulated deficit	(28,575,716)	(35,075,579)
Total stockholders' equity	33,584,308	24,195,812
Total liabilities and stockholders' equity	\$ 128,594,595	\$ 53,467,400

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

**LIVE VENTURES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended September 30,	
	2017	2016
		(Restated)
Revenues	\$ 152,060,932	\$ 78,954,247
Cost of revenues	89,494,297	58,979,377
Gross profit	62,566,635	19,974,870
Operating expenses:		
General and administrative expenses	36,192,322	8,543,877
Sales and marketing expenses	8,274,936	9,112,744
Total operating expenses	44,467,258	17,656,621
Operating income	18,099,377	2,318,249
Other (expense) income:		
Interest expense, net	(7,596,985)	(4,020,547)
Bargain purchase gain on acquisition	–	1,499,345
Other income	81,207	2,589,160
Total other (expense) income, net	(7,515,778)	67,958
Income before provision for income taxes	10,583,599	2,386,207
Provision (benefit) for income taxes	4,081,819	(15,567,844)
Net income	6,501,780	17,954,051
Net income attributed to noncontrolling interest	–	124,194
Net income attributed to Live Ventures, Incorporated	\$ 6,501,780	\$ 17,829,857
Earnings per share:		
Basic	\$ 2.94	\$ 6.33
Diluted	\$ 1.61	\$ 5.40
Weighted average common shares outstanding:		
Basic	2,210,104	2,815,072
Diluted	4,047,696	3,303,698

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

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LIVE VENTURES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Series B Preferred Stock		Series E Preferred Stock		Paid-In Capital	Treasury Stock	Accumulated Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, September 30, 2015, (Restated)	2,817,169	\$2,817	—	\$—	127,840	\$128	\$59,214,290	\$—	\$(52,903,519)
Series E preferred stock dividends									(1,917)
Stock based compensation							256,146		
Issuance of common stock for services	2,158	2					19,997		
Purchase of noncontrolling interest							78,038		
Purchase of treasury stock								(300,027)	
Net income									17,829,857
Balance, September 30, 2016, (Restated)	2,819,327	\$2,819	—	\$—	127,840	\$128	\$59,568,471	\$(300,027)	\$(35,075,579)
Series E preferred stock dividends									(1,917)
Stock based compensation							203,690		
Stock Split 1:6 no fractional shares	2,284	2					(2)		
Issuance of common stock for Norvalk Apps S.A.S. liability	58,333	59					584,441		
			55,888	56			2,799,944		

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Issuance of series B preferred stock for Kingston liability					
Exchange of common shares for series B preferred stock to Isaac Capital Group	(791,758)	\$(792)	158,356	158	634
Purchase of treasury stock					(699,557)
Net income					6,501,780
Balance, September 30, 2017	2,088,186	\$2,088			