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 **March 31, 2019**

or

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

For the transition period from __________ to __________

Commission file number: 001-38249

LIVEXLIVE MEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**98-0657263**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
269 South Beverly Drive, Suite #1450 Beverly Hills, California	**90212**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(310) 601-2500**

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§223.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, 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.

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter ended September 30, 2018, was approximately $128,230,000. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors, executive officers, holders of 10% or more of the registrant's common stock and their affiliates.

As of June 9, 2019, the registrant had 52,496,095 shares of common stock outstanding.

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Use of Market and Industry Data

This Annual Report on Form 10-K (this "Annual Report") includes market and industry data that we have obtained from third party sources, including industry publications, as well as industry data prepared by our management on the basis of its knowledge of and experience in the industries in which we operate (including our management's estimates and assumptions relating to such industries based on that knowledge). Management has developed its knowledge of such industries through its experience and participation in these industries. While our management believes the third-party sources referred to in this Annual Report are reliable, neither we nor our management have independently verified any of the data from such sources referred to in this Annual Report or ascertained the underlying economic assumptions relied upon by such sources. Furthermore, references in this Annual Report to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this Annual Report.

Forecasts and other forward-looking information obtained from these sources involve risks and uncertainties and are subject to change based on various factors, including those discussed in sections entitled "Forward-Looking Statements," "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

Trademarks, Service Marks and Trade Names

This Annual Report contains references to our trademarks, service marks and trade names and to trademarks, service marks and trade names belonging to other entities. Solely for convenience, trademarks, service marks and trade names referred to in this Annual Report, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies' trade names, service marks or trademarks or any artists' or other individuals' names to imply a relationship with, or endorsement or sponsorship of us by, any other companies or persons.

PART I

Item 1. Business

Overview

LiveXLive Media, Inc. (the "Company," "LXL," "we," "us," or "our") is a pioneer in the acquisition, distribution and monetization of live music, Internet radio and music-related streaming and video content. Through our comprehensive service offerings and innovative content platform, we provide music fans the ability to watch, listen, experience, discuss, deliberate and enjoy live music and entertainment 24/7/365. Serving a global music audience, our mission is to bring the experience of live music and entertainment to music consumers wherever music is watched, listened to, discussed, deliberated or performed around the world. Through March 31, 2019, we operated two core integrated services - LiveXLive ("LiveXLive"), one of the industry's leading live music streaming platforms, and Slacker Radio, a streaming music service that we obtained through our acquisition of Slacker, Inc. (or "Slacker") on December 29, 2017; and also produced original music-related content. LiveXLive is the first 'live social music network', delivering premium live-streamed, digital audio and on-demand music experiences from the world's top music festivals and concerts, including Rock in Rio, EDC Las Vegas, Hangout Music Festival and many more. LiveXLive also gives audiences access to premium original content, artist exclusives and industry interviews. During the fiscal year ended March 31, 2019, we livestreamed 24 major music festivals and live music events to over 50 million fans across the world, and our subscription services eclipsed 680,000 paid subscribers and 1.3 million monthly active users across our audio services. Through our music audio services, our users have access to millions of songs and hundreds of expert-curated radio platforms and stations. In May 2019, we combined Slacker's pioneering personalization and LiveXLive's industry-leading livestreaming expertise into a new application offering access to live events, audio streams, original episodic content, podcasts, video on demand, real-time livestreams, and social sharing of content. Today, our business is comprised of a single operating segment (hereon referred to as our "music services").

We generate revenue primarily through the sale of subscription-based services and advertising from our music offerings, and secondarily from the licensing of our live music content rights and services.

Music Services

Our music services provide our music fans the ability to experience, engage in and listen to live music, digital Internet radio and music streaming services on any connected device and screen 24/7/365, including desk-top, tablets, mobile applications (iOS and Android) and automobile music play interfaces. Today, we provide our music services through a dedicated over-the-top application ("Apps") called LiveXLive. Our music services are delivered through digital streaming transmissions over the Internet and or through satellite transmissions. Our users can also access our music platform from our websites, including www.livexlive.com and www.slacker.com , and through our digital App.

We acquire the rights to stream our live and recorded music and broadcasts from a combination of festival owners, such as Anschutz Entertainment Group ("AEG") and Live Nation Entertainment, Inc. ("Live Nation"), music labels, including Universal Music, Warner Music and Sony Music, and through individual music publishers and rights holders. Today, the majority of our content acquisition agreements provide us the exclusive rights to produce, license, broadcast and distribute live broadcast streams of these festivals and events throughout the world and across any digital platform, including cable, Internet, video, audio, video-on-demand ("VOD") and virtual reality ("VR"). Our license rights to provide recorded music licenses and broadcasts principally cover North America today. Through March 31, 2019, we held the streaming rights to over 40 festivals and live music events under long-term contracts that range from two to seven years in duration. Today, we have increased these live streaming festival rights to over 50 festivals and live music events, and are working to expand our VOD, content catalog and content capabilities.

Our music services commenced operations through LiveXLive in the fiscal year ended March 31, 2015, when we streamed our first music festival. During the fiscal year ended March 31, 2018, we acquired Slacker and deployed our subscription-based music services. After the Slacker acquisition, we launched our LXL App across Apple, Roku and Amazon Fire platforms. In February 2018, we entered into a multi-year agreement with Insomniac Holdings LLC ("Insomniac"), a partner with Live Nation and the owner of EDC ("Electronic Daisy Carnival") festival and other dance music festivals and events, to produce and stream up to 20 major festivals around the world and over 100 events annually across our music platform. In December 2018, we launched LiveZone, a traveling studio originating from live music events and festivals all over the world. LiveZone will mix music news, commentary, festival updates and artist interviews, and provide context to premiere events by showcasing exotic locales, unique venues, and artist backstories, adding "pre-show" and "post-show" segments to livestreamed artist performances and original festival-based content. In March 2019, we entered into a multi-year agreement with iHeartMedia that combines content, production, distribution and promotion. The agreement gives us exclusive global livestreaming rights for 17 events this year. Today, we have over 50 live festivals and music events, 700,000 paid subscribers and 1.4 million monthly active users ("MAUs"), making us online one of the largest music platforms capable of streaming live and recorded music and broadcasts globally. We use MAUs, which is a non-GAAP financial measure, as a measure of our performance and define a MAU as a user of one of our platforms who has logged in and visited our music subscription platform, as a unique user, on the day of measurement.

As of March 31, 2019, we livestreamed the following major festivals and live music events, which included over 400 live artist performances since April 1, 2018 alone (including streaming dates and major artists):

- **Rock in Rio** – Rio de Janeiro, Brazil and Lisbon, Portugal (September 2015, May 2016, September 2017 and May 2018; Katy Perry, The Killers, Muse, Demi Lovato, Metallica, Maroon 5, Justin Timberlake, Bon Jovi, Guns N' Roses)

- **Outside Lands** – San Francisco, California (August 2016 and 2017; Radiohead, Lorde, Metallica, The Who)

- **Hangout Festival** – Gulf Shores, Alabama (May 2017/2018; The Killers, The Chainsmokers, Kendrick Lamar, Mumford & Sons, Weezer, Chance The Rapper, Twenty One Pilots, DJ Snake)

- **Summerfest** – Milwaukee, Wisconsin (June/July 2017; Red Hot Chili Peppers, Paul Simon, Tom Petty, Willie Nelson, Bob Dylan)

- **EDC Las Vegas** – Las Vegas, Nevada (May 2018; Above & Beyond, Marshmello, Martin Garrix, Diplo)

- **Rock On The Range -** Columbus, Ohio (May 2018; Avenged Sevenfold, Alice In Chains)

- **Country 500 Music Festival -** Daytona, Florida (May 2018; Dierks Bentley)

- **Montreux Jazz Festival** – Lake Geneva, Switzerland (June/July 2018; Queens of the Stone Age, Odesza, Nine Inch Nails Tyler The Creator, Jack White, Billy Idol, Alice in Chains)

- **Paleo Festival Nyon** – Nyon, Switzerland (July 2018; Red Hot Chile Peppers, Arcade Fire, Macklemore)

- **Global Dance Festival** – Denver, Colorado (July 2018; Kevin Gates, Juicy J, Machine Gun Kelly, Rich The Kid, Adventure Club)

- **HARD Summer Fest 2018** – Fontana, California (August 2018; Jaden Smith, Travis Scott, Rick Ross, Diplo, Dillon Frances, Marshmello)

- **Sziget Festival** – Budapest, Hungary (August 2018; Artic Monkeys, Kendrick Lamar, Mumford & Sons)

- **Bumbershoot Festival –** Seattle, Washington (August/September 2018; Ludacris, J. Cole, T-Pain, Young Thug, SZA Blondie)

- **Rolling Loud Festival / Bay Area –** Oakland, California (September 2018; Travis Scott, Wiz Khalifa, Gucci Mane)

- **Life Is Beautiful Music and Arts Festival** – Las Vegas, Nevada (September 2018; The Weekend, Arcade Fire, Florence + The Machine, DJ Snake)

- **Escape** – San Bernardino, California (October 2018; Martin Garrix, Kaskade, Galantis, Alan Walker, Excision)

- **EDC Orlando** – Orlando, Florida (November 2018; Tiesto, Alesso, Pendulum, Martin Garrix)

- **Mac Miller: A Celebration of Life** – Los Angeles, California (November 2018; Chance The Rapper, Ty Dolla $ign, John Mayer, Miguel, SZA, Travis Scott)

- **Rolling Loud Festival / Los Angeles** – Los Angeles, California (December 2018; Post Malone, Lil Uzi Vert, Lil Wayne, Wiz Khalifa, Playboi Carti)

- **LiveXLive Presents** – Los Angeles, California (December 2018; February 2019) and Las Vegas, Nevada (CES January 2019) – Nas, Chromeo, Charli XCX, Rick Ross, Tierra Whack, DJ MettyBeats, G. Perico, Jay Hype, London On Da Track, Shaboozey, Sheck Wes, O.T. Genasis, Cousin Stizz, and Tabi.

- **ALTer Ego** – Los Angeles, California (January 2019) – The Killers, Weezer, Muse, Twenty One Pilots, Rise Against
- **EDC Mexico** – Mexico City, Mexico (February 2019) - Skrillex, Dimitri Vegas & Like Mike, Kygo, RL Grime, and Gryffin
- **Weezer iHeartRadio Theater** – New York, New York (February 2019 record release party)

As of March 31, 2019, our users could listen to our Internet digital radio services through our website, across most major mobile telephone carriers, Apple iTunes and Google android operating systems and in automobiles, such as Tesla, Honda, Acura, Fiat, Chrysler, Dodge, Ram, Jeep, Ford, Lexus, Scion, Subaru and Toyota.

Live Music Events

We produce, edit, curate and stream live music events through broadband transmission over the Internet and or satellite networks to our users throughout the world, where permitted. This service allows our users to access live music content over the Internet through their personal cellular phones, desktops, computers, tablets, and televisions, including the ability to chat and communicate over our platform. Today, LiveXLive provides these live music events for free to our users. During the year ended March 31, 2019, we began monetizing these live events through third party advertising and sponsorship, including with brands such as Kia, Samsung and Dos Equis, and selling territorial licensing rights to Tencent in China and Ocesa in Mexico. Our cost structure varies by festival, and is customarily in the form of a set upfront fee, the amount of which is often dependent on the festival's existing production infrastructure or lack thereof, and, in turn, our production/financial commitment to the live stream, against a revenue share. The fees generated from any advertising, sponsored content, VOD and other services are generally subject to the aforementioned revenue sharing arrangements with our festival owners and music right holders, when applicable.

Digital Internet Radio and Music Services

Today, our digital Internet radio and music services are available to users online and through original equipment manufacturers ("OEMs") on a white label basis, which allow certain OEMs to customize the radio and music services with their own logos, branding and systems. Our users are able to listen to a variety of music, radio personalities, news, sports and the audio of live music events. Our fee structure for our digital Internet radio and music services varies, and may be in the form of (i) a free service to the listener supported by paid advertising, (ii) paid premium subscription services, and or (iii) a fixed fee per user. The fees generated from ad-supported and subscription services are generally subject to revenue sharing arrangements with music right holders and labels, and fees to festivals, clubs, events, concerts, artists, promoters, venues, music labels and publishers ("Content Providers").

Ancillary Products and Services

We also provide our customers the following:

- *Regulatory Support* – streaming of music is generally subject to copyright protection. Whenever possible, we use our best efforts to clear music copyright licenses, artist streaming preferences and music publishing rights in advance of usage.
- *Post-Implementation Support* - once our App is live, we provide technical and network support, which includes 24/7 operational assistance and monitoring of our services and performance.

Our Industry

Globally, recorded music revenues increased to $19.1 billion in 2018, up 9.7% from $17.4 billion in 2017 (IFPI Global Music Report 2019). In the U.S. alone, live music events were projected to surpass $8.0 billion in 2019 (source: Statista). Our addressable market includes streaming of live music and entertainment, Internet radio, audio and downloadable music and online VOD services. These three markets are experiencing significant growth and now represent the majority of the music industry's overall revenue, as physical and digital record sales have steadily declined. We both capitalize on these trends and provide additional earnings opportunities to industry stakeholders, including agents, managers, distributors, producers, labels, publishers, advertisers and social influencers (collectively, "Industry Stakeholders").

Live Music Industry

The live music industry is a large, growing market that creates, manages and promotes live performances and events, ranging from festivals to concerts and events in stadiums, arenas, and other smaller venues. In the U.S. alone, the live music industry is expected to have generated over $29.0 billion of revenue annually by 2020, representing a +1% growth rate over 2016 (IBIS World) and over $5.0 billion in live music sponsorship for the same periods. Live events and festivals have become an increasingly important cultural phenomenon as seen by more than 2,000 music festivals worldwide. Each festival can attract hundreds of thousands of people with attendance at the largest festival in the United States estimated at over 140,000 people per day. Rock in Rio, for instance, attracted a combined attendance of over 1,000,000 people in 2015 and 2016 in Lisbon and Rio. The most popular festivals based on attendance include Coachella, EDC, Glastonbury, Outside Lands Music and Arts Festival, Rock Werchter, Rock in Rio, Roskilde, Tomorrowland and Ultra Music Festival. The live event industry is a global market with only a fraction of the leading live music events located in the U.S. In addition to festivals, there are thousands of live music events and performances that occur nightly in large and small venues such as arenas, theatres, clubs, bars and lounges.

As a result of the popularity of live music performances, there has been a growing interest in experiencing live events and performances via online streaming distribution. For example, in 2019, over 14 million people viewed our weekend livestream of three major festivals (EDC Las Vegas, Hangout Music Festival and Rock on the Range). Moreover, with the introduction of LiveZone in December 2018, we experienced an over 75% increase in livestream views of Rolling Loud - Los Angeles festival (December 2018) versus Rolling Loud – Bay Area festival (September 2018).

Additionally, the growth of the live music industry benefits ancillary verticals, such as merchandise and primary/secondary ticket marketplaces. Merchandise includes the retail sales of licensed music-related goods and is estimated to be larger than $2 billion since 2014.

Digital Music Streaming Industry

The addressable market for paid digital music streaming is large and growing, representing almost half of global music revenue. In 2018, streaming revenue grew 33% from 2017 to approximately $9.1 billion (IFPI Global Music Report 2019), and is expected to surpass $11.0 billion by 2020 (IBISWorld; PwC Global Entertainment and Media Outlook). The 2018 growth in streaming revenue has more than surpassed the year-over-year declines in physical and download revenues of 10.1% and 21.2%, respectively (IFPI Global Music Report 2019). At the end of 2018, there was approximately 255 million users of paid streaming services. According to Goldman Sachs, paid streaming users are expected to surpass 800 million by 2030.

These same fans are increasingly engaging digitally on their mobile devices. With over 2.5 billion smartphone users globally in 2018, we expect that mobile will continue to represent a significant opportunity for streaming live music and music-related content. More than 60% of Internet users globally listened to music through direct download or live stream from services such as Apple Music and iTunes, Pandora, iHeartRadio, Deezer and Spotify (eMarketer, August 2016).

We believe that the demand for live music and music-related content that is optimized for Internet-connected devices will continue to grow with the further development of mobile devices and increases in mobile carrier bandwidth. We intend to continue to extend our global reach by executing deals with new partners and strengthening our business model to enable us to further monetize the content offered on our network across these devices.

Online Video Streaming Industry

The addressable market for online video streaming is large and growing. The online video streaming industry is expected to generate $24.8 billing in revenue by 2019, up 8% from 2018 with expected growth to $28.2 billion by 2023 (Statista).

Additionally, an important subset of the growing online video streaming market is live video streaming. According to Facebook Live, users watch live video three times longer and comment ten times more than recorded footage (Eventbrite Blog, August 22, 2016). Moreover, YouTube claims that over 35% of all videos watched are music related. We aim to capitalize on what we believe is an increasing trend in user engagement with live video content.

Technology

We own over 10 registered or pending patents on our streaming Internet radio services, including patents over playback of digital media content, method for providing user personalized content, systems for portable personalized radio, method for interactive distribution of digital content and systems for scoring and raking digital content based on activity of network users. Key components of this technology include:

- User authorization system
- Data Warehouse/Data Management Platform, including user preferences and behavior
- Enterprise Content Management and Delivery Platform for Music
- Relevancy and Personalization Technology
- Patented off-line mode
- Mobile and over-the-top ("OTT") Development
- Development around the balance between curated and programmatically generated content
- Integrated carrier billing with most major carriers
- Service-based technology systems which allows for easier development of new products

While we do not currently have a trademark on the LiveXLive name, on September 23, 2017, we entered into a Co-Existence Agreement with Monday Sessions Media, Inc. D/B/A Live X ("Live X"), in which we consented to Live X's use and registration of the name and mark Live X and agreed to not challenge, dispute or contest Live X's rights in such mark. Pursuant to this agreement, we agreed to not offer certain production services to third party businesses in connection with our mark LIVEXLIVE and use commercially reasonable efforts to afford Live X opportunities to bid on production or streaming service opportunities. We intend to protect our trademarks, brands, copyrights, patents and other original and acquired works, ancillary goods and services. In connection with the Slacker acquisition, we acquired a trademark for the Slacker name. We believe that certain trademarks and other proprietary rights that we may apply for or otherwise obtain will have significant value and will be important to our brand-building efforts and the marketing of our services. We cannot predict, however, whether steps taken by us to protect our proprietary rights will be successful or adequate to prevent misappropriation, infringement or other violation of these rights. Upon the consummation of any future acquisitions, we may acquire additional registered trademarks, as well as applied-for trademarks potentially for worldwide use.

Streaming Internet Radio

We continuously obtain high-quality digital content and associated data from the record labels. These master files are stored in a secure database and transcoded into various audio formats that are then pushed to our production environment. The production system supports numerous streaming formats as required to serve the numerous end-user consumption devices that our service supports, including mobile handsets, connected car audio systems, smart TVs, HTML web players, etc. The production infrastructure consists of servers housed in our data center and caching servers, managed by our partners, distributed across the Internet. The caching servers temporarily store the content and related formats that are in high demand, thereby placing the most popular content closest to user endpoints, reducing latency and the number of content requests sent to our data center. When a given user makes a play request from their mobile device, the web, connected car, etc., the system sets up a secure connection to that user's device, automatically detects the proper format and the highest quality bitrate that can be streamed, and delivers the stream to our users.

Live Music

Technology is a key component of the LiveXLive network that brings our ecosystem to life for our users and Content Providers. We currently deliver our viewer experience through an HTML-based website compatible with most major web browsers (e.g., Chrome, Safari, Internet Explorer) and operating systems (e.g., Windows, MacOS, iOS, Android). Our developers bring extensive experience building technology solutions for the leading media companies of the world, including the design of live and VOD workflows, the video content management system and delivery of content on mobile, OTT and desktop clients.

More recently, we built and launched a pioneering technology stack for delivering our content to users on nearly any Internet-connected device. As of May 2018, our updated version of the LXL App was available on the iOS and Android operating systems and through Apple TV, Roku and Amazon Fire platforms. We are also continuing to finalize our OTT strategy, which to date has resulted in the release of our custom OTT application the aforementioned platforms and will be ultimately be available on most OTT platforms and consoles. We believe our full-service, delivery-to-distribution back-end will allow us to capitalize on monetization opportunities and is the first step in creating a digital supply chain for live music and music-related video content.

In April 2018, we entered into an agreement with a third-party to create interactive streaming experiences around live music events which will be streamed on the LiveXLive website and our LXL App. The interactive streaming develops engagement and analytics software and offers a platform that enables a new category of live experiences that facilitates two-way interactions between streamers and their audiences. The overall platform also enables enterprise live streamers to engage their audiences and gather data insights which will help us analyze how we can increase user retention and develop and increase our monetization opportunities.

Users

We currently stream our music services for live events globally to music fans worldwide, and with users located in North America for our digital music streaming services. We are currently developing plans to expand our digital Internet radio presence internationally. Our music streaming customers include individual users and OEMs such as Tesla, Verizon, T-Mobile, and, to a lesser extent, advertisers and third-party licensees. For the fiscal year ended March 31, 2019 and 2018, we had one single customer that represented approximately 41% and 24% of our total consolidated revenue in the period, respectively.

We provide live production and content curating and processing services to our festival and event partners on an exclusive basis, globally. These agreements are generally for three to seven years in duration. Our customers also include major cable networks such as MTV, where we have historically agreed to share production costs for certain festivals. As of March 31, 2019, we were the exclusive representative to over 40 festivals around the world.

Competitive Advantage

We are producers, acquirers and distributors of live and digital music and Internet radio entertainment services, and work closely with major and independent labels, music festival owners and other content producers to provide unique and compelling music content across our platform for our listeners. Accordingly, our significant operating and deal-making experience and relationships with Content Providers, OEMs such as Tesla, cable networks such as MTV, major advertisers and music publishers and distribution companies in our industry gives us a number of competitive advantages and may present us with a substantial number of additional business targets and relationships to facilitate growth going forward. We believe that we have sustainable competitive advantages due to our growing market position in live events, technology and relationships with important music labels, content suppliers and festival owners.

Our leadership team, consisting of our senior and executive management and our board of directors, collectively brings a wealth of industry relationships and expertise in the fields of programming, promotion, marketing, sales, distribution, web, digital, linear, mobile, legal and finance. The members of our advisory board are renowned in their respective fields, are considered thought leaders in the entertainment industry by their peers, further enhance our credibility and provide strategic guidance to our management team.

Many of the members of our leadership team have built businesses as entrepreneurs and/or have been executives at Fortune 500 companies. The team includes seasoned Wall Street executives that have collectively been extensively involved in mergers and acquisitions in the live event, recorded music, music publishing, fashion, technology and other media and entertainment businesses. Our leadership team provides the knowledge to source, analyze, negotiate and complete acquisition transactions, partnerships and other business combinations.

Strategy

Content

During the year ended March 31, 2019, we livestreamed 24 major music festivals and events. As of today, we are contracted to stream over 50 live performance festivals and events. The majority of our agreements provide us multi-year, exclusive rights to produce and digitally stream these live festivals across any screen in most major territories around the world for periods between two to seven years. Moreover, and in most cases, we also have the exclusive rights to VOD, AR, VR, broadcast TV and audio rights from these festivals (subject to music copyright clearances). We believe there is substantial value in producing and streaming live music events.

Our near-term strategy is to continue aggressively acquiring and aggregating live and on-demand performances (e.g., on stage sets) and non-performance (e.g., behind the scenes, interviews) music-related video content from festivals, clubs, events, concerts, artists, promoters, venues, music labels and publishers (collectively, the “Content Providers”); acquiring and producing original music-related video and audio content; and curating existing online and digital radio premium content. In addition to acquiring and/or partnering with third party Content Providers, our digital studio, LXL Studios, plans to develop and produce original music-related video content, including digital magazine-style news programming and original-concept digital pilots and documentaries.

With approximately 2,000 festival-like live events in the world today, we also believe there is enough live music content to acquire and fill our programming 24/7/365.

Over the long term, our strategy is to combine our live events with our audio music and radio services (collectively, the “Music Services”). We believe that the combination of these Music Services will serve as our user engagement platform, differentiate our Music Services from our competitors and provide us more opportunities to expand and grow our current user base and revenues from subscription fees, advertising, sponsorship and licensing. Moreover, we plan to drive more audience to our Music Services platform of as we grow our streamed live events, helping us leverage and lower our overall marketing spending and drive more user growth.

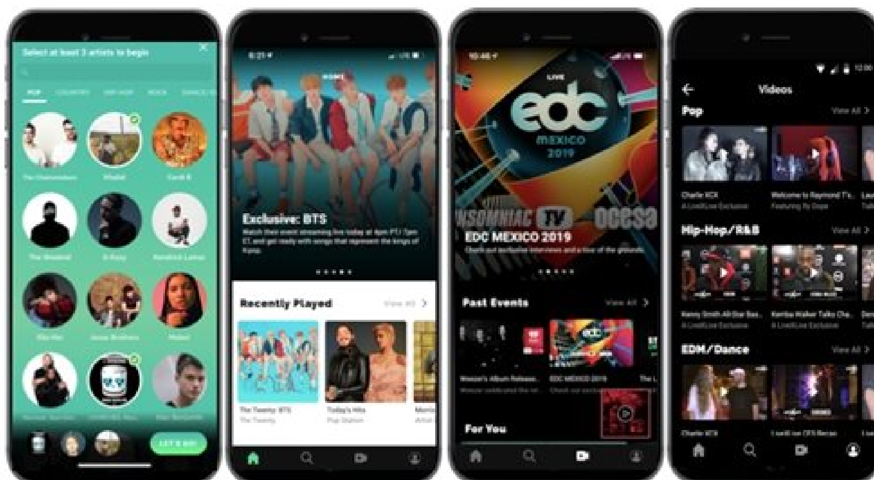
Advertising and Long-Term Revenue Opportunities

During the years ended March 31, 2019 and 2018, approximately 10% of our revenue was from advertising and licensing, respectively, and the remainder was from subscription revenue from our audio music services platform. Our near-term strategy is to increase the overall percentage mix of advertising and licensing versus subscription revenue. Beginning in the second half of our year ended March 31, 2019, we launched advertising services across our LiveXLive streaming services. Over the long-term, our plan is to continue to grow our advertising and licensing capabilities across our entire Music Services platform. Part of our long-term strategy also includes immersing our fans into the live music experience digitally. As a result, we also plan to introduce other revenue lines of services customarily available at live events including event ticket sales and music merchandise sales. We also believe the data we generate from our platform will be valuable to Industry Stakeholders.

Platform Innovation

Our platform engagement strategy is to build a compelling online and digital experience for our users, anchored by a pioneering website and our custom LXL App. The LiveXLive platform offers access to some of the world's leading music festivals and live events with multi-day and simultaneous multi-stage coverage, unique concerts, intimate performances and premium original programming. It is fueled by our LXL App, which we believe will drive 24/7/365 user engagement and data that we will be able to convert to earnings and cash flow through multiple potential revenue streams.

We have designed and developed our new custom App with interactive features that enhance the live music experience and, when combined with our platform's functionality, unique features and underlying music service, create an immersive digital experience in and of itself. We believe the combination of the intuitive, modern LiveXLive user interface and cross-platform capabilities will be instrumental in creating a deeply engaging, personally-tailored central hub for live music, music-related video content and streaming music content, particularly for those users who are otherwise unable to attend live events in person. Our aim is to also include features for personalization, social interaction services, multiple live channels, vertical video, merchandise and other offerings to further solidify users' affinity toward our platform and their interests.



LiveXLive currently runs on a responsive HTML-based website that has been developed to work across browsers on any Internet-connected screen. The website's home page includes featured content portals used for programming the most relevant content. The remainder of the page features video content and music stations that are updated regularly and covers a full spectrum of music genres. As our content library and user data grows, the featured content portals and other aspects of the user experience will be individually personalized and tailored to a user's preferences and interests. We have added video, display and other advertising to the website to generate additional revenue. We will work with our developers to continue to iterate, add and tweak features based on internal and external feedback.

Launched in May 2019, the new unified LXL App ecosystem includes live streaming video, VOD, streaming music stations, push notifications, festival-specific functionality, original content video, locally sold and programmatic ads capability, the capability to display time-shifted content and enhanced functionality that will support social media sharing and user community engagement. The main Live page of the LXL App includes a top hero carousel depicting featured performances and options for viewing concurrent programming located below the top carousel. The LXL App also include a Live Video experience tab dedicated to ongoing and past festivals. For this section, we allow users to view multiple stages of a single festival broadcasting live simultaneously when applicable. We believe this fun and simple interface layout, together with LiveZone, will highlight key content and encourage users to also discover our other content offerings.

The new unified LXL App will showcase several features that we believe will encourage and facilitate user engagement and interactivity, including:

Artist Picker - Personalization — This feature is foundational for personalization and recommendations of content with user profile integration; artists that are picked will track to user profiles for personalization. Through our acquisition of Slacker, we are able to add their highly developed enterprise content and user management systems to the LiveXLive platform. Once they have been upgraded to work with video as well as audio, they will form the core of LiveXLive's data management platform and personalization system.

Personalized & Programmed Content Carousels — Content carousels are a key feature of the new unified App with the ability to feature multiple programmed and personalized content of Live events, VOD featured content and audio streams.

Slacker-Powered Music Service — With the unification convergence of two content services, this integration includes the Slacker music service for streaming radio stations with data informed human curation. Slacker's expertise and toolset for generating both human curated and programmatically generated media channels allow LiveXLive to quickly bring both audio and video channels to market for a fraction of the expense typically associated with those activities.

Live Video Experience — The centerpiece foundation of our digital live experience to engage music fans is the Live Video experience section in which livestream video feeds, video on-demand, set-time schedules, real-time user interface elements and community interaction come together in a single unique digital environment.

Dynamic Video Player — Our player supports both Live streams and VOD playback, and also supports Vertical Video, which displays video with an edge-to-edge format in portrait view. This is how younger generations consume video and is a commonly familiar format catering to Millennials and Gen Zers.

Multiple Live Channels — For Live video broadcasts, this video player feature allows for easily switching between multi-channel perspectives covering different performances and stages of the live event being watched.

Social Sharing — With this social sharing functionality, app users are able to share content to Facebook, Twitter, Gmail, by SMS text and more.

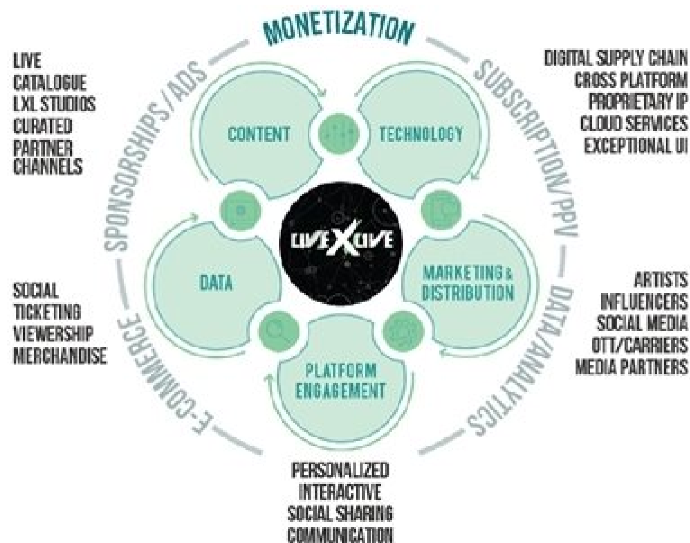
Chat — In our endeavor to enhance the live event experience digitally, we will feature an integrated user chat system so users can connect, share and comment regarding the live content. The integrated chat will allow users to connect, comment and share, all without leaving the LXL App.

Community Features — Central to the consumption of live music online is the ability for the audience to interact with each other, our hosts and influencers, and the artists themselves. We are building out the social features for our social community based around highly engaging, exclusive live music festival broadcasts that will enable us to innovate our social engagement tools beyond the competition.

By executing the above strategies, we are creating a platform that is dedicated to live music and has the breadth and depth of content to reach and be relevant to a global audience of all ages.

Market Leader – Live Music Events and Content

We believe there is significant unmet demand for experiencing live music, musical performance video on demand and related content online. To become a centralized hub for live music and music-related video content, we plan to execute the following interconnected components of our business: Content Aggregation, Technology Development, Marketing and Distribution, Platform Engagement and Data Collection:



Competition

While the broader market for live entertainment remains highly competitive, the digital distribution of live and music-related video content is still a nascent market. We believe live streamed music video content is the only remaining media genre without a dominant brand. We believe there is a tremendous amount of high-quality live music content available to be captured and produced but without a singular home for distribution and access by the public at large.

We expect to compete for the time and attention of our users with other Content Providers based on a number of factors, including: quality of experience, relevance, acceptance and diversity of content, ease of use, price, accessibility, perceptions of advertisement load, brand awareness and reputation. We also expect to compete for the time and attention of users based on the presence and/or visibility of the LiveXLive platform as compared with other platforms and Content Providers that deliver content through Internet-connected screens.

Our competitors includes (i) broadcast radio providers, including terrestrial radio providers such as CBS and satellite radio providers such as Sirius XM, (ii) interactive on-demand audio content and pre-recorded entertainment, such as Apple's iTunes Music Store and Apple Music, Rhapsody, Spotify, Pandora, Tidal and Amazon Music that allow listeners to stream music or select the audio content that they stream or purchase, (iii) other forms of entertainment, including Facebook, Twitch, Instagram, Google / YouTube, Twitter (including Periscope), and Yahoo, which offer a variety of Internet and mobile device-based products, services and content, and (iv) promoters and producers of content on mobile, online and AR/VR platforms such as Red Bull TV, Live Nation TV and independent content owners. To the extent that existing or potential users choose to watch satellite or cable television, streaming video from on demand services such as Hulu, VEVO or YouTube, or play interactive video games on their home-entertainment system, computer or mobile phone rather than use the LiveXLive service, these content services pose a competitive threat. Conversely, these content platforms can also become valuable distribution partners. For example, in 2019 we livestreamed our music festivals and events across Facebook, YouTube and Twitch, and partnered with iHeartMedia to livestream multiple iHeart-sponsored events across our music platform.

We may also face direct competition from other large live music event competitors with regards to online distribution of live music and music-related video content, ticketing and sponsorship opportunities, including from Live Nation, AEG, and LiveStyle (formerly SFX). Furthermore, there are many smaller, regional companies that compete in the market as well.

Music Copyright and Rights Regulation

As a participant in the global music and radio industries, we are subject to a variety of copyright and regulatory obligations.

- Broadcast Music, Inc. ("BMI") – BMI is a bridge between songwriters and the business and organizations that want to play their music publicly. BMI supports businesses and organizations that play music publicly by offering blanket music licenses that permit them to play nearly 13 million musical works.

- The American Society of Composers, Authors and Publishers ("ASCAP") – ASCAP is a membership association of more than 670,000 songwriters, composers and music publishers. ASCAP licenses over 11.5 million songs and scores to the businesses that play them publicly.

- SoundExchange – SoundExchange collects and distributes digital performance royalties on behalf of more than 155,000 recording artists and master rights owners and licensees.

Government Regulation

Our operations are subject to various federal, state and local laws statutes, rules, regulations, policies and procedures, both domestically and internationally, governing matters such as:

- labor and employment laws;
- the United States Foreign Corrupt Practice Act (the "FCPA") and similar regulations and laws in other countries;
- sales and other taxes and withholding of taxes;
- United States Securities and Exchange Commission (the "SEC") requirements;
- privacy laws and protection of personally identifiable information;
- marketing activities online; and
- United States copyright laws.

We believe that we are in material compliance with these laws. We are also required to comply with the laws of the countries we operate in and anti-bribery regulations under the FCPA. Such regulations make it illegal for us to pay, promise to pay, or receive money or anything of value to, or from, any government or foreign public official for the purpose of directly or indirectly obtaining or retaining business. This ban on illegal payments and bribes also applies to agents or intermediaries who use funds for purposes prohibited by the statute.

From time to time, governmental bodies have proposed legislation that could have an effect on our business. For example, some legislatures have proposed laws in the past that would impose potential liability on promoters and producers of live music events for entertainment taxes and for incidents that occur at such events, particularly incidents relating to drugs and alcohol. More recently, some jurisdictions have proposed legislation that would restrict ticketing methods and mandate ticket inventory disclosure.

Privacy Policy

As a company conducting business on the Internet, we are subject to a number of foreign and domestic laws and regulations relating to information security, data protection and privacy, among others. Many of these laws and regulations are still evolving and could be interpreted in ways that could hurt our business. In the area of information security and data protection, the laws in several states require companies to implement specific information security controls to protect certain types of personally identifiable information. Likewise, all but a few states have laws in place requiring companies to notify users if there is a security breach that compromises certain categories of their personally identifiable information. Any failure on our part to comply with these laws may subject us to significant liabilities.

We are also subject to federal and state laws regarding privacy of listener data. Our privacy policy and terms of use describe our practices concerning the use, transmission and disclosure of listener information and are posted on our website. Any failure to comply with our posted privacy policy or privacy-related laws and regulations could result in proceedings against us by governmental authorities or others, which could harm our business. Further, any failure by us to adequately protect the privacy or security of our users' information could result in a loss of confidence in our brand among existing and potential users, and ultimately, in a loss of users and advertising users, which could adversely affect our business.

We will also collect and use certain types of information from our users in accordance with the privacy policies posted on our websites. We will collect personally identifiable information directly from our platform's users when they register to use our service, fill out their listener profiles, post comments, use our service's social networking features, participate in polls and contests and sign up to receive email newsletters. We may also obtain information about our platform's users from other platform users and third parties. We also collect information from users using our other websites in order to provide ticketing services and other user support. Our policy is to use the collected information to customize and personalize our offerings for platform users and other users and to enhance the listeners' experience when using our service.

The sharing, use, disclosure and protection of personally identifiable information and other user data are governed by existing and evolving federal, state and international laws. We could be adversely affected if legislation or regulations are expanded to require changes in business practices or privacy policies, or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations. We intend to attract users from all over the world, and as we expand into new jurisdictions, the costs associated with compliance with these regulations increases. It is possible that government or industry regulation in these markets will require us to deviate from our standard processes, which will increase operational cost and risk. We intend to commit capital resources to ensure our compliance with any such regulations.

Intellectual Property

While we do not currently have a trademark on the LiveXLive name, on September 23, 2017, we entered into a Co-Existence Agreement with Monday Sessions Media, Inc. D/B/A Live X ("Live X"), in which we consented to Live X's use and registration of the name and mark Live X and agreed to not challenge, dispute or contest Live X's rights in such mark. Pursuant to this agreement, we agreed to not offer certain production services to third party businesses in connection with our mark LIVEXLIVE and use commercially reasonable efforts to afford Live X opportunities to bid on production or streaming service opportunities. We intend to protect our trademarks, brands, copyrights, patents and other original and acquired works, ancillary goods and services. In connection with the Slacker acquisition, we acquired a trademark for the Slacker name. We believe that certain trademarks and other proprietary rights that we may apply for or otherwise obtain will have significant value and will be important to our brand-building efforts and the marketing of our services. We cannot predict, however, whether steps taken by us to protect our proprietary rights will be successful or adequate to prevent misappropriation, infringement or other violation of these rights. Upon the consummation of any future acquisitions, we may acquire additional registered trademarks, as well as applied-for trademarks potentially for worldwide use. See section below entitled "Item 1A. Risk Factors — We may be unable to adequately protect our intellectual property rights."

Employees

As of March 31, 2019, we had 76 full-time employees, including through our subsidiaries. All of our employees are located in the United States. We are not party to any collective bargaining agreements and have not experienced any strikes or work stoppages. We believe our relationship with all of our employees is very good. In addition to our employees, we engage key consultants and utilize the services of independent contractors to perform various services on our behalf. Some of our executive officers and directors are engaged in outside business activities that we do not believe conflict with our business.

Going Concern

We are dependent upon the receipt of capital investment and other financing to fund our ongoing operations and to execute our business plan. If continued funding and capital resources are unavailable at reasonable terms, we may not be able to implement our plan of operations. We may be required to obtain alternative or additional financing, from financial institutions or otherwise, in order to maintain and expand our existing operations. The failure by us to obtain such financing would have a material adverse effect upon our business, financial condition and results of operations.

Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our independent registered public accounting firm has included an explanatory paragraph in their report in our audited consolidated financial statements for the fiscal year ended March 31, 2019 to the effect that our losses from operations and our negative cash flows from operations raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern within one year after the date that the financial statements are issued. We may be required to cease operations which could result in our stockholders losing all or almost all of their investment.

Segment Reporting and Geographic Information

For additional information regarding our segments, including information about our financial results by geography, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 – Organization and Basis of Presentation to our consolidated financial statements included elsewhere in this Annual Report.

Corporate History

On August 2, 2017, our name changed from "Loton, Corp" to "LiveXLive Media, Inc.", and we reincorporated from the State of Nevada to the State of Delaware, pursuant to the reincorporation merger of Loton, Corp ("Loton"), a Nevada corporation, with and into LiveXLive Media, Inc., a Delaware corporation and Loton's wholly owned subsidiary, effected on the same date. As a result of such reincorporation merger, Loton ceased to exist as a separate entity, with LiveXLive Media, Inc. being the surviving entity. Our principal executive offices are located at 269 South Beverly Drive, Suite #1450, Beverly Hills, CA 90212.

Available Information

Our main corporate website address is www.livexlive.com. Copies of our Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K and our other reports and documents filed with or furnished to the SEC, and any amendments to the foregoing, will be provided without charge to any shareholder submitting a written request to the Secretary at our principal executive offices or by calling (310) 601-2500. All of our SEC filings are also available on our website at http://ir.livexlive.com/ir-home as soon as reasonably practicable after having been electronically filed or furnished to the SEC. All of our SEC filings are also available at the SEC's website at www.sec.gov .

We began formal investor earnings calls during the fiscal year ended March 31, 2019, and certain events we participate in or host with members of the investment community on the investor relations section of our corporate website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, and press and earnings releases on the investor relations section of our corporate website. Investors can receive notifications of new press releases and SEC filings by signing up for email alerts on our website. Further corporate governance information, including our board committee charters and code of ethics, is also available on our website at http://ir.livexlive.com/ir-home . The information included on our website or social media accounts, or any of the websites of entities that we are affiliated with, is not incorporated by reference into this Annual Report or in any other report or document we file with the SEC, and any references to our website or social media accounts are intended to be inactive textual references only.

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this Annual Report, before deciding whether to invest in our common stock. The occurrence of any of the risks described below could have a material adverse effect on our business, financial condition, results of operations and future growth prospects. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

We rely on one key customer for a substantial percentage of our music services revenue.

Our business is dependent on our customer relationship with Tesla, which accounted for 41% and 24% of our consolidated revenue for the years ended March 31, 2019 and 2018. Our existing agreement with Tesla governs our music services to its car user base in North America, including our audio music streaming services. If we fail to maintain certain minimum service level requirements related to our service with Tesla, Tesla may terminate our agreement to provide them with such service. Similarly, if we fail to meet other obligations related to our technology or services, Tesla may have the right to terminate our agreement to provide them with such services. Tesla may also terminate their agreement with us for convenience Our business would be materially adversely affected if Tesla terminates our services or our agreement to provide them with our services.

Our limited operating history makes it difficult to evaluate our current business and future prospects, and we may be unsuccessful in executing our business model.

We began our current business operations in February 2015 and have a limited operating history related to our current business. We are now a global digital media company focused on live entertainment. As of March 31, 2019, we generated minimal revenue from the operations of our live music streaming platform. In December 2017, we acquired Slacker Radio ("Slacker") and substantially all of our revenues as of March 31, 2019 were generated by Slacker. To date, we have devoted most of our financial resources to developing our current business model, growing Slacker's user base and product offerings and making key acquisitions. We expect to continue to incur substantial and increased expenses as we continue to execute our business approach, including expanding and developing our content and platform and potentially making other accretive acquisitions.

The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered by a developing company starting a new business enterprise, the difficulties that may be encountered with integrating acquired companies and the highly competitive environment in which we operate. For example, while several companies have been successful in the digital music streaming industry and the online video streaming industry, companies have had no or limited success in operating a premium Internet network devoted to live music and music-related video content. Because we have a limited operating history, we cannot assure you that our business will be profitable or that we will ever generate sufficient revenue to fully meet our expenses and support our anticipated activities.

We have incurred significant operating and net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future; our auditors have included in their audit report for the fiscal year ended March 31, 2019 an explanatory paragraph as to substantial doubt as to our ability to continue as a going concern.

As reflected in our consolidated financial statements included elsewhere herein, we have incurred significant operating and net losses in each year since our inception, including net losses of $37.8 million and $23.3 million for the fiscal years ended March 31, 2019 and 2018, respectively. As of March 31, 2019, we had an accumulated deficit of $89.2 million and a working capital deficiency of $14.6 million. We anticipate incurring additional losses until such time that we can generate significant increases to our revenues, and/or reduce our operating costs and loses. To date, we have financed our operations exclusively through the sale of equity and/or debt securities (including convertible securities). The size of our future net losses will depend, in part, on the rate of future expenditures and our ability to significantly grow our business and increase our revenues. We expect to continue to incur substantial and increased expenses as we grow our business. We also expect a continued increase in our expenses associated with our operations as a publicly-traded company. We may incur significant losses in the future for a number of other reasons, including unsuccessful acquisitions, costs of integrating new businesses, expenses, difficulties, complications, delays and other unknown events. As a result of the foregoing, we expect to continue to incur significant losses for the foreseeable future and we may not be able to achieve or sustain profitability.

Our auditors have included in their audit report for the fiscal year ended March 31, 2019 a "going concern" explanatory paragraph raising substantial doubt as to our ability to continue as a going concern. Our ability to meet our total liabilities of $49.4 million as of March 31, 2019, and to continue as a going concern, is dependent on our ability to increase revenue, reduce costs, achieve a satisfactory level of profitable operations, obtain additional sources of suitable and adequate financing and further develop and execute on our business plan. We may never achieve profitability, and even if we do, we may not be able to sustain being profitable. As a result of the going concern uncertainty, there is an increased risk that you could lose the entire amount of your investment in our company, which assumes the realization of our assets and the satisfaction of our liabilities and commitments in the normal course of business.

We may require additional capital, including to fund our current debt obligations and to fund potential acquisitions and capital expenditures, which may not be available on terms acceptable to us or at all and which depends on many factors beyond our control.

Historically, we have funded our business operations and capital expenditures primarily through equity and/or debt issuances (including convertible securities). To support our growing business, we must have sufficient capital to continue to make significant investments in our platform and product offerings. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to those of our common stock, and our existing stockholders may experience dilution. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Any refinancing of our indebtedness could be at significantly higher interest rates, require additional restrictive financial and operational covenants, or require us to incur significant transaction fees, issue warrants or other equity securities, or issue convertible securities. These restrictions and covenants may restrict our ability to finance our operations and engage in, expand, or otherwise pursue our business activities and strategies. Our ability to comply with these covenants and restrictions may be affected by events beyond our control, and breaches of these covenants and restrictions could result in a default and an acceleration of our obligations under a debt agreement. If we raise additional funds through collaborations and licensing arrangements, we might be required to relinquish significant rights to our technologies or our solutions under development, or grant licenses on terms that are not favorable to us, which could lower the economic value of those programs to us.

We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans and operating performance and the condition of the capital markets at the time we seek financing and to an extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot be certain that additional financing will be available to us on favorable terms, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business, financial condition and results of operations could be adversely affected.

We depend on a limited number of customers for a substantial portion of our revenues. The loss of a key customer or the significant reduction of business or growth of business from our largest customer could significantly adversely affect our business, financial condition and results of operations.

We have derived, and we believe that we will continue to derive, a substantial portion of our revenues from a limited number of customers. For example, for the year ended March 31, 2019 and 2018, our largest customer by revenue accounted for 41% and 24% of our revenues, respectively. If we were to lose one or more of our key customers or experience a significant reduction of business from our largest customer, there is no assurance that we would be able to replace such customers or lost business with new customers that generate comparable revenue, which would significantly adversely affect our business, financial condition and results of operations. In addition, there could be no assurance that our revenues from our largest customer continues to grow at same rate or at all. Any revenue growth will depend on our success in growing our customers' revenues on our platform and expanding our customer base to include additional customers.

Our business is partially dependent on our ability to secure music streaming rights from Content Providers and to stream their live music and music-related video content on our platform, and we may not be able to secure such content on commercially reasonable terms or at all.

Our business is dependent on our ability to secure rights to stream on our platform a variety of popular content from Content Providers. Our licensing, distribution and/or production arrangements with Content Providers may be short-term and do not guarantee the continuation or renewal of these arrangements on commercially reasonable terms, if at all. For example, our agreement with Rock in Rio expires in 2020 and there is no guarantee that we will be able to renew this agreement on commercially reasonable terms or at all. Additionally, while our agreements with music festivals and other live music events and venues allow us to stream content from such events and venues, we typically require additional permission from the artists performing at such events, other rights holders and venues. While the majority of artists at music festivals and other live music events and venues that we have contracts with have in the past agreed to allow us to stream their performances, there is no guarantee that artists at an event will agree to allow us to stream their performances. Any unwillingness of such partners to supply content to us or lack of availability of popular artists to perform at such venues and events could limit our ability to enhance user experience and deepen user engagement with our platform and therefore reduce our revenue opportunities. If we are unable to secure rights to steam our content, then our business, financial condition and results of operations would be adversely affected. Additionally, to the extent any music festival or other live music event that we have rights to stream is cancelled or delayed, whether as a result of cancellation by artists, weather, terrorism or otherwise, we may receive little or no content from such live event.

In the 2019 fiscal year, we also began livestreaming our own live events under "LiveXLive Presents". As we continue to livestream and grow our own live events, we may directly compete with our current and prospective Content Providers. This direct competition with our current and prospective Content Providers could harm our existing and future relationships with our Content Providers, and may result in a decline in the number of live events partnership, license, distribution and/or production opportunities available to us, which could adversely affect our business, financial condition and results of operations.

Some Content Providers and distributors, currently or in the future, may also take action to make it more difficult or impossible for us to partner with, license, distribute and/or produce their content, including as a result of them offering a competing product. Other content owners, providers or distributors may seek to limit our access to, increase the cost of, or otherwise restrict or prohibit our use of such content. As a result, we may be unable to offer a wide variety of content at reasonable prices with acceptable usage rules or expand our geographic reach.

Additionally, some content on our platform is currently provided free of digital rights management to prevent the unauthorized redistribution of digital media. If our business model changes, we may have to develop or license digital rights management technology. There is no assurance that we will be able to develop or license such technology at a reasonable cost and in a timely manner. In addition, certain countries have passed or may propose and adopt legislation that would require us to license our digital rights management, if any, which could weaken the protection of content, subject us to piracy and also negatively affect arrangements with our Content Providers.

We may be unable to fund any significant up-front and/or guaranteed payment cash requirements associated with our live music streaming rights, which could result in the inability to secure and retain such streaming rights and may limit our operating flexibility, which may adversely affect our business, operating results and financial condition.

In order to secure event and festival live music streaming rights, we may be required to fund significant up-front and/or guaranteed payment cash requirements to artists or festival or event promoters prior to the event or festival taking place. For example, our agreement with Insomniac requires us to pay Insomniac $1 million per year during the 5-year term, in addition to other payments and upfront expenses required to be paid by us under the agreement, and there is no guarantee that we will be able to make such payments on time. As of March 31, 2019, we have estimated future up-front and minimum guarantee ("MGs") commitments of $5.8 million. While some MGs are recoupable by us as a direct cost before we share any revenue with the underlying partners, such future MGs are not tied to a number of users, active users, premium subscribers or the number of times we stream such content on our platform. Accordingly, our ability to achieve and sustain profitability and operating leverage on our services in part depends on our ability to increase our revenues through increased sales of premium services and advertising sales on terms that maintain an adequate gross margin. The duration of our content acquisition agreements that contain MGs is typically between three to seven years, but our premium subscribers may cancel their subscriptions at any time. If our forecasts for premium subscribers do not meet our expectations or the number of our premium subscribers or advertising sales do not materialize and or decline significantly during the term of our content acquisition agreements, our margins may be materially and adversely impacted. To the extent our premium service revenue growth or advertising sales do not meet our or our partners' collective expectations, our business, operating results and financial condition also could be adversely impacted as a result of such MGs. In addition, the fixed cost nature of these MGs may limit our flexibility in planning for, or reacting to, changes in our business and the market segments in which we operate.

We rely on estimates of the market share of licensable content controlled by each content provider, as well as our own user growth and forecasted advertising revenue, to forecast whether such MGs could be recouped against our actual content acquisition costs incurred over the duration of each content acquisition agreement. To the extent that these revenue and/or market share estimates underperform relative to our expectations, leading to content acquisition costs that do not exceed such up-front and minimum guarantees, our margins may be materially and adversely impacted. If we do not have sufficient cash on hand or available capacity to advance the necessary cash for any given artist, event or festival, we would not be able to retain the rights for that artist, festival or event, such counter parties may be able to terminate their content acquisition agreements with us, and as a result our business, financial condition and results of operations may be adversely affected.

If we fail to increase the number of users consuming our live music and music-related video content on our platform, and/or the number of subscribers to Slacker, our business, financial condition and results of operations may be adversely affected.

The size of our user base is critical to our success, and we will need to develop and grow our user base to be successful. We currently generate revenue from Slacker's operations and expect to generate additional revenue based upon subscription, VOD, and PPV, advertising and sponsorship, licensing, e-commerce and data, which is dependent on the number of users we retain and attract. For example, if we are unable to retain and attract users, we may be unable to attract users to our network and/or increase the frequency of users' engagement with our platform. In addition, if users do not perceive our content as original, entertaining or engaging, we may not be able to attract sponsorship opportunities and/or increase the resulting frequency of users' engagement with our platform and content. If we are unable to retain and attract users, our network and services could also be less attractive to potential new users, as well as to Content Providers and other Industry Stakeholders, which could have a material and adverse impact on our business, financial condition and results of operations.

Our ability to attract and retain users is highly sensitive to rapidly changing public tastes in music and technology.

Our ability to attract and retain users is highly sensitive to rapidly changing public tastes in music and technology and is dependent on our ability to maintain the attractiveness of our platform, content, technology and reputation as a place where quality online live music and music-related video content can be accessed and enjoyed. We will rely on the popularity of our Content Providers and the quality of their respective content to retain users, secure sponsorships and to facilitate growth in revenue from advertising and e-commerce. Maintaining the popularity of our content will be challenging, and our relationship with music fans could be harmed for many reasons, including the quality and diversity of our online content, quality of the experience with a particular festival, event or club, our competitors developing relationships with more popular festivals, events or clubs or attracting talent from our businesses, adverse occurrences or publicity in connection with a festival, event or club and changes to public tastes that are beyond our control and difficult to anticipate. For example, if users do not perceive our platform and services to be original, entertaining, engaging, useful, reliable or trustworthy, we may be unable to attract and retain users to our network and/or increase the frequency of users' engagement with our platform. Additionally, any cancellation or delay in music festivals, concerts or other live music events that we have rights to stream, or are otherwise associated with, may harm our reputation and make any related content less desirable to our users. A number of consumer-oriented music and/or tech websites that achieved early popularity have since seen their user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our user base. If our platform or content become less popular with music fans, our growth strategy would be harmed, which could in turn harm our business and financial results.

Our ability to attract and retain users depends upon many additional factors both within and beyond our control.

In addition to the popularity of our content, we believe that our ability to attract and retain users depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our platform, products and services, including Slacker and our LiveXLive Powered by Slacker application ("LXL App" or "LiveXLive App"), compared to those of our competitors;
- the timing and market acceptance of our platform, products and services, including Slacker and the LXL App;
- users' willingness to pay for subscription rights to our platform;
- our ability to develop and monetize an effective strategy to attract advertisers and sponsor of our platform;
- the frequency and relative prominence of the ads displayed by us or our competitors;
- our ability to establish and maintain relationships with our Content Providers to provide new content for our network;
- user concerns related to user privacy and our ability to keep user data secure;
- changes mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;
- our ability to attract, retain and motivate talented employees, particularly engineers, designers and platform and content managers;
- fluctuations in costs of content which we may be unwilling or unable to pass through to our users;
- competitors' offerings that may include more favorable terms than we offer in order to obtain agreements for new content or venue, festival or ticketing arrangements;
- technological changes and innovations that we are unable to adopt or are late in adopting that offer more attractive entertainment alternatives than we or other live streamed entertainment providers currently offer;
- general economic conditions which could cause consumers to reduce discretionary spending;
- our ability to develop and monetize an effective strategy to buildout our e-commerce revenue stream;
- acquisitions or consolidation within our industry, which may result in more formidable competitors; and
- our reputation and the brand strength relative to our competitors.

In addition to attracting and retaining users, we will need to minimize user churn and attract lapsed users back to our platform and services, while ensuring that our user acquisition cost does not exceed user life time value.

If we are unable to attract and retain users, minimize user churn, fail to attract lapsed users and/or ensure that our user acquisition cost does not exceed our user life time value, any of these factors could adversely affect our business, financial condition and results of operations.

Our ability to increase the number of our listeners depends in part on our ability to establish and maintain relationships with automakers, automotive suppliers and consumer electronics manufacturers with products that integrate our service.

A key element of our strategy to expand the reach of our service and increase the number of our users and user hours spend on our platform is to establish and maintain relationships with automakers, automotive suppliers and consumer electronics manufacturers that integrate our service into and with their products. Working with certain third-party distribution partners, we currently offer listeners the ability to access our service through a variety of consumer electronics products used in the home and devices connected to or installed in automobiles. We intend to broaden our ability to reach additional listeners, and increase current listener hours, through other platforms and partners over time, including through direct integration into connected cars. However, product design cycles in consumer products and automotive manufacturing are lengthy, and we may not be able to achieve our goals in our desired timeframe, which could adversely impact our ability to grow our business.

Our existing agreements with partners in the automobile and consumer electronics industries generally do not obligate those partners to offer our service in their products. In addition, some automobile manufacturers or their supplier partners may terminate their agreements with us for convenience. Our business could be adversely affected if our automobile partners and consumer electronics partners do not continue to provide access to our service or are unwilling to do so on terms acceptable to us. If we are forced to amend the business terms of our distribution agreements as a result of competitive pressure, our ability to maintain and expand the reach of our service and increase listener hours would be adversely affected, which would reduce our revenue and harm our operating results.

We are a party to many content acquisition and other license agreements that are complex and impose numerous obligations upon us which may make it difficult to operate our business, and a breach of such agreements could adversely affect our business, operating results and financial condition.

Many of our content acquisition and other license agreements are complex and impose numerous obligations on us, including obligations to, among other things:

- calculate and make payments based on complex royalty structures, which requires tracking usage of content on our service that may have inaccurate or incomplete metadata necessary for such calculation;
- provide periodic reports on the exploitation of the content in specified formats;
- represent that we will obtain all necessary publishing licenses and consents and pay all associated fees, royalties, and other amounts due for the licensing of musical compositions;
- provide advertising inventory;
- comply with certain broadcasting limitations and restrictions;
- comply with certain marketing and advertising restrictions; and
- comply with certain security and technical specifications.

Some of our content acquisition and other license agreements grant the licensor the right to audit our compliance with the terms and conditions of such agreements. In addition, some of our content acquisition and other license agreements require consent to undertake certain business initiatives and without such consent, our ability to undertake new business initiatives may be limited. This could hurt our competitive position.

If we materially breach any of these obligations or any other obligations set forth in any of our content acquisition and other license agreements, or if we use content in ways that are found to exceed the scope of such agreements, we could be subject to monetary penalties and our rights under such license agreements could be terminated, either of which could have a material adverse effect on our business, operating results and financial condition. We may enter into settlement agreements in the future requiring us to make substantial payments as a result of claims that we are in breach of certain provisions in, or have exceeded the scope of, our content acquisition and other license agreements.

We may be unsuccessful in developing our original content.

We currently produce and plan to continue to produce original music-related video content, including LiveZone, and our other digital magazine-style news programming and original-concept digital pilots, documentaries and other original content. We believe that a positive reputation with users concerning our original content is important in attracting and retaining users. To the extent our content, in particular, our original programming, is perceived as low quality, offensive or otherwise not compelling to users, our ability to establish and maintain a positive reputation may be adversely impacted. If the original content we produce does not attract new users, we may not be able to cover our expenses to produce such programs, and our business, financial condition and results of operations may be adversely affected.

As we continue to develop our original content, we will become responsible for higher production costs and other expenses. We may also take on risks associated with production, such as completion and key talent risk. To the extent we do not accurately anticipate costs or mitigate risks, or if we become liable for content we acquire, produce, license and/or distribute, our business may suffer. Litigation to defend these claims could be costly and the expenses and damages arising from any liability or unforeseen production risks could harm our results of operations. We may not be indemnified against claims or costs of these types and we may not have insurance coverage for these types of claims.

We face competition for users' attention and time.

The market for entertainment video and radio content is intensively competitive and subject to rapid change. We compete against other entertainment video and radio providers, such as (i) interactive on-demand audio content and pre-recorded entertainment, (ii) broadcast radio providers, including terrestrial and Internet radio providers, (iii) cable, satellite and Internet television and movie content providers, (iv) video gaming providers and (v) other sources of entertainment for our users' attention and time. These content and service providers pose a competitive threat to the extent existing or potential users choose to consume their content or use their services rather than our content or our services. The online marketplace for live music and music-related content may rapidly evolve and provide users with a number of alternatives or new access models, which could adversely affect our business, financial condition and results of operations.

We face intense competition from competitors and we may not be able to increase our revenues, which could adversely impact our business, financial condition and results of operations.

The music streaming industry is highly competitive. The music streaming industry competes with other forms of entertainment for consumers' discretionary spending, and within this industry we compete with other platforms to secure rights to content. In the markets in which we promote our streaming live music and music-related content, we face competition from other promoters and streaming operators. These competitors may engage in more extensive development efforts, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to existing and potential artists. Our competitors may also develop services, advertising options or music platforms that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. It is possible that new competitors may emerge and rapidly acquire significant market share.

Our current and future competitors may have more well-established brand recognition, more established relationships with, and superior access to, Content Providers and other Industry Stakeholders, greater financial, technical and other resources, more sophisticated technologies or more experience in the markets in which we compete. These competitors may also compete with us for key employees and other individual service providers who have relationships with popular music artists or other Content Providers and that have a history of being able to book such artists or secure the rights to stream their music. If we are unable to compete successfully for users against other providers by maintaining and increasing our presence and visibility, the number of users of our network may fail to increase as expected or decline and our advertising sales, subscription fees and other revenue streams will suffer.

Our new platform features, services and initiatives, changes to existing features, services and initiatives and our plan to continue to increase the number of live events that we produce could fail to attract users, content partners, advertisers and platform partners or generate revenue.

Our new platform features, services and initiatives and changes to existing features, services and initiatives could fail to attract users, content partners, advertisers and platform partners or generate revenue. Our industry is subject to rapid and frequent changes in technology, evolving customer needs and the frequent introduction by our competitors of new and enhanced offerings. We must constantly assess the playing field and determine whether we need to improve or re-allocate resources amongst our existing platform features and services or create new products (independently or in conjunction with third parties). Our ability to increase the size and engagement of our user base, attract content partners, advertisers and platform partners and generate revenue will depend on those decisions. We may introduce significant changes to our existing platform and services or develop and introduce new and unproven products and services, including technologies with which we have little or no prior development or operating experience. If new or enhanced platform features or services fail to engage users, content partners and advertisers, we may fail to attract or retain users or to generate sufficient revenue or operating profit to justify our investments, and our business and operating results could be adversely affected.

In addition, in the 2019 fiscal year, we produced and expect to continue to produce live events that have not yet directly generated revenue but which we believe will enhance our attractiveness to users, content partners and advertisers. We hope to drive increased advertising to monetize our live events and our platform and services through advertising and sponsorship opportunities associated with live streaming and music-related content. In the future, we may invest in new products, product features, services and initiatives and may produce a greater number of live events to generate revenue, but there is no guarantee these approaches will be successful. We may not be successful in future efforts to generate advertising and/or sponsorship opportunities and generate revenue from or able to monetize our new products or services and live events produced by us. If such strategic initiatives do not enhance our ability to monetize our existing platform and services, enable us to develop new approaches to monetization or meet the expectations of our users or third-party business partners, we may not be able to maintain or grow our revenue or recover any associated development costs and our operating results could be adversely affected.

Expansion of our content beyond live events and pre-recorded music, such as podcasts, subjects us to additional business, legal, financial and competitive risks.

Expansion of our operations into delivery of content beyond live events and pre-recorded music involves numerous risks and challenges, including increased capital requirements, new competitors and the need to develop new strategic relationships. Growth into these new areas may require changes to our existing business model and cost structure, modifications to our infrastructure and exposure to new regulatory and legal risks, including infringement liability, any of which may require additional expertise that we currently do not have. There is no guarantee that we will be able to generate sufficient revenue from advertising sales associated with podcasts or other non-prerecorded-music content to offset the costs of acquiring this content. Further, we have established a reputation as a live music provider and our ability to gain acceptance and listenership for podcasts or other non-music content, and thus our ability to attract advertisers to this content, is not certain. Failure to obtain or retain rights to podcasts or other non-music content on acceptable terms, or at all, to successfully monetize and generate revenues from such content, or to effectively manage the numerous risks and challenges associated with such expansion could adversely affect our business and financial condition.

We face significant competition for advertiser and sponsorship spend.

We face significant competition for advertiser spend. Substantially all of our revenue to date is generated through subscriptions to our music platform, as well as sponsorships and ads on our website and mobile app. We compete against online and mobile businesses, including those referenced above, and traditional media outlets, such as television, radio and print, for advertising budgets. We also compete with advertising networks, exchanges, demand side platforms and other platforms, such as Google AdSense, DoubleClick Ad Exchange, Oath advertising platform and Microsoft Media Network, for marketing budgets and in the development of the tools and systems for managing and optimizing advertising campaigns. Slacker competes with platforms, such as Apple's iTunes Music Store and Apple Music, Spotify, Sirius XM Satellite Radio, YouTube, Tidal, Napster and Amazon Prime that provide interactive on-demand audio content and pre-recorded entertainment. In order to grow our revenues and improve our operating results, we will need to increase our share of spending on advertising relative to our competitors, many of which are larger companies that offer more traditional and widely accepted advertising products. In addition, some of our larger competitors have substantially broader product or service offerings and leverage their relationships based on other products or services to gain additional share of advertising budgets. If we are not able to compete effectively for users and advertisers spend, our business, financial condition and results of operations would be materially and adversely affected.

Emerging industry trends in digital advertising may pose challenges for our ability to forecast or optimize our advertising inventory, which may adversely impact our ad-supported revenue.

The digital advertising industry is introducing new ways to measure and price advertising inventory. For example, a significant portion of advertisers are in the process of moving from purchasing advertisement impressions based on the number of advertisements served by the applicable ad server to a new "viewable" impression standard (based on number of pixels in view and duration) for select products. In the absence of a uniform industry standard, agencies and advertisers have adopted several different measurement methodologies and standards. In addition, measurement services may require technological integrations, which are still being evaluated by the advertising industry without an agreed-upon industry standard metric. As these trends in the industry continue to evolve, our advertising revenue may be adversely affected by the availability, accuracy, and utility of the available analytics and measurement technologies as well as our ability to successfully implement and operationalize such technologies and standards.

Further, the digital advertising industry is shifting to data-driven technologies and advertising products, such as automated buying. These data-driven advertising products and automated buying technologies allow publishers and advertisers to use data to target advertising toward specific groups of users who are more likely to be interested in the advertising message delivered to them. These advertising products and programmatic technologies are currently more developed in terms of advertising technology and industry adoption on the web than they are on mobile or on other software applications, and may not integrate with our desktop software version of the ad-supported services. Because the majority of our ad-supported user hours occur on mobile devices, if we are unable to deploy effective solutions to monetize the mobile device usage by our ad-supported user base, our ability to attract advertising spend, and ultimately our advertising revenue, may be adversely affected by this shift. In addition, we rely on third-party advertising technology platforms to participate in automated buying, and if these platforms cease to operate or experience instability in their business models, it also may adversely affect our ability to capture advertising spend.

Our services and software are highly technical and may contain undetected software bugs or vulnerabilities, which could manifest in ways that could seriously harm our reputation and our business.

Our services and software are highly technical and complex. Our services or any other products we may introduce in the future, may contain undetected software bugs, hardware errors, and other vulnerabilities. These bugs and errors can manifest in any number of ways in our products, including through diminished performance, security vulnerabilities, malfunctions, or even permanently disabled products. We have a practice of regularly updating our products and some errors in our products may be discovered only after a product has been used by users, and may in some cases be detected only under certain circumstances or after extended use. Any errors, bugs or other vulnerabilities discovered in our code or backend after release could damage our reputation, drive away users, allow third parties to manipulate or exploit our software (including, for example, providing mobile device users a means to suppress advertisements without payment and gain access to features only available to the ad-supported service), lower revenue and expose us to claims for damages, any of which could seriously harm our business. Additionally, errors, bugs, or other vulnerabilities may—either directly or if exploited by third parties—affect our ability to make accurate royalty payments.

We also could face claims for product liability, tort or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention and seriously harm our reputation and our business. In addition, if our liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, our business could be seriously harmed.

Interruptions, delays or discontinuations in service arising from our own systems or from third parties could impair the delivery of our Service and harm our business.

We rely on systems housed in our own facilities and upon third parties, including bandwidth providers and third-party "cloud" data storage services, to enable our users to receive our content in a dependable, timely, and efficient manner. We have experienced and may in the future experience periodic service interruptions and delays involving our own systems and those of third parties that we work with. Both our own facilities and those of third parties are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They also are subject to break-ins, sabotage, intentional acts of vandalism, the failure of physical, administrative, technical, and cyber security measures, terrorist acts, natural disasters, human error, the financial insolvency of third parties that we work with, and other unanticipated problems or events. The occurrence of any of these events could result in interruptions in our services and to unauthorized access to, or alteration of, the content and data contained on our systems and that these third parties store and deliver on our behalf.

Any disruption in the services provided by these third parties could materially adversely impact our business reputation, customer relations, and operating results. Upon expiration or termination of any of our agreements with third parties, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one third party to another could subject us to operational delays and inefficiencies until the transition is complete.

We rely upon the Google Cloud Platform to operate certain aspects of our business and to store certain data, and any disruption of or interference with our use of the Google Cloud Platform could have a material adverse effect on our business, operating results, and financial condition.

Google Cloud Platform ("GCP") provides a distributed computing infrastructure platform for business operations, or what is commonly referred to as a cloud computing service. We have designed our software and computer systems to utilize data processing, storage capabilities, and other services provided by GCP. Currently, we are in the process of transitioning all of our data storage (including personal data of users and music data licensed from rights holders) and computing from our own servers to GCP. We cannot easily switch our GCP operations to another cloud provider, and any disruption of, or interference with, our use of GCP could have a material adverse effect on our business, operating results, and financial condition. While the consumer side of Google competes with us, we do not believe that Google will use the GCP operation in such a manner as to gain competitive advantage against our Service. Subsequent to year end, we entered into a new service agreement with Google for the use of GCP.

If we fail to accurately predict, recommend, and stream and play music that our users enjoy, we may fail to retain existing users and attract new users in sufficient numbers to meet investor expectations for growth or to operate our business profitably.

We believe that a key differentiating factor between our Company and other music Content Providers is our ability to predict music that our users will enjoy. Our system for predicting user content and music preferences and selecting content and music tailored to our users' individual music tastes is based on advanced data analytics systems and our proprietary algorithms. We have invested, and will continue to invest, significant resources in refining these technologies; however, we cannot assure you that such investments will yield an attractive return or that such refinements will be effective. The effectiveness of our ability to predict user content and music preferences and select content and music tailored to our users' individual music tastes depends in part on our ability to gather and effectively analyze large amounts of user data. In addition, our ability to offer users content and songs that they have not previously seen or heard and impart a sense of discovery depends on our ability to acquire and appropriately categorize additional content and songs that will appeal to our users' diverse and changing tastes. While we are continuously increasing our content and have a large catalog of songs available to stream, we must continuously produce, acquire, identify and analyze additional content and songs that our users will enjoy and we may not effectively do so. Our ability to predict and select content and music that our users enjoy is critical to the perceived value of our services among users and failure to make accurate predictions could materially adversely affect our ability to adequately attract and retain users, increase hours our users spend on our platforms and sell advertising to meet investor expectations for growth or to operate the business profitably.

If we are unable to increase revenue from our services on mobile devices, such as smartphones, our results of operations may be materially adversely affected.

Our business model with respect to monetization of our services on mobile and connected devices is still evolving. As users migrate away from personal computers, there is increasing pressure to monetize mobile. In substantially all markets, we offer our ad-supported services on mobile, from which we generate advertising revenue. However, to date we primarily rely on our premium services to generate revenue on mobile and other connected devices. If we are unable to effectively monetize our services on mobile and connected devices, our business, operating results and financial condition may suffer.

Negative media coverage could adversely affect our business.

We receive sizable media coverage around the world. Unfavorable publicity regarding, for example, payments to music labels, publishers, artists and other copyright owners, our privacy practices, terms of service, service changes, service quality, litigation or regulatory activity, government surveillance, the actions of our advertisers, the actions of our developers whose services are integrated with our services, the use of our services for illicit, objectionable or illegal ends, the quality and integrity of content streamed on our services or the actions of other companies that provide similar services to us, could materially adversely affect our reputation. Such negative publicity also could have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could materially adversely affect our business, operating results and financial condition.

Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our base of ad-supported users, premium subscribers and advertisers.

We have developed a strong "Slacker" brand and are developing what we hope to be a strong "LiveXLive" brand in the future that we believe contributes and will contribute significantly to the success of our business. Maintaining, protecting and enhancing the "LiveXLive" and "Slacker" brands is critical to expanding our base of ad-supported users, premium subscribers and advertisers, and will depend largely on our ability to continue to develop and provide an innovative and high-quality experience for our users and to attract advertisers, content owners, mobile device manufacturers, and other consumer electronic product manufacturers to work with us, which we may not do successfully. If we do not successfully maintain a strong brand, our business could be harmed.

Our brands may be impaired by a number of other factors, including any failure to keep pace with technological advances on our platform or with our services, slower load times for our services, a decline in the quality or quantity of the content available on our services, a failure to protect our intellectual property rights or any alleged violations of law, regulations, or public policy. Additionally, the actions of our developers, advertisers, and content partners may affect our brand if users do not have a positive experience using third-party applications or websites integrated with us or that make use of our content. Further, if our partners fail to maintain high standards for products that are integrated into our services, fail to display our trademarks on their products in breach of our agreements with them, or use our trademarks incorrectly or in an unauthorized manner, or if we partner with manufacturers of products that our users reject, the strength of our brand could be adversely affected.

We have historically been required to spend significant resources to establish and maintain our brands. If we are unable to maintain the growth rate in the number of our ad-supported users and premium subscribers, we may be required to expend greater resources on advertising, marketing and other brand-building efforts to preserve and grow consumer awareness of our brand, which would adversely affect our operating results and may not be effective.

Our trademarks, trade dress and other designations of origin are important elements of our brand. We have registered "Slacker" as a trademark in the United States and certain other jurisdictions around the world. Nevertheless, competitors or other companies may adopt marks similar to ours, or use our marks and confusingly similar terms as keywords in Internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly leading to confusion among our users. We cannot assure you that our trademark applications, even for key marks, will be approved. We may face opposition from third parties to our applications to register key trademarks in foreign jurisdictions in which we have expanded or may expand our presence. If we are unsuccessful in defending against these oppositions, our trademark applications may be denied. Whether or not our trademark applications are denied, third parties may claim that our trademarks infringe upon their rights. As a result, we could be forced to pay significant settlement costs or cease the use of these trademarks and associated elements of our brand in those or other jurisdictions. Doing so could harm our brand or brand recognition and adversely affect our business, financial condition and results of operation.

We are subject to a number of risks related to credit card and debit card payments we accept.

We accept payments mainly through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our premium service, which could cause us to lose premium subscribers and subscription revenue, or suffer an increase in our costs without a corresponding increase in the price we charge for our premium service, either of which could harm our business, operating results and financial condition.

Additionally, we rely on third-party service providers for payment processing services, including the processing of credit and debit cards. In particular, we rely on one third-party service provider, Cybersource, for all of our payment processing. Our business could be materially disrupted if these third-party service providers become unwilling or unable to provide these services to us.

If we or our service providers for payment processing services have problems with our billing software, or the billing software malfunctions, it could have a material adverse effect on our user satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our premium subscribers' credit cards on a timely basis or at all, our business, financial condition and results of operations could be materially adversely affected.

We also are subject to payment card association operating rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. Currently, we are fully compliant with the Payment Card Industry Data Security Standard v3.2 ("PCI DSS"), a security standard with which companies that collect, store, or transmit certain data regarding credit and debit cards, credit and debit card holders, and credit and debit card transactions are required to comply. This is an annual certification exercise, and if we fail to comply, we may violate payment card association operating rules, U.S. federal and state laws and regulations, and the terms of our contracts with payment processors and merchant banks. Such failure to comply fully also may subject us to fines, penalties, damages, and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that, even if we are in compliance with PCI DSS, we will maintain PCI DSS compliance or that such compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, credit and debit card holders, and credit and debit card transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card-related costs, each of which could adversely affect our business, financial condition, and results of operations. If we are unable to maintain our chargeback rate or refund rates at acceptable levels, credit card and debit card companies may increase our transaction fees or terminate their relationships with us. Any increases in our credit card and debit card fees could adversely affect our results of operations, particularly if we elect not to raise our rates for our premium services to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

We are subject to a number of risks related to other payment solution providers.

We accept payments through various payment solution providers, such as telco integrated billings and third-party payment processors. These payment solution providers provide services to us in exchange for a fee, which may be subject to change. Furthermore, we rely on their accurate and timely reports on sales and redemptions. If such accurate and timely reports are not being provided, it will affect the accuracy of our reports to our licensors, and also affect the accuracy of our financial reporting.

Our business emphasizes rapid innovation and prioritizes long-term user engagement over short-term financial condition or results of operations. That strategy may yield results that sometimes do not align with the market's expectations. If that happens, our stock price may be negatively affected.

As our business grows and becomes more complex, our success will depend on our ability to quickly develop and launch new and innovative products. We believe our culture fosters this goal. Our focus on complexity and quick reactions could result in unintended outcomes or decisions that are poorly received by our users, advertisers, or partners. Our culture also prioritizes our long-term user engagement over short-term financial condition or results of operations. We frequently make decisions that may reduce our short-term revenue or profitability if we believe that the decisions benefit the aggregate user experience and will thereby improve our financial performance over the long-term. These decisions may not produce the long-term benefits that we expect, in which case, our user growth and engagement, our relationships with advertisers and partners, as well as our business, operating results, and financial condition could be seriously harmed.

Streaming depends on effectively working with third-party platforms, operating systems, online platforms, hardware, networks, regulations, and standards we do not control. Changes in our services or those operating systems, hardware, networks, regulations, or standards, and our limitations on our ability to access those platforms, operating systems, hardware or networks may seriously harm our business.

Our services require high-bandwidth data capabilities. If the costs of data usage increase or access to data networks is limited, our business may be seriously harmed. Additionally, to deliver high-quality audio, video, and other content over networks, our services must work well with a range of technologies, systems, networks, regulations and standards that we do not control. In addition, the adoption of any laws or regulations that adversely affect the growth, popularity, or use of the Internet, including laws governing Internet neutrality, could decrease the demand for our Service and increase our cost of doing business. Previously, Federal Communications Commission (the "FCC") "open Internet rules" prohibited mobile providers in the United States from impeding access to most content, or otherwise unfairly discriminating against Content Providers like us. These rules also prohibited mobile providers from entering into arrangements with specific Content Providers for faster or better access over their data networks. However, on December 14, 2017, the FCC voted to repeal the "open Internet rules" and as a result, broadband services are now subject to less U.S. federal regulation. A number of parties have already stated they would appeal this order, and it is possible United States Congress may adopt legislation restoring some of the "open Internet rules." If, as a result of the repeal of "open Internet rules," broadband providers in the United States decrease access to certain content, start entering into arrangements with specific Content Providers for faster or better access over their data networks, or otherwise unfairly discriminate against Content Providers like us, this could increase our cost of doing business and put us at a competitive disadvantage relative to larger competitors. Additionally, mobile providers may be able to limit our users' ability to access our platforms or make them a less attractive alternative to our competitors' applications. If that occurs, our business, operating results and financial condition would be seriously harmed.

The European Union (the "EU") currently requires equal access to Internet content. Additionally, as part of its Digital Single Market initiative, the EU may impose network security, disability access, or 911-like obligations on "over-the-top" services such as those provided by us, which could increase our costs. If the EU or the courts modify these open Internet rules, mobile providers may be able to limit our users' ability to access our platforms or make them a less attractive alternative to our competitors' applications. If that occurs, our business, operating results and financial condition would be seriously harmed.

We rely on a variety of operating systems, online platforms, hardware, and networks to reach our customers. These platforms range from desktop and mobile operating systems and application stores to wearables and intelligent voice assistants. The owners or operators of these platforms may not share our interests and may restrict our access to them or place conditions on access that would materially affect our ability to access those platforms. In particular, where the owner of a platform also is our direct competitor, the platform may attempt to use this position to affect our access to customers and ability to compete. For example, an online platform might arbitrarily remove our services from its platform, deprive us of access to business critical data, or engage in other harmful practices. Online platforms also may unilaterally impose certain requirements that negatively affect our ability to convert users to the premium service, such as conditions that limit our freedom to communicate promotions and offers to our users. Similarly, online platforms may force us to use the platform's payment processing systems which may be inferior to and more costly than other payment processing services available in the market.

Online platforms frequently change the rules and requirements for services like ours to access the platform, and such changes may adversely affect the success or desirability of our services. Online platforms may limit our access to information about users, limiting our ability to convert and retain them. Online platforms also may deny access to application programming interfaces ("API") or documentation, limiting functionality of our services on the platform.

There can be no assurance that we will be able to comply with the requirements of those operating systems, online platforms, hardware, networks, regulations and standards on which our services depend, and failure to do so could result in serious harm to our business.

If our security systems are breached, we may face civil liability, and public perception of our security measures could be diminished, either of which would negatively affect our ability to attract and retain premium subscribers, ad-supported users, advertisers, Content Providers and other business partners.

Techniques used to gain unauthorized access to data and software are constantly evolving, and we may be unable to anticipate or prevent unauthorized access to data pertaining to our users, including credit card and debit card information and other personal data about our Users, business partners, and employees. Like all Internet services, our services, which are supported by our own systems and those of third parties that we work with, is vulnerable to software bugs, computer viruses, Internet worms, break-ins, phishing attacks, attempts to overload servers with denial-of-service, or other attacks and similar disruptions from unauthorized use of our and third-party computer systems, any of which could lead to system interruptions, delays, or shutdowns, causing loss of critical data or the unauthorized access to personal data. Computer malware, viruses, and computer hacking and phishing attacks have become more prevalent in our industry, have occurred on our systems in the past, and may occur on our systems in the future. As our business and brand reputation grow, we may become a particularly attractive target for such attacks. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, and availability of our products and technical infrastructure to the satisfaction of our users may harm our reputation and our ability to retain existing users and attract new users. Although we have developed systems and processes that are designed to protect our data and user data, to prevent data loss, to disable undesirable accounts and activities on our platform, and to prevent or detect security breaches, we cannot assure you that such measures will provide absolute security, and we may incur significant costs in protecting against or remediating cyber-attacks.

In addition, if an actual or perceived breach of security occurs to our systems or a third party's systems, we may face regulatory or civil liability and public perception of our security measures could be diminished, either of which would negatively affect our ability to attract and retain Users, which in turn would harm our efforts to attract and retain advertisers, Content Providers and other business partners. We also would be required to expend significant resources to mitigate the breach of security and to address matters related to any such breach. We also may be required to notify regulators about any actual or perceived personal data breach (including the EU Lead Data Protection Authority) as well as the individuals who are affected by the incident within strict time periods.

Any failure, or perceived failure, by us to maintain the security of data relating to our users, to comply with our posted privacy policy, laws and regulations, rules of self-regulatory organizations, industry standards, and contractual provisions to which we may be bound, could result in the loss of confidence in us, or result in actions against us by governmental entities or others, all of which could result in litigation and financial losses, and could potentially cause us to lose Users, advertisers, and revenues. In Europe, European Data Protection Authorities could impose fines and penalties of up to 4% of annual global turnover or €20 million, whichever is higher, for a personal data breach.

We are at risk of attempts at unauthorized access to our services, and failure to effectively prevent and remediate such attempts could have an adverse impact on our business, operating results, and financial condition. Unauthorized access to our services may cause us to misstate key performance indicators, which once discovered, corrected, and disclosed, could undermine investor confidence in the integrity of our key performance indicators and could cause our stock price to drop significantly.

We have in the past been, and continue to be, impacted by attempts by third parties to manipulate and exploit our software for the purpose of gaining unauthorized access to our service. For example, we have detected instances of third parties seeking to provide mobile device users a means to suppress advertisements without payment and gain access to features only available to the ad-supported services. If in the future we fail to successfully detect and address such issues, it may have artificial effects on our key performance indicators, such as content hours, content hours per MAU, and MAUs, which underlie, among other things, our contractual obligations with advertisers, as well as harm our relationship with them. This may impact our results of operations, particularly with respect to margins on our ad-supported segment, by increasing our ad-supported cost of revenue without a corresponding increase to our ad-supported revenue, which could seriously harm our business. Additionally, unlike our ad-supported users, individuals using unauthorized versions of our application are unlikely to convert to premium subscribers. Moreover, once we detect and correct such unauthorized access and any key performance indicators it affects, investor confidence in the integrity of our key performance indicators could be undermined. These could have a material adverse impact on our business, operating results and financial condition.

We are at risk of artificial manipulation of stream counts and failure to effectively manage and remediate such fraudulent streams could have an adverse impact on our business, operating results and financial condition. Fraudulent streams and potentially associated fraudulent user accounts or artists may cause us to overstate key performance indicators, which once discovered, corrected and disclosed, could undermine investor confidence in the integrity of our key performance indicators and could cause our stock price to drop significantly.

We have in the past been, and continue to be, impacted by attempts by third parties to artificially manipulate stream counts. Such attempts may, for example, be designed to influence placement of content on Slacker-created playlists or industry music charts. These potentially fraudulent streams also may involve the creation of non-bona fide user accounts or artists. For example, an individual might generate fake users to stream songs repeatedly, thereby generating revenue each time the song is streamed, or might utilize fake users to stream specific content to increase its visibility on our or third-party charts. We use a combination of algorithms and manual review by employees to detect fraudulent streams. However, we may not be successful in detecting, removing and addressing all fraudulent streams (and any related user accounts). If in the future we fail to successfully detect, remove and address fraudulent streams and associated user accounts, it may result in the manipulation of our data, including the key performance indicators which underlie, among other things, our contractual obligations with advertisers (which could expose us to the risk of litigation), as well as harm our relationships with advertisers and rights holders. In addition, once we detect, correct and disclose fraudulent streams and associated user accounts and the key performance indicators they affect, investor confidence in the integrity of our key performance indicators could be undermined. These could have a material adverse impact on our business, operating results and financial condition.

Our User metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may seriously harm and negatively affect our reputation and our business.

We regularly review key metrics related to the operation of our business, including, but not limited to, our ad-supported MAUs, content hours, content hours per MAU, MAUs and premium subscribers, to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal company data and have not been validated by an independent third party. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our services are used across large populations globally. For example, we believe that there are individuals who have multiple Slacker accounts, which can result in an overstatement of ad-supported MAUs and MAUs.

Errors or inaccuracies in our metrics or data could result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of ad-supported MAUs and MAUs were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to attract a sufficient number of users to satisfy our growth strategies.

In addition, advertisers generally rely on third-party measurement services to calculate our metrics, and these third-party measurement services may not reflect our true audience. Some of our demographic data also may be incomplete or inaccurate because Users self-report their names and dates of birth. Consequently, the personal data we have may differ from our users' actual names and ages. If advertisers, partners, or investors do not perceive our user, geographic or other demographic metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user, geographic or other demographic metrics, our reputation may be seriously harmed, which could have an adverse impact on our business, operating results, and financial condition.

Our business is subject to a variety of laws around the world. Government regulation of the Internet is evolving and any changes in government regulations relating to the Internet or other areas of our business or other unfavorable developments may adversely affect our business, operating result, and financial condition.

We are a U.S.-based company that is registered under the laws of the State of Delaware, and with operations in certain countries and territories around the world. As a result of the scope of our operations, we are subject to a variety of laws in different countries. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. It also is likely that if our business grows and evolves and our solutions are used more globally, we will become subject to laws and regulations in additional jurisdictions. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject.

We are subject to general business regulations and laws, as well as regulations and laws specific to the Internet. Such laws and regulations include, but are not limited to, labor, advertising and marketing, real estate, taxation, user privacy, data collection and protection, intellectual property, anti-corruption, anti-money laundering, foreign exchange controls, antitrust and competition, electronic contracts, telecommunications, sales procedures, automatic subscription renewals, credit card processing procedures, consumer protections, broadband Internet access and content restrictions. We cannot guarantee that we have been or will be fully compliant in every jurisdiction in which we are subject to regulation, as existing laws and regulations governing issues such as intellectual property, privacy, taxation, and consumer protection, among others, are constantly changing. The adoption or modification of laws or regulations relating to the Internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. For example, certain jurisdictions have implemented or are contemplating implementing laws which may negatively impact our automatic renewal structure or our free or discounted trial incentives. Further, compliance with laws, regulations, and other requirements imposed upon our business may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business.

Moreover, as Internet commerce continues to evolve, increasing regulation by U.S. federal and state agencies and other international regulators becomes more likely and may lead to more stringent consumer protection laws, which may impose additional burdens on us. The adoption of any laws or regulations that adversely affect the popularity or growth in use of the Internet, including laws limiting Internet neutrality, could decrease user demand for our services and increase our cost of doing business. Future regulations, or changes in laws and regulations or their existing interpretations or applications, also could hinder our operational flexibility, raise compliance costs, and result in additional historical or future liabilities for us, resulting in material adverse impacts on our business, operating results and financial condition.

We plan to expand into international markets in the 2020 fiscal year, which would subject us to risks associated with the legislative, judicial, accounting, regulatory, political and economic risks and conditions specific to such markets, which could adversely affect our business, financial condition and results of operations.

We intend to expand the international presence of our platform into various jurisdictions abroad by offering our platform directly to international users, as well as through joint ventures and partnerships. Accordingly, we expect to face additional risks in the case of our future international operations, including:

- political instability, adverse changes in diplomatic relations and unfavorable economic and business conditions in the markets in which we plan to have international operations or into which we may expand, particularly in the case of emerging markets;

- more restrictive or otherwise unfavorable government regulation of the live streaming entertainment industries, which could result in increased compliance costs and/or otherwise restrict the manner in which we provide services and the amount of related fees charged for such services;

- limitations on the enforcement of our intellectual property rights;

- limitations on the ability of our foreign subsidiaries to repatriate profits or otherwise remit earnings;

- adverse tax consequences due both to the complexity of operating across multiple tax regimes as well as changes in, or new interpretations of, international tax treaties and structures;

- expropriations of property and risks of renegotiation or modification of existing agreements with governmental authorities;

- diminished ability to legally enforce our contractual rights in foreign countries;

- limitations on technology infrastructure, which could limit our ability to migrate international operations to a common platform;

- lower levels of internet usage, credit card usage and consumer spending in comparison to those in the United States; and

- difficulties in managing operations and adapting to consumer desires due to distance, language and cultural differences, including issues associated with (i) business practices and customs that are common in certain foreign countries but might be prohibited by United States law and our internal policies and procedures, and (ii) management and operational systems and infrastructures, including internal financial control and reporting systems and functions, staffing and managing of foreign operations, which we might not be able to do effectively or cost-efficiently.

As we hope to expand into new markets these risks will be intensified and will have the potential to impact a greater percentage of our business and operating results. Our ability to expand our operations into new international jurisdictions will depend, in significant part, on our ability to identify potential acquisition candidates, joint venture or other partners, and enter into arrangements with these parties on favorable terms, as well as our ability to make continued investments to maintain and grow existing international operations. If the revenue generated by international operations is insufficient to offset expenses incurred in connection with the maintenance and growth of these operations, our business, financial condition and results of operations could be materially and adversely affected. In addition, in an effort to make international operations in one or more given jurisdictions profitable over the long term, significant additional investments that are not profitable over the short term could be required over a prolonged period.

In foreign countries in which we operate, a risk exists that our employees, contractors or agents could, in contravention of our policies, engage in business practices prohibited by applicable United States laws and regulations, such as the United States Foreign Corrupt Practices Act, as well as the laws and regulations of other countries prohibiting corrupt payments to government officials such as the United Kingdom Bribery Act 2010. We maintain policies prohibiting such business practices. Nevertheless, the risk remains that one or more of our employees, contractors or agents, including those based in or from countries where practices that violate such United States laws and regulations or the laws and regulations of other countries may be customary, as well as those associated with newly-acquired businesses, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could result in fines, criminal sanctions against us and/or our employees, prohibitions on the conduct of our business and damage to our reputation, which could adversely affect our business, financial condition and results of operations.

Taxing authorities may successfully assert that we should have collected, or in the future should collect sales and use or similar taxes, and we could be subject to liability with respect to past or future tax, which could adversely affect our *business, financial condition and results of operations* .

In general, we have not historically collected state or local sales, use or other similar taxes in any jurisdictions in which we do not have a tax nexus, in reliance on court decisions or applicable exemptions that restrict or preclude the imposition of obligations to collect such taxes with respect to online sales of our products. In addition, we have not historically collected state or local sales, use or other similar taxes in certain jurisdictions in which we do have a physical presence, in reliance on applicable exemptions. On June 21, 2018, the U.S. Supreme Court decided, in South Dakota v. Wayfair, Inc., that state and local jurisdictions may, at least in certain circumstances, enforce a sales and use tax collection obligation on remote vendors that have no physical presence in such jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring sales and use tax collection by remote vendors and/or by online marketplaces. The details and effective dates of these collection requirements vary from state to state. We are in the process of determining how and when our collection practices will need to change in the relevant jurisdictions. It is possible that one or more jurisdictions may assert that we have liability for periods for which we have not collected sales, use or other similar taxes, and if such an assertion or assertions were successful it could result in substantial tax liabilities, including for past sales taxes and penalties and interest, which could materially adversely affect our business, financial condition and operating results.

Our success depends, in significant part, on discretionary consumer and corporate spending on entertainment and factors adversely affecting such spending could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on discretionary consumer and corporate spending. Many factors related to discretionary consumer and corporate spending, including economic conditions affecting disposable consumer income such as employment, interest and tax rates and inflation can significantly impact our operating results. Business conditions, as well as various industry conditions, including corporate marketing and promotional spending and interest levels, can also significantly impact our operating results. These factors can affect user subscription sales, advertising sales, sponsorship and e-commerce spending, as well as the financial results of sponsors of our venues, events, festivals and other Content Providers and the industry as a whole. Negative factors such as challenging economic conditions, public concerns over terrorism and security incidents, particularly when combined, can impact corporate and consumer spending, and one negative factor can impact our results more than another. There can be no assurance that consumer and corporate spending will not be adversely impacted by current economic conditions, or by any further or future deterioration in economic conditions, thereby possibly impacting our operating results and growth.

During past economic slowdowns and recessions, many consumers reduced their discretionary spending and advertisers reduced their advertising expenditures. In addition, a decline in attendance at or reduction in the number of live entertainment and leisure events may have an adverse effect on our revenue and operating income. The impact of economic slowdowns on our business is difficult to predict, but they may result in reductions in sponsorship, advertising, ticketing and e-commerce opportunities and our ability to generate revenue. The risks associated with our businesses may become more acute in periods of a slowing economy or recession, which may be accompanied by a decrease in attendance at live entertainment and leisure events.

We are subject to governmental regulation, which may change from to time, and our failure to comply with these regulations could adversely affect our business, financial condition and results of operations.

Our operations are subject to federal, state and local laws, statutes, rules, regulations, policies and procedures, both domestically and internationally, which may change from time to time. Our failure to comply with these laws and regulations could result in fines and proceedings against us by governmental agencies and consumers, which if material, could adversely affect our business, financial condition and results of operations. In addition, the promulgation of new laws, rules and regulations could restrict or unfavorably impact our business, which could decrease demand for services, reduce revenue, increase costs and subject us to additional liabilities. From time to time, federal, state and local authorities and consumers commence investigations, inquiries or litigation with respect to our compliance with applicable consumer protection, advertising, unfair business practice, antitrust (and similar or related laws) and other laws. We may be required to incur significant legal expenses in connection with the defense of future governmental investigations and litigation.

Changes in laws or regulations that adversely affect the growth, popularity or use of the Internet, including regulations or decisions by the FCC impacting net neutrality, could decrease the demand for our service and increase our cost of doing business. See "— Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business" below. Certain laws intended to prevent network operators from discriminating against the legal traffic that traverse their networks have been implemented in many countries, including the United States and the EU. In others, the laws may be nascent or non-existent. Given uncertainty around these rules, including changing interpretations, amendments or repeal, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

Risks Related to Our Acquisition Strategy

We can give no assurances as to when we will consummate any other future acquisitions or whether we will consummate any of them at all.

We intend to continue to build our business through strategic acquisitions and pursue and consummate one or more additional acquisitions (in addition to the acquisition of Slacker consummated in December 2017) and to possibly use our remaining cash to fund any cash portion of the consideration we will pay in connection with those acquisitions. However, such additional acquisitions may also be subject to conditions and other impediments to closing, including some that are beyond our control, and we may not be able to close any of them successfully. In addition, our future acquisitions will be required to be closed within certain timeframes as negotiated between us and the acquisition target, and if we are unable to meet the closing deadlines for a given transaction, we may be required to forfeit payments we have made, if any, be forced to renegotiate the transaction on less advantageous terms and could fail to consummate the transaction at all.

If we are unable to close any other future acquisition, it could significantly alter our business strategy and impede our prospects for growth. If we are unable to successfully consummate a particular acquisition, we may not be able to stream desired live music content on our network, produce and/or participate in the planned festivals or events or have ownership or licenses of the brands owned or licensed by that acquisition target. Further, we may not be able to identify suitable acquisition candidates to replace these acquisitions, and even if we were to do so, we may only be able to consummate them on less advantageous terms. In addition, some of the businesses we acquire may incur significant losses from operations, which, in turn, could have a material and adverse impact on our business, results of operations and financial condition.

We may face difficulty in integrating the operations of any businesses we may acquire in the future. For example, as of December 31, 2017, we made the decision to shut down and discontinue the operations of LiveXLive Tickets, Inc., our wholly-owned subsidiary (“LXL Tickets”). Management concluded that the operations of LXL Tickets were not going to improve due to: LXL Tickets no longer providing ticketing services to four of its largest customers in 2017 that had produced significant revenues in 2016, ongoing litigation between such customers and Wantickets and such customers refusing to continue to work with LXL Tickets as a result of Wantickets’ non-payment for prior services, and continuing significant losses incurred by LXL Tickets through December 31, 2017 that were supposed to be funded by sellers of Wantickets’ assets that were never funded as required under the Wantickets’ Asset Purchase Agreement.

As shown by our recent acquisition of Slacker, acquisitions have been and will continue to be an important component of our growth strategy; however, we will need to integrate these acquired businesses successfully in order for our growth strategy to succeed and for us to become profitable. We expect that the management teams of the acquired businesses will adopt our policies, procedures and best practices, and cooperate with each other in scheduling events, booking talent and in other aspects of their operations. We may face difficulty with the integration of Slacker and any other business we acquire, such as coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures, the diversion of management’s attention from other business concerns, the inherent risks in entering markets or lines of business in which we have either limited or no direct experience; and the potential loss of key employees, individual service providers, customers and strategic partners of acquired companies.

In addition, our growth strategy also includes further development of our online live streamed music network that we intend to integrate across all of our acquired businesses. This will require, among other things, the integration of the individual websites and databases of each business we currently operate or will acquire in the future. This will be a complex undertaking that may prove more difficult, expensive and time consuming than we currently expect. Even if we are able to achieve this integration, it may not achieve the benefits we anticipate. If we fail to do this properly and in a timely manner, it could harm our revenue and relationship with our fans.

Further, we expect that future target companies may have material weaknesses in internal controls relating to the proper application of accrual-based accounting under the accounting principles generally accepted in the United States of America (“GAAP”) prior to our acquiring them. The Public Company Accounting Oversight Board (the “PCAOB”) defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. We will be relying on the proper implementation of our policies and procedures to remedy any such material weaknesses, and prevent any potential material misstatements in our financial reporting. Any such misstatement could adversely affect the trading price of our common stock, cause investors to lose confidence in our reported financial information, and subject us to civil and criminal fines and penalties. If our acquired companies fail to integrate in these important ways, or we fail to adequately understand the business operations of our acquired companies, our growth and financial results could suffer.

A number of other companies are seeking to make acquisitions in our industry, which may make our acquisition strategy more difficult or expensive to pursue.

The emergence and growth of live streamed music, music events, festivals and concerts has brought increased media attention, and a number of companies and investors have begun making acquisitions of such businesses or announced their intention to do so. We compete with many of these companies, and certain of them have greater financial resources than we do for pursuing and consummating acquisitions and to further develop and integrate acquired businesses. Our strategy relies on our ability to consummate important future acquisitions to foster the growth of our core business and to establish ourselves as the key provider of streamed high-quality live music content. The increased focus on acquisitions of such companies may impede our ability to acquire these companies because they choose another acquirer. It could also increase the price that we must pay for these companies. Either of these outcomes could reduce our growth, harm our business and prevent us from achieving our strategic goals.

We may enter into acquisitions and take actions in connection with such transactions that could adversely affect our business and results of operations.

Our future growth rate depends in part on our selective acquisition of additional businesses and assets. We may be unable to identify suitable targets for acquisition or make further acquisitions at favorable prices. If we identify a suitable acquisition candidate, our ability to successfully complete the acquisition would depend on a variety of factors, and may include our ability to obtain financing on acceptable terms and requisite government approvals. In addition, any credit agreements or credit facilities that we may enter into in the future may restrict our ability to make certain acquisitions. In connection with future acquisitions, we could take certain actions that could adversely affect our business, including:

- using a significant portion of our available cash;
- issuing equity securities, which would dilute current stockholders' percentage ownership;
- incurring substantial debt;
- incurring or assuming contingent liabilities, known or unknown;
- incurring amortization expenses related to intangibles; and
- incurring large accounting write-offs or impairments.

We may also enter into joint ventures, which involve certain unique risks, including, among others, risks relating to the lack of full control of the joint venture, potential disagreements with our joint venture partners about how to manage the joint venture, conflicting interests of the joint venture, requirement to fund the joint venture and its business not being profitable.

In addition, we cannot be certain that the due diligence investigation that we conduct with respect to any investment or acquisition opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. For example, instances of fraud, accounting irregularities and other deceptive practices can be difficult to detect. Executive officers, directors and employees may be named as defendants in litigation involving a company we are acquiring or have acquired. Even if we conduct extensive due diligence on a particular investment or acquisition, we may fail to uncover all material issues relating to such investment, including regarding the controls and procedures of a particular target or the full scope of its contractual arrangements. We rely on our due diligence to identify potential liabilities in the businesses we acquire, including such things as potential or actual lawsuits, contractual obligations or liabilities imposed by government regulation. However, our due diligence process may not uncover these liabilities, and where we identify a potential liability, we may incorrectly believe that we can consummate the acquisition without subjecting ourselves to that liability. Therefore, it is possible that we could be subject to litigation in respect of these acquired businesses. For example, see "Item 3. Legal Proceedings" regarding our ongoing litigation with Wantickets and its principal. If our due diligence fails to identify issues specific to an investment or acquisition, we may obtain a lower return from that transaction than the investment would return or otherwise subject ourselves to unexpected liabilities. We may also be forced to write-down or write-off assets, restructure our operations or incur impairment or other charges that could result in our reporting losses. For example, as of December 31, 2017, we made the decision to shut down the operations of LXL Tickets and as a result, we recognized a loss of $1.5 million from operations of LXL Tickets, and additionally incurred a loss of $2.8 million related to the impairment of all remaining LXL Tickets assets for the fiscal year ended March 31, 2018. Charges of this nature could contribute to negative market perceptions about us or our shares of common stock.

Risks Related to Our Company

For the years ended March 31, 2019 and 2018, our management concluded that our disclosure controls and procedures and our internal control over financial reporting were not effective due to the existence material weaknesses in our internal control over financial reporting during such periods. If we are unable to establish and maintain effective disclosure controls and internal control over financial reporting, our ability to produce accurate financial statements on a timely basis could be impaired, and the market price of our securities may be negatively affected.

In connection with our year-end audit, our management conducted an assessment of our disclosure controls and procedures and our internal control over financial reporting and concluded that they were both ineffective, due to the existence of material weaknesses in our internal control over financial reporting, as described below. See Item 9A. Controls and Procedures. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. In connection with the preparation of our consolidated financial statements for the year ended March 31, 2019, management identified material weaknesses in the following:

Ineffective design, implementation and operating effectiveness of internal controls over:

- management's identification of and accounting for significant and unusual transactions; specifically over measurement period adjustments related to business combinations and the accounting for modifications of complex debt instruments, including review of valuation reports and key underlying assumptions; and,

- revenue recognition and accounting for royalties, including the identification and testing of certain application controls within its information systems around the provisioning of accounts and tracking of related revenue and royalty expense, as well as the completeness and accuracy of key revenue and royalty reports used in the operation of certain control activities.

For the steps we intend to take, including steps we undertook in fiscal year ended March 31, 2019 to remediate the fiscal year ended March 31, 2018 material weaknesses (see Item 9A. Controls and Procedures). We may need to expend significant financial resources to remediate these material weaknesses.

For the year ended March 31, 2018, our management also concluded that our disclosure controls and procedures were not effective as of March 31, 2018 due to the existence of a number of material weaknesses in our internal control over financial reporting which were subsequently remediated during fiscal year ended March 31, 2019, other than the material weakness described above. Beyond fiscal year ended March 31, 2019, we may not be able to remediate these material weaknesses or any future material weaknesses.

If we are unable to establish and maintain proper and effective disclosure controls and procedures and internal control over financial reporting, we may not be able to produce timely and accurate financial statements. If that were to happen, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our securities could decline, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities.

If we fail to implement and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm, if and when required, may reveal additional deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. If in the future we identify other material weaknesses in our internal control over financial reporting, including at some of our acquired companies, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are then listed, the SEC, or other regulatory authorities, which could require additional financial and management resources. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Additionally, we currently utilize an outsourced internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to have effective internal controls for financial reporting.

We will continue to incur significant increased costs as a result of operating as a public company.

As a public company, we will continue to incur significant legal, accounting and other expenses. Following the Public Offering, we will be subject to mandatory reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which require, among other things, that we continue to file with the SEC annual, quarterly and current reports with respect to our business and financial condition, that we were not required to file as a voluntary reporting company (though we did file such reports with the SEC on a voluntary basis). We have incurred and will continue to incur costs associated with the preparation and filing of these SEC reports. Furthermore, we are subject to additional corporate governance and other compliance requirements as a result of our shares of common stock being listed on The Nasdaq Capital Market ("Nasdaq"). In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act and Nasdaq have imposed various other requirements on public companies. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact (in ways we cannot currently anticipate) the manner in which we operate our business. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we will incur additional expense to increase our director and officer liability insurance.

As of March 31, 2019, we became subject to Section 404(b) of the Sarbanes-Oxley Act and are required to furnish an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. Such report is provided as part of the consolidated financial statements included in this Annual Report. To remain in compliance with Section 404, we will continue to be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to dedicate substantially greater internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that our independent registered public accounting firm, when required, will not be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

We heavily depend on relationships with our Content Providers and other Industry Stakeholders and adverse changes in these relationships, could adversely affect our business, financial condition and results of operations.

Our business is particularly dependent upon personal relationships, as executives within entertainment companies such as ours leverage their network of relationships with Content Providers and other Industry Stakeholders to secure the rights to their content and develop other partnerships that are critical to our success. Due to the importance of those industry contacts, the loss of any of these relationships, and adverse changes in these relationships could adversely affect our business, financial condition and results of operations. We can give no assurance that all or any of these Content Providers or other Industry Stakeholders will retain their associations with us or our executives, directors, employees or other individual service providers. Additionally, to the extent the decision makers of our music partners are replaced with individuals with whom our executives, directors or other key personnel do not have relationships, our competitive position and financial condition could be harmed.

We rely on key members of management, particularly our Chairman and Chief Executive Officer, Mr. Robert Ellin, and the loss of their services or investor confidence in them could adversely affect our success, development and financial condition.

Our success depends, to a large degree, upon certain key members of our management, particularly our Chairman and Chief Executive Officer, Robert Ellin. Mr. Ellin has extensive knowledge about our business and our operations, and the loss of Mr. Ellin or any other key member of our senior management (including senior management of Slacker) would likely have a material adverse effect on our business and operations. We do not currently maintain a key-person insurance policy for Mr. Ellin or any other member of our management. Our executive team's expertise and experience in acquiring, integrating and growing businesses, particularly those focused on live music and events, have been and will continue to be a significant factor in our growth and ability to execute our business strategy. The loss of any of our executive officers could slow the growth of our business or have a material adverse effect on our business, results of operations and financial condition.

Unfavorable outcomes in legal proceedings may adversely affect our business, financial conditions and results of operations.

Our results may be affected by the outcome of future litigation. Unfavorable rulings in our legal proceedings may have a negative impact on us that may be greater or smaller depending on the nature of the rulings. In addition, from time to time in the future we may be subject to various claims, investigations, legal and administrative cases and proceedings (whether civil or criminal) or lawsuits by governmental agencies or private parties, including as described in the immediately preceding risk factor. For example, see "Item 3. Legal Proceedings" regarding our ongoing litigation with Wantickets and its principal. If the results of these investigations, proceedings or suits are unfavorable to us or if we are unable to successfully defend against third party lawsuits, we may be required to pay monetary damages or may be subject to fines, penalties, injunctions or other censure that could have a material adverse effect on our business, financial condition and results of operations. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues, which could harm our business, financial condition and results of operations.

Our debt agreements contain restrictive and financial covenants that may limit our operating flexibility .

As of March 31, 2019, our total indebtedness was $18.5 million indebtedness (excluding interest and unamortized debt discount and debt issuance costs). Our existing debt agreements with JGB Collateral LLC and certain of its affiliates ("JGB") contain certain restrictive covenants that limit our ability to merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, transfer or dispose of assets, amend certain material agreements, incur additional indebtedness or enter into various specified transactions. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate our existing debt agreements. Our debt agreements also contain certain financial covenants, including maintaining a minimum cash amount at all times and achieving certain financial covenants and are secured by substantially all of our assets. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet the financial covenants or pay the principal and interest under our debt agreements or to satisfy all of the financial covenants. We may also incur significant additional indebtedness in the future.

We may not have the ability to repay the amounts then due under the Debentures and/or convertible notes at maturity or to raise the funds necessary to settle mandatory monthly redemptions of the Debentures. Payment of monthly redemptions of the Debentures in shares of our common stock will dilute the ownership interest of our existing stockholders, including holders who had previously converted their convertible notes, or may otherwise depress the price of our common stock.

At maturity, the entire outstanding principal amount of the Debentures and convertible notes will become due and payable by us. In addition, upon monthly redemption of the Debentures as may be required by the holders thereof, maturity of the Debentures or maturity of the convertible notes, unless we elect to deliver solely shares of our common stock to settle such monthly redemptions of the Debentures (subject to certain equity conditions, which may not be satisfied by us), we will be required to make cash payments in each such instance. However, we may not have sufficient funds or be able to obtain financing at the time we are required to repay the amounts then due under the Debentures or the convertible notes. As of March 31, 2019, $0.3 million of our total indebtedness (excluding interest and unamortized debt discount and debt issuance costs) is due in fiscal 2020, and $18.2 million is due in in fiscal 2022. See the table in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations and Commitments — Firm Commitments in this Annual Report for more information.

Our failure to repay any outstanding amount of the Debentures or convertible notes would constitute a default under such indentures. A default would increase the interest rate to the default rate under the Debentures or the maximum rate permitted by applicable law until such amount is paid in full. A default under the Debentures or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Debentures or convertible notes or make cash payments thereon. Furthermore, upon the occurrence and during the continuation of any event of default, the agent, for the benefit of the holders of the Debentures, shall have the right to, among other things, take possession of our and our subsidiaries' assets and property constituting the collateral thereunder and the right to assign, sell, lease or otherwise dispose of all or any part of the collateral.

Commencing with the calendar month of December 2018 (subject to the following sentence), the holders of the Debentures have the right, at their option, to require us to redeem an aggregate of up to $221,000 (as amended in February 2019) of the outstanding principal amount of the Debentures per month. For the month of December 2018, the holders may not submit a redemption notice for such a redemption prior to December 28, 2018. We will be required to promptly, but in any event no more than two trading day after the holder delivers a redemption notice to us, pay the applicable redemption amount in cash or, at our election and subject to certain conditions, in shares of our common stock. If we elect to pay the redemption amount in shares of our common stock, then the shares will be delivered based on a price equal to the lowest of (a) 90% of the average of the three lowest volume weighted-average prices of our common stock over the prior 20 trading days or (b) $10.00, subject to adjustment as provided in the Debentures; provided, however, that such price will in no event be less than $2.00 per share (proportionately adjusted for any stock split, stock dividend, stock combination or other similar transaction). Any repayments made through the issuance of our common stock will result in dilution to our existing stockholders. As of the date of this Annual Report, the June 2018 Debentures holders have sent redemption notices for the months of December 2018 through June 2019. We have repaid $0.3 million of principal in January 2019, and $0.2 million of principal in each of the months of February, March, April, May and June 2019.

In addition, subject to the satisfaction of certain conditions, at any time after June 28, 2019, we may elect to prepay all, but not less than all, of the Debentures for a prepayment amount equal to the outstanding principal balance of the Debentures plus all accrued and unpaid interest thereon, together with a prepayment premium equal to the following: (a) if the Debentures are prepaid on or after the original issuance date, but on or prior to December 31, 2019, all remaining regularly scheduled interest to be paid on the Debentures from the date of such payment of the Debentures to, but excluding, December 31, 2019, plus 10% of the entire outstanding principal balance of the Debentures, (b) if the Debentures are prepaid after December 31, 2019, but on or prior to June 30, 2020, 10% of the entire outstanding principal balance of the Debentures; (c) if the Debentures are prepaid on or after June 30, 2020, but on or prior to December 31, 2020, 8% of the entire outstanding principal balance of the Debentures; and (d) if the Debentures are prepaid on or after December 31, 2020, but prior to the maturity date, 6% of the entire outstanding principal balance of the Debentures. Subject to the satisfaction of certain conditions, we may elect to prepay all, but not less than all, of the Debentures in connection with a change of control transaction (as defined in the Debentures) for a prepayment amount equal to the prepayment amount described above.

If we do not comply with the provisions of the Debentures, our lenders may terminate their obligations to us and require us to repay all outstanding amounts owed thereunder.

The Debentures contain provisions that limit our operating and financing activities, including financial covenants relating to liquidity, indebtedness and Adjusted EBITDA (as defined in the indenture governing the Debentures). If an event of default occurs and is continuing, the lenders may among other things, terminate their obligations thereunder and require us to repay all amounts thereunder. As of March 31, 2019, we were in full compliance with these covenants.

We may incur substantially more debt or take other actions that would intensify the risks discussed above.

In addition to our current outstanding debt and notes, we and our subsidiaries may incur substantial additional debt, subject to restrictions contained in our existing and future debt instruments, some or all of which may be secured debt. In June 2018, we issued $10.6 million June 2018 Debentures. In February 2019, we issued $3.2 million in additional 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021. The Debentures contain certain restrictive covenants that limit our ability to merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, transfer or dispose of assets, amend certain material agreements, incur additional indebtedness or enter into various specified transactions. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate our existing debt agreements. Our debt agreements also contain certain financial covenants, including maintaining a minimum cash amount at all times and achieving certain financial covenants and are secured by substantially all of our assets. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet the financial covenants or pay the principal and interest under our debt agreements or to satisfy all of the financial covenants. Capital markets have been volatile in the recent past; a downturn could negatively impact our ability to access capital should the need arise. As a result, the inability to meet our debt obligations could cause us to default on those obligations. Any such defaults could materially harm our financial condition and liquidity.

The conditional conversion feature of our convertible notes or the Debentures or the optional monthly redemption features of the Debentures, if triggered, may adversely affect our financial condition and operating results, particularly our earnings per share.

In the event the conditional conversion feature of the Debentures or convertible notes is triggered, holders, as applicable, will be entitled to convert at any time during specified periods at their option. In addition, if one or more holders elect to require us to make the monthly redemption of their Debentures, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (subject to certain conditions), we would be required to settle a portion or all of our redemption obligation through the payment of cash, which could adversely affect our liquidity. As of the date of this Annual Report, the June 2018 Debentures holders have sent redemption notices for the months of December 2018 through June 2019. We have repaid $0.3 million of principal in January 2019, and $0.2 million of principal in each month of February, March, April, May and June 2019. In addition, even if holders do not elect to convert the Debentures or convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Debentures as a current rather than long-term liability, which may result in a material reduction of our net working capital and potential impact on our going concern status. Any conversion of the Debentures and/or convertible notes and/or any redemption of the Debentures in shares of our common stock may cause dilution to our stockholders and to our earnings per share.

Our results of operations will vary from quarter to quarter and maybe seasonal, so our financial performance in certain quarters may not be indicative of, or comparable to, our financial performance in performance in subsequent financial quarters or years.

We believe our results of operations and cash needs will vary from quarter to quarter and year to year depending on, among other things, the timing of festivals and events, cancellations, capital expenditures, seasonal and other fluctuations in our business activity, the timing of guaranteed payments and receipt of contract fees, financing activities, acquisitions and investments and receivables management. Because our results may vary significantly from quarter to quarter and year to year, our financial results for one quarter or year cannot necessarily be compared to another quarter or year and may not be indicative of our future financial performance in subsequent quarters or years. We may experience our lowest financial performance in the first and fourth quarters of the calendar year as the music festivals primarily occur during May through October. In addition, the seasonality of our businesses could create cash flow management risks if we do not adequately anticipate and plan for periods of decreased activity, which could negatively impact our ability to execute on our strategy, which in turn could harm our results of operations. Accordingly, our results for any particular quarter may vary for a number of reasons, and we caution investors to evaluate our quarterly results in light of these factors.

We may not be able to attract qualified personnel.

Our ability to expand operations to accommodate our anticipated growth will depend on our ability to attract and retain qualified personnel. However, competition for the types of employees we seek is intense. We face particular challenges in recruiting and retaining personnel who have experience in software engineering, mobile application development and other technical expertise, particularly those focused on live music and events, which is critical to our initiatives. Our ability to meet our business development objectives will depend in part on our ability to recruit, train and retain top quality personnel with advanced skills who understand our technology and business. We cannot provide any assurance that we will be able to attract qualified personnel to execute our business strategies or develop and expand our online properties. If we are unable to engage and retain the necessary personnel, our business may be materially and adversely affected.

Additionally, we expect to retain the existing managers and executives of certain companies we acquire to have them continue managing and operating the acquired business. We believe that these individuals will have the market expertise and network of personal relationships to best implement the growth strategies of the acquired businesses. If we are unable to retain the key personnel of the acquired businesses, we may not be able to achieve the anticipated benefits and synergies of an acquisition.

We engage a number of consultants to work for us; if we are deemed to be delinquent in our payroll taxes or incur other employment-related liabilities with respect to those consultants, we and our management team could incur significant liabilities.

We engage a number of consultants to work for us in various aspects of our business. Although we do not believe that such persons are our employees, if applicable government agencies determine that they should be classified as employees, we would be delinquent with respect to the deposit of required payroll tax withholdings and related employer taxes and other employment obligations. In addition to the taxes that we would be required to pay if we were required to remit payroll taxes for our consultants, and the payments that we would be required to make for other employment-related obligations, our operations would be severely disrupted and individual officers or members of our board of directors could be personally liable for certain of any assessments made. A government entity could potentially shut down our operations until such time as the payroll taxes were brought current. Such a shutdown could effectively push us into bankruptcy and an investor could lose all his or her investment in us.

Slacker depends upon third-party licenses for sound recordings and musical compositions and an adverse change to, loss of, or claim that Slacker does not hold any necessary licenses may materially adversely affect Slacker's business, operating results and financial condition.

To secure the rights to stream sound recordings and the musical compositions embodied therein, Slacker enters into license agreements to obtain licenses from rights holders such as record labels, music publishers, performing rights organizations, collecting societies and other copyright owners or their agents, and pays substantial royalties to such parties or their agents around the world. Though Slacker works diligently in its efforts to obtain all necessary licenses to stream sound recordings and the musical compositions embodied therein, there is no guarantee that the licenses available to Slacker now will continue to be available in the future at rates and on terms that are favorable or commercially reasonable or at all. The terms of these licenses, including the royalty rates that Slacker is required to pay pursuant to them, may change as a result of changes in its bargaining power, changes in the industry, changes in the law, or for other reasons. Increases in royalty rates or changes to other terms of these licenses may materially impact Slacker's business, operating results, and financial condition.

Slacker enters into license agreements to obtain rights to stream sound recordings, including from the major record labels that hold the rights to stream a significant number of sound recordings. If Slacker fails to obtain these licenses, the size and quality of its catalog may be materially impacted and its business, operating results and financial condition could be materially harmed.

Slacker generally obtains licenses for two types of rights with respect to musical compositions: mechanical rights and public performance rights.

With respect to mechanical rights, for example, in the United States, the rates Slacker pays are, to a significant degree, a function of a ratemaking proceeding conducted by an administrative agency called the Copyright Royalty Board. The rates that the Copyright Royalty Board set apply both to compositions that we license under the compulsory license in Section 115 of the Copyright Act of 1976 (the "Copyright Act"), and to a number of direct licenses that we have with music publishers for U.S. rights, in which the applicable rate is generally pegged to the statutory rate set by the Copyright Royalty Board. The most recent proceeding before the Copyright Royalty Board (the "Phonorecords III Proceedings") set the rates for the Section 115 compulsory license for calendar years 2018 to 2022. The Copyright Royalty Board issued its initial written determination on January 26, 2018. The rates set by the Copyright Royalty Board may still be modified if a party appeals the determination and are subject to further change as part of future Copyright Royalty Board proceedings. Based on management's estimates and forecasts for the next two fiscal years, we currently believe that the proposed rates will not materially impact Slacker's business, operating results, and financial condition. However, the proposed rates are based on a variety of factors and inputs which are difficult to predict in the long-term. If Slackers business does not perform as expected or if the rates are modified to be higher than the proposed rates, its content acquisition costs could increase and impact its ability to obtain content on pricing terms favorable to us, which could negatively harm Slacker's business, operating results and financial condition and hinder its ability to provide interactive features in its services, or cause one or more of Slacker's services not to be economically viable.

In the United States, public performance rights are generally obtained through intermediaries known as performing rights organizations ("PROs"), which negotiate blanket licenses with copyright users for the public performance of compositions in their repertory, collect royalties under such licenses, and distribute those royalties to copyright owners. The royalty rates available to Slacker today may not be available to it in the future. Licenses provided by two of these PROs, ASCAP and BMI are governed by consent decrees relating to decades-old litigations. Changes to the terms of or interpretation of these consent decrees could affect Slacker's ability to obtain licenses from these PROs on favorable terms, which could harm its business, operating results, and financial condition. As of March 31, 2019, Slacker owed $1.8 million in aggregate royalty payments to such PROs.

In other parts of the world, including Europe, Asia, and Latin America, Slacker obtains mechanical and performance licenses for musical compositions either through local collecting societies representing publishers or from publishers directly, or a combination thereof. Slacker cannot guarantee that its licenses with collecting societies and its direct licenses with publishers provide full coverage for all of the musical compositions we make available to Slacker's users in such countries. In Asia and Latin America, we are seeing a trend of movement away from blanket licenses from copyright collectives, which is leading to a fragmented copyright licensing landscape. Publishers, songwriters, and other rights holders choosing not to be represented by collecting societies could adversely impact Slacker's ability to secure favorable licensing arrangements in connection with musical compositions that such rights holders own or control, including increasing the costs of licensing such musical compositions, or subjecting Slacker to significant liability for copyright infringement.

There also is no guarantee that Slacker has all of the licenses it needs to stream content, as the process of obtaining such licenses involves many rights holders, some of whom are unknown, and myriad complex legal issues across many jurisdictions, including open questions of law as to when and whether particular licenses are needed. Additionally, there is a risk that aspiring rights holders, their agents, or legislative or regulatory bodies will create or attempt to create new rights that could require Slacker to enter into license agreements with, and pay royalties to, newly defined groups of rights holders, some of which may be difficult or impossible to identify.

Even when Slacker is able to enter into license agreements with rights holders, it cannot guarantee that such agreements will continue to be renewed indefinitely. For example, from time to time, Slacker's license agreements with certain rights holders and/or their agents may expire while Slacker negotiates their renewals and, per industry custom and practice, Slacker may enter into brief (for example, month-, week-, or even days-long) extensions of those agreements and/or continue to operate as if the license agreement had been extended, including by our continuing to make music available. During these periods, Slacker may not have assurance of long-term access to such rights holders' content, which could have a material adverse effect on its business and could lead to potential copyright infringement claims.

It also is possible that such agreements will never be renewed at all. The lack of renewal, or termination, of one or more of Slacker's license agreements, or the renewal of a license agreement on less favorable terms, also could have a material adverse effect on its business, financial condition, and results of operations.

Slacker has no control over the providers of its content, and its business may be adversely affected if its access to music is limited or delayed. The concentration of control of content by Slacker's major providers means that even one entity, or a small number of entities working together, may unilaterally affect Slacker's access to music and other content.

Slacker relies on music rights holders, over whom it has no control, for the content it makes available on its service. Slacker cannot guarantee that these parties will always choose to license to it.

The music industry has a high level of concentration, which means that one or a small number of entities may, on their own, take actions that adversely affect Slacker's business. Slacker's business may be adversely affected if its access to music is limited or delayed because of deterioration in its relationships with one or more of these rights holders or if they choose not to license to Slacker for any other reason. Rightsholders also may attempt to take advantage of their market power to seek onerous financial terms from Slacker, which could have a material adverse effect on its financial condition and results of operations.

Even if Slacker is able to secure rights to sound recordings from record labels and other copyright owners, artists and/or artist groups may object and may exert public or private pressure on third parties to discontinue licensing rights to Slacker, hold back content from it or increase royalty rates. As a result, Slacker's ability to continue to license rights to sound recordings is subject to convincing a broad range of stakeholders of the value and quality of Slacker's services.

To the extent that Slacker is unable to license a large amount of content or the content of certain popular artists, its business, operating results and financial condition could be materially harmed.

Difficulties in obtaining accurate and comprehensive information necessary to identify the compositions embodied in sound recordings on Slacker's services and the ownership thereof may impact Slacker's ability to perform its obligations under its licenses, affect the size of its catalog, impact its ability to control content acquisition costs, and lead to potential copyright infringement claims.

Comprehensive and accurate ownership information for the musical compositions embodied in sound recordings is often unavailable to Slacker or difficult or, in some cases, impossible for Slacker to obtain, sometimes because it is withheld by the owners or administrators of such rights. Slacker currently relies on the assistance of third parties to determine this information. If the information provided to Slacker or obtained by such third parties does not comprehensively or accurately identify the ownership of musical compositions, or if Slacker is unable to determine which musical compositions correspond to specific sound recordings, it may be difficult or impossible to identify the appropriate rights holders to whom to pay royalties. This may make it difficult to comply with the obligations of any agreements with those rights holders.

In the United States, Slacker also relies on the assistance of third parties to issue notices of intent ("NOIs") to obtain a compulsory license under Section 115 of the Copyright Act to those copyright owners with whom we do not have a direct license agreement or, in the case of unknown copyright owners, to the United States Copyright Office. The lack of comprehensive and accurate ownership information or the inability to determine which musical compositions correspond to specific sound recordings can cause difficulties in issuing NOIs to the correct parties (including the United States Copyright Office) or serving NOIs in a timely manner and can otherwise cause difficulties in obtaining licenses. This could lead to a reduction of sound recordings available to be streamed on Slacker's services, adversely impacting its ability to retain and expand its user base, and could make it difficult to ensure that Slacker is fully licensed.

These challenges, and others concerning the licensing of musical compositions embodied in sound recordings on Slacker's services, may subject Slacker to significant liability for copyright infringement, breach of contract or other claims.

Risks Related to Technology and Intellectual Property

We rely heavily on technology to stream content and manage other aspects of our operations, and the failure of this technology to operate effectively could adversely affect our business.

We utilize a combination of proprietary and third-party technology. Our business substantially depends on the Slacker Radio app, which offering a digital spin on the classic radio listening experience through free and subscription-based access. Our business will also be substantially dependent on our LXL App, which includes live video streaming, VOD, push notifications, festival-, venue- and original content-specific functionality, Google Ads capability, digital rights management (e.g., geo-blocking), and the capability to display time-shifted content and enhanced function. We cannot be sure that the Slacker Radio app will continue to, or that the LXL App or any enhancements or other modifications we make in the future to such apps will, perform as intended or otherwise be of value to our users. Future enhancements and modifications to our technology could consume considerable resources. If we are unable to successfully develop, maintain and enhance our technology to manage the streaming of live events in a timely and efficient manner, our ability to attract and retain users may be impaired. In addition, if our technology or that of third parties we utilize in our operations fails or otherwise operates improperly, our ability to attract and retain users may be impaired. Also, any harm to our users' personal computers or mobile devices caused by software used in our operations could have an adverse effect on our business, results of operations and financial condition.

We may be unable to adequately protect our intellectual property rights.

We may be unable to detect unauthorized use of, or otherwise sufficiently protect, our intellectual property rights. We rely on a combination of laws and contractual restrictions with employees, individual service providers, users, artists, suppliers and others content licensors and Content Providers to establish and protect these proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use proprietary information, trademarks, or copyrighted material without authorization which, if discovered, might require legal action to correct. Furthermore, our recently acquired assets and the assets we may acquire in connection with any future acquisitions (including brand names and trademark rights), may have been improperly adopted or inadequately protected prior to our acquisitions of them. This could include failures to obtain assignments of ownership or confidentiality agreements from third parties, failures to clear use of trademarks, or other failures to protect trademarks and other proprietary rights. In addition, third parties may independently and lawfully develop similar intellectual property or duplicate our services.

We will apply to register, or secure by contract when appropriate, our trademarks and service marks as they are developed and used and reserve and register domain names as we deem appropriate. While we intend to vigorously protect our trademarks, service marks and domain names as we deem appropriate, effective trademark protection may not be available or may not be sought in every country in which we operate, and contractual disputes may affect the use of marks governed by private contract. Similarly, not every variation of a domain name may be available or be registered, even if available. Our failure to protect our intellectual property rights in a meaningful manner or challenges to related contractual rights could result in the erosion of brand names or the loss of rights to our owned or licensed marks and limit our ability to control marketing on or through the Internet using our various domain names or otherwise, which could adversely affect our business, financial condition, and results of operations. In addition, the loss of, or inability to otherwise obtain, rights to use third party trademarks and service marks, including the loss of exclusive rights to use third party trademarks in territories where we present festivals, could adversely affect our business or otherwise result in competitive harm. Moreover, on September 23, 2017, we entered into a Co-Existence Agreement with Monday Sessions Media, Inc. D/B/A Live X ("Live X"), in which we consented to Live X's use and registration of the name and mark Live X and agreed to not challenge, dispute or contest Live X's rights in such mark. Pursuant to this agreement, we agreed to not offer certain production services to third party businesses in connection with our mark LiveXLive and use commercially reasonable efforts to afford Live X opportunities to bid on production or streaming service opportunities.

We currently own the www.livexlive.com and www.slacker.com Internet domain names and various other related domain names. Internet regulatory bodies generally regulate domain names. If we lose the ability to use a domain name in a particular country, we would be forced either to incur significant additional expenses to market our services within that country or, in extreme cases, to elect not to offer our services in that country. Either result could harm our business, operating results, and financial condition. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize our brand names in the United States or other countries in which we may conduct business in the future.

Litigation or proceedings before governmental authorities and administrative bodies may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trademarks, trade secrets, and domain names and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and management time, each of which could substantially harm our operating results. Additionally, changes in law may be implemented, or changes in interpretation of such laws may occur, that may affect our ability to protect and enforce our patents and other intellectual property.

We may be accused of infringing upon intellectual property rights of third parties.

From time to time, we have been and may be in the future subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement and other violations of the trademarks, copyrights, patents and other intellectual property or proprietary rights of third parties. The legal proceedings and claims include notices provided to us by content owners of users' violation of the Digital Millennium Copyright Act, which obligate us to investigate and remove infringing user content from our website.

Music contained within content we distribute may require us to obtain licenses for such distribution. In this regard, we will engage with collection management organizations ("CMOs") that hold certain rights to music interests in connection with streaming content into various territories. If we are unable to reach mutually acceptable terms with these organizations, we could become involved in litigation and/or could be enjoined from distributing certain content, which could adversely impact our business. Additionally, pending and ongoing litigation as well as negotiations between certain CMOs and other third parties in various territories could adversely impact our negotiations with CMOs, or result in music publishers represented by certain CMOs unilaterally withdrawing rights, and thereby adversely impact our ability to reach licensing agreements reasonably acceptable to us. Failure to reach such licensing agreements could expose us to potential liability for copyright infringement or otherwise increase our costs.

We also face a risk that content licensors may bring claims for copyright infringement or breach of contract if our users exceed the scope of the content licenses. Certain live performance content may involve remixing and sampling of others' music, and if our content license agreements do not grant us or our users sufficient use rights, or if we facilitate the performance of music for which we do not have a license, our distribution of such content could expose us to claims of copyright infringement. Due to the nature of our business, we could be accused of infringing on the copyrights of Content Providers or other rights holders, or such persons could attempt to prevent us from otherwise making certain content available to our users.

We may not be able to successfully defend against such claims, which may result in a limitation on our ability to use the intellectual property subject to these claims and also might require us to enter into settlement or license agreements, pay costly damage awards or face an injunction prohibiting us from using the affected intellectual property in connection with our services. Defending ourselves against intellectual property claims, whether they are with or without merit or are determined in our favor, results in costly litigation and may divert the attention of our management and technical personnel from the rest of our business.

Our inability to obtain accurate and comprehensive information necessary to identify the musical works embodied in sound recordings used in our services and/or the rightsholders of such musical works, may impact our ability to perform our obligations under our licenses from the rightsholders, may require us to remove or decrease the number of recordings on our streaming music services, and/or may subject us to potential copyright infringement claims.

We currently rely on the assistance of third parties to determine comprehensive and accurate rightsholder information for the musical works embodied in the sound recordings made available on our services. If the information provided to us or obtained by such third parties does not comprehensively or accurately identify which composers, songwriters or publishers own or administer musical works, or if we are unable to determine which musical works correspond to specific sound recordings, it may be difficult to identify the appropriate rightsholders from whom a license is required, to identify the applicable rightsholders to pay and/or to comply with other applicable terms and obligations of the licenses. Our failure to timely obtain licenses and/or comply with such terms or obligations may subject us to significant liability for copyright infringement (and/or result in termination of certain licenses). Further, our inability to accurately identify rightsholders may prevent us from obtaining necessary licenses, which could lead to a reduction in the music available to stream on our services, adversely impacting our ability to retain and expand our listener base.

In addition, music, Internet, technology, and media companies are frequently subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. Many companies in these industries, including many of our competitors, have substantially larger patent and intellectual property portfolios than we do, which could make us a target for litigation as we may not be able to assert counterclaims against parties that sue us for patent, or other intellectual property infringement. In addition, various “non-practicing entities” that own patents and other intellectual property rights often attempt to aggressively assert claims in order to extract value from technology companies. Further, from time to time we may introduce new products and services, including in territories where we currently do not have an offering, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities. It is difficult to predict whether assertions of third-party intellectual property rights or any infringement or misappropriation claims arising from such assertions will substantially harm our business, operating results, and financial condition. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay significant damages, which may be even greater if we are found to have willfully infringed upon a party’s intellectual property; cease exploiting copyrighted content that we have previously had the ability to exploit; cease using solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our solutions; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; indemnify our partners and other third parties; and/or take other actions that may have material effects on our business, operating results, and financial condition.

Our live music streaming network uses open source software, and we license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative effect on our business.

We use open source software in connection with our website and our live music streaming network and may use open source software in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Some open source software licenses require users who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or make available any derivative works of the open source code on unfavorable terms or at no cost. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and results of operations. While we have assessed the use of open source software on our website to ensure that we have not used open source software in a manner that would require us to disclose the source code to the related technology, use requiring such disclosure could inadvertently occur and any requirement to disclose our proprietary source code could be harmful to us.

Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business.

We will rely upon the ability of consumers to access our service through the Internet. Changes in laws or regulations that adversely affect the growth, popularity or use of the Internet, including laws impacting net neutrality, could decrease the demand for our service and increase our cost of doing business. To the extent that network operators implement usage-based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers, we could incur greater operating expenses and our subscriber acquisition and retention could be negatively impacted. For example, in late 2010, Comcast informed Level 3 Communications that it would require Level 3 to pay for the ability to access Comcast's network. Furthermore, to the extent network operators were to create tiers of Internet access service and either charge us for or prohibit us from being available through these tiers, our business could be negatively impacted.

Most network operators that provide consumers with access to the Internet also provide these consumers with multichannel video programming. As such, companies like Comcast, Charter Spectrum and Cablevision have an incentive to use their network infrastructure in a manner adverse to our continued growth and success. For example, Comcast exempted certain of its own Internet video traffic (e.g., Streampix videos to the Xbox 360) from a bandwidth cap that applies to all unaffiliated Internet video traffic (e.g., Netflix videos to the Xbox 360). While we believe that consumer demand, regulatory oversight and competition will help check these incentives, to the extent that network operators are able to provide preferential treatment to their data as opposed to ours or otherwise implement discriminatory network management practices, our business could be negatively impacted. In international markets, especially in Latin America, these same incentives apply; however, the consumer demand, regulatory oversight and competition may not be as strong as in our domestic market.

The success of our business and operations depends, in part, on the integrity of our systems and infrastructures, as well as affiliate and third-party computer systems, Wi-Fi and other communication systems. System interruption and the lack of integration and redundancy in these systems and infrastructures may have an adverse impact on our business, financial condition and results of operations.

System interruption and the lack of integration and redundancy in the information systems and infrastructures, both of our own systems and other computer systems and of affiliate and third-party software, Wi-Fi and other communications systems service providers on which we rely, may adversely affect our ability to operate websites, process and fulfill transactions, respond to user inquiries and generally maintain cost-efficient operations. Such interruptions could occur by virtue of natural disaster, malicious actions such as hacking or acts of terrorism or war, or human error. In addition, the loss of some or all of certain key personnel could require us to expend additional resources to continue to maintain our software and systems and could subject us to systems interruptions.

Although we maintain up to date information technology systems and network infrastructures for the operation of our businesses, techniques used to gain unauthorized access to private networks are constantly evolving, and we may be unable to anticipate or prevent unauthorized access to our systems and data.

Privacy concerns could limit our ability to leverage our subscriber data and compliance with privacy regulations could result in significant expense.

In the ordinary course of business and in particular in connection with merchandising our service to our users, we collect and utilize data supplied by our users. We currently face certain legal obligations regarding the manner in which we treat such information. Other businesses have been criticized by privacy groups and governmental bodies for attempts to link personal identities and other information to data collected on the Internet regarding users' browsing and other habits. Increased regulation of data utilization practices, including self-regulation or findings under existing laws, that limit our ability to use collected data, could have an adverse effect on our business. As our business evolves and as we expand internationally, we may become subject to additional and/or more stringent legal obligations concerning our treatment of user information, and to the extent that we need to alter our business model or practices to adapt to these obligations, we could incur significant expenses.

In addition, we cannot fully control the actions of third parties who may have access to the user data we collect and the user data collected by our third-party vendors. We may be unable to monitor or control such third parties and the third parties having access to our website in their compliance with the terms of our privacy policies, terms of use, and other applicable contracts, and we may be unable to prevent unauthorized access to, or use or disclosure of, user information. Any such misuse could hinder or prevent our efforts with respect to growth opportunities and could expose us to liability or otherwise adversely affect our business. In addition, these third parties may become the victim of security breaches or have practices that may result in a breach, and we could be responsible for those third-party acts or failures to act.

Any failure, or perceived failure, by us or the prior owners of acquired businesses to maintain the privacy of data relating to our users (including disclosing data in a manner that was objectionable to our users), to comply with our posted privacy policies, our predecessors' posted policies, laws and regulations, rules of self-regulatory organizations, industry standards and contractual provisions to which we or they may be bound, could result in the loss of confidence in us, or result in actions against us by governmental entities or others, all of which could result in litigation and financial losses, and could potentially cause us to lose users, advertisers, revenue and employees.

Our reputation and relationships with subscribers would be harmed if our subscriber data, particularly billing data, were to be accessed by unauthorized persons.

We will maintain personal data regarding our users, including names and, in many cases, mailing addresses. With respect to billing data, such as credit card numbers, we expect to rely on licensed encryption and authentication technology to secure such information. If we or our payment processing services experience any unauthorized intrusion into our users' data, current and potential users may become unwilling to provide the information to us necessary for them to become subscribers, we could face legal claims, and our business could be adversely affected. Similarly, if a well-publicized breach of the consumer data security of any other major consumer website were to occur, there could be a general public loss of confidence in the use of the Internet for commerce transactions which could adversely affect our business.

In addition, we do not plan to obtain signatures from subscribers in connection with the use of credit and debit cards (together, "payment cards") by them. Under current payment card practices, to the extent we do not obtain cardholders' signatures, we will be liable for fraudulent payment card transactions, even when the associated financial institution approves payment of the orders. From time to time, fraudulent payment cards may be used on our website to obtain service. Typically, these payment cards will not have been registered as stolen and therefore will not be rejected by any automatic authorization safeguards. We do not currently carry insurance against the risk of fraudulent credit card transactions. A failure to adequately control fraudulent credit card transactions would harm our business and results of operations.

Regulatory and business practice developments relating to personal information of our users and/or failure to adequately protect the personal information of our users may adversely affect our business.

Due to the nature of such businesses, the businesses we have acquired or intend to acquire in the future maintain, or have arrangements with third parties who maintain, information on users who or may purchase in the future our services and products electronically through their individual websites or otherwise register on the website for access to our content provided. We are in the process of evaluating the information collected to understand if we can aggregate and reuse the contact information to inform these individuals of upcoming events, offerings and other services and products that we believe enhance the user experience. Data protection laws and regulation may impair our ability to use these data in such ways, as certain uses may be prohibited. The use of such user information is an important component of our growth strategy in the future. The collection, storage and use of user information is subject to regulation in many jurisdictions, including the United States and the EU, and this regulation is becoming more prevalent and stringent. Further, there is a risk that data protection regulators may seek jurisdiction over our activities even in locations in which we do not have an operating entity. This may arise in a number of ways, either because we are conducting direct marketing activities in a particular jurisdiction and the local laws apply to and are enforceable against us, or because one of our databases is controlling the processing of information within that jurisdiction. We intend to develop a comprehensive policy aimed at ensuring adequate protection of our users' personal information and compliance with applicable law. There is a risk that we will be unable to successfully adopt and implement this policy, which may give rise to liabilities or increased costs.

Although we intend to develop systems and processes that are designed to protect customer and employee information and to prevent security breaches or incidents (which could result in data loss or other harm or loss), such measures cannot provide absolute security or certainty. It is possible that advances in computer and hacker capabilities, new variants of malware, the development of new penetration methods and tools, inadvertent violations of company policies or procedures or other developments could result in a compromise of customer or employee information or a breach of the technology and security processes that are used to protect customer and employee information. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems may change frequently and as a result, may be difficult for our business to detect for long periods of time. In addition, despite our best efforts, we may be unable to anticipate these techniques or implement adequate preventative measures. We may need to expend in the future significant capital and other resources to protect against and remedy such potential security breaches, incidents and their consequences, including the establishment of a dedicated cybersecurity organization within our larger technology environment.

We also face risks associated with security breaches and incidents affecting third parties with which we are affiliated or with which we otherwise conduct business. Consumers are generally concerned with the security and privacy of the Internet, and any publicized security problems affecting our businesses and/or third parties may discourage consumers from doing business with us, which could have an adverse effect on our business, financial condition and results of operations.

In some countries, the use of cookies and other information placed on users' Internet browsers or users' computing devices is currently regulated, regardless of the information contained within or referred to by the cookie. Specifically, in the EU, this is now subject to national laws being introduced pursuant to the amended Directive 2002/58 on Privacy and Electronic Communications. The effect of these measures may require users to provide explicit consent to such a cookie being used. The laws being introduced pursuant to this measure are not finalized in every European Member State, and we have not determined what effect this could have on our business when we place the cookie on the user's computer or when a third party does so. The effect may be to limit the amount of information we receive in relation to each use of the service and/or to limit our ability to link this information to a unique identity, which could adversely affect our business and financial condition.

In the United States, the Federal Trade Commission ("FTC") is starting to exercise greater authority over how online consumer data is collected and maintained by businesses. Prompted by the FTC's recommendation regarding online tracking, a number of federal legislative proposals have been introduced that would allow users to opt out of online monitoring. A number of states have passed similar legislation and some states are becoming more active in enforcing these laws to protect consumers.

The laws in this area are complex and developing rapidly. For instance, on April 14, 2016, the EU General Data Protection Regulation (the "GDPR") became effective within Europe on May 25, 2018. The primary objectives of the GDPR are to give citizens of the EU back the control of their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. We have not yet assessed the full effect of the GDPR. Failure to comply with the GDPR may result in significant monetary penalties. As we expand our operations into new jurisdictions, the costs associated with compliance with applicable local data privacy laws and regulations increases. It is possible that government or industry regulation in these markets will require us to deviate from our standard processes and/or make changes to our products, services and operations, which will increase operational cost and risk. There is a risk that Internet browsers, operating systems, or other applications might be modified by their developers in response to this regulation to limit or block our ability to access information about our users. It is possible that existing or future regulations could make it difficult or impossible for us to collect or use our user information in the way we would like which would impede our growth strategy and potentially reduce the revenue we hope to generate. It is also possible that we could be found to have violated regulations relating to user data, which could result in us being sanctioned, suffering fines or other punishment, being restricted in our activities and/or suffering reputational harm. Any of the foregoing could adversely affect our business and financial results.

Risks Related to the Ownership of Our Common Stock

The market price of our common stock may be highly volatile, you may not be able to resell your shares at or above the public offering price and you could lose all or part of your investment.

The trading price of our common stock may be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

- actual or anticipated fluctuations in our revenue and other operating results;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- issuance of our equity or debt securities, or disclosure or announcements relating thereto;
- the lack of a meaningful, consistent and liquid trading market for our common stock;
- additional shares of our common stock being sold into the market by us or our stockholders or the anticipation of such sales;
- our convertible debt securities being converted into equity or the anticipation of such conversion;
- announcements by us or our competitors of significant events or features, technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of companies in our industry;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- expiration of the lock-up period, as more fully discussed below;
- lawsuits threatened or filed against us;
- regulatory developments in the United States and foreign countries; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

Our Chairman and Chief Executive Officer and stockholders affiliated with him own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Mr. Ellin, our Chief Executive Officer and Chairman, and his affiliates beneficially owned approximately 30% of shares of our common stock issued and outstanding as of June 9, 2019. Therefore, Mr. Ellin and stockholders affiliated with him may have the ability to influence us through their ownership positions. Mr. Ellin and these stockholders may be able to determine or significantly influence all matters requiring stockholder approval. For example, Mr. Ellin and these stockholders, acting together, may be able to control or significantly influence elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may believe are in your best interest as one of our stockholders.

Expiration of the 540-day lock-up period applicable to our officers and directors and certain holders of our common stock may impact the liquidity and the price of our common stock.

We and our officers and directors and their affiliates and certain holders of our common stock, representing in the aggregate over 55% of shares of our common stock issued and outstanding as of June 9, 2019, have agreed with the underwriters of our public offering that we consummated on December 27, 2017 (the "Public Offering") that, for a period of 540 days from December 22, 2017, subject to certain exceptions, we and they will not, among other things, sell, pledge, contract to sell or otherwise transfer or dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition), directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock or warrants or other rights to acquire shares of our common stock of which such officer, director or holder was as of December 22, 2017, and with respect to such officers and directors, may in the future become, the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act). In addition, certain of our officers, directors and their affiliates, representing in the aggregate over 16.1 million shares or 30.7% of shares of our common stock issued and outstanding as of June 9, 2019, have agreed to further extend such lock-up period until December 1, 2019. As a result of the expiration of such 540-day lock-up period on June 15, 2019, (i) more than 1.4 million shares of our common stock are eligible for sale under Rule 144 by our affiliates, subject to restrictions applicable to our affiliates, and (ii) more than 20.7 million shares of our common stock are eligible for sale by our non-affiliates under Rule 144. In addition, in connection with the Slacker Acquisition, certain Slacker stockholders and stockholders who participated in the transaction entered into a similar 540-day lock-up agreement (from December 22, 2017) with the underwriters with respect to the transfer or disposition of the shares of our common stock received in connection with the Slacker Acquisition, or an aggregate of approximately 7.8 million shares. The lock-up period applicable to such Slacker stockholders expired on June 15, 2019.

Sales of a substantial number of shares of our common stock in the public market by certain of our stockholders could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

As discussed above, our directors, executive officers and the entities affiliated with our directors and executive officers are subject to lock-up agreements with the underwriters of the Public Offering that restrict the stockholders' ability to transfer shares of our common stock for 540 days from December 22, 2017. In addition, in connection with the Slacker Acquisition, participating Slacker stockholders in the transaction entered into a similar 540-day lock-up agreement (from December 22, 2017) with the underwriters with respect to the transfer or disposition of the shares of our common stock received in connection with the Slacker Acquisition, or an aggregate of approximately 7.8 million shares.

Subject to certain limitations, all of our outstanding shares held by our directors, executive officers and entities affiliated with our directors prior to the Public Offering, and the other shares subject to lock-up periods described above, will become eligible for sale upon expiration of the applicable lock-up period. In addition, shares issued or issuable upon exercise of warrants, if any, held by these stockholders and vested as of the expiration of the lock-up period will be eligible for sale at that time. Furthermore, the holders of JGB debentures may elect to convert their debentures into shares of our common stock, in addition to any interest under the debentures that we may have the right to pay in shares of our common stock. Sales of stock by these stockholders and/or debtholders could have a material adverse effect on the trading price of our common stock.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plan and any acquisition agreement, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity and/or convertible securities, our stockholders may experience substantial dilution. We may sell or otherwise issue our common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell or issue our common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent issuances. These issuances may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders. We may pay for future acquisitions with additional issuances of shares of our common stock as well, which would result in further dilution for existing stockholders.

Pursuant to our 2016 Equity Incentive Plan (as amended, the "2016 Plan"), there are 12,600,000 shares of our common stock reserved for future issuance to our employees, directors and consultants, of which 408,433 shares have been issued, 1,377,391 restricted stock units have been issued and options to purchase 4,981,668 shares of our common stock have been granted and are outstanding as of March 31, 2019. If our board of directors elects to issue restricted stock, stock options and/or other equity-based awards under the 2016 Plan, our stockholders may experience additional dilution, which could cause our stock price to fall.

Conversion of the Debentures and/or convertible notes will dilute the ownership interest of our existing stockholders, including holders who had previously converted their convertible notes, or may otherwise depress the price of our common stock.

The conversion of some or all of the Debentures and/or convertible notes and/or any redemption of the Debentures in shares of our common stock will dilute the ownership interests of our existing stockholders to the extent we deliver shares of our common stock upon conversion. Any sales in the public market of the shares of our common stock issuable upon such conversion or redemption and/or any anticipated conversion or redemption of the Debentures and convertible notes into shares of our common stock could adversely affect prevailing market prices of our common stock.

FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority ("FINRA"), has adopted rules requiring that, in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative or low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA has indicated its belief that there is a high probability that speculative or low-priced securities will not be suitable for at least some customers. If these FINRA requirements are applicable to us or our securities, they may make it more difficult for broker-dealers to recommend that at least some of their customers buy our common stock, which may limit the ability of our stockholders to buy and sell our common stock and could have an adverse effect on the market for and price of our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our shares of common stock will be influenced by the research and reports that securities or industry analysts publish about us. Securities and industry analysts currently provide publish limited research focused on our Company. If the current securities or industry analysts do not provide extensive coverage or commence coverage of our Company, the price and trading volume of our shares of common stock could be negatively impacted. If other securities or industry analysts initiate coverage and one or more of the analysts who cover us downgrade our shares of common stock or publish inaccurate or unfavorable research about our Company, the price of our shares of common stock would likely decline. Furthermore, if one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, demand for our shares of common stock could decrease, which might cause the price of our shares of common stock and trading volume to decline.

As a smaller reporting company, we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze our results of operations and financial prospects

Because the market value of our common stock held by non-affiliates was less than $250 million as of the last business day of our fiscal quarter ended September 30, 2018, we continue to be a "smaller reporting company" as defined by the SEC's revised rules. As a "smaller reporting company," we (i) are able to provide simplified executive compensation disclosures in our filings and (ii) have certain other decreased disclosure obligations in our filings with the SEC, including being required to provide only two years of audited financial statements in our annual reports. Consequently, it may be more challenging for investors to analyze our results of operations and financial prospects. We will remain a smaller reporting company if we have either (i) a public float of less than $250 million held by non-affiliates as of the last business day of the second quarter of our then current fiscal year or (ii) annual revenues of less than $100 million during such recently completed fiscal year with less than $700 million in public float as of the last business day of the second quarter of such fiscal year.

We are now subject to the auditor attestation requirement in the assessment of our internal control over financial reporting for our fiscal year ended March 31, 2019 and our auditors have identified a certain material weakness in our internal control over financial reporting that continued from prior periods and is also reported in this Annual Report.

Because the market value of our common stock held by non-affiliates exceeded $75 million, as of the last business day of our fiscal quarter ended September 30, 2018, we are now subject to the requirement to include in this Annual Report our auditor's attestation report on its assessment of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. However, because the market value of our common stock held by non-affiliates was less than $250 million as of the last business day of our fiscal quarter ended September 30, 2018, we will continue to be a "smaller reporting company" as defined by the SEC's revised rules.

We previously identified certain material weaknesses in our internal control over financial reporting that continued from prior periods and are also reported in this Annual Report. Our auditors have also identified certain material weaknesses in our internal control over financial reporting that continued from prior periods and is also reported in this Annual Report as required under Section 404 of the Sarbanes-Oxley Act. Accordingly, our auditors issued an adverse opinion related to our internal control over financial reporting, See Item 9A. Controls and Procedures — Attestation Report of the Independent Registered Public Accounting Firm in this Annual Report for more information. The issuance of an adverse opinion could result in lost investor confidence in the accuracy, reliability, and completeness of our financial reports. We expect that our compliance with this increased reporting requirement will require management to expend additional time while also condensing the time frame available to comply with certain requirements, which may further increase our legal and financial compliance costs.

If securities or industry analysts publish inaccurate or unfavorable research about our business, our stock price could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Section 382 and 383 ("Section 382 and 383") of the Internal Revenue Code of 1986, as amended (the "Code"), contains rules that limit the ability of a company that undergoes an ownership change to utilize its net operating losses ("NOLs") and tax credits existing as of the date of such ownership change. Under the rules, such an ownership change is generally any change in ownership of more than 50% of a company's stock within a rolling three-year period. The rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning, directly or indirectly, 5% or more of the stock of a company and any change in ownership arising from new issuances of stock by the company. As a result of these Section 382 and 383 limitations, any ownership changes as defined by Section 382 and 383 may limit the amount of NOL carryforwards that could be utilized annually to offset future taxable income.

We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Additionally, any credit and security agreement that we may enter into in the future will likely contain covenants that will restrict our ability to pay dividends. Any return to stockholders will therefore be limited to the appreciation of their stock.

Provisions in our Certificate of Incorporation and Bylaws and provisions under Delaware law could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, and may prevent or frustrate attempts by our stockholders to replace or remove our current management.

Some provisions of our charter documents may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management. These provisions include: authorizing the issuance of "blank check" preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval; and establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law ("Section 203") regulating corporate takeovers. In general, Section 203 prohibits publicly held Delaware corporation from engaging in a business combination with an interested stockholder (generally, any entity, person or group beneficially owning 15% or more of the outstanding voting stock of the company) for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders.

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The risks above do not necessarily comprise of all those associated with an investment in our Company. This Annual Report contains forward looking statements that involve unknown risks, uncertainties and other factors that may cause our actual results, financial condition, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those set out above.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Effective May 1, 2019, our principal executive offices are located at 269 South Beverly Drive, Suite #1450, Beverly Hills, CA 90212. We also utilize office space for employee operations consisting of approximately 1,400 square feet of Class A office space. We lease such space from an unrelated third-party on a month-to-month basis at a rate of $20 thousand per month. We or the lessor can terminate the arrangement at any time without prior notice. We anticipate continuing to occupy such space for the foreseeable future. Slacker leases its San Diego premises located at 16935 West Bernardo Drive, Suite #270, San Diego, CA 92127, under operating leases which expire on December 31, 2019. Slacker’s rent expense for the operating leases totaled $0.4 million for the year ended March 31, 2019. We believe that such property is in good condition and is suitable for the conduct of our business. We currently have no policy with respect to investments or interests in real estate, real estate mortgages or securities of, or interests in, persons primarily engaged in real estate activities.

Item 3. Legal Proceedings

Certain legal proceedings in which we are involved are discussed in Note 14 - Commitments and Contingencies, to the consolidated financial statements included in Item 8. Financial Statement and Supplementary Data, and are incorporated herein by reference.

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

Market Information

Our Common Stock is traded publicly on The NASDAQ Capital Market (“Nasdaq”) under the symbol “LIVX”. On February 22, 2018, our common stock was uplisted from the OTC Pink marketplace to Nasdaq.

Number of Holders

As of June 9, 2019, there were 479 stockholders of record of our common stock. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividends

We have not paid any cash dividends on our common stock to date and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain earnings, if any, for the future operation and expansion of our business. Any determination to pay cash dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, cash requirements, financial condition, contractual restrictions, restrictions imposed by applicable laws and other factors that our board of directors may deem relevant.

Recent Sales of Unregistered Securities

Other than as set forth below and as reported in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, there have been no other sales or issuances of unregistered securities since April 1, 2018 were not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Issuances of Shares to Employees, Directors, Advisors and Consultants

During the fiscal quarter ended March 31, 2019, we issued an aggregate of 290,132 and 703,983 shares of our common stock to our employees, directors, advisors and/or consultants and Restricted Stock Units to our employee and directors, respectively.

We believe the offers, sales and issuances of the securities described above were exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act and/or Rule 506 promulgated under Regulation D under the Securities Act as offers and sales of securities under contracts relating to compensation in compliance with Rule 701. Each of the recipients of securities in any transaction exempt from registration either received or had adequate access, through employment, business or other relationships, to information about us.

Securities Authorized for Issuance Under Equity Compensation Plans

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters — Securities Authorized for Issuance Under Equity Compensation Plans" of this Annual Report.

Item 6. Selected Financial Data

Not applicable to smaller reporting companies.

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

Forward-Looking Statements

We make forward-looking statements in this Annual Report and the documents incorporated by reference herein within the meaning of the Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations or forecasts for future events, including without limitation our earnings, revenues, expenses or other future financial or business performance or strategies, or the impact of legal or regulatory matters on our business, results of operations or financial condition. These statements may be preceded by, followed by or include the words "may," "might," "will," "will likely result," "should," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "continue," "target" or similar expressions. These forward-looking statements are based on information available to us as of the date of this Annual Report and on our current expectations, forecasts and assumptions, and involve substantial risks and uncertainties. Actual results may vary materially from those expressed or implied by the forward-looking statements herein due to a variety of factors, including: our ability to integrate our acquired businesses, the ability of the combined business to grow, including through acquisitions which we are able to successfully integrate, and the ability of our executive officers to manage growth profitably; the outcome(s) of any legal proceedings pending or that may be instituted against us, our subsidiaries, or third parties to whom we owe indemnification obligations; changes in laws or regulations that apply to us or our industry; our ability to recognize and timely implement future technologies in the music and live streaming space; our ability to capitalize on investments in developing our service offerings, including LiveXLive App to deliver and develop upon current and future technologies; significant product development expenses associated with our technology initiatives; our ability to deliver end-to-end network performance sufficient to meet increasing customer demands; our ability to timely and economically obtain necessary approval(s), releases and or licenses on a timely basis for the use of our music content on our service platform; our ability to obtain and maintain international authorizations to operate our service over the proper foreign jurisdictions our customers utilize; our ability to expand our service offerings and deliver on our service roadmap; our ability to timely and cost-effectively produce, identify and or deliver compelling content that brands will advertise on and or customers will purchase and or subscribe to across our platform; general economic and technological circumstances in the music and live streaming digital markets; our ability to obtain and maintain licenses for content used on legacy music platforms; the loss of, or failure to realize benefits from, agreements with our music labels, publishers and partners; unfavorable economic conditions in the airline industry and economy as a whole; our ability to expand our domestic or international operations, including our ability to grow our business with current and potential future music labels, festivals, publishers, or partners; the effects of service interruptions or delays, technology failures, material defects or errors in our software, damage to our equipment or geopolitical restrictions; costs associated with defending pending or future intellectual property infringement actions and other litigation or claims; increases in our projected capital expenditures due to, among other things, unexpected costs incurred in connection with the roll out of our technology roadmap or our plans of expansion in North America and internationally; fluctuation in our operating results; the demand for live and music streaming services and market acceptance for our products and services; our ability to generate sufficient cash flow to make payments on our indebtedness; our incurrence of additional indebtedness in the future; our ability to repay the convertible notes at maturing or to repurchase the convertible nets upon a fundamental chance or at specific repurchase dates; the effect of the conditional conversion feature of the convertible notes; our compliance with the covenants in our credit agreement; and other risks and uncertainties set forth herein. We do not undertake any obligation to update forward-looking statements as a result of as a result of new information, future events or developments or otherwise.

The following discussion and analysis of our business and results of operations for the fiscal year ended March 31, 2019, and our financial conditions at that date, should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Annual Report. As used herein, "LiveXLive," "LXL," the "Company," "our," "we," or "us" and similar terms refer collectively to LiveXLive Media, Inc. and its subsidiaries, unless the context indicates otherwise.

Overview of the Company

We are a pioneer in the acquisition, distribution and monetization of live music, Internet radio and music-related streaming and video content. Our principal operations and decision-making functions are located in North America. We manage and report our businesses as a single operating segment. Our chief operating decision maker regularly reviews our operating results, principally to make decisions about how we allocate our resources and to measure our segment and consolidated operating performance. We currently generate a majority of our revenue through subscription services from our streaming radio and music services, and to a lesser extent through advertising and licensing across our music platform.

For the years ended March 31, 2019 and 2018, we reported revenue of $33.7 million and $7.2 million, respectively. For the years ended March 31, 2019 and 2018, one customer accounted for 41% and 24% of our consolidated revenues, respectively.

2019 Significant Transactions

On June 29, 2018, we entered into a Securities Purchase Agreement (the "SPA"), with JGB Partners, LP, JGB Capital, LP and JGB (Cayman) Finlaggan Ltd. (each, a "Purchaser" and collectively, the "Purchasers") pursuant to which we sold, in a private placement transaction (the "Financing"), for an aggregate cash purchase price of $10.0 million, $10.64 million in aggregate principal amount, of our 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021 (the "Debentures"). In conjunction with the Financing, we (i) recorded issuance costs of $1.0 million against the liability and (ii) used $3.5 million of the proceeds to pay off 100% of our revolving line of credit. In February 2019, we modified our Financing with the Purchasers pursuant to which we sold an additional aggregate cash purchase price of $3.0 million, $3.2 million in aggregate principal amount, of our Debentures (the "February 2019 Financing"). Including the February 2019 Financing, we sold a cumulative cash purchase price of $13.0 million, $13.8 million in the aggregate principal amount, of our Debentures to the Purchasers.

In June 2018, we issued 375,835 shares of our common stock in exchange for the conversion of $1.1 million of our 6% unsecured convertible notes and related accrued interest.

In July 2018, we issued 17,735 shares of our common stock in exchange for the conversion of $0.1 million of our 6% unsecured convertible note and related accrued interest.

In December 2018, we expanded our scale and capabilities at the Rolling Loud - Los Angeles festival, one of the world's largest hip-hop festivals, including (i) the launch of LiveZone, our live music news program, hosted by 8 correspondents and featured over 75 interviews with artists, (ii) development of new brand partnerships with Kia and Samsung, and (iii) shooting over 10 episodes of original, short-form content to be streamed on our LiveXLive platform.

In March 2019, we extended the maturity date of approximately $4.8 million of principal and accrued unsecured notes with Trinad Capital Master Fund Ltd to May 31, 2021.

We ended the March 31, 2019 year with approximately 680,000 paid subscribers on our music platform, up from approximately 450,000 at March 31, 2018, representing 51% year-over-year growth since March 31, 2018, with Slacker having over 1,300,000 MAUs. For the year ended March 31, 2019, we successfully produced and livestreamed twenty-four (24) live festivals and events, generating over 50.0 million views, 400 artists livestreamed and 350 hours of live programming.

2018 Significant Transactions

During the year ended March 31, 2018, we issued an aggregate 0.8 million shares of our common stock in exchange for the surrender of warrants exercisable for approximately 0.8 million shares of our common stock.

In March 2018, we issued 0.7 million shares of our common stock in exchange for the conversion of $2.2 million of our debt and accrued interest.

In May 2017, LXL Tickets entered into an asset purchase agreement with Wantickets RDM, LLC ("Wantickets") and certain other parties for total consideration of 0.7 million shares of our common stock valued at $3.3 million on the transaction date. Certain assets of Wantickets were acquired to strengthen and increase the scope of our music service offerings, including acquisition of customer lists. During the quarter ended December 31, 2017, we made the decision to shut down and discontinue the operations of LXL Tickets. As a result, we recorded a loss from discontinued operations of $4.3 million during the fiscal year ended March 31, 2018 **.**

In December 2017, we acquired Slacker, Inc. ("Slacker") for total purchase consideration of $50.1 million through (i) the issuance of 6.1 million shares of our common stock, valued at $20.1 million on the transaction date, (ii) 1.7 million shares of the our common stock issued to payoff certain debt of Slacker as of the transaction date, valued at $5.5 million on the transaction date, (iii) cash payment of $2.5 million and issuance of 0.2 million shares of the Company's common stock valued at $0.6 million on the transaction date to Slacker and its designees and (iv) the assumption of Slacker's liabilities of approximately $21.5 million. Slacker was acquired to augment and diversify our music services offering.

In December 2017 and January 2018, we issued an aggregate 5.5 million shares of our common stock in an underwritten public offering (the "Public Offering") for gross cash proceeds of $21.8 million, less direct issuance fees and costs of $3.3 million.

In February 25, 2018, we entered into a five-year agreement with Insomniac, the global leader in electronic dance music events, for exclusive global digital broadcast rights across all Insomniac events, including up to 20 major festivals around the world and over 100 events annually.

Basis of Presentation

This following discussion and analysis of our business and results of operations and our financial conditions is presented on a consolidated basis. In addition, a brief description is provided of significant transactions and events that have an impact on the comparability of the results being analyzed. Due to our specific situation, the presented financial information for the year ended March 31, 2019 is only partially comparable to the financial information for the year ended March 31, 2018. The presented financial information for the year ended March 31, 2019 includes the financial information and activities of Slacker for the entire fiscal year. The presented financial information for the year ended March 31, 2018 includes the financial information and activities of Slacker for the period December 29, 2017 to March 31, 2018 (92 days) as well as the financial information and activities of other acquisitions made in fiscal year 2018, which included the acquisition of certain assets of Wantickets by LXL Tickets for the period from May 5, 2017 to December 31, 2017 (240 days). As of December 31, 2017, we elected to abandon LXL Tickets operations, and the financial information herein reflects LXL Tickets as discontinued operations. This lack of comparability should be taken into account when reading the discussion and analysis of our results of operations and cash flows.

Opportunities, Challenges and Risks

In 2019, we derived the majority of our revenue through music subscription services, and secondarily from advertising. For the year ended March 31, 2019 ("fiscal year 2019"), approximately 10% and 90% of our revenue was from advertising and paid customers' subscriptions, respectively, largely from Slacker. Beyond fiscal year 2019, we plan to grow our advertising revenue across our live music programming, and as a result we expect the percentage mix of advertising versus subscription revenue to be higher beginning in mid-year ending March 31, 2020 ("fiscal year 2020") versus fiscal year 2019.

We believe there is substantial near and long-term value in our live music content. We also believe that the monetary value of broadcasting live music follows a similar evolution to sporting events such as the National Football League, Major League Baseball and the National Basketball Association, whereby sports broadcasting rights became more valuable as the demand for live sporting events increased over the past 20 years. As the thought leader in live music, we plan to acquire the broadcasting rights to as many of the top live music events and festivals that are available to us. During fiscal year ended March 31, 2019, we livestreamed 24 major festivals and live music events. As of May 31, 2019, we now have over 40 festivals and live events under agreement with terms ranging in duration from 1 to 7 years. Moreover, in year ended March 31, 2018 ("fiscal year 2018") we entered into a five-year agreement with Insomniac, the global leader in electronic dance music events, for exclusive global digital broadcast rights across all Insomniac events, including up to 20 major festivals around the world and over 100 events annually. In the near term, we will continue aggregating our digital traffic across these festivals and monetizing the live broadcasting of these events through advertising, brand sponsorships and licensing of certain broadcasting rights outside of North America. In the long term, we also plan to package, produce and broadcast our live music content on a 24/7/365 basis across our music platform and grow our paid subscribers. The long-term economics of any future agreement involving festivals, programming, production, broadcasting, streaming, advertising, sponsorships, and licensing could positively or negatively impact our liquidity, growth, margins, relationships, and ability to deploy and grow our future services with current or future customers.

We believe our operating results and performance are, and will continue to be, driven by various factors that affect the music industry. Our ability to attract, grow and retain users to our platform is highly sensitive to rapidly changing public music preferences and technology and is dependent on our ability to maintain the attractiveness of our platform, content and reputation to our customers. Beyond fiscal year 2019, the future revenue and operating growth across our music platform will rely heavily on our ability to grow our subscriber base, continue to develop quality music services, provide unique and attractive content to our customers, continue to grow the number of listeners on our platform and live music festivals we stream, grow and retain customers and secure sponsorships to facilitate future revenue growth from advertising and e-commerce across our platform.

As our music platform continues to evolve, we believe that there are opportunities to expand our services by adding more content in a greater variety of formats, extending our distribution to include pay television and social channels, deploying new services for our subscribers such as artist merchandise and live music event ticket sales, and licensing user data across our platform. As of March 31, 2019, our Slacker audio and LiveXLive video services operated on separate platforms; however, in May 2019 we combined these services into a single platform – LiveXLive Powered by Slacker, including offering a greater variety of exclusive and unique music content across our platform. For example, we acquired Slacker in December 2017 to accelerate our paid subscription platform, and secondarily to gain synergies across product development initiatives. In 2018, we integrated resources and launched our live music streaming app across Apple TV, Roku and Amazon Fire platforms. Conversely, the evolution of technology presents an inherent risk to our business. Today, we see large opportunities to expand our music services within North America and other parts of the world where we will need to make substantial investments to improve our current service offerings. As a result, and during the fiscal year ending March 31, 2020, we will continue to invest in product and engineering to further develop our future music apps and services, and we expect to continue making significant product development investments to our existing technology solutions over the next 12 to 24 months to address these opportunities.

Growth in our music services is also dependent upon the number of customers that use and pay for our services, the attractiveness of our music platform to sponsors and advertisers and our ability to negotiate favorable economic terms with music labels, publishers, artists and or festival owners, and the number of passengers who use our services. Growth in our margins is heavily dependent on our ability to grow, coupled with the managing the costs associated with implementing and operating our services, including the costs of licensing music with the music labels, and producing, streaming and distributing video and audio content. Our ability to attract and retain new and existing customers will be highly dependent on our abilities to implement and continually improve upon our technology and services on a timely basis and continually improve our network and operations as technology changes and as we experience increased network capacity constraints as we continue to grow.

For the majority of our agreements with festival owners, we acquire the global broadcast rights. Moreover, the digital rights we acquire principally include any format and screen, and future rights to VR and AR. For the years ended March 31, 2019 and 2018, all material amounts of our revenue was derived from customers located in the United States. Moreover, and during the year ended March 31, 2019, one of our customers accounted for 41% of our consolidated revenue. While our revenue is primarily generated through music subscription services based in the United States today, we believe that there is a substantial opportunity in the longer term for us to significantly diversify our subscriber base and expand our service offerings to customers based in countries outside of the United States. Historically, we have sold certain licensing rights to stream live music in Latin America and China to third parties. In the long term, we plan to expand our business further internationally in places such as Europe, Asia Pacific and Latin America, and as a result will continue to incur significant incremental upfront expenses associated with these growth opportunities.

Key Components of Consolidated Statements of Operations

The following briefly describes certain key components of revenue and expenses as presented in our consolidated statements of operations.

Revenue

We currently generate our revenue through advertising and paid subscriptions across our music platform, and secondarily through the licensing of non-US broadcasting rights for our live events. Our advertising revenue is based upon the number of impressions or active listeners we deliver across our music platform. Our subscription revenue is driven by the number of paid subscribers across our music platform, who pay up to $9.99 per month for a premium music subscription. Licensing revenue is driven by certain broadcasting rights we own and license to third parties.

We report revenue on a gross or net basis based on management's assessment of whether we act as a principal or agent in the transaction. To the extent we act as the principal, revenue is reported on a gross basis net of any sales tax from customers, when applicable. The determination of whether we act as a principal or an agent in a transaction is based on an evaluation of whether we control the good or service prior to transfer to the customer. Where applicable, we have determined that we act as the principal in all of our subscription service streams and may act as principal or agent for our advertising and licensing revenue streams.

Operating Expenses

Operating expenses consist of cost of sales, sales and marketing, product development, general and administrative, and amortization of intangible assets. Included in our operating expenses are stock-based compensation and depreciation expenses associated with our capital expenditures.

Cost of Sales

Costs of sales principally consist of the costs of licensing our services across our music platform, including producing audio and live music content; music licensing costs paid to labels such as Universal Music, Warner Music and Sony Music, publishers and digital rights organizations such as SoundExchange and BMI; programming, DJ's, hosts and streaming costs; revenue recognized by us and shared with others as a result of our revenue-sharing arrangements; platform operating expenses, including depreciation of the systems and hardware used to build and operate our platform; personnel costs related to our network operations, customer service and information technology. As we continue to grow our revenue base, build out our music services platform and expand our coverage globally, we anticipate that our service costs will increase when compared to historical periods. Our services cost of sales are dependent on a number of factors, including the amount of premium music downloaded, live festivals we stream in a given period, the amount of content and programming required to operate our services and the number of partners we share our corresponding revenue with.

Sales and Marketing

Sales and marketing expenses consist primarily of sales and marketing personnel costs, sales support, public relations, advertising, marketing and general promotional expenditures. Fluctuations in our sales and marketing expenses are generally the result of our efforts to support the growth in our businesses, including expenses required to support the expansion of our direct sales force. We currently anticipate that our sales and marketing expenses will continue to increase throughout fiscal year 2020, and fluctuate as a percent of revenue when compared to 2019, as we continue to grow our advertising and sponsorship base, invest in new subscriber growth initiatives and sales and marketing organizations and invest in marketing activities to support the growth of our businesses.

Product Development

Product development expenses consist primarily of expenses incurred in our software engineering, product development and app and web portal design activities and related personnel costs. Fluctuations in our product development expenses are generally the result of hiring personnel to support and develop our music platform, new music product offerings and network operations. With the addition of Slacker for a full year in 2019 versus a partial year in 2018, we currently anticipate that our product development expenses will increase in the near term and more significantly in 2020, as we also continue to hire more product development personnel and further develop our products and offerings to support the growth of our business. We expect our fiscal year 2020 product development expense as a percentage of revenue to fluctuate accordingly when compared to fiscal year 2019.

General and Administrative

General and administrative expenses consist primarily of personnel costs from our executive, legal, finance, human resources and information technology organizations and facilities related expenditures, as well as third party professional fees, insurance and bad debt expenses. Professional fees are largely comprised of outside legal, accounting audit, information technology consulting and legal settlements. With the full year of Slacker expenses in fiscal year 2019 versus partial year in fiscal year 2018, coupled with the addition of new personnel to support our planned growth and new public compliance initiatives in fiscal year 2019 and beyond, we anticipate general and administrative expenses to increase in fiscal year 2020 as compared to fiscal year 2019.

Amortization of Intangibles

We determine the appropriate useful life of intangible assets by performing an analysis of expected cash flows based on our historical experience of intangible assets of similar quality and value. We expect amortization expense to increase in the near term as a result of the Slacker acquisition made in the second half of fiscal year 2018. Amortization as a percentage of revenue will depend upon a variety of factors, such as the amounts and mix of our identifiable intangible assets acquired in business combinations.

Stock-based Compensation

Included in our operating expenses are expenses associated with stock-based compensation, which are allocated and included in costs of sales, sales and marketing, product development and general and administrative expenses as necessary. Stock-based compensation expense is largely comprised of costs associated with stock options and restricted stock units granted to employees and certain non-employees including directors and consultants. We record the fair value of these equity-based awards and expense at their cost ratably over related vesting periods. In addition, stock-based compensation expense includes the cost of warrants to purchase common stock issued to certain non-employees.

As of March 31, 2019, we had approximately $8.8 million of unrecognized employee related stock-based compensation, which we expect to recognize over a weighted-average period of approximately 0.9 years. Stock-based compensation expense is expected to increase throughout fiscal year 2020 compared to fiscal year 2019 as a result of our existing unrecognized stock-based compensation and as we issue additional stock-based awards to continue to attract and retain employees and non-employee directors.

Discontinued Operations

During the third quarter ended December 31, 2017, we implemented a plan to shut down our LXL Tickets operations (the “LXL Plan”). During 2018, in conjunction with the LXL Plan, we committed to formally discontinue our LXL Tickets operations, including the assets acquired in the 2017 acquisition from Wantickets. We completed our LXL Plan in December 2017. Included in our financial results for the year ended March 31, 2019 and 2018 is a loss from discontinued operations of $0 and $4.3 million, respectively, which includes a loss on disposal of certain assets of $0 and $2.8 million, respectively.

Other Income (Expense)

Other income (expense) principally consists of changes in the fair value of our derivative financial instruments, interest on outstanding debt associated with our notes payable, convertible notes and loans, income or loss from our equity-method investments and certain unrealized transaction gains and losses on foreign currency denominated assets and liabilities. We typically invest our available cash balances in money market funds and short-term United States Treasury obligations.

Provision for Income Taxes

Since our inception, we have been subject to income taxes principally in the United States. We anticipate that as we continue to expand our operations outside the United States, we will become subject to taxation based on the foreign statutory rates and our effective tax rate could fluctuate accordingly.

Income taxes are computed using the asset and liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

As of March 31, 2019, we had approximately $70.5 million of federal and state net operating losses (“NOLs”). These NOL carryforwards are available to us to offset future taxable income which expire in varying amounts beginning in 2024 if unused. We obtained $136.0 million and $2.6 million of NOL and tax credit carryforwards, respectively, through the acquisition of Slacker in December 2017. Utilization of these losses and tax credits is limited by Section 382 of the Internal Revenue Code (the “Code”) in fiscal year end March 31, 2018 and each taxable year thereafter. We have estimated a limitation and revalued the losses and credits at $22.0 million and $0 million, respectively. It is possible that the utilization of these NOL carryforwards and tax credits may be further limited. We are undertaking a study to determine the applicable limitations, if any. We currently believe that based on available information, it is not more likely than not that our deferred tax assets will be realized, and accordingly we have recorded a valuation allowance against our federal, state and foreign deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, making significant changes to the taxation of U.S. business entities. The Tax Act reduced the U.S. corporate income tax rate from 35% to 21%, imposed a one-time transition tax in connection with the move from a worldwide tax system to a territorial tax system, imposed limitations on certain tax deductions such as fringe benefits including employee parking, executive compensation in future periods, and included numerous other provisions. As we have a March 31 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 31.5% for the fiscal year ended March 31, 2018, and 21% for the fiscal year ended March 31, 2019 and subsequent fiscal years. Since we are not in a current U.S. federal tax paying position, our U.S. tax provision consists primarily of deferred tax benefits calculated at the 21% tax rate.

In connection with the Tax Act, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118") to provide guidance to companies that have not completed their accounting for the income tax effects of the Tax Act. Under SAB 118, provisional amounts can be recorded to the extent a reasonable estimate can be made. Additional tax effects and adjustments to previously recorded provisional amounts can be recorded upon obtaining, preparing, or analyzing additional information (including computations) within one year from the enactment date of the Tax Act. We reviewed and incorporated the impact of the Tax Act in its tax calculations and disclosures. The accounting for the 2017 Act is now complete and no significant adjustments were made to the provisional estimates. The Tax Act did not have a significant impact on our consolidated financial statements for the year ended March 31, 2019.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. We believe that the assumptions and estimates associated with our revenue recognition, allowance for doubtful accounts, the assigned value of acquired tangible and intangible assets and assumed and contingent liabilities associated with business combinations, provision for legal settlements, valuation of media content library and equipment inventory, useful lives and impairment of property and equipment, intangible assets, goodwill and other assets, the fair value of our equity-based compensation awards and convertible debt instruments, and valuation of deferred income tax assets and liabilities, have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

The Company accounts for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized when the Company satisfies its obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company uses the expected value method to estimate the value of variable consideration on advertising and with original equipment manufacturer contracts to include in the transaction price and reflect changes to such estimates in periods in which they occur. Variable consideration for these services is allocated to and recognized over the related time period such advertising and subscription services are rendered as the amounts reflect the consideration the Company is entitled to and relate specifically to the Company's efforts to satisfy its performance obligation. The amount of variable consideration included in revenue is limited to the extent that it is probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is subsequently resolved.

The Company reports revenue on a gross or net basis based on management's assessment of whether the Company acts as a principal or agent in the transaction. To the extent the Company acts as the principal, revenue is reported on a gross basis net of any sales tax from customers, when applicable. The determination of whether the Company acts as a principal or an agent in a transaction is based on an evaluation of whether the Company controls the good or service prior to transfer to the customer. Where applicable, the Company has determined that it acts as the principal in all of its subscription service streams and may act as principal or agent for its advertising and licensing revenue streams.

The Company's revenue is principally derived from the following services:

Subscriptions Services

Subscription services revenue substantially consist of monthly to annual recurring subscription fees, which are primarily paid in advance by credit card or through direct billings arrangements. The Company defers the portions of monthly to annual recurring subscription fees collected in advance and recognizes them in the period earned. Subscription revenue is recognized in the period of services rendered. The Company's subscription revenue consists of performance obligations that are satisfied over time. This has been determined based on the fact that the nature of services offered are subscription based where the customer simultaneously receives and consumes the benefit of the services provided regardless of whether the customer uses the services or not. As a result, the Company has concluded that the best measure of progress toward the complete satisfaction of the performance obligation over time is a time-based measure. The Company recognizes subscription revenue straight-line through the subscription period.

Subscription Services consist of:

<u>Direct subscriber, mobile service provider and mobile app services</u>

The Company generates revenue for subscription services on both a direct basis and through subscriptions sold through certain third-party mobile service providers and mobile app services (collectively the "Mobile Providers"). For subscriptions sold through the Mobile Providers, the subscriber executes an on-line agreement with Slacker outlining the terms and conditions between Slacker and the subscriber upon purchase of the subscription. The Mobile Providers promote the Slacker app through their e-store, process payments for subscriptions, and retain a percentage of revenue as a fee. The Company reports this revenue gross of the fee retained by the Mobile Providers, as the subscriber is Slacker's customer in the contract and Slacker controls the service prior to the transfer to the subscriber. Subscription revenues from monthly subscriptions sold directly through Mobile Providers are subject to such Mobile Providers' refund or cancellation terms. Revenues from Mobile Providers are recognized net of any such adjustments for variable consideration, including refunds and other fees. The Company's payment terms vary based on whether the subscription is sold on a direct basis or through Mobile Providers. Subscriptions sold on a direct basis require payment before the services are delivered to the customer. The payment terms for subscriptions sold through Mobile Providers vary, but are generally payable within 30 days.

<u>Third-Party Original Equipment Manufacturers</u>

The Company generates revenue for subscription services through subscriptions sold through a third-party Original Equipment Manufacturer (the "OEM"). For subscriptions sold through the OEM, the OEM executes an agreement with Slacker outlining the terms and conditions between Slacker and the OEM upon purchase of the subscription. The OEM installs the Slacker app in their equipment and provides the Slacker service to the OEM's customers. The monthly fee charged to the OEM is based upon a fixed rate per vehicle, multiplied by the variable number of total vehicles which have the Slacker application installed. The number of customers, or the variable consideration, is reported by OEMs and resolved on a monthly basis. The Company's payment terms with OEM are up to 30 days. The OEM does not charge the car owners a fee for the Slacker service.

Advertising Revenue

Advertising revenue primarily consist of revenues generated from the sale of audio, video, and display advertising space to third-party advertising exchanges. Revenues are recognized based on delivery of impressions over the contract period to the third-party exchanges, either when an ad is placed for listening or viewing by a visitor or when the visitor "clicks through" on the advertisement. The advertising exchange companies report the variable advertising revenue on a monthly basis.

Licensing Revenue

Licensing revenue primarily consists of sales of licensing rights to digitally stream its live music services in certain geographies (e.g. China). Licensing revenue is recognized when the Company satisfies its performance obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, which is typically when the live event has aired. Any license fees collected in advance of an event are deferred until the event airs. The Company reports licensing revenue on a gross basis as the Company acts as the principal in the underlying transactions.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period, on a straight-line basis. The Company uses the Black-Scholes-Merton option pricing model to determine the grant date fair value of stock options. This model requires the Company to estimate the expected volatility and the expected term of the stock options which are highly complex and subjective variables. The variables take into consideration, among other things, actual and projected employee stock option exercise behavior. The Company uses a predicted volatility of its stock price during the expected life of the options that is based on the historical performance of the Company's stock price as well as including an estimate using guideline companies. Expected term is computed using the simplified method as the Company's best estimate given its lack of actual exercise history. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the stock. Stock-based awards are comprised principally of stock options, restricted stock, restricted stock units ("RSUs") and warrant grants. Forfeitures are recognized as incurred.

Stock option awards issued to non-employees are accounted for at the grant date fair value determined using the Black-Scholes-Merton option pricing model. Management believes that the fair value of the stock options is more reliably measured than the fair value of the services received. The Company record the fair value of these equity-based awards and expense at their cost ratably over related vesting periods.

Business Combinations

The Company accounts for its business combinations using the purchase method of accounting where the cost is allocated to the underlying net tangible and intangible assets acquired, based on their respective fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Additionally, any contingent consideration is recorded at fair value on the acquisition date and classified as a liability. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interests requires management's judgment and often involves the use of significant estimates and assumptions, including, but not limited to, the selection of appropriate valuation methodology, projected revenue, expenses and cash flows, weighted average cost of capital, discount rates, estimates of customer turnover rates and estimates of terminal values.

Commitments and Contingencies

From time to time, we are involved in legal proceedings and other matters arising in connection with the conduct of our business activities. Many of these proceedings may be at preliminary stages and/or seek an indeterminate amount of damages. We regularly evaluate the status of our commitments and contingencies in which we are involved to (i) assess whether a material loss is probable or there is at least a reasonable possibility that a material loss or an additional material loss in excess of a recorded accrual may have been incurred and (ii) determine if financial accruals are required when appropriate. We record an expense accrual for any commitments and loss contingency when we determine that a loss is probable and the amount of the loss can be reasonably estimated. If an expense accrual is not appropriate, we further evaluate each matter to assess whether an estimate of possible loss or range of loss can be made and whether or not any such matter requires additional disclosure. There can be no assurance that any proceeding against us will be resolved in amounts that will not differ from the amounts of estimated exposures. Legal fees and other costs of defending litigation are expensed as incurred.

Non-Income Tax Contingencies

We do not collect and remit sales and use or similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable or legally required.

The June 2018 U.S. Supreme Court ruling in *South Dakota v. Wayfair, Inc., No. 17-494* , along with the application of existing, new or future rulings and laws, could have adverse effects on our business, prospects and operating results.

Long-lived Assets, Goodwill and Intangible Assets with Finite Lives

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination, and allocate the purchase price of each acquired business to its respective net tangible and intangible assets. Acquired intangible assets principally comprise of customer relationships and technology. We determine the appropriate useful life by performing an analysis of expected cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the majority of the economic benefits is expected to be consumed.

Goodwill represents the excess of the purchase consideration of an acquired entity over the fair value of the acquired net assets. Goodwill is tested for impairment annually or when events or circumstances change that would indicate that goodwill might be impaired. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends or significant under-performance relative to expected historical or projected future results of operations.

We evaluate the recoverability of our intangible assets, and other long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. These trigger events or changes in circumstances include, but are not limited to a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used, significant adverse changes in legal factors, including changes that could result from our inability to renew or replace material agreements with certain of our partners such as Tesla Motors on favorable terms, significant adverse changes in the business climate including changes which may result from adverse shifts in technology in our industry and the impact of competition, a significant adverse deterioration in the amount of revenue or cash flows we expect to generate from an asset group, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of our long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. We perform impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In making this determination, we consider the specific operating characteristics of the relevant long-lived assets, including (i) the nature of the direct and any indirect revenues generated by the assets; (ii) the interdependency of the revenues generated by the assets; and (iii) the nature and extent of any shared costs necessary to operate the assets in their intended use. An impairment test would be performed when the estimated undiscounted future cash flows expected to result from the use of the asset group is less than its carrying amount. Impairment is measured by assessing the usefulness of an asset by comparing its carrying value to its fair value. If an asset is considered impaired, the impairment loss is measured as the amount by which the carrying value of the asset group exceeds its estimated fair value. Fair value is determined based upon estimated discounted future cash flows. The key estimates applied when preparing cash flow projections relate to revenue, operating margins, economic lives of assets, overheads, taxation and discount rates. To date, we have not recognized any such impairment loss associated with our long-lived assets.

Goodwill is tested for impairment at the reporting unit level, which is the same or one level below an operating segment. In any year we may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If we cannot determine qualitatively that the fair value is in excess of the carrying value, or we decide to bypass the qualitative assessment, we perform a quantitative analysis. The quantitative analysis is used to identify both the existence of impairment and the amount of the impairment loss by comparing the estimated fair value of a reporting unit with its carrying value, including goodwill. The estimated fair value is based on internal projections of expected future cash flows and operating plans, as well as market conditions relative to the operations of our reporting units. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired; otherwise, an impairment loss is recognized within our consolidated statements of operations in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Non-GAAP Measures

Reconciliation of Adjusted Operating Loss

Adjusted Operating Loss ("AOL") is a non-GAAP financial measure that we define as operating income (loss) before (a) non-cash GAAP purchase accounting adjustments for certain deferred revenue and costs, (b) legal, accounting and other professional fees directly attributable to acquisition activity, (c) employee severance payments and third party professional fees directly attributable to acquisition or corporate realignment activities, (d) certain non-recurring expenses associated with legal settlements or reserves for legal settlements in the period that pertain to historical matters that existed at acquired companies prior to their purchase date, (e) any charges in the period pursuant to formal plans to shut down and abandon LXL Tickets, (f) depreciation and amortization (including goodwill impairment, if any), and (g) certain stock-based compensation expense. We use AOL to evaluate the performance of our operating segment. We believe that information about AOL assists investors by allowing them to evaluate changes in the operating results of our business separate from non-operational factors that affect net income (loss), thus providing insights into both operations and the other factors that affect reported results. AOL is not calculated or presented in accordance with GAAP. A limitation of the use of AOL as a performance measure is that it does not reflect the periodic costs of certain amortizing assets used in generating revenue in our business. Accordingly, AOL should be considered in addition to, and not as a substitute for, operating income (loss), net income (loss), and other measures of financial performance reported in accordance with GAAP. Furthermore, this measure may vary among other companies; thus, AOL as presented herein may not be comparable to similarly titled measures of other companies.

The following table sets forth the reconciliation of AOL to Operating Income (loss) from Continuing Operations, the most comparable GAAP financial measure (in thousands):

	Contribution Margin	Operating Loss from Continuing Operations	Depreciation and Amortization	Stock-Based Compensation	Non-Recurring Acquisition and Realignment Costs	Other Non-Recurring Costs	Adjusted Operating Loss
2019							
Music Operations	$ 2,530	$ (19,888)	$ 7,381	$ 4,290	$ -	$ 176	$ (8,041)
Corporate	-	(14,006)	6	8,482	-	929	(4,589)
Total	$ 2,530	$ (33,894)	$ 7,387	$ 12,772	$ -	$ 1,105	$ (12,630)
2018							
Music Operations	$ 501	$ (7,040)	$ 2,525	$ 818	$ -	-	$ (3,697)
Corporate	-	(7,837)	10	5,360	56	-	(2,411)
Total	$ 501	$ (14,877)	$ 2,535	$ 6,178	$ 56	$ -	$ (6,108)

Segment Operating Results

Music Operations

Our Music Operations operating results were, and discussions of significant variances are, as follows (in thousands):

	Year Ended March 31, 2019	Year Ended March 31, 2018	% Change 2019 vs. 2018
Revenue	$ 33,701	$ 7,195	368%
Cost of Sales	31,171	6,694	366%
Sales & Marketing, Product Development and G&A	15,914	5,118	211%
Intangible Asset Amortization	6,504	2,423	168%
Operating Loss from Continuing Operations	(19,888)	(7,040)	183%
Operating Loss from Discontinued Operations	-	-	-
Operating Loss	$ (19,888)	$ (7,040)	183%
Operating Margin	-59%	-98%	40%
AOL*	$ (8,041)	$ (3,697)	118%
AOL Margin*	-24%	-51%	53%

* AOL is defined and reconciled to Operating Income (Loss) from Continuing operations above.

Fiscal Year 2019 Compared to Fiscal Year 2018

Revenue

Music Operations revenue increased $26.5 million or 368% during the year ended March 31, 2019 as compared to the prior year primarily due to a full year of revenue from Slacker, which was acquired in the third quarter of fiscal year 2018.

Operating Loss from Continuing Operations

Music Operations operating loss from continuing operations increased $12.9 million or 183% from a ($7.0) million operating loss from continuing operations in fiscal year 2018 as compared to a ($19.9) million operating loss from continuing operations in fiscal year 2019. The increase was largely due, to increases in non-cash amortization of intangible assets associated with the Slacker acquisition in December 2017 ($4.9 million) and stock-based compensation of ($3.4 million), higher sales and marketing, product development and general and administrative expenses of ($6.4) million associated with a full year of Slacker operational expenses, which was acquired in the third quarter of fiscal 2018, and the expansion of our business. Offsetting this was an overall improvement in our contribution margins (revenue less cost of sales) of $2.0 million or 405% from $0.5 million of contribution margin in fiscal 2018 to $2.5 million of contribution margin in fiscal year 2019 driven by the Slacker acquisition and growth in subscription services, offset by higher production costs due to rise in the number of festivals and music events livestreamed in fiscal 2019 (24) versus fiscal 2018 (5).

Adjusted Operating Loss

Music Operations Adjusted Operating Loss increased $4.3 million or 118% from a ($3.7) million Adjusted Operating Loss in fiscal year 2018 as compared to a ($8.0) million Adjusted Operating Loss in fiscal year 2019. The increase was largely due to the above-discussed increase in sales and marketing, product development and general and administrative expenses of $6.4 million, offset by the $2.0 million increase in contribution margin.

Adjusted Operating Loss Margin

Music Operations Adjusted Operating Loss Margin improved to an Adjusted Operating Loss Margin of (24%) in fiscal year 2019, as compared to an Adjusted Operating Loss Margin of (51%) in fiscal year 2018. The year-over-year improvement in Adjusted Operating Loss Margin was largely driven by improved operating results, including Slacker's contribution margins, which as a percentage of revenue improved from 24% during fiscal 2018 to 37% in fiscal year 2019.

Corporate expense

Our Corporate expense results were, and discussions of significant variances are, as follows (in thousands):

	Year Ended March 31,		% Change 2019 vs.
	2019	**2018**	**2018**
G&A Expenses	$ 14,006	$ 7,837	79%
Intangible Asset Amortization	-	-	-
Operating Loss from Continuing Operations	(14,006)	(7,837)	79%
Operating Loss from Discontinued Operations	-	(1,530)	-100%
Operating Loss	$ (14,006)	$ (9,367)	50%
Operating Margin	-100%	-100%	0%
AOL*	$ (4,589)	$ (2,411)	90%

* AOL is defined and reconciled to Operating Income (Loss) from Continuing operations above.

Operating Loss from Continuing Operations

Corporate operating loss from continuing operations increased $6.2 million, or 79%, from a ($7.8) million operating loss from continuing operations in fiscal year 2018, as compared to a ($14.0) million operating loss from continuing operations in fiscal year 2019. The increase was largely due to higher non-cash stock-based compensation of $3.1 million largely driven by higher grant values to new employees, executives and certain contractors to facilitate the growth in our business, higher non-recurring costs of $0.9 million driven largely from defense costs associated with litigation from past acquisitions combined with higher general and administrative expenses of $2.3 million associated with an increase in personnel-related expenses of $1.3 million, professional fees of $0.6 million and insurance and other costs of $0.2 million to support the growth of our business.

Operating Loss from Discontinued Operations

Corporate operating loss from discontinued operations decreased to $0 in fiscal year 2019, as compared to $1.5 million in fiscal year 2018. The decrease was due to the shut-down of the LXL Tickets business operations in December 2017. By comparison, there was no operating losses from discontinued operations in fiscal year 2018.

Adjusted Operating Loss

Corporate Adjusted Operating Loss increased $2.2 million, or 90%, from a ($2.4) million Adjusted Operating Loss in fiscal year 2018, as compared to a ($4.6) million Adjusted Operating Loss in fiscal year 2019. The increase was largely due to the above-discussed increase in general and administrative expenses of $6.3 million, offset by the $3.3 million increase in stock-based compensation and other non-recurring costs of 0.9 million largely driven by an increase in one-time legal fees.

Consolidated Results of Operations

The following tables set forth our results of operations for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results (in thousands):

	Year Ended March 31, 2019	Year Ended March 31, 2018
Revenue:		
Subscription revenue	$ 30,398	$ 6,459
Advertising and licensing revenue	3,303	736
Total revenue	33,701	7,195
Operating expenses:		
Cost of sales	31,171	6,694
Sales and marketing	4,532	662
Product development	7,966	1,578
General and administrative	17,422	10,715
Amortization of intangible assets	6,504	2,423
Total operating expenses	67,595	22,072
Loss from operations	(33,894)	(14,877)
Other income (expense):		
Interest expense, net	(3,273)	(3,922)
Fair value of warrants	-	(193)
Other expense	(377)	(22)
Total other expense	(3,650)	(4,137)
Loss before provision for income taxes	(37,544)	(19,014)
Provision for income taxes	218	6
Loss from continuing operations	(37,762)	(19,020)
Loss from operations of discontinued component (including loss on disposal of $2,786)	-	(4,316)
Net loss	$ (37,762)	$ (23,336)
Net loss per share from continuing operations– basic and diluted	$ (0.73)	$ (0.48)
Net loss per share from discontinued operations – basic and diluted	$ -	$ (0.11)
Net loss per share – basic and diluted	$ (0.73)	$ (0.59)
Weighted average common shares – basic and diluted	51,899,231	39,595,453

The following table provides the depreciation expense included in the above line items (in thousands):

	Year Ended March 31,		% Change 2019 vs.
	2019	2018	2018
Depreciation expense			
Cost of sales	$ -	$ -	-
Sales and marketing	87	9	867%
Product development	731	55	1,229%
General and administrative	65	48	35%
Total depreciation expense	$ 883	$ 112	688%

The following table provides the stock-based compensation expense included in the above line items (in thousands):

	Year Ended March 31,		% Change 2019 vs.
	2019	2018	2018
Stock-based compensation expense:			
Cost of sales	$ 178	$ 34	424%
Sales and marketing	1,416	190	645%
Product development	2,611	374	598%
General and administrative	8,567	5,580	54%
Total stock-based compensation expense	$ 12,772	$ 6,178	107%

The following table provides our results of operations, as a percentage of revenue, for the periods presented:

	Year Ended March 31,	
	2019	2018
Revenue	100%	100%
Operating expenses		
Cost of sales	92%	93%
Sales and marketing	13%	9%
Product development	24%	22%
General and administrative	52%	149%
Amortization of intangible assets	19%	34%
Total operating expenses	201%	307%
Loss from operations	-101%	-207%
Other expense	-11%	-57%
Loss before income taxes	-111%	-264%
Income tax provision	1%	0%
Loss from continuing operations	-112%	-264%
Loss from discontinued operations	0%	-60%
Net loss	-112%	-324%

Revenue

Revenue was as follows (in thousands):

	Year Ended March 31,		% Change 2019 vs.
	2019	2018	2018
Advertising and Licensing	$ 3,303	$ 736	349%
Subscription	30,398	6,459	371%
Total Revenue	$ 33,701	$ 7,195	368%

Advertising and Licensing Revenue

Advertising and licensing revenue increased $2.6 million, or 349%, to $3.3 million for the year ended March 31, 2019, as compared to $0.7 million for the year ended March 31, 2018. The increase was primarily due to the acquisition of Slacker in the third quarter of fiscal year 2018, which contributed a full year of activity in fiscal year 2019, and to a lesser extent due to an increase in advertising and licensing revenue from festivals in the year ended March 31, 2019 as compared to prior fiscal year.

Subscription Revenue

Subscription revenue increased $23.9 million, or 371%, to $30.4 million for the year ended March 31, 2019, as compared to $6.5 million for the year ended March 31, 2018 due to the acquisition of Slacker in the third quarter of fiscal year 2018, which contributed a full year of activity in fiscal year 2019.

Cost of Sales

Cost of sales was as follows (in thousands):

	Year Ended March 31,		% Change 2019 vs.
	2019	2018	2018
Production	$ 8,285	$ 1,293	541%
Subscription and Advertising	22,886	5,401	324%
Total Cost of Sales	$ 31,171	$ 6,694	366%

Production

Production cost of sales increased $7.0 million, or 541%, to $8.3 million for the year ended March 31, 2019, as compared to $1.3 million for the year ended March 31, 2018. The increase was largely due to the number of festivals we streamed in fiscal year 2019 (24) versus fiscal year 2018 (5), coupled with slightly higher overall cost of production as we began to add more resources and expand our production capabilities in fiscal year 2019 versus fiscal year 2018.

Subscription and Advertising

Subscription cost of sales increased $17.5 million, or 324%, to $22.9 million for the year ended March 31, 2019, as compared to $5.4 million for the year ended March 31, 2018. The increase was due to the acquisition of Slacker in the third quarter of fiscal year 2018, which contributed a full year of activity in fiscal year 2019.

Other Operating Expenses

Other operating expenses were as follows (in thousands):

	Year Ended March 31,		% Change 2019 vs.
	2019	2018	2018
Sales and marketing expenses	$ 4,532	$ 662	585%
Product development	7,966	1,578	405%
General and administrative	17,422	10,715	63%
Amortization of intangible assets	6,504	2,423	168%
Total Other Operating Expenses	$ 36,424	$ 15,378	137%

Sales and Marketing Expenses

Sales and marketing expenses increased $3.9 million, or 585%, to $4.5 million for the year ended March 31, 2019 as compared to $0.7 million for the year ended March 31, 2018. The increase was largely due to a $0.8 million increase from the acquisition of Slacker in the third quarter of fiscal year 2018, which contributed a full year of activity in fiscal year 2019, a $1.9 million increase in marketing costs to support more festivals year-over-year and a $1.2 million increase in non-cash stock-based compensation to certain employees and non-employees.

Product Development

Product development expenses increased $6.4 million, or 405%, to $8.0 million for the year ended March 31, 2019, as compared to $1.6 million for the year ended March 31, 2018. The increase was primarily due to the acquisition of Slacker in the third quarter of fiscal year 2018, which contributed an additional $2.7 million during a full year of activity in fiscal year 2019, a $2.2 million increase in non-cash stock-based compensation, a $0.7 million increase in depreciation expense related to our capitalized internal use software which was not present in the prior fiscal year and a $0.8 million increase in personnel-related expenses to support the growth of our business.

General and Administrative

General and administrative expenses increased $6.4 million, or 63%, to $17.4 million for the year ended March 31, 2019, as compared to $10.7 million for the year ended March 31, 2018. The increase was primarily due to a $3.0 million increase in non-cash stock-based compensation to primarily driven by higher grant values to new employees, executives and certain contractors to support the growth in our business coupled with increases of (i) $1.2 million increase in personnel and travel-related expenses, (ii) $1.7 million in professional fees and other consulting expenses, and (iii) $0.9 million higher insurance and other general and administrative expenses.

Amortization of Intangible Assets

Amortization of intangible assets increased $4.1 million, or 168%, to $6.5 million for the year ended March 31, 2019, as compared to $2.4 million for the year ended March 31, 2018. The increase was due to the acquisition of Slacker in the third quarter of fiscal year 2018, which contributed a full year of activity in fiscal year 2019.

Total Other Income (Expense)

	Year Ended March 31,		% Change 2019 vs.
	2019	2018	2018
Total other income (expense), net	$ (3,650)	$ (4,137)	-12%

Total other income (expense) decreased $0.5 million, or 12%, to $3.7 million for the year ended March 31, 2019, as compared to $4.1 million for the year ended March 31, 2018. The decrease was primarily due a reduction in interest expense largely related to higher interest expense in fiscal year 2018 from non-secured convertible notes, amortization of debt discounts, most of which were fully amortized during the year ended March 31, 2019.

Liquidity and Capital Resources

Current Financial Condition

As of March 31, 2019, our principal sources of liquidity were our cash and cash equivalents in the amount of $13.7 million, which primarily are invested in cash in banking institutions in the U.S and accounts receivable of $4.3 million. In December 2017, we completed our Public Offering, raising net proceeds of $18.5 million, including the overallotment of shares, and acquired Slacker for an aggregate of $55.9 million comprised of $31.9 million in shares of our common stock, assumption of $21.5 million of net liabilities and cash of $2.5 million. In June 2018 and February 2019, we issued $10.6 million and $3.2 million, respectively of the Debentures raising net proceeds of $12.5 million after issuance costs. The vast majority of our cash proceeds were received from the issuance of our convertible notes since 2014, our Public Offering of our common stock completed in December 2017 and debt financing with Silicon Valley Bank in fiscal year 2018 and the Debentures financing. As of March 31, 2019, we had notes payable balance of $0.3 million, $13.1 million in aggregate principal amount of Debentures and unsecured convertible notes with aggregate principal balance of $4.8 million.

As reflected in our consolidated financial statements included elsewhere in this Annual Report, we have a history of losses and incurred a net loss of $37.8 million and utilized cash of $5.8 million in operating activities for the year ended March 31, 2019, and had a working capital deficiency of $14.6 million as of March 31, 2019. These factors, among others, raise substantial doubt about our ability to continue as a going concern within one year from the date that the financial statements are issued. Our consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern. Management estimates that the current funds on hand will be sufficient to continue operations through the first half of fiscal 2020. Our ability to continue as a going concern is dependent on our ability to execute our strategy and on our ability to raise additional funds and/or to consummate a public offering of our securities.

Our long-term ability to continue as a going concern is dependent upon our ability to increase revenue, reduce costs, achieve a satisfactory level of profitable operations, and obtain additional sources of suitable and adequate financing. Our ability to continue as a going concern is also dependent its ability to further develop and execute on our business plan. We may also have to reduce certain overhead costs through the reduction of salaries and other means, and settle liabilities through negotiation. There can be no assurance that management's attempts at any or all of these endeavors will be successful.

In December 2017, we completed our Public Offering of 5,000,000 shares of our common stock at an offering price of $4.00 per share. We received net proceeds from the Public Offering of $16.8 million, after deducting underwriting discount, fees and estimated offering expenses paid by us. In addition, we granted the underwriters the right to purchase up to an additional 750,000 shares of our common stock, which was partially exercised for 460,200 shares on January 23, 2018, resulting in additional net proceeds to us of $1.7 million, after deducting the underwriting discount and offering expenses paid by us. After giving effect to the full exercise of the over-allotment option, the total number of shares sold by us in the Public Offering increased to 5,460,200 shares, and net proceeds to us increased to $18.5 million, after deducting the underwriting discount and offering expenses paid by us.

In June 2018, we issued $10.6 million, 3-year June 2018 Debentures. Among other terms, the June 2018 Debentures bear annual interest at 12.75%, require us to meet certain financial covenants and are convertible into shares of our common stock at a conversion price of $10 per share (subject to adjustment). Net proceeds from the issuance of the June 2018 Debentures were $9.6 million after direct issuance costs, of which $3.5 million was used to pay off 100% of the legacy revolving line of credit with Silicon Valley Bank (assumed by us as part of the Slacker acquisition), resulting in a $3.5 million release of restricted cash collateral to us. The remaining proceeds will be used primarily for general working capital. As of the date of this Annual Report, the June 2018 Debentures holders have sent redemption notices for December 2018, January 2019, February 2019, and March 2019. We have repaid $0.3 million of principal in January 2019 and $0.2 million of principal in February 2019. In February 2019, we issued $3.2 million in additional debentures, with net proceeds of approximately $3.0 million after direct issuance costs. With the exception of updated covenant and extended prepayment penalty terms, the terms of the February 2019 Debentures were substantially the same as the June 2018 Debentures.

Our cash flows from operating activities are significantly affected by our cash-based investments in our operations, including acquiring live music events and festivals, our working capital, and corporate infrastructure to support our ability to generate revenue and conduct operations through cost of services, product development, sales and marketing and general and administrative activities. Cash used in investing activities has historically been, and is expected to be, impacted significantly by our investments in business combinations, our platform, our infrastructure and equipment for our business offerings, and sale of our investments. We expect to make additional strategic acquisitions to further grow our business, which may require significant investments, capital raising and or acquisition of additional debt in the near and long term. Over the next twelve months, our net use of our working capital could be substantially higher or lower depending on the number and timing of new live festivals and paid subscribers that we add to our businesses.

In May 2017, we and LXL Tickets entered into an Asset Purchase Agreement ("APA") with Wantickets and certain other parties, whereby LXL Tickets purchased certain operating assets of Wantickets for total consideration of 666,667 shares of our common stock valued at $3.3 million (or $5.01 per share). The asset purchase was intended to augment and diversify our music operating segment. In December 2017, our management made the decision to shut down the operations of LXL Tickets. Management concluded that the operations of LXL Tickets were not going to improve and decided to make a strategic shift in the focus of its operations. Management considers abandonment to have occurred at December 31, 2017 since LXL Tickets stopped accepting orders and using the acquired assets as of that date. To accomplish this, the results of LXL Tickets' operations are reported as discontinued operations in accordance with ASC 205, *Presentation of Financial Statements* . Management currently does not have any plans to sell LXL Tickets or its remaining assets.

During the year ended March 31, 2019, we issued an aggregate 393,570 shares of our common stock as a result of the conversion of $1.2 million of principal and accrued interest of our 6% unsecured convertible notes.

In December 2017, we acquired Slacker for a total purchase price of $55.9 million through (i) the issuance of 6.1 million shares of the our common stock, valued at $24.5 million, (ii) issuance of 1.7 million shares of common stock issued to payoff certain debt at Slacker on the transaction date, valued at $6.7 million, (iii) cash payment of $2.5 million and the issuance of 0.2 million shares of common stock valued at $0.7 million to Slacker and its designees and (iv) the assumption of Slacker's liabilities of approximately $21.5 million. Slacker was acquired to augment and diversify our music operating segment.

During the years ended March 31, 2019 and 2018, we paid a $3.5 million and $1.7 million term loan from Silicon Valley Bank ("SVB"), respectively and terminated the SVB term loan. During the years ended March 31, 2019 and 2018, we issued an aggregate 1,130,382 shares of common stock in exchange for the conversion of $3.4 million of its unsecured convertible notes.

Pursuant to the issuance of our unsecured convertible notes through March 31, 2018, the underlying note holders received three-year warrants to purchase our common stock at exercise price ranges between $0.01 to $4.00 per share (the "Warrants"). During the years ended March 31, 2018 and 2017, the note holders exercised warrants in exchange for an aggregate 4.1 million shares of our common stock at a weighted-average exercise price of $0.83 per share.

As of March 31, 2019 and 2018, we had outstanding note payable of $0.3 million issued in connection with certain professional services through March 2015 and unsecured convertible notes of $4.8 million and $5.6 million, respectively in principal and accrued interest.

The first 7.5% (effective as of April 1, 2018, previously 6%) unsecured convertible note payable (collectively, the "Trinad Notes") issued to Trinad Capital Master Fund Ltd. ("Trinad Capital"), a fund controlled by Mr. Ellin, our Chief Executive Officer, Chairman, director and principal stockholder was issued on February 21, 2017, to convert aggregate principal and interest of $3.6 million under the Company's first promissory note and second promissory note previously issued to Trinad Capital on December 31, 2014 and April 8, 2015, respectively, each as subsequently amended. Between October 2017 and December 2017, we issued six 6% unsecured convertible notes payable to Trinad Capital for aggregate total principal amount of $0.9 million. The notes were due on various dates through December 31, 2018. The first Trinad Note was due on March 31, 2018 and was extended to May 31, 2019.

On March 30, 2018, we entered into an Amendment of Notes Agreement (the “Amendment Agreement”) with Trinad Capital in which the maturity date of all of our Trinad Notes was extended to May 31, 2019. In consideration of the maturity date extension, the interest rate payable under the notes was increased from 6.0% to 7.5% beginning on April 1, 2018, and the immediate payment of $0.3 million, representing the aggregate amount of accrued interest due under the notes issued to Trinad Capital as of March 31, 2018.

On March 31, 2019, we entered into an additional Amendment of Notes Agreement (the “Second Amendment Agreement”) with Trinad Capital in which the maturity date of all of our Trinad Notes was extended to May 31, 2021. At March 31, 2019, the balance due of $3.9 million included accrued interest outstanding under the first Trinad Note of $0.3 million.

We may not redeem the Convertible Notes prior to May 2021 without lender consent.

Pursuant to the Management Agreement (the “Management Agreement”) with Trinad Capital Management LLC (“Trinad LLC”) a company controlled by Mr. Ellin, our Chief Executive Officer, Chairman, director and principal stockholder entered into on September 23, 2011, Trinad LLC agreed to provide certain management services to the Company through September 22, 2014 and on a month-to-month basis thereafter, including, without limitation, the sourcing, structuring and negotiation of potential business acquisitions and customer contracts for the Company. Under the Management Agreement, the Company compensated Trinad LLC for its services by (i) paying a fee equal to $2.1 million, with $0.1 million payable in advance of each consecutive 3-month calendar period during the term of the Management Agreement and with $1.0 million due at the end of the 3-year term, and (ii) issuing a warrant to purchase 750,000 shares of the Company’s common stock at an exercise price of $0.225 per share (the “Warrant”). The Warrant may have been exercised in whole or in part by Trinad LLC at any time for a period of 10 years. On August 25, 2016, the Warrant was fully exercised on a cashless basis at an exercise price of $0.225 per share, resulting in the issuance 716,216 shares of the Company’s common stock. Pursuant to the terms of the Employment Agreement, dated as of September 7, 2017, Mr. Ellin, agreed that effective as of the date of the consummation of the Public Offering (December 27, 2017), Trinad LLC would no longer receive the monthly fee under the Management Agreement. For years ended March 31, 2018 and 2017, the Company incurred $0.3 million and $0.4 million of such fees, respectively.

Subject to applicable limitations in the instruments governing our outstanding indebtedness, we may from time to time repurchase our debt, including the unsecured convertible notes, in the open market, through tender offers, through exchanges for debt or equity securities, in privately negotiated transactions or otherwise.

In the future, we may utilize additional commercial financings, bonds, debentures, lines of credit and term loans with a syndicate of commercial banks or other bank syndicates and/or issue equity securities (publicly or privately) for general corporate purposes, including acquisitions and investing in our intangible assets, music equipment, platform and technologies. We may also use our current cash and cash equivalents to repurchase some or all of our outstanding warrants and unsecured convertible notes, and pay down our Debentures, in part or in full, subject to repayment limitation set forth in the credit agreement. We expect that our existing cash and cash equivalents and our cash flows from operating activities will be sufficient to fund our operations for at least the next 12 months. However, we may need to raise additional funds through the issuance of equity, equity-related and/or debt securities and/or through additional credit facilities to fund our growing operations, invest in new business opportunities and make potential acquisitions. We have also filed a universal shelf Registration Statement on Form S-3 allowing us to issue various types of securities, including common stock, preferred stock, warrants, debt securities, units, or any combination of such securities, up to an aggregate amount of $150.0 million, which became effective on February 7, 2019.

Sources and Uses of Cash

The following table provides information regarding our cash flows for the fiscal years ended March 31, 2019 and 2018 (in thousands):

	Year Ended March 31,	
	2019	2018
Net cash used in operating activities	$ (5,771)	$ (9,261)
Net cash used in by investing activities	(2,532)	(2,461)
Net cash provided by financing activities	8,272	20,530
Net change in cash and cash equivalents	$ (31)	$ 8,808

Cash Used In Operating Activities

Year ended March 31, 2019

Net cash used in our operating activities of ($5.8) million primarily resulted from our net loss during the period of ($37.8) million, which included non-cash charges of $21.8 million largely comprised of stock-based compensation and depreciation and amortization. The remainder of our sources of cash used by operating activities of ($10.2) million was from changes in our working capital, including cash inflows of $11.0 million from timing of accounts payable and accrued expenses which were offset by cash outflows of ($1.3) million from timing of accounts receivable.

Year ended March 31, 2018

Net cash used in our operating activities of ($9.3) million primarily resulted from our net loss during the period of ($23.3) million, which included non-cash charges of $14.8 million largely comprised of the accretion of our debt discount on our unsecured convertible notes, depreciation and amortization, stock-based compensation and loss upon abandonment of LXL Tickets. The remainder of our sources of cash used by operating activities of ($0.8) million was from changes in our working capital, including ($3.5) million cash outflows in restricted cash to secure our SVB A/R Line and ($1.2) million in prepaid expenses and other assets largely to secure future festival licensing rights. Offsetting these were cash inflows of $2.4 million from timing of accounts payable and accrued expenses and $1.5 million in net cash provided by discontinued operations.

Cash Flows Used In Investing Activities

Year ended March 31, 2019

Net cash used in investing activities of ($2.5) million was principally due to the ($2.5) million cash used for the purchase of capitalized internally developed software costs during the year ended March 31, 2019.

Year ended March 31, 2018

Net cash used in investing activities of ($2.5) million was principally due to the ($2.5) million cash paid for the acquisition of Slacker in December 2017.

Cash Flows Provided By Financing Activities

Year ended March 31, 2019

Net cash provided by financing activities of $8.3 million was primarily due to net proceeds of 13.0 million from the June 2018 and February 2019 Debentures financing, partially offset by repayment of SVB term loan of ($3.5) million assumed as part of the Slacker acquisition.

Year ended March 31, 2018

Net cash provided by financing activities of $20.5 million was primarily due to net cash received from our Public Offering of $18.5 million, coupled with proceeds of $3.9 million the issuance of certain notes payable, unsecured convertible notes and SVB term loan, offset by repayment of loans of $2.0 million associated with the Slacker acquisition and certain services to related parties.

Contractual Obligations

The following table summarizes our contractual obligations that require us to make future cash payments as of March 31, 2019. The future contractual requirements include payments required for our operating leases and contractual purchase agreements (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Operating lease obligations	$ 244	$ 244	$ -	$ -	$ -
Content and Festival Fees and Guarantees (1)	8,541	3,962	4,579	-	-
Deferred revenue arrangements (2)	950	950	-	-	-
Long-term debt obligations (3)	18,495	312	18,183	-	-
Total	$ 28,230	$ 5,468	$ 22,762	$ -	$ -

(1) Amounts represent minimum guarantees and contractual obligations associated with licensing, production and/or distribution agreements for digital broadcast rights across certain events.

(2) Amounts represent obligations to provide service for which we have already received in cash from our customers.

(3) Includes amounts pertaining to the unsecured convertible notes and note payable and related interest. Interest payments were calculated based upon the interest rate in effect at March 31, 2019. See also Note 9 - Note Payable, Note 10 – Senior Secured Convertible Debentures and Note 12 – Unsecured Convertible Notes included in our consolidated financial statements included elsewhere in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
LiveXLive Media, Inc.
Beverly Hills, CA

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of LiveXLive Media, Inc. (the "Company") as of March 31, 2019, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2019, 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated June 21, 2019 expressed an adverse opinion thereon.

Going Concern Uncertainty

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a working capital deficiency. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, LLP
We have served as the Company's auditor since 2018.
Los Angeles, California
June 21, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
LiveXLive Media, Inc .
West Hollywood, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of LiveXLive Media, Inc. (the "Company") as of March 31, 2018, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2018, 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.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Weinberg & Company, P.A.
Weinberg & Company, P.A.

We have served as the Company's auditor since 2016.

Los Angeles, California
June 29, 2018

LiveXLive Media, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	March 31, 2019	March 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 13,704	$ 10,285
Restricted cash	235	3,685
Accounts receivable, net	4,314	2,990
Prepaid expense and other assets	1,311	1,759
Total Current Assets	19,564	18,719
Property and equipment, net	2,720	393
Goodwill	9,672	5,377
Intangible assets, net	26,943	43,499
Other assets	-	39
Total Assets	$ 58,899	$ 68,027
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 20,906	$ 12,207
Accrued royalties	9,921	7,667
Note payable	312	294
Bank debt	-	3,500
Deferred revenue	950	1,046
Senior secured convertible debentures, net	2,111	-
Unsecured convertible notes, net of discount	-	968
Total Current Liabilities	34,200	25,682
Senior secured convertible debentures, net	10,284	-
Unsecured convertible notes, net of discount and current maturities	4,741	3,948
Deferred income taxes	211	-
Total Liabilities	49,436	29,630
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $0.001 par value; 500,000,000 shares authorized; 52,275,236 and 51,432,292 shares issued and outstanding, respectively	52	51
Additional paid in capital	98,605	89,778
Accumulated deficit	(89,194)	(51,432)
Total stockholders' equity	9,463	38,397
Total Liabilities and Stockholders' Equity	$ 58,899	$ 68,027

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

LiveXLive Media, Inc.
Consolidated Statements of Operations
(In thousands, except share and per share amounts)

	Year Ended March 31, 2019	Year Ended March 31, 2018
Revenue:	$ 33,701	$ 7,195
Operating expenses:		
Cost of sales	31,171	6,694
Sales and marketing	4,532	662
Product development	7,966	1,578
General and administrative	17,422	10,715
Amortization of intangible assets	6,504	2,423
Total operating expenses	67,595	22,072
Loss from operations	(33,894)	(14,877)
Other income (expense):		
Interest expense, net	(3,273)	(3,922)
Fair value of warrants	-	(193)
Other expense	(377)	(22)
Total other expense	(3,650)	(4,137)
Loss before provision for income taxes	(37,544)	(19,014)
Provision for income taxes	218	6
Loss from continuing operations	(37,762)	(19,020)
Loss from operations of discontinued component (including loss on disposal of $2,786)	-	(4,316)
Net loss	$ (37,762)	$ (23,336)
Net loss per share from continuing operations – basic and diluted	$ (0.73)	$ (0.48)
Net loss per share from discontinued operations – basic and diluted	$ -	$ (0.11)
Net loss per share – basic and diluted	$ (0.73)	$ (0.59)
Weighted average common shares – basic and diluted	51,899,231	39,595,453

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

LiveXLive Media, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
For the Years Ended March 31, 2019 and 2018
(In thousands, except share and per share amounts)

	Common stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of April 1, 2017	**34,665,780**	**$ 35**	**$ 24,655**	**$ (28,096)**	**$ (3,406)**
Fair value of shares issued for services to consultants	725,885	1	1,681	-	1,682
Fair value of shares issued for services to Employees	408,433	-	1,246	-	1,246
Shares issued upon exercise of warrants	790,834	1	14	-	15
Share issued for Wantickets assets acquisition	666,667	-	3,340	-	3,340
Shares issued for debt conversion	736,812	1	2,210	-	2,211
Proceeds from offering, net of cost	5,460,200	5	18,522	-	18,527
Shares issued for Slacker acquisition	7,977,681	8	31,903	-	31,911
Fair value of warrants issued for services	-	-	28	-	28
Fair value of warrants issued for note extension and inducement to convert	-	-	193	-	193
Fair value of warrants and beneficial conversion features recorded as valuation discount	-	-	2,764	-	2,764
Fair value of options issued to employees	-	-	3,222	-	3,222
Net loss	-	-	-	(23,336)	(23,336)
Balance as of March 31, 2018	**51,432,292**	**51**	**89,778**	**(51,432)**	**38,397**
Fair value of shares issued for services to consultants	449,374	-	3,148	**-**	**3,148**
Stock-based compensation	-	-	9,880	**-**	**9,880**
Shares issued for debt conversion	393,570	1	1,180	**-**	**1,181**
Purchase price adjustment to fair value of shares issued for Slacker acquisition	-	-	(5,744)	**-**	**(5,744)**
Conversion feature recorded as debt discount	-	-	216	**-**	**216**
Beneficial conversion feature on paid in kind interest			147		**147**
Net loss	-	-	-	(37,762)	**(37,762)**
Balance as of March 31, 2019	**52,275,236**	**$ 52**	**$ 98,605**	**$ (89,194)**	**$ 9,463**

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

LiveXLive Media, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended March 31, 2019	Year Ended March 31, 2018
Cash Flows from Operating Activities:		
Net loss	$ (37,762)	$ (23,336)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,387	2,536
Loss from disposal of discontinued operations	-	2,786
Beneficial conversion feature on paid in kind interest	147	-
Common stock issued for services	3,557	2,928
Stock-based compensation	9,215	3,222
Fair value of warrants issued for services	-	28
Change in fair value of bifurcated embedded derivatives	323	-
Amortization of debt discount	986	3,187
Deferred income taxes	211	-
Fair value for warrants issued for note extension and inducement to convert	-	193
Changes in operating assets and liabilities:		
Accounts receivable	(1,324)	349
Prepaid expenses and other current assets	625	(1,048)
Deferred revenue	(96)	(487)
Accounts payable and accrued liabilities	10,960	2,385
Net cash provided by discontinued operations	-	1,531
Net cash used in operating activities	(5,771)	(5,726)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(2,532)	(49)
Acquisition of Slacker, net of cash acquired	-	(2,262)
Net cash used in investing activities	(2,532)	(2,311)
Cash Flows from Financing Activities:		
Proceeds from unsecured convertible notes payable	-	2,645
Net proceeds from senior secured convertible debentures	13,000	-
Repayment of senior secured convertible debentures payable	(731)	-
Senior secured convertible debenture issuance costs	(482)	-
Repayment of bank debt	(3,515)	-
Proceeds from warrant exercise	-	15
Net proceeds from offering	-	18,527
Repayment of services payable, related party	-	(250)
Proceeds from bank debt	-	1,260
Repayment of term loan	-	(1,667)
Net cash provided by financing activities	8,272	20,530
Net (decrease) increase in cash, cash equivalents and restricted cash	(31)	12,493
Cash, cash equivalents and restricted cash, beginning of period	13,970	1,477
Cash, cash equivalents and restricted cash, end of period	$ 13,939	$ 13,970
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 4	$ -
Cash paid for interest	$ 981	$ 304
Supplemental disclosure of non-cash investing and financing activities:		
Fair value for warrants and beneficial conversion features issued as valuation discount	$ -	$ 2,764
Conversion features recorded as debt discount	$ 216	$ -
Bifurcated embedded derivative recognized on issuance of senior secured convertible debentures	$ 263	$ -
Fair value of options issued to employees, capitalized as internally-developed software	$ 665	$ -
Common stock issued upon conversion of notes payable	$ 1,181	$ 2,211

All instruments in acquisitions:		
Fair value of common stock of $26,167 issued in Slacker acquisition allocated to:		
Current assets	$ -	$ 4,314
Property and equipment	$ -	$ 400
Cost in excess of net assets required	$ -	$ 48,705
Other assets	$ -	$ 39
Current liabilities	$ -	$ (17,640)
Bank debt	$ -	$ (3,907)
Purchase price adjustment to fair value of shares issued for Slacker acquisition	$ (5,744)	-
Fair value of common stock of $3,340 issued upon acquisition of assets of Wantickets allocated to:		
Property and equipment	$ -	$ 109
Intangible assets	$ -	$ 1,910
Goodwill	$ -	$ 1,321

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

LiveXLive Media, Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018

Note 1 — Organization and Basis of Presentation

Organization

LiveXLive Media, Inc. (“LiveXLive”) together with its subsidiaries (“we,” “us,” “our” or the “Company”) is a Delaware corporation headquartered in West Hollywood, California. The Company is a global digital media company focused on live entertainment and music services.

The Company was reincorporated in the State of Delaware on August 2, 2017, pursuant to a reincorporation merger of Loton, Corp (“Loton”) with and into LiveXLive, Loton’s wholly owned subsidiary at the time. As a result of the reincorporation merger, Loton ceased to exist as a separate entity, with LiveXLive being the surviving entity. In addition, on December 29, 2017, LiveXLive acquired Slacker, Inc. (“Slacker”), an Internet music and radio streaming service incorporated in the state of Delaware, and it became a wholly owned subsidiary of LiveXLive.

Basis of Presentation

The presented financial information for the fiscal year ended March 31, 2019 includes the financial information and activities of LiveXLive and Slacker for the entire fiscal year. The presented financial information for the fiscal year ended March 31, 2018 includes the financial information and activities of LiveXLive (365 days) and Slacker for the period from December 29, 2017 to March 31, 2018 (92 days), with the financial results of LiveXLive Tickets, Inc., a Delaware wholly owned subsidiary of the Company (“LXL Tickets”), reflected as discontinued operations. Unless otherwise indicated, the information in the notes to the Company’s consolidated financial statements refers only to the Company’s continuing operations and does not include discussion of balances or activities of LXL Tickets.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Acquisitions are included in the Company’s consolidated financial statements from the date of the acquisition. The Company uses purchase accounting for its acquisitions, which results in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. See “ *Business Acquisitions and Supplemental Pro Forma Information.”* All intercompany balances and transactions have been eliminated in consolidation.

Going Concern and Liquidity

The Company’s consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

The Company's principal sources of liquidity have historically been its debt and equity issuances and its cash and cash equivalents (which cash and cash equivalents amounted to $13.9 million as of March 31, 2019, and $10.3 million as of March 31, 2018, respectively). The Company's internal plans and forecasts indicate that it may not have sufficient liquidity to continue to fund its business and operations for at least the next twelve months in accordance with ASC Topic 205-40. Management estimates that the current funds on hand will be sufficient to continue operations through the first half of fiscal 2020. The Company's ability to continue as a going concern is dependent on its ability to execute its strategy and on its ability to raise additional funds and/or to consummate a public offering. The Company filed a universal shelf offering on Form S-3 effective in February 2019 to raise up to $150 million in cash from the sale of equity, debt or other financial instruments. Management is currently seeking additional funds, primarily through the issuance of equity and/or debt securities for cash to operate the Company's business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to it. Moreover, if we do not obtain financing in the next three to six months, our cash balance and other financial covenants may fall below thresholds triggering default under our Debenture agreement with our debt lenders. Even if we are able to obtain additional financing, it may contain undue restrictions on its operations, in the case of debt financing or cause substantial dilution for its stockholders, in case of equity and/or convertible debt financing. Furthermore, no assurance can be given that a public offering of our securities for cash will be successful or consummated.

As reflected in its consolidated financial statements included elsewhere herein, the Company has a history of losses, incurred a net loss of $37.8 million, and utilized cash of $5.8 million in operating activities for the year ended March 31, 2019, and had a working capital deficiency of $14.6 million as of March 31, 2019. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern within one year from the date that these financial statements are filed. The Company's consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Reclassifications

Certain amounts in the Company's previously issued financial statements have been reclassified to conform to the current year presentation including the reclassified presentation of its statement of cash flows for the year ended March 31, 2018 to include restricted cash in its beginning and ending cash, cash equivalent and restricted cash balance.

Note 2 — Summary of Significant Accounting Policies

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with the United States of America ("US") generally accepted accounting principles ("GAAP") requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include revenue, allowance for doubtful accounts, the assigned value of acquired assets and assumed and contingent liabilities associated with business combinations and the related purchase price allocation, valuation of media content, useful lives and impairment of property and equipment, intangible assets, goodwill and other assets, the fair value of the Company's equity-based compensation awards and convertible debt and debenture instruments, fair value of derivatives and contingencies. Actual results could differ materially from those estimates. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Revenue Recognition Policy

On April 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09” or “Topic 606”) and all related amendments and applied the concepts to all contracts using the full retrospective method. The Company had no cumulative impact of adopting Topic 606 to record through accumulated deficit. There was no impact to the Company upon adoption of Topic 606, nor was there any impact to comparable revenues for the year ended March 31, 2018, as a result of applying Topic 606. Additionally, there were no changes to any line items in the Company’s consolidated financial statements.

The Company accounts for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized when the Company satisfies its obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company uses the expected value method to estimate the value of variable consideration on advertising and with original equipment manufacturer contracts to include in the transaction price and reflect changes to such estimates in periods in which they occur. Variable consideration for these services is allocated to and recognized over the related time period such advertising and subscription services are rendered as the amounts reflect the consideration the Company is entitled to and relate specifically to the Company’s efforts to satisfy its performance obligation. The amount of variable consideration included in revenue is limited to the extent that it is probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is subsequently resolved.

Practical Expedients

The Company elected the practical expedient and did not restate contracts that began and were completed within the same annual reporting period.

The Company elected the practical expedient and recognized the incremental costs of obtaining a contract, if any, as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Gross Versus Net Revenue Recognition

The Company reports revenue on a gross or net basis based on management’s assessment of whether the Company acts as a principal or agent in the transaction. To the extent the Company acts as the principal, revenue is reported on a gross basis net of any sales tax from customers, when applicable. The determination of whether the Company acts as a principal or an agent in a transaction is based on an evaluation of whether the Company controls the good or service prior to transfer to the customer. Where applicable, the Company has determined that it acts as the principal in all of its subscription service streams and may act as principal or agent for its advertising and licensing revenue streams.

The Company's revenue is principally derived from the following services:

Subscription Services

Subscription services revenue substantially consist of monthly to annual recurring subscription fees, which are primarily paid in advance by credit card or through direct billings arrangements. The Company defers the portions of monthly to annual recurring subscription fees collected in advance and recognizes them in the period earned. Subscription revenue is recognized in the period of services rendered. The Company's subscription revenue consists of performance obligations that are satisfied over time. This has been determined based on the fact that the nature of services offered are subscription based where the customer simultaneously receives and consumes the benefit of the services provided regardless of whether the customer uses the services or not. As a result, the Company has concluded that the best measure of progress toward the complete satisfaction of the performance obligation over time is a time-based measure. The Company recognizes subscription revenue straight-line through the subscription period.

Subscription Services consist of:

Direct subscriber, mobile service provider and mobile app services

The Company generates revenue for subscription services on both a direct basis and through subscriptions sold through certain third-party mobile service providers and mobile app services (collectively the "Mobile Providers"). For subscriptions sold through the Mobile Providers, the subscriber executes an on-line agreement with Slacker outlining the terms and conditions between Slacker and the subscriber upon purchase of the subscription. The Mobile Providers promote the Slacker app through their e-store, process payments for subscriptions, and retain a percentage of revenue as a fee. The Company reports this revenue gross of the fee retained by the Mobile Providers, as the subscriber is Slacker's customer in the contract and Slacker controls the service prior to the transfer to the subscriber. Subscription revenues from monthly subscriptions sold directly through Mobile Providers are subject to such Mobile Providers' refund or cancellation terms. Revenues from Mobile Providers are recognized net of any such adjustments for variable consideration, including refunds and other fees. The Company's payment terms vary based on whether the subscription is sold on a direct basis or through Mobile Providers. Subscriptions sold on a direct basis require payment before the services are delivered to the customer. The payment terms for subscriptions sold through Mobile Providers vary, but are generally payable within 30 days.

Third-Party Original Equipment Manufacturers

The Company generates revenue for subscription services through subscriptions sold through a third-party Original Equipment Manufacturer (the "OEM"). For subscriptions sold through the OEM, the OEM executes an agreement with Slacker outlining the terms and conditions between Slacker and the OEM upon purchase of the subscription. The OEM installs the Slacker app in their equipment and provides the Slacker service to the OEM's customers. The monthly fee charged to the OEM is based upon a fixed rate per vehicle, multiplied by the variable number of total vehicles which have the Slacker application installed. The number of customers, or the variable consideration, is reported by OEMs and resolved on a monthly basis. The Company's payment terms with OEM are up to 30 days. The OEM does not charge the car owners a fee for the Slacker service.

Advertising Revenue

Advertising revenue primarily consist of revenues generated from the sale of audio, video, and display advertising space to third-party advertising exchanges. Revenues are recognized based on delivery of impressions over the contract period to the third-party exchanges, either when an ad is placed for listening or viewing by a visitor or when the visitor "clicks through" on the advertisement. The advertising exchange companies report the variable advertising revenue performed on a monthly basis which represents the Company's efforts to satisfy the performance obligation.

Licensing Revenue

Licensing revenue primarily consists of sales of licensing rights to digitally stream its live music services in certain geographies (e.g. China). Licensing revenue is recognized when the Company satisfies its performance obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, which is typically when the live event has aired. Any license fees collected in advance of an event are deferred until the event airs. The Company reports licensing revenue on a gross basis as the Company acts as the principal in the underlying transactions.

Cost of Sales

Cost of Sales principally consist of royalties paid for the right to stream video, music and non-music content to the Company's customers and the cost of securing the rights to produce and stream live events from venues and promoters. Royalties are calculated using negotiated and regulatory rates documented in content license agreements and are based on usage measures or revenue earned. Music royalties to record labels, professional rights organizations and music publishers relate to the consumption of music listened to on Slacker's radio services. As of March 31, 2019, and 2018, the Company accrued $9.9 million and $7.7 million of royalties due to artists from use of Slacker's radio services, respectively.

Sales and Marketing

Sales and Marketing include the direct and indirect costs related to the Company's product and event advertising and marketing.

Product Development

Product development costs primarily are expenses for research and development, product and content development activities, including internal software development and improvement costs which have not been capitalized by the Company.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period, on an accelerated basis. The Company accounts for awards with graded vesting as if each vesting tranche is valued as a separate award. The Company uses the Black-Scholes-Merton option pricing model to determine the grant date fair value of stock options. This model requires the Company to estimate the expected volatility and the expected term of the stock options which are highly complex and subjective variables. The variables take into consideration, among other things, actual and projected employee stock option exercise behavior. The Company uses a predicted volatility of its stock price during the expected life of the options that is based on the historical performance of the Company's stock price as well as including an estimate using guideline companies. The expected term is computed using the simplified method as the Company's best estimate given its lack of actual exercise history. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the stock. Stock-based awards are comprised principally of stock options, restricted stock, restricted stock units ("RSUs") and warrant grants. Forfeitures are recognized as incurred.

Stock option awards issued to non-employees are accounted for at grant date fair value determined using the Black-Scholes-Merton option pricing model. Management believes that the fair value of the stock options is more reliably measured than the fair value of the services received. The Company records the fair value of these equity-based awards and expense at their cost ratably over related vesting periods.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Company's Statements of Operations in the period that includes the enactment date.

Net Income (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted-average number of common shares and the dilutive effect of contingent shares outstanding during the period. Potentially dilutive contingent shares, which primarily consist of stock options issued to employees, directors and consultants, restricted stock units, warrants issued to third parties and accounted for as equity instruments and convertible notes have been excluded from the diluted loss per share calculation because their effect is anti-dilutive.

At March 31, 2019 and 2018, the Company had 167,363 warrants outstanding, 4,981,668 and 3,901,688 options outstanding, respectively, and 2,942,391 and 1,882,364 shares of the Company's common stock issuable underlying the Company's convertible notes payable and convertible debentures payable, respectively.

Business Combinations

The Company accounts for its business combinations using the acquisition method of accounting where the purchase consideration is allocated to the underlying net tangible and intangible assets acquired, based on their respective fair values. The excess of the purchase consideration over the estimated fair values of the net assets acquired is recorded as goodwill. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Additionally, any contingent consideration is recorded at fair value on the acquisition date and classified as a liability. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interests requires management's judgment and often involves the use of significant estimates and assumptions, including, but not limited to, the selection of appropriate valuation methodology, projected revenue, expenses and cash flows, weighted average cost of capital, discount rates, estimates of customer turnover rates and estimates of terminal values.

Discontinued Operations

In determining whether a group of assets that is disposed (or to be disposed) should be presented as a discontinued operation, the Company analyzes whether the group of assets being disposed represents a component of the Company; that is, whether it had historic operations and cash flows that were clearly distinguished, both operationally and for financial reporting purposes. In addition, the Company considers whether the disposal represents a strategic shift that has or will have a major effect on its operations and financial results. The results of discontinued operations, as well as any gain or loss on the disposal, if applicable, are aggregated and separately presented in the Company's consolidated statements of operations, net of income taxes.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities, when purchased, of three months or less.

The following table provides amounts included in cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows for the fiscal years ended March 31 (in thousands):

	2019	2018
Cash and cash equivalents	$ 13,704	$ 10,285
Restricted cash	235	3,685
Total cash and cash equivalents and restricted cash	$ 13,939	$ 13,970

Restricted Cash and Cash Equivalents

The Company maintains certain letters of credit agreements with its banking provider, which are secured by the Company's cash for periods of less than one year. As of March 31, 2019 and 2018, the Company had restricted cash of $0.2 million and $3.7 million, respectively.

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. Generally, it records specific reserves to reduce the amounts recorded to what it believes will be collected when a customer's account ages beyond typical collection patterns, or the Company becomes aware of a customer's inability to meet its financial obligations.

The Company believes that the credit risk with respect to trade receivables is limited due to the large and established nature of its largest customers and the short-term nature of its subscription receivables. At March 31, 2019, the Company had three customers that made up 10%, 26% and 36% of the total accounts receivable balance. At March 31, 2018, the Company had three customers that made up 15%, 16% and 34% of the total accounts receivable balance.

The following table provides amounts included in accounts receivable, net for the fiscal years ended March 31 (in thousands):

	2019	2018
Accounts receivable, gross	$ 4,318	$ 3,019
Less: Allowance for doubtful accounts	4	29
Accounts receivable, net	$ 4,314	$ 2,990

Movements in the balance for bad debt reserve for the years ended March 31, 2019 and 2018, are as follows (in thousands):

	2019	2018
Beginning balance	$ 29	$ -
Bad debt reserve acquired in acquisition	-	21
Additions/(reductions) charged to statements of operations	(3)	8
Less: Bad debt write offs	22	-
Ending balance	$ 4	$ 29

Property and Equipment

Property and equipment are recorded at cost. Costs of improvements that extend the economic life or improve service potential are also capitalized. Capitalized costs are depreciated over their estimated useful lives. Costs for normal repairs and maintenance are expensed as incurred.

Depreciation is recorded using the straight-line method over the assets' estimated useful lives, which are generally as follows: buildings and improvements (5 years), furniture and equipment (3 to 5 years) and computer equipment and software (3 to 5 years). Leasehold improvements are depreciated over the shorter of the estimated useful life, based on the estimates above, or the lease term.

The Company evaluates the carrying value of its property and equipment if there are indicators of potential impairment. The Company performs an analysis to determine the recoverability of the asset group carrying value by comparing the expected undiscounted future cash flows to the net book value of the asset group. If it is determined that the expected undiscounted future cash flows are less than the net book value of the asset group, the excess of the net book value over the estimated fair value is recorded in the Company's consolidated statements of operations. Fair value is generally estimated using valuation techniques that consider the discounted cash flows of the asset group using discount and capitalization rates deemed reasonable for the type of assets, as well as prevailing market conditions, appraisals, recent similar transactions in the market and, if appropriate and available, current estimated net sales proceeds from pending offers.

Capitalized Internal-Use Software

The Company capitalizes certain costs incurred to develop software for internal use. Costs incurred in the preliminary stages of development are expensed as incurred. Once software has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs are recorded as part of property and equipment. Costs related to minor enhancements, maintenance and training are expensed as incurred.

Capitalized internal-use software costs are amortized on a straight-line basis over their three- to five-year estimated useful lives. The Company evaluates the useful lives of these assets and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. During the years ended March 31, 2019 and 2018, the Company capitalized $3.1 million and $0 of internal use software, respectfully.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. The Company evaluates goodwill for impairment on an annual basis or whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The Company conducts its annual impairment analysis in the fourth quarter of each fiscal year. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. Estimations and assumptions regarding the number of reporting units, future performances, results of the Company's operations and comparability of its market capitalization and net book value will be used. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and an impairment loss is measured by the resulting amount. Because the Company has one reporting unit, as part of the Company's qualitative assessment an entity-wide approach to assess goodwill for impairment is utilized. No impairment losses have been recorded in the fiscal years ended March 31, 2019 and 2018.

The Company's reporting unit is the same as its operating segment and reporting segment as described in Note 19 - Business Segment and Geographic Reporting

Intangible Assets with Indefinite Useful Lives

The Company's indefinite-lived intangible assets consist of trademarks and trade names. The Company evaluates indefinite-lived intangible assets for impairment on an annual basis or whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. The Company conducts its annual impairment analysis in the fourth quarter of each fiscal year.

Intangible Assets with Finite Useful Lives

The Company has certain finite lived intangible assets that were initially recorded at their fair value at the time of acquisition. These intangible assets consist of Intellectual Property, Customer Relationships, and Capitalized Software Development Costs resulting from business combinations. Intangible assets with finite useful lives are amortized using the straight-line method over their respective estimated useful lives, which are generally as follows: Intellectual Property (15 years), Customer Relationships (1.5-5 years), Domain Names (5 years), and Software (5 years).

The Company reviews all finite lived intangible assets for impairment when circumstances indicate that their carrying values may not be recoverable. If the carrying value of an asset group is not recoverable, the Company recognizes an impairment loss for the excess carrying value over the fair value in its consolidated statements of operations. No impairment losses have been recorded in the years ended March 31, 2019 and 2018.

Deferred Revenue and Costs

Deferred revenue consists substantially of amounts received from customers in advance of the Company's performance service period. Deferred revenue is recognized as revenue on a systematic basis that is proportionate to the period that the underlying services are rendered, which in certain arrangements is straight line over the remaining contractual term or estimated customer life of an agreement.

In the event the Company receives cash in advance of providing its music services, the Company will also defer an amount of such future royalty and costs to 3rd party music labels, publishers and other providers on its balance sheets. Deferred costs are amortized to expense concurrent with the recognition of the related revenue and the expense is included in cost of sales.

Fair Value Measurements - Valuation Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (i.e., an exit price). The Company uses the three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect the Company's own assumptions about the data market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized below:

Level 1 Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety. Proper classification of fair value measurements within the valuation hierarchy is considered each reporting period. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

Concentration of Credit Risk

The Company maintains cash balances at commercial banks. Cash balances commonly exceed the $250,000 amount insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk with respect to such cash and cash equivalents.

Adoption of New Accounting Pronouncements

On April 1, 2018, the Company adopted Topic 606 and all related amendments and applied the concepts to all contracts using the full retrospective method. The adoption of this standard did not have a material impact to the Company's income from continuing operations, net income, retained earnings, or any other financial statement line items. See Note 3 – Revenue for further discussion and disclosures required under this guidance.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).* This ASU requires that a statement of cash flows explains the change during the period in cash, cash equivalents, and amounts generally described as restricted cash. Amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company adopted the standard effective April 1, 2018 and as a result, the Company reclassified presentation of its statement of cash flows for the year ended March 31, 2019 to include $3.7 million of restricted cash in its beginning cash, cash equivalent and restricted cash balance.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* . This ASU simplifies the subsequent measurement of goodwill by removing Step 2 from the goodwill impairment test. The Company adopted this guidance effective April 1, 2018. The adoption of this standard did not have a material impact to the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to nonemployee share-based payment accounting* . This ASU simplifies the accounting and reporting for share-based payments issued to nonemployees by expanding the scope of ASC 718, *Compensation – Stock Compensation* , which currently only includes share-based compensation to employees, to also include share-based payments to nonemployees for goods and services. The standard is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than a company's adoption date of ASC 606. The Company adopted this guidance effective April 1, 2018 upon the adoption of ASC 606. The adoption resulted in no material impact to the Company.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* . ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. Subsequent to ASU 2016-02, the FASB issued related ASUs, including ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* , which affects narrow aspects of the guidance in ASU 2016-02, intended to clarify the application of certain aspects of the new leases guidance, and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* , which provides for another transition method in addition to the modified retrospective approach required by ASU 2016-02. This option allows entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. ASU 2016-02 and its respective amendments are effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company will adopt the transition method afforded by ASU 2018-11. The Company continues to review the balance sheet impact as a result of adoption of this guidance which is not expected to be material.

In addition, the Company has determined that it will elect and apply the available transition practical expedients upon adoption. By electing these practical expedients, the Company will:

- not reassess whether expired or existing contracts contain leases under the new definition of a lease;
- not reassess lease classification for expired or existing leases;
- not reassess whether previously capitalized initial direct costs would qualify for capitalization under Topic 842;

In August 2018, the FASB issued ASU No. 2018-15. *Intangibles - Goodwill and Other – Internal-Use Software,* related to accounting for implementation costs incurred in hosted cloud computing service arrangements. Under the new guidance, implementation costs incurred in a hosting arrangement that is a service contract should be expensed or capitalized based on the nature of the costs and the project stage during which such costs are incurred. If the implementation costs qualify for capitalization, they must be amortized over the term of the hosting arrangement and assessed for impairment. Companies must disclose the nature of any hosted cloud computing service arrangements. This ASU also provides guidance for balance sheet and income statement presentation of capitalized implementation costs and statement of cash flows presentation for the related payments. This ASU will be effective beginning in the first quarter of our fiscal year 2021. Early adoption is permitted, including in an interim period. This guidance may be adopted either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact this ASU will have on its financial statements and related disclosures, as well as the timing of adoption and the application method.

In November 2018, the FASB issued ASU 2018-18 which clarified the interaction between Topic 808 and Topic 606, which makes targeted improvements for collaborative arrangements as follows: a) clarifies that certain transactions between collaborative arrangement participants are within the scope of ASC 606 when the collaborative arrangement participant is a customer in the context of a unit of account. b) adds unit-of-account (i.e., distinct good or service) guidance to ASC 808 to align with the guidance in ASC 606 to determine whether the collaborative arrangement, or a part of the arrangement, is within the scope of ASC 606. And c) specifies that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, if the collaborative arrangement participant is not a customer, an entity is precluded from presenting the transaction together with revenue recognized under ASC 606. The ASU is effective for public business entities for fiscal years ending after December 15, 2019. For all other entities, the ASU is effective for annual reporting periods ending after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact this ASU will have on its financial statements and related disclosures, as well as the timing of adoption and the application method.

In March 2019, the FASB issued ASU 2019-01, Codification Improvements, which clarifies three specific issues within ASC 842, Leases. Issue 1: Determining the Fair Value of the Underlying Asset by Lessors That Are Not Manufacturers or Dealers provides an exception for lessors that are not manufacturers or dealers for determining fair value of an underlying asset. Specifically, those lessors will use their cost, reflecting any volume or trade discounts that may apply, as the fair value of the underlying asset. However, if significant time lapses between the acquisition of the underlying asset and lease commencement, those lessors will be required to apply the definition of fair value (exit price) in ASC 820. Issue 2: Presentation on the Statement of Cash Flows specifies that lessors that are depository and lending institutions within the scope of ASC 942 will present all "principal payments received under leases" within investing activities on the statement of cash flows. Other lessors will continue to apply the guidance in ASC 842 that requires presentation of all cash receipts from leases within operating activities. Issue 3: Transition Disclosures Related to Topic 250, Accounting Changes and Error Corrections provides an exception to the paragraph 250-10-50-3 interim disclosure requirements in the ASC 842 transition disclosure requirements. The ASU is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those years. For all other entities, the effective date is for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact this ASU will have on its financial statements and related disclosures, as well as the timing of adoption and the application method.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the U.S. Securities and Exchange Commission (the "SEC") did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statement presentation or disclosures.

Note 3 – Revenue

In May 2014, the FASB issued a comprehensive new revenue recognition standard that superseded nearly all existing revenue recognition guidance under GAAP. The new standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The FASB also issued important guidance clarifying certain guidelines of the standard, including (1) reframing the indicators in the principal versus agent guidance to focus on evidence that a company is acting as a principal rather than an agent and (2) identifying performance obligations and licensing. The guidance should be applied retrospectively, either to each prior period presented in the financial statements, or only to the most current reporting period presented in the financial statements with a cumulative-effect adjustment as of the date of adoption. The Company adopted this standard on April 1, 2018, applying it retrospectively to each prior period presented in the financial statements.

The following table represents a disaggregation of revenue from contracts with customers for the years ended March 31, 2019 and 2018 (in thousands):

	Year Ended March 31,	
	2019	2018
Revenue		
Subscription services	$ 30,398	$ 6,459
Advertising	2,904	656
Licensing	399	80
Total Revenue	$ 33,701	$ 7,195

For some contracts, the Company may invoice up front for services recognized over time or for contracts in which the Company has unsatisfied performance obligations. Payment terms and conditions vary by contract type, although terms generally cover monthly payments. In the circumstances where the timing of invoicing differs from the timing of revenue recognition, the Company has determined its contracts do not include a significant financing component. The Company has elected to apply the optional exemption under ASC 606-10-50-14 and not provide disclosure of the amount and timing of performance obligations as the performance obligations are part of a contract that has an original expected duration of one year or less.

The following table summarizes the significant changes in contract liabilities balances during the year ended March 31, 2019 (in thousands):

	Contract Liabilities
Balance as of March 31, 2018	$ 1,046
Revenue recognized that was included in the contract liability at beginning of period	(1,046)
Increase due to cash received, excluding amounts recognized as revenue during the period	950
Balance as of March 31, 2019	$ 950

Note 4 — Business Combinations

During the fiscal year ended March 31, 2018, the Company completed two acquisitions (asset purchase and stock purchase).

Wantickets

On May 5, 2017, LXL Tickets, a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement ("APA") with Wantickets RDM, LLC ("Wantickets") and certain other parties, whereby LXL Tickets purchased certain operating assets of Wantickets for total consideration of 666,667 shares of common stock of the Company valued at $3.3 million (or $5.01 per share). The asset purchase was intended to augment and diversify the Company's music operating segment. The goodwill recorded for the Wantickets asset purchase was $1.3 million. Key factors that contributed to the recognition of Wantickets goodwill were the opportunity to consolidate and complement existing content operations, certain software and customer lists, and the opportunity to generate future synergies within the existing music business. As a result of the Wantickets asset purchase, the goodwill is deductible for tax purposes.

The Company accounted for the Wantickets asset purchase transaction as a business combination in accordance with ASC 805 "Business Combinations." Significant other assets assumed were approximately $0.1 million in property and equipment, $0.4 million of trademark and trade names, $1.0 million in software associated with proprietary ticketing technology, and $0.5 million in domain names and customer relationships. For the years ended March 31, 2019 and 2018, the Company incurred approximately $0 and $4 thousand, respectively, in transaction costs associated with the Wantickets asset purchase.

The following table summarizes the fair value of the assets acquired from Wantickets (in thousands):

Asset Type	Fair Value
Property and Equipment	$ 109
Trademark / Trade Name	431
Software	1,004
Customer Relationships	369
Domain Names	106
Goodwill	1,321
Purchase Consideration	$ 3,340

During the quarter ended December 31, 2017, management of the Company made the decision to shut down the operations of LXL Tickets effective December 31, 2017 (see Note 4 - Dispositions). Pro forma financial information for the Wantickets asset purchase transaction is not presented due to the disposition of LXL Tickets during the year ended March 31, 2018.

Slacker, Inc.

On December 29, 2017, the Company acquired Slacker including its $50.1 million of gross assets for net consideration of $28.6 million consisting of (i) 6,126,788 shares of the Company's common stock, valued at $20.1 million, (ii) 1,675,893 shares of the Company's common stock issued to payoff certain debt of Slacker as of the transaction date, valued at $5.5 million, (iii) cash payment of $2.5 million and issuance of 175,000 shares of the Company's common stock valued at $0.6 million to Slacker and its designees and (iv) the assumption of Slacker's liabilities of approximately $21.5 million. The acquisition is intended to augment and diversify the Company's music operating segment. The Company accounted for the acquisition as a business combination. The goodwill recorded for the Slacker acquisition was $9.7 million. Key factors that contributed to the recognition of the Slacker goodwill were the opportunity to consolidate and complement existing content operations, trained workforce, proprietary software and operating platform, and the opportunity to generate future synergies with the Company's existing business. As a result of the acquisition of the stock of Slacker, the goodwill is not deductible for tax purposes.

The following table summarizes the fair value of consideration transferred in the Slacker acquisition (in thousands):

Consideration		Fair Value
Cash	$	2,525
Less cash acquired		(113)
Net cash consideration		2,412
Equity at fair value		26,167
Net consideration	$	28,579

The following table summarizes the fair value of the assets assumed in the Slacker acquisition (in thousands):

Asset Type		Fair Value
Restricted cash	$	150
Accounts receivable		3,339
Prepaid expense and other assets		254
Deferred cost of sales		458
Property and equipment		400
Trademarks/trade names		4,637
Intellectual property		5,366
Customer relationships		6,570
Software		19,280
Goodwill		9,672
Deferred tax asset		1,181
Allowance for deferred tax asset		(1,181)
Assumed current portion of long-term debt		(3,907)
Assumed current liabilities		(17,640)
Net consideration	$	28,579

Since the acquisition date, the amount of revenue for Slacker included in the Company's consolidated statements of operations for the years ended March 31, 2019 and 2018 was $33.2 million and $7.1 million, respectively. The net loss for Slacker included in the Company's consolidated statements of operations for the years ended March 31, 2019 and 2018 was ($6) million and ($4.1) million, respectively. The Company incurred approximately $0.4 million in transaction costs associated with the Slacker acquisition.

In the quarter ended December 31, 2018, the Company finalized its purchase price allocation for the acquisition of Slacker on December 29, 2017. As a result of obtaining the final valuation of the acquisition, the following changes have been recorded in the current period (in thousands):

Consideration	**Final Fair Value**	**Preliminary Fair Value***	**Change****
Cash	$ 2,525	$ 2,525	$ -
Less cash acquired	(113)	(113)	-
Net cash consideration	2,412	2,412	-
Equity at fair value	26,167	31,911	(5,744)
Net consideration	$ 28,579	$ 34,323	$ (5,744)

	Final Allocation	**Preliminary Allocation***	**Change****
Restricted cash	$ 150	$ 150	$ -
Accounts receivable	3,339	3,339	-
Prepaid expense and other assets	254	254	-
Deferred cost of sales	458	458	-
Property and equipment	400	400	-
Trademarks/tradenames	4,637	11,436	(6,799)
Intellectual property	5,366	8,454	(3,088)
Customer relationships	6,570	6,618	(48)
Software	19,280	19,384	(104)
Goodwill	9,672	5,377	4,295
Deferred tax asset	1,181	1,523	(342)
Allowance for deferred tax asset	(1,181)	(1,523)	342
Assumed current portion of long-term debt	(3,907)	(3,907)	-
Assumed current liabilities	(17,640)	(17,640)	-
Net consideration	$ 28,579	$ 34,323	$ (5,744)

(* Preliminary fair values recorded as of March 31, 2018.
**The fair value of equity consideration was changed by $5.7 million to reflect the lack of marketability from an 18-month lockout period. Changes in values of Tradenames and Intellectual property due to finalization of royalty rates.)

As a result of the Company finalizing its purchase price allocation for the acquisition of Slacker, amortization expense recorded in the consolidated statements of operations was reduced by $1.9 million in the third quarter of fiscal year ended March 31, 2019.

Supplemental Pro Forma Information (Unaudited)

The pro forma financial information as presented below is for informational purposes only and is not indicative of operations that would have been achieved from the acquisitions had they taken place at the beginning of the fiscal year ended March 31, 2018. Supplemental information on an unaudited pro forma basis, as if these acquisitions had been completed as of April 1, 2017, is as follows (in thousands, except per share data):

The following table presents the revenues and net loss of the combined company for the year ended March 31, 2018 as if the acquisition had been completed on April 1, 2017.

	Year Ended March 31, 2018
Revenues	$ 29,402
Net Loss	(35,470)

The Company's unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflect amortization of intangible assets as a result of the acquisition. The pro forma results are not necessarily indicative of the results that would have been realized had the acquisitions been consummated as of the beginning of the periods presented. The pro forma amounts include the historical operating results of the Company, with adjustments directly attributable to the acquisitions.

Note 5 — Dispositions

Discontinued Operations of LXL Tickets, Inc.

During the quarter ended December 31, 2017, management of the Company made the decision to shut down the operations of LXL Tickets effective December 31, 2017. Management concluded that the operations of LXL Tickets were not going to improve due to decreased consumer demand for nightlife and concert events and since LXL Tickets was no longer providing ticketing services to four major venues in 2017 that had produced significant revenues in 2016, ongoing litigation between such customers and Wantickets and such customers refusing to continue to work with LXL Tickets as a result of Wantickets' non-payment for prior services, and continuing significant losses incurred by LXL Tickets through December 31, 2017 that were supposed to be funded by sellers of Wantickets' assets that were never funded as required under the Wantickets' Asset Purchase Agreement. The Company also decided to make a strategic shift in the focus of its operations through the acquisition of Slacker that closed in December 2017 (see Note 4 – Business Combinations). Therefore, it began laying off LXL Tickets' employees during the quarter ended December 31, 2017, such that there was one employee left as of December 31, 2017. Management considers abandonment to have occurred at December 31, 2017 since LXL Tickets stopped accepting orders and using the acquired assets as of that date. To accomplish this, the results of LXL Tickets' operations are reported as discontinued operations in accordance with ASC 205, *Presentation of Financial Statements* . Management currently does not have any plans to sell LXL Tickets or its remaining assets.

For the year ended March 31, 2018, the Company has recognized a loss of $1.5 million from the operations of LXL Tickets, and additionally incurred a loss of $2.8 million related to the impairment of all remaining LXL Tickets' assets. The Company is presenting the operating loss of LXL Tickets on its statements of operations under the heading "Loss from operations of discontinued component."

Major line items constituting net loss from discontinued operations of LXL Tickets are as follows for the period from May 5, 2017 through March 31, 2018 (in thousands):

	Period Ended March 31, 2018
Revenues	$ 640
Cost of Sales	151
Gross Profit	489
Selling, general and administrative expenses	2,019
Loss on discontinued operations	$ (1,530)

Note 6 — Property and Equipment

The Company's property and equipment at March 31, 2019 and 2018 was as follows (in thousands):

	As of March 31,	
	2019	2018
Property and equipment, net		
Production equipment	$ 54	$ 51
Computer, machinery, and software equipment	573	449
Furniture and fixtures	23	23
Leasehold improvements	19	19
Capitalized internally developed software	3,070	-
Total property and equipment	3,739	542
Less accumulated depreciation and amortization	(1,019)	(149)
Total property and equipment, net	$ 2,720	$ 393

Depreciation expense was $0.9 million and $0.1 million for the years ended March 31, 2019 and 2018, respectively.

Note 7 — Goodwill and Intangible Assets

Goodwill

The Company currently has one reporting unit. The following table presents the changes in the carrying amount of goodwill for the years ended March 31, 2019 and 2018 (in thousands):

		Goodwill
Balance as of March 31, 2017	$	-
Acquisitions		6,698
Discontinued operations		(1,321)
Balance as of March 31, 2018	$	5,377
Acquisitions		-
Finalization of purchase price allocation of Slacker (see Note 4*)		4,295
Balance as of March 31, 2019	$	9,672

(* Increase in goodwill due to change in fair value of equity consideration transferred and final fair value of assets acquired and liabilities assumed.)

Indefinite-Lived Intangible Assets

The following table presents the changes in the carrying amount of indefinite-lived intangible assets in the Company's reportable segment for the year ended March 31, 2019 (in thousands):

		Tradenames
Balance as of March 31, 2018	$	-
Acquisitions		-
Finalization of purchase price allocation of Slacker (see Note 4*)		4,637
Impairment losses		-
Balance as of March 31, 2019	$	4,637

(* Tradenames determined to be indefinite-lived intangible asset in final purchase accounting. Preliminarily booked as a definite lived intangible asset.)

Finite-Lived Intangible Assets

The Company's finite-lived intangible assets were as follows as of March 31, 2019 (in thousands):

		Gross Carrying Value		Accumulated Amortization		Net Carrying Value
Software	$	19,280	$	4,819	$	14,461
Intellectual property (patents)		5,366		447		4,919
Customer relationships		6,570		3,665		2,905
Domain names		29		8		21
Total	$	31,245	$	8,939	$	22,306

The Company's finite-lived intangible assets were as follows as of March 31, 2018 (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 19,384	$ 968	$ 18,416
Trademark/trade name	11,436	572	10,864
Intellectual property (patents)	8,454	141	8,313
Customer relationships	6,618	739	5,879
Domain names	29	2	27
Total	$ 45,921	$ 2,422	$ 43,499

The Company's amortization expense on its finite-lived intangible assets was $6.5 million and $2.4 for the years ended March 31, 2019 and 2018, respectively.

The Company estimated future amortization expense on its finite-lived intangible assets as of March 31, 2019 to be as follows (in thousands):

For Years Ended March 31,	
2020	$ 5,683
2021	4,744
2022	4,744
2023	3,648
2024	358
Thereafter	3,129
	$ 22,306

Note 8 — Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2019 and 2018 were as follows (in thousands):

	As of March 31,	
	2019	2018
Accounts payable	$ 18,316	$ 10,996
Accrued liabilities	2,519	1,158
Due to related parties	71	53
	$ 20,906	$ 12,207

Note 9 — Note Payable

On December 31, 2014, the Company converted accounts payable into a Senior Promissory Note (the "Note") in the aggregate principal amount of $0.2 million. The Note bears interest at 6% per annum and interest is payable on a quarterly basis commencing March 31, 2015 or the Company may elect that the amount of such interest be added to the principal sum outstanding under this Note. The payables arose in connection with professional services rendered by attorneys for the Company prior to and through December 31, 2014, and the Note had an original maturity date of December 31, 2015, which was extended to September 30, 2016 or such later date as the lender may agree to in writing. In February, 2018, the Note holder filed a claim for collection of the Note (see Note 14 – Commitments and Contingencies). In February 2019, as part of a settlement agreement, the parties agreed to the repayment of the Note on or before June 30, 2019. As of March 31, 2019 and 2018, the balance due under the Note was $0.3 million and $0.3 million, respectively, which includes $0.1 million and $0.1 million of accrued interest, respectively, outstanding under the Note.

Note 10 — Senior Secured Convertible Debentures

On June 29, 2018, the Company entered into a Securities Purchase Agreement (the "SPA"), with JGB Partners, LP, JGB Capital, LP and JGB (Cayman) Finlaggan Ltd. (each, a "Purchaser" and collectively, the "Purchasers") pursuant to which the Company sold, in a private placement transaction (the "Financing"), for an aggregate cash purchase price of $10.0 million, $10.64 million in aggregate principal amount, of its 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021 (the "June 2018 Debentures"). In conjunction with the Financing, the Company (i) recorded issuance costs of $1.1 million against the liability and (ii) used $3.5 million of the proceeds to pay off 100% of the Company's revolving line of credit (see Note 11 – Bank Debt). Issuance costs are being amortized to interest expense over the term of the June 2018 Debentures.

The June 2018 Debentures mature on June 29, 2021, accrue interest at 12.75% per year, and are convertible into shares of common stock of the Company at a conversion price of $10.00 per share at the holder's option, subject to certain customary adjustments such as stock splits, stock dividends and stock combinations (the "Conversion Price"). Commencing with the calendar month of December 2018 (subject to the following sentence), the holders of the June 2018 Debentures will have the right, at their option, to require the Company to redeem an aggregate of up to $0.2 million of the outstanding principal amount of the Debentures per month. For the month of December 2018, the holders may not submit a redemption notice for such a redemption prior to December 28, 2018. The Company will be required to promptly, but in any event no more than two trading days after a holder delivers a redemption notice to the Company, pay the applicable redemption amount in cash or, at the Company's election and subject to certain conditions, in shares of common stock. At the Company's election and subject to certain limitations, the Company may also pay interest in shares of its common stock. If the Company elects to pay the redemption amount or interest in shares of its common stock, then, subject to the next sentence, the shares will be delivered based on a price equal to the lesser of (a) a 10% discount to the average of the three lowest daily volume weighted average prices of the Company's common stock over the prior 20 trading days, or (b) the Conversion Price, subject to a certain minimum price per share and if certain conditions are met. The Company will not have the right to, and will not, make any redemption or interest payment in shares of its common stock unless and until it has obtained the requisite consent of its stockholders under the rules of Nasdaq or if the issuance of shares as a result of such election would reduce the number of shares that the Company is permitted to issue under Nasdaq listing standards upon the conversion in full of the June 2018 Debentures.

Subject to the satisfaction of certain conditions, at any time after June 28, 2019, the Company may elect to prepay all, but not less than all, of the June 2018 Debentures for a prepayment amount equal to the outstanding principal balance of the June 2018 Debentures plus all accrued and unpaid interest thereon, together with a Prepayment Premium equal to the amount as discussed further below.

The Company's obligations under the June 2018 Debentures can be accelerated upon the occurrence of certain customary events of default. In the event of default and acceleration of the Company's obligations, the Company would be required to pay the applicable prepayment amount described above.

The Company's obligations under the June 2018 Debentures have been guaranteed under a Subsidiary Guarantee (the "Subsidiary Guarantee") by its wholly-owned subsidiaries, Slacker, LiveXLive, Corp. and LXL Studios, Inc. (the "Guarantors"). The Company's obligations under the June 2018 Debentures and the Guarantors' obligations under the Subsidiary Guarantee are secured under a Security Agreement by a lien on all of the Company's and the Guarantors' assets, subject to certain exceptions.

On February 11, 2019, the Company amended the SPA with the Purchasers to obtain additional financing, increasing the cash purchase price of the Debentures by $3.0 million, $3.2 million in aggregate principal amount, of its 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021 (the "February 2019 Debentures" and together with the June 2018 Debentures, the "Debentures"). In conjunction with the additional financing, the Company (i) recorded issuance costs of $0.1 million against the liability, (ii) modified certain financial liquidity covenants in the Debentures, (iii) modified the definition of "Monthly Allowance" by increasing it from $170,000 to $221,000, and (iv) amended the definition of "Prepayment Amount" to mean, with respect to any payment of the Debentures prior to the maturity date, the entire outstanding principal balance (including any original issue discount) of the Debenture, all accrued and unpaid interest thereon, together with a prepayment premium (the "Prepayment Premium") equal to the following: (a) if the Debentures are prepaid on or after the original issuance date, but on or prior to December 31, 2019, all remaining regularly scheduled interest to be paid on the Debentures from the date of such payment of the Debentures to, but excluding, December 31, 2019, plus 10% of the entire outstanding principal balance of the Debentures, (b) if the Debentures are prepaid after December 31, 2019, but on or prior to June 30, 2020, 10% of the entire outstanding principal balance of the Debentures; (c) if the Debentures are prepaid on or after June 30, 2020, but on or prior to December 31, 2020, 8% of the entire outstanding principal balance of the Debentures; and (d) if the Debentures are prepaid on or after December 31, 2020, but prior to the maturity date, 6% of the entire outstanding principal balance of the Debentures. The terms of the February 2019 Debentures were otherwise the same as the June 2019 Debentures. The outstanding principal balance of the Debentures at March 31, 2019 was $13.2 million, which included $0.1 million of accrued interest. The Company evaluated the amendment and the modification was not required to be accounted for as an extinguishment as the instruments are not considered substantially different under ASC 470-50, *Debt – Modifications and Extinguishment.* As a result of the modification, the change in fair value of the embedded conversion feature was recorded as an additional debt discount of $0.2 million with a corresponding increase to additional paid in capital.

The Debentures contain customary affirmative and restrictive covenants and representations and warranties, including limitations on indebtedness, liens, investments, dispositions of assets, organizational document amendments, issuance of disqualified stock, change of control transactions, stock repurchases, indebtedness repayments, dividends, the creation of subsidiaries, affiliate transactions, deposit accounts and certain other matters. The Company must also maintain a specified minimum cash balance, meet certain financial targets, and maintain minimum amounts of liquidity.

The Company has evaluated the Debentures agreements and has identified two derivative instruments which are bifurcated from the underlying Debentures relating to provisions around an event of default and mandatory prepayments upon divestitures exceeding certain thresholds. The Company has performed a fair value analysis using a binomial lattice calculation on the event of default derivative instruments using the following assumptions. Coupon Rate: 12.75%, Term: 3.0 years, Volatility: 18.3%, Market Rate: 13.0%, Probability of Divesture: 5.0% and Probability of Default: 7.74%. The Company determined that at issuance, the fair value of the instruments was $0.2 million. The Company has recorded the fair value of the derivatives and corresponding debt discount within June 2018 Debentures on the Company's consolidated balance sheet.

At March 31, 2019, the Company performed a fair value analysis using a risk neutral model on the default event derivative instrument using the following assumptions: Coupon Rate: 12.75%, Term: 2.25 years, Discount Rate: 17.47 – 17.66%, Risk Free Rate: 2.26%, Recovery Rate: 53.99% and Probability of Default: 30.97%. The Company determined that as of the assessment date, the fair value is $0.6 million. The change in fair value of $0.3 million is recorded in Other income (expense) on the Company's consolidated statements of operations at March 31, 2019.

As of the date of this Annual Report, the Debentures holders have sent redemption notices for December 2018, January 2019, February 2019, March 2019, April 2019, May 2019 and June 2019. The Company has repaid $0.3 million of principal in January 2019, $0.2 million of principal in each month in February 2019, March 2019, April 2019 and May 2019, respectively.

	March 31, 2019	March 31, 2018
Senior Secured Convertible Debentures		
Senior Secured Convertible Debentures	$ 13,101	$ -
Accrued interest	142	-
Fair Value of Embedded Derivatives	586	-
Less: Discount	(1,434)	-
Net	12,395	-
Less: Senior Secured Convertible Debentures, current	2,111	-
Senior Secured Convertible Debentures, long-term	$ 10,284	$ -

Note 11 — Bank Debt

As part of the acquisition of Slacker, the Company assumed what was initially a $5.0 million revolving line of credit from a commercial bank that was collateralized by the assets of Slacker. The revolving line of credit was based on the amount of eligible accounts receivable. The loan was cash collateralized and there were no covenants. The revolving line of credit bore an annual interest rate equal to prime rate as published in the Wall Street Journal plus 0.75%, and equaled 5.50% at March 31, 2018. The line had an original maturity date of March 31, 2018. On March 29, 2018, the Company entered into the Ninth Amendment to Loan and Security Agreement with the bank, extending the maturity date to July 31, 2018 and removing the financial reporting requirements. The outstanding balance of the line of credit at March 31, 2018 was $3.5 million and was secured with $3.5 million of cash collateral. In June 2018, in conjunction with the issuance of the June 2018 Debentures, the revolving line of credit was fully repaid and the $3.5 million of cash collateral was returned to the Company. Also, as part of the acquisition of Slacker, the Company assumed a term loan with the bank with a balance of $1.7 million, which was paid off at the closing of the Slacker acquisition.

Note 12 — Unsecured Convertible Notes

The Company's unsecured convertible notes payable at March 31, 2019 and 2018 were as follows (in thousands):

	As of March 31,	
	2019	2018
Unsecured Convertible Notes - Related Party		
(A) 7.5% Unsecured Convertible Note - Due May 31, 2021	$ 3,850	$ 3,581
(B) 7.5% Unsecured Convertible Notes - Due May 31, 2021	967	900
Less: Discount	(76)	(533)
Net	4,741	3,948
Less: Convertible Note Payable - Related Party, current	-	-
Convertible Notes Payable - Related Party, long-term	$ 4,741	$ 3,948
Unsecured Convertible Notes - Third Party		
(C) 6% Unsecured Convertible Note - Due September 13, 2018	$ -	$ 164
(D) 6% Unsecured Convertible Notes - Due between January 31, 2018 and September 30, 2018	-	950
(E) 6% Unsecured Convertible Note - Due January 31, 2018	-	52
Less: Accumulated amortization of Valuation Discount	-	(198)
Net	-	968
Less: Unsecured Convertible Notes - Third Party, current	-	968
Unsecured Convertible Notes - Third Party, long term	$ -	$ -
Total Unsecured Convertible Notes, current	$ -	$ 968
Total Unsecured Convertible Notes, long term	$ 4,741	$ 3,948

Total principal maturities of the Company's long-term borrowings, including 2018 Debentures, unsecured convertible notes, and note payable are $0.3 million for the year ending March 31, 2020, $0 for the year ending March 31, 2021 and $18.2 million for the year ending March 31, 2022.

As of March 31, 2019, and 2018, the Company had outstanding 7.5% (effective as of April 1, 2018, previously 6%) unsecured convertible notes payable (the "Trinad Notes") issued to Trinad Capital Master Fund Ltd. ("Trinad Capital"), a fund controlled by Mr. Ellin, the Company's Chief Executive Officer, Chairman, director and principal stockholder as follows:

(A) The first Trinad Note was issued on February 21, 2017, to convert aggregate principal and interest of $3.6 million under the first senior promissory note and second senior promissory note (the "Senior Notes") with Trinad Capital previously issued on December 31, 2014 and April 8, 2015, respectively, each as subsequently amended. The first Trinad Note was due on March 31, 2018 and was extended to May 31, 2019 and further extended to May, 2021. At March 31, 2018, the balance due of $3.6 million included no accrued interest outstanding under the first Trinad Note.

(B) Between October 27, 2017 and December 18, 2017, the Company issued six 6% unsecured convertible notes payable to Trinad Capital for aggregate total principal amount of $0.9 million. The notes were due on various dates through December 31, 2018. For the year ended March 31, 2018, the Company amortized $0.4 million of discount to interest expense, and the unamortized discount as of March 31, 2018 was $0.5 million. As of March 31, 2018, no accrued interest was added to the principal balance.

On March 30, 2018, the Company entered into an Amendment of Notes Agreement (the "Amendment Agreement") with Trinad Capital pursuant to which the maturity date of all of the Company's 6% unsecured convertible notes was extended to May 31, 2019. In consideration of the maturity date extension, the interest rate payable under the notes was increased from 6.0% to 7.5% beginning on April 1, 2018, and the aggregate amount of accrued interest due under the Trinad Notes as of March 31, 2018 of $0.3 million was paid. The Company evaluated the Amendment Agreement and the modification was not required to be accounted for as an extinguishment as the instruments are not considered substantially different under ASC 470-50, *Debt – Modifications and Extinguishment.*

On March 31, 2019, the Company entered into a further Amendment of Notes Agreement (the "Second Amendment Agreement") with Trinad Capital in which the maturity date of all of the Company's 7.5% Unsecured Convertible Notes were all extended to May 31, 2021. The Company evaluated the Second Amendment Agreement and the modification was required to be accounted for as Troubled Debt Restructuring under ASC 470-50, *Debt – Modifications and Extinguishment* as it has been determined that there is substantial doubt about the Company's ability to continue as a going concern (See Note 1.) and Trinad Capital granted the Company a concession, as the effective interest rate of the amended Note is less than that of the original Notes.

The Company may not redeem the convertible notes issued to Trinad Capital prior to May 2021 without Trinad Capital's consent.

(C) On September 14, 2016, the Company issued a 6% unsecured convertible note payable to a certain investor for total principal amount of $0.2 million. This note was due on September 13, 2018. In June 2018 the entire $0.2 million of principal and interest was converted into shares of the Company's common stock, and less than $0.1 million of debt discount was charged to additional paid in capital ("APIC") as a result of the conversion. During the years ended March 31, 2019 and 2018, the Company amortized $0 and $0.1 million, respectively, of such discount to interest expense, and the unamortized discount as of March 31, 2019 and 2018 was $0 and $34 thousand, respectively. As of March 31, 2018, $14 thousand of accrued interest was added to the principal balance.

(D) Between November 22, 2016 and March 29, 2017, the Company issued seven 6% unsecured convertible notes payable to certain investors for aggregate total principal of $1.2 million. The notes are due on various dates through September 30, 2018. On March 12, 2018, $0.4 million of principal and interest of the notes were converted into shares of the Company's common stock, and less than $0.1 million of debt discount was charged to APIC as a result of the conversion. In addition, the noteholders received 24,760 warrants, with an exercise price of $4.00 per share, as an incentive to convert the notes prior to its maturity date. In June 2018, the entire remaining $1.0 million of principal and interest of the notes was converted into shares of the Company's common stock, and less than $0.1 million of debt discount was charged to APIC as a result of the conversion. For the years ended March 31, 2019 and 2018, the Company amortized less than $0.1 million and $0.9 million, respectively, of such discount to interest expense, and the unamortized discount as of March 31, 2019 and 2018 was $0 and $0.2 million, respectively.

(E) Between April 5, 2017 and June 29, 2017, the Company issued ten 6% unsecured convertible notes payable to certain investors for aggregate total principal of $1.7 million. The notes were due on various dates through June 29, 2018. On March 12, 2018, $1.7 million of principal and interest were converted into shares of the Company's common stock, and $0.2 million of debt discount was charged to APIC as a result of the conversion. In addition, the noteholders received 115,559 warrants, with an exercise price of $4.00 per share, as an incentive to convert the notes prior to its maturity date. For the years ended March 31, 2019 and 2018, the Company amortized $0 and $1.5 million of such discount to interest expense, and the unamortized discount as of March 31, 2019 and 2018 was $0. In July 2018, the remaining $0.1 million of principal and interest of the notes was converted into shares of the Company's common stock, and less than $0.1 million of debt discount was charged to APIC as a result of the conversion.

Note 13 — Related Party Transactions

Management Services from Trinad Management LLC

Pursuant to the Management Agreement (the "Management Agreement") with Trinad Capital Management LLC ("Trinad LLC") entered into on September 23, 2011, Trinad LLC agreed to provide certain management services to the Company through September 22, 2014 and on a month-to-month basis thereafter, including, without limitation, the sourcing, structuring and negotiation of potential business acquisitions and customer contracts for the Company. Under the Management Agreement, the Company compensated Trinad LLC for its services by (i) paying a fee equal to $2.1 million, with $0.1 million payable in advance of each consecutive 3-month calendar period during the term of the Management Agreement and with $1.0 million due at the end of the 3-year term, and (ii) issuing a warrant to purchase 750,000 shares of the Company's common stock at an exercise price of $0.225 per share (the "Warrant"). The Warrant was exercisable in whole or in part by Trinad LLC at any time for a period of 10 years. On August 25, 2016, the Warrant was fully exercised on a cashless basis at an exercise price of $0.225 per share, resulting in the issuance of 716,216 shares of the Company's common stock. Pursuant to the terms of the Employment Agreement, dated as of September 7, 2017, Mr. Ellin, the Company's Chief Executive Officer, Chairman, director and principal stockholder and the Managing Member of Trinad LLC, agreed that effective as of the date of the consummation of the Public Offering (December 27, 2017), Trinad LLC would no longer receive the monthly fee under the Management Agreement. For year ended March 31, 2018, the Company incurred $0.3 million of such fees.

The $1.0 million due to Trinad LLC at the end of the 3-year term was reflected as a liability on the March 31, 2016 balance sheet. Pursuant to the terms of the Management Agreement with Trinad LLC, during March 2017, the Company paid $0.8 million of the amount that was due at the end of the three-year term of the Management Agreement. The remaining $0.2 million due was paid in April 2017.

Rent

During the year ended March 31, 2018, the Company subleased office space from Trinad LLC for no cost to the Company as part of the Management Agreement. Such lease amounts were immaterial.

Due to Related Parties

As of March 31, 2019 and 2018, the amount due to related parties was less than $0.1 million in the aggregate, payable to Mr. Ellin, the Company's Chief Executive Officer, Chairman, director and principal stockholder. This amount was provided to the Company for working capital as needed and is unsecured, noninterest bearing advance with no formal terms of repayment.

Note 14 — Commitments and Contingencies

Promotional Rights

Certain of the Company's content acquisition agreements contain minimum guarantees, and require that the Company makes upfront minimum guarantee payments. As of March 31, 2019, the Company has licenses, production and/or distribution agreements to make guaranteed payments as follows: $2.0 million for the fiscal year ending March 31, 2020, $1.6 million for the fiscal year ending March 31, 2021, $1.4 million for the fiscal year ending March 31, 2022 and $0.8 million for the fiscal year ending March 31, 2023. These agreements also provide for a revenue share that ranges between 35% and 50% of net revenues. In addition, there are other licenses, production and/or distribution agreements that provide for a revenue share of 50% on net revenues; however, without a requirement to make future minimum guaranteed payments irrespective to the execution and results of the planned events. As of March 31, 2019, the Company had prepaid minimum guarantees of $0.3 million in content acquisition costs related to minimum guarantees.

Contractual Obligations

As of March 31, 2019, the Company is obligated under agreements with Content Providers and other contractual obligations to make guaranteed payments as follows: $2.0 million for the fiscal year ending March 31, 2020 and $0.8 million for the fiscal year ending March 31, 2021.

On a quarterly basis, the Company records the greater of the cumulative actual content acquisition costs incurred or the cumulative minimum guarantee based on forecasted usage for the minimum guarantee period. The minimum guarantee period is the period of time that the minimum guarantee relates to, as specified in each agreement, which may be annual or a longer period. The cumulative minimum guarantee, based on forecasted usage, considers factors such as listening hours, revenue, subscribers and other terms of each agreement that impact the Company's expected attainment or recoupment of the minimum guarantees based on the relative attribution method.

Several of the Company's content acquisition agreements also include provisions related to the royalty payments and structures of those agreements relative to other content licensing arrangements, which, if triggered, could cause the Company's payments under those agreements to escalate. In addition, record labels, publishers and performing rights organizations with whom the Company has entered into direct license agreements have the right to audit the Company's content acquisition payments, and any such audit could result in disputes over whether the Company has paid the proper content acquisition costs. However, as of March 31, 2019, the Company does not believe it is probable that these provisions of its agreements discussed above will, individually or in the aggregate, have a material adverse effect on its business, financial position, results of operations or cash flows.

Employment Agreements

As of March 31, 2019, the Company has employment agreements with five key employees (Chief Executive Officer, Chief Operating Officer, Chief Strategy Officer, Senior Executive Vice President and Chief Financial Officer) that provide annual salary payments of $1.4 million in the aggregate and target bonus compensation of up to $1.4 million for the year ending March 31, 2020, salary payments of $0.9 million and target bonus compensation of up to $0.9 million for the year ending March 31, 2021 salary payments of $0.9 million and target bonus compensation of up to $0.9 million for the year ending March 31, 2022, and salary payments of $0.3 million and target bonus compensation of up to $0.6 million for the year ending March 31, 2023. In addition, our Chief Strategy Officer earned a bonus of $0.1 million for the fiscal year ended March 31, 2018, in his role as our former Chief Financial Officer, in connection with the completion of our public offering in December 2017, which was payable in the fiscal year ended March 31, 2019, and subsequently agreed to extended payment of such bonus to the fiscal year ending March 2020. Furthermore, the employment agreements contain severance clauses that could require severance payments in the aggregate amount of $11.1 million (excluding the value of potential accelerated vesting of equity awards granted to such executive officers).

Legal Proceedings

On March 3, 2016, Blink TV Limited and Northstar Media, Inc. (collectively, the "Plaintiffs") filed a claim in the Los Angeles County Superior Court of California against the Company and LiveXLive, alleging breaches of two different license agreements for the live-streaming rights to "Bestival," an annual music festival which takes place on the Isle of Wight in England. The Company and LiveXLive demurred to the complaint on May 10, 2016, and, prior to the hearing on the demurrer, Plaintiffs amended their complaint. The amended complaint no longer states a claim against LiveXLive Media and only states a single cause of action against LiveXLive for the alleged breach of a single license agreement. Plaintiffs are seeking $0.3 million in damages. To date, LiveXLive has vigorously contested Plaintiffs' claims. In doing so, on December 23, 2016, LiveXLive filed a cross-complaint against Plaintiffs for breach of contract and breach of the implied covenant of good faith and fair dealing. LXL was notified on September 27, 2017, that Blink TV Limited is in bankruptcy in England and now has liquidators in place who are assuming the litigation. The liquidators will need to move for permission to substitute in as the real parties in interest. Trial was set for October 1, 2018. In June 2018, LiveXLive settled the claim with the Plaintiffs for an immaterial amount. In July 2018, a final dismissal of this matter was entered in court.

On July 17, 2017, Exodus Festival, Inc. ("Exodus") filed a demand for arbitration with the International Centre for Dispute Resolution ("ICDR"), a division of the American Arbitration Association (the "AAA"), against Wantickets and LXL Tickets, in connection with event proceeds of $0.2 million allegedly owed by Wantickets to Exodus pursuant to a certain Presale Agreement For On-line Ticket Sales Services, entered into by and between Wantickets and Exodus on or about October 20, 2015 (the "Exodus-Wantickets Agreement"). Exodus alleges that LXL Tickets assumed Wantickets' obligations under the Exodus-Wantickets Agreement pursuant to the Asset Purchase Agreement, dated May 5, 2017, among Wantickets, LXL Tickets, the Company and certain other persons. On January 8, 2018, the arbitrator denied LXL Tickets' preliminary motion requesting for the arbitration claim to be dismissed based on jurisdictional and other arbitrability arguments and ruled that LXL Tickets assumed the Exodus-Wantickets Agreement by performing under the contract and/or as a successor interest. In June 2018, the parties concluded a formal arbitration proceeding with the arbitrator to determine to what extent is LXL Tickets liable to Exodus for the event proceeds allegedly owed to Exodus by Wantickets. In August 2018, the arbitrator issued a decision adverse to LXL Tickets whereby Exodus was awarded the sum of $0.2 million against LXL Tickets. In October 2018, pursuant to the terms of the APA (as defined below), the Company submitted a formal demand to Wantickets, Mr. Schnaier and Danco to indemnify the Company, among other things, for its costs and expenses incurred in connection with this matter.

On November 29, 2017, CL, LLC (d/b/a Light Nightclub) and CDBC, LLC (d/b/a Daylight Beach Club) (collectively, "Light") filed a claim in the District Court, Clark County, Nevada against Wantickets, the Company, LXL Tickets, Joseph Schnaier and Brian Landow, alleging total damages in excess of $0.3 million (plus attorneys' fees) (the "Claim Amount") and (i) as to Wantickets and Mr. Schnaier, breach of contract with respect to the Presale Agreement For On-line Ticket Sales Services, entered into by and between Wantickets and Light on or about September 30, 2016, and breach of implied covenant of good faith and fair dealing, (ii) as to Mr. Landow, tortious interference with contract, (iii) as to the Company and LXL Tickets, successor in interest liability, and (iv) as to all defendants (except for Mr. Landow), unjust enrichment. In connection with this action, on October 3, 2017, Light entered into a settlement agreement with Wantickets and Mr. Schnaier, pursuant to which, among other things, Mr. Schnaier agreed to pledge all of his shares in the Company (the "Schnaier Shares") to secure his stipulated confession of judgment given to Light if Wantickets and Mr. Schnaier do not pay the Claim Amount by November 20, 2017. Wantickets and Mr. Schnaier have failed to pay the Claim Amount to Light by such date. Accordingly, on December 19, 2017, the court entered such confession of judgment and judgment against Wantickets and Mr. Schnaier. On December 22, 2017, the Company filed an answer on behalf of LXL Tickets that generally denied all the claims in Light's complaint. In June 2018, an affiliate of Mr. Schnaier transferred approximately 51,500 shares of the Company's common stock to Light to allow Light to sell such shares to satisfy the Claim Amount. On November 8, 2018, the Company, LXL Tickets and Light entered into a Settlement Agreement, pursuant to which each party released the other from any and all claims and damages related to this dispute, and a Stipulation for Dismissal with Prejudice, pursuant to which Light dismissed this matter as to the Company and LXL Tickets with prejudice with each party to bear their own attorney's fees and costs of suit. The court subsequently approved such Stipulation. No consideration was paid by either the Company or LXL Tickets to Light related to this settlement. In October 2018, pursuant to the terms of the APA, the Company submitted a formal demand to Wantickets, Mr. Schnaier and Danco to indemnify the Company, among other things, for and its costs and expenses incurred in connection with this matter. As of March 31, 2019, the potential range of loss related to this matter was not material.

On February 8, 2018, Wynn Las Vegas, LLC ("Wynn") filed a claim in the District Court, Clark County, Nevada against LXL Tickets claiming total damages in excess of $0.6 million (the "Wynn Claim Amount") as a result of alleged breach of contract, breach of covenant of good faith and fair dealing and unjust enrichment with respect to that certain Second Amendment and Extension of the Wantickets.com Presale Agreement entered into by and between Wantickets and Wynn on or about September 30, 2016 (the "Wantickets-Wynn Agreement"). In connection with this action, on June 21, 2017, Wynn filed suit in the Eighth Judicial District Court, Clark County, Nevada against RNG Tickets, LLC (d/b/a Wantickets) and Wantickets. That litigation is still pending and active. RNG Tickets has not filed a responsive pleading in the case and Wantickets RDM has defaulted. We believe that Wynn's position is that LXL Tickets acquired Wantickets, including Wantickets' obligations under the Wantickets-Wynn Agreement (and not just certain assets and liabilities of Wantickets), and as such LXL Tickets should be liable to Wynn for the Wynn Claim Amount pursuant to the Wantickets-Wynn Agreement. The Company further believes that this action against LXL Tickets is without merit and the Company intends to vigorously defend LXL Tickets and any obligations or liability to Wynn with respect to such claims. In October 2018, pursuant to the terms of the APA, the Company submitted a formal demand to Wantickets, Mr. Schnaier and Danco to indemnify the Company, among other things, for its costs and expenses incurred in connection with this matter. In April 2019, the parties agreed to informally stay the proceeding for the time being and extend discovery deadlines. As of March 31, 2019, the potential range of loss related to this matter was not material.

In March 2018, Manatt Phelps & Phillips, LLP served the Company with a complaint filed on February 22, 2018 in the Supreme Court of the State of California County of Los Angeles against the Company. The complaint alleges, among other things, breach of contract and breach of promissory note. Plaintiff is seeking damages of $0.2 million, plus interest, attorneys' fees and costs and other such relief as the court may award. On April 12, 2018, the Company filed an answer that generally denied all the claims in the complaint. On February 19, 2019, in connection with the settlement of the plaintiff's Delaware action (as discussed below), the parties settled this matter agreeing that the Company would repay this note and accrued interest in full by June 30, 2019. Such settlement was approved by the court on March 4, 2019, and the plaintiff dismissed this action against the Company without prejudice. No additional consideration shall be paid by the Company to the plaintiff related to this settlement.

On October 11, 2018, Manatt, Phelps & Phillips, LLP filed a complaint in the Court of Chancery of the State of Delaware against the Company alleging that we have improperly refused to remove the restrictive legend from the shares of the Company's common stock owned by the plaintiff (the "Manatt DE Action"). Plaintiff is seeking declaratory judgment that all of the statutory prerequisites for removal of the restrictive legend have been met and injunctive relief requiring us to remove such restrictive legend, plus damages and losses suffered by the plaintiff as a result of our alleged conduct, including interest, attorneys' fees and costs and other such relief as the court may award. On February 19, 2019, the parties entered into a settlement agreement and agreed to release each other from all claims and damages relating to this matter, pending the repayment by the Company of the promissory note discussed above by June 30, 2019 and the sale of such shares by Manatt in compliance with such order. The parties further agreed that within three days after the later of (i) Manatt's sale of all of their shares pursuant to the court's order in compliance therewith, or (ii) the promissory note repayment by such due date, the parties agreed to dismissal of this Delaware action and the California action with prejudice. Such settlement was approved by the court on March 4, 2019. Other than the repayment of the note and accrued interest in full, no additional consideration shall be paid by the Company to the plaintiff related to this settlement.

On March 30, 2018, Joseph Schnaier, Danco Enterprises, LLC (an entity controlled by Mr. Schnaier, "Danco"), Wantmcs Holdings, LLC (an entity controlled by Mr. Schnaier) and Wantickets (an entity controlled by Mr. Schnaier) filed a complaint in the Supreme Court of the State of New York County of New York against each of the Company, LXL Tickets, Robert Ellin, Alec Ellin, Blake Indursky and Computershare Trust Company, N.A., the Company's former transfer agent ("Computershare"). The complaint alleges, among other things, that the defendants fraudulently induced Mr. Schnaier to invest in the Company and consummate the acquisition of certain operation assets of Wantickets, breach of Schnaier's employment agreement with LXL Tickets, fraudulent inducement related to Mr. Schnaier's inability to sell shares of the Company's common stock and related negligence claims against Computershare, and certain defamation claims. Plaintiffs are seeking equitable relief, damages of approximately $26.7 million, plus interest, attorneys' fees and costs and other such relief as the court may award. The Company believes that the complaint is an intentional act by the plaintiffs to publicly tarnish the Company's and its senior management's reputations through the public domain in an effort to obtain by threat certain results for Mr. Schnaier's self-serving and improper purposes. The Company has and intends to continue to vigorously defend all defendants in this lawsuit, and the Company believes that the allegations are without merit and that it has strong defenses. On June 26, 2018, the Company and LXL Tickets, filed counterclaims against the plaintiffs for breach of contract (including under the Asset Purchase Agreement entered into on May 5, 2017, among the plaintiffs, the Company and LXL Tickets (the "APA")), fraudulent inducement, and other causes of action, seeking injunctive relief, damages, attorneys' fees and expenses and such other relief as the court may award. The parties are currently engaged in pre-trial proceedings, including ongoing discovery with the trial not expected to commence, if any, until the first quarter of the Company's fiscal year ending March 31, 2021. In October 2018, pursuant to the terms of the APA, the Company submitted a formal demand to Wantickets, Mr. Schnaier and Danco to indemnify the Company, among other things, for its costs and expenses incurred in connection with this matter. Per the court order issued in May 2019, the parties agreed to allow Mr. Schnaier sell his remaining shares of the Company's common stock on an ongoing basis.

The Company has and intends to continue to vigorously defend all defendants against any liability to the plaintiff with respect to such claims. As of March 31, 2019, the outcome of this lawsuit is inherently uncertain and the potential range of loss could have a material adverse effect on the Company's business, financial condition and results of operations.

During the years ended March 31, 2019 and 2018, the Company recorded aggregate legal settlement expenses relating to potential claims arising in connection with litigation brought against the Company by a number of third- parties of less than $0.1 million and $0.4 million, respectively. Each of the full amounts were expensed and included in general and administrative expenses during their respective years ended March 31, 2019 and 2018.

While the resolution of the above matters cannot be predicted with certainty, other than as set forth above the Company does not believe, based on current knowledge, that the outcome of the currently pending claims or legal proceedings in which the Company is currently involved will have a material adverse effect on the Company's financial statements.

From time to time, the Company is involved in legal proceedings and other matters arising in connection with the conduct of its business activities. Many of these proceedings may be at preliminary stages and/or seek an indeterminate amount of damages. The Company regularly evaluates the status of its commitments and contingencies in which it is involved to (i) assess whether a material loss is probable or there is at least a reasonable possibility that a material loss or an additional material loss in excess of a recorded accrual may have been incurred and (ii) determine if financial accruals are required when appropriate. The Company records an expense accrual for any commitments and loss contingency when it determines that a loss is probable and the amount of the loss can be reasonably estimated. If an expense accrual is not appropriate, the Company further evaluates each matter to assess whether an estimate of possible loss or range of loss can be made and whether or not any such matter requires additional disclosure. There can be no assurance that any proceeding against the Company will be resolved in amounts that will not differ from the amounts of estimated exposures. Legal fees and other costs of defending litigation are expensed as incurred.

Leases

Beginning on August 1, 2017, the Company was given the right to occupy approximately 5,200 square feet of office space in West Hollywood, California. The space was provided to the Company by an unrelated third party and is fully furnished. The Company compensated the landlord in cash at the rate of approximately $38 thousand per month for months that the Company occupied the space. The Company or the third party had the right to terminate the arrangement at any time without prior notice, and the Company terminated this arrangement subsequent to the year end, effective April 30, 2019.

Subsequent to the year end, on May 1, 2019 the Company entered into a month to month agreement with a third party to lease office space in Los Angeles, California for $20 thousand per month.

Slacker leases its San Diego, California premises under operating leases expiring on December 31, 2019. Rent expense for the operating leases totaled $0.4 million for the year ended March 31, 2019 and $0.1 million for the period from acquisition on December 29, 2017 through March 31, 2018.

Total rent expense for the fiscal years ended March 31, 2019 and 2018 was $1.0 million and $0.7 million, respectively.

Future minimum lease payments under noncancelable operating leases as of March 31, 2019, with initial or remaining terms of one or more years are as follows (in thousands):

	Year Ending March 31, 2020
Operating Leases	$ 244

Non-Income Related Taxes

In general, the Company has not historically collected state or local sales, use or other similar taxes in any jurisdictions in which the Company does not have a tax nexus, in reliance on court decisions or applicable exemptions that restrict or preclude the imposition of obligations to collect such taxes with respect to online sales of its music subscription services. In addition, the Company has not historically collected state or local sales, use or other similar taxes in certain jurisdictions in which it has a physical presence, in reliance on applicable exemptions. On June 21, 2018, the U.S. Supreme Court decided, in South Dakota v. Wayfair, Inc., that state and local jurisdictions may, at least in certain circumstances, enforce a sales and use tax collection obligation on remote vendors that have no physical presence in such jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring sales and use tax collection by remote vendors and/or by online marketplaces. The details and effective dates of these collection requirements vary from state to state. The Company evaluated the new requirements, and based upon its assessment determined that its sales tax exposure was not material to the financial results as of March 31, 2019. The Company is in the process of determining how and when its collection practices will need to change in the relevant jurisdictions, including obtaining resale certificates from third party resellers of the Company's music services, as necessary.

Note 15 — Employee Benefit Plan

Effective March 2019, the Company sponsors a 401(k) plan (the "401(k) Plan") covering all employees. Prior to March 31, 2019, only Slacker employees were eligible to participate in the 401(k) Plan. Employees are eligible to participate in the Plan the first day of the calendar month following their date of hire. The Company may make discretionary matching contributions to the 401(k) Plan on behalf of its employees up to a maximum of 100% of the participant's elective deferral up to a maximum of 5% of the employees' annual compensation. The Company made matching contributions of less than $0.1 million to the 401(k) Plan for the year ended March 31, 2019 and from the acquisition date of Slacker on December 29, 2017 through March 31, 2018, respectively.

Note 16 — Stock-Based Compensation

The Company's board of directors and stockholders approved the Company's 2016 Equity Incentive Plan, as amended (the "2016 Plan") which reserves a total of 12,600,000 shares of the Company's common stock for issuance. Incentive awards authorized under the 2016 Plan include, but are not limited to, nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units, performance grants intended to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and stock appreciation rights. If an incentive award granted under the 2016 Plan expires, terminates, is unexercised or is forfeited, or if any shares are surrendered to the Company in connection with the exercise of an incentive award, the shares subject to such award and the surrendered shares will become available for further awards under the 2016 Plan.

The maximum contractual term for awards is 10 years. As of March 31, 2019, there were 5,832,508 shares of common stock available for future issuance under the 2016 Plan.

Options Grants to Employees

The Company recognized share-based compensation expense to employees of $7.2 million and $3.2 million during the years ended March 31, 2019 and 2018, respectively. The total tax benefit recognized related to this share-based compensation expense to employees was $0 for the years ended March 31, 2019 and 2018. As of March 31, 2019, unrecognized compensation costs for unvested awards to employees was $4.0 million, which is expected to be recognized over a weighted-average period of 0.7 years on an accelerated basis. The maximum contractual term for awards is 10 years.

The following table provides information about our option grants to employees for the last two fiscal years:

	Year Ended March 31,	
	2019	**2018**
Number of options granted	1,237,500	4,883,333
Weighted-average exercise price per share	$ 4.63	$ 3.56
Weighted-average grant date fair value per share	$ 2.23	$ 3.48

The grant date fair value of each of these option grants to employees was determined using the Black-Sholes-Merton option-pricing model with the following assumptions:

	Year Ended March 31,	
	2019	**2018**
Expected volatility	47.43%-52.30%	47.80% - 205.93%
Dividend yield	0.00%	0.00%
Risk-free rate	2.52%-2.96%	1.63%-2.69%
Expected term (in years)	5.10-7.00	5.12-10.00

The following table summarizes the activity of our options to employees during the years ended March 31, 2019 and 2018:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of March 31, 2017	-	$ -
Granted	4,883,333	3.56
Exercised	-	-
Forfeited or expired	(1,083,332)	1.65
Outstanding as of March 31, 2018	3,800,001	4.10
Granted	1,237,500	4.63
Exercised	-	-
Forfeited or expired	(157,500)	5.49
Outstanding as of March 31, 2019	4,880,001	3.95
Exercisable as of March 31, 2019	1,902,227	3.79

The weighted-average remaining contractual term for options to employees outstanding and options to employees exercisable as of March 31, 2019 was 8.8 years and 8.8 years, respectively. The intrinsic value of options to employees outstanding and options to employees exercisable was $7.2 million and $3.0 million, respectively, at March 31, 2019.

Options Grants to Non-Employees

The Company recognized share-based compensation expense to non-employees of $0.1 million and less than $0.1 million during the years ended March 31, 2019 and 2018, respectively. The total tax benefit recognized related to this share-based compensation expense to non-employees was $0 for the years ended March 31, 2019 and 2018. As of March 31, 2019, unrecognized compensation costs for unvested awards to non-employees was $43 thousand, which is expected to be recognized over a weighted-average period of 0.4 years on an accelerated basis. The maximum contractual term for awards is 10 years.

The following table provides information about our option grants to non-employees for the last two fiscal years:

	Year Ended March 31,	
	2019	2018
Number of options granted	-	101,667
Weighted-average exercise price per share	$ -	$ 4.00
Weighted-average grant date fair value per share	$ -	$ 1.84

The grant date fair value of each of these option grants to non-employees was determined using the Black-Sholes-Merton option pricing model with the following assumptions:

	Year Ended March 31,	
	2019	2018
Expected volatility	-%	47.80%-48.69%
Dividend yield	-%	0.00%
Risk-free rate	-%	2.65%
Expected term (in years)	-	5.50-6.00

The following table summarizes the activity of our options to non-employees during the years ended March 31, 2019 and 2018:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of March 31, 2017	-	$ -
Granted	101,667	4.00
Exercised	-	-
Forfeited or expired	-	-
Outstanding as of March 31, 2018	101,667	4.00
Granted	-	-
Exercised	-	-
Forfeited or expired	-	-
Outstanding as of March 31, 2019	101,667	4.00
Exercisable as of March 31, 2019	-	-

The weighted average remaining contractual term for options to non-employees outstanding as of March 31, 2019 was 8.9 years. The intrinsic value of options to non-employees outstanding and options to non-employees exercisable was $0 at March 31, 2019.

Restricted Stock Units Grants

The Company recognized share-based compensation expense to employees of $2.1 million and $0 million during the years ended March 31, 2019 and 2018, respectively. Compensation expense resulting from restricted unit grants is measured at fair value on the date of grant and is recognized as share-based compensation expense over the applicable vesting period. The total tax benefit recognized related to this share-based compensation expense to employees was $0 for the years ended March 31, 2019 and 2018. As of March 31, 2019, unrecognized compensation costs for unvested awards to employees was $4.3 million, which is expected to be recognized over a weighted-average period of 1.3 years on an accelerated basis.

The following table provides information about our restricted stock units grants to employees for the last two fiscal years:

	Year Ended March 31,	
	2019	2018
Number of units granted	1,377,391	-
Weighted-average grant date fair value per share	$ 4.64	$ -

The following table summarizes the activity of our restricted stock units to employees during the years ended March 31, 2019 and 2018:

	Number of Shares
Outstanding as of March 31, 2018	-
Granted	1,377,391
Vested	-
Canceled	-
Outstanding as of March 31, 2019	1,377,391
Vested and expected to vest at March 31, 2019	1,377,391

The weighted-average remaining contractual term for restricted stock units to employees outstanding and vested and expected to vest as of March 31, 2019 was 1.3 years, respectively. The intrinsic value of restricted share units to employees outstanding and vested and expected to vest was $1.2 million, respectively, at March 31, 2019.

Note 17 — Stockholders' Deficit

Issuance of Common Stock for Services to Consultants

During the year ended March 31, 2019 and 2018, the Company issued 449,374 and 725,885 restricted shares of its common stock valued at $2.2 million and $3.4 million, respectively, to certain Company consultants. During the year ended March 31, 2019 and 2018, the Company recorded $3.1 million and $1.7 million, respectively, of expense related to the restricted stock issuances. As of March 31, 2019, the remaining unrecognized compensation cost of approximately $0.6 million is expected to be recorded over the next year as shares vest.

Issuance of Common Stock for Services to Employees

During the year ended March 31, 2019 and 2018, the Company issued 0 and 408,433 shares of its common stock valued at $0 and $1.9 million, respectively, to certain employees. During the year ended March 31, 2019 and 2018, the Company recorded $0.5 million and $1.2 million, respectively, of expense related to the stock issuances. As of March 31, 2019, the remaining unrecognized compensation cost of $38 thousand is expected to be recorded over the next year as the shares vest.

Additional details of the Company's issuances of its restricted common stock to employees during the years ended March 31, 2019 and 2018 are as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Non-vested as of March 31, 2017	-	$ -
Granted	408,433	4.58
Vested	(220,933)	4.21
Forfeited or expired	-	
Non-vested as of March 31, 2018	187,500	5.01
Granted	-	
Vested	(172,222)	5.01
Forfeited or expired	-	-
Non-vested as of March 31, 2019	15,278	5.01

Warrants

During the year ended March 31, 2018, the Company issued warrants along with a series of convertible notes to acquire 740,834 shares of the Company's common stock valued at $1.4 million at an exercise price of $0.01-0.03 per share.

During the year ended March 31, 2018, 790,834 warrants were exercised into 790,834 shares of the Company's common stock for net proceeds of $15 thousand.

On February 21, 2018, the Company issued warrants to acquire 20,000 shares of the Company's common stock in exchange for services performed by nonemployees. These warrants were valued at $28 thousand at an exercise price of $4.05 per share. The aggregate fair value of the 20,000 warrants issued was determined to be $28 thousand using the Black-Scholes-Merton option pricing model with the following average assumptions: risk-free interest rate of 2.44%; dividend yield of 0%; volatility rate of 48.20%; and an expected life of three years.

On March 12, 2018, the Company issued warrants to acquire 147,363 shares of the Company's common stock, with an exercise price of $4.00 per share, valued at $0.2 million as an inducement to convert certain Company 6% convertible notes. The aggregate fair value of the 147,363 warrants issued was determined using the Black-Scholes-Merton option pricing model with the following average assumptions: risk-free interest rate of 2.43%; dividend yield of 0%; volatility rate of 48.30%; and an expected life of three years.

The table below summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)
Balance outstanding, March 31, 2017	50,000	$ 0.30	2.99
Granted	908,197	0.75	2.50
Exercised	(790,834)	0.02	2.25
Forfeited/expired	-	-	-
Balance outstanding, March 31, 2018	167,363	4.01	2.94
Granted	-	-	-
Exercised	-	-	-
Forfeited/expired	-	-	-
Balance outstanding, March 31, 2019	167,363	4.01	1 .94
Exercisable, March 31, 2019	167,363	4.01	1.94

At March 31, 2019, the intrinsic value of warrants outstanding and exercisable was $0.2 million.

Authorized Common Stock and Creation of Preferred Stock

The Company has the authority to issue to 501,000,000 shares, consisting of 500,000,000 shares of the Company's common stock and 1,000,000 shares of the Company's preferred stock, $0.001 par value per share (the "preferred stock").

The Company may issue shares of preferred stock from time to time in one or more series, each of which will have such distinctive designation or title as shall be determined by the Company's board of directors and will have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issue of such class or series of preferred stock as may be adopted from time to time by the Company's board of directors. The Company's board of directors will have the power to increase or decrease the number of shares of preferred stock of any series after the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased, the shares constituting such decrease will resume the status of authorized but unissued shares of preferred stock.

While the Company does not currently have any plans for the issuance of preferred stock, the issuance of such preferred stock could adversely affect the rights of the holders of common stock and, therefore, reduce the value of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of the common stock until and unless the Company's board of directors determines the specific rights of the holders of the preferred stock; however, these effects may include: restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock, or delaying or preventing a change in control of the Company without further action by the stockholders.

Note 18 — Income Tax Provision

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, making significant changes to the taxation of U.S. business entities. The Tax Act reduced the U.S. corporate income tax rate from 35% to 21%, imposed a one-time transition tax in connection with the move from a worldwide tax system to a territorial tax system, imposed limitations on certain tax deductions such as fringe benefits including employee parking, executive compensation in future periods, and included numerous other provisions. Since the Company is not in a current U.S. federal tax paying position, the U.S. tax provision consists primarily of deferred tax benefits calculated at the 21% tax rate.

The Company's income tax provision can be affected by many factors, including the overall level of pre-tax income, the mix of pre-tax income generated across the various jurisdictions in which the Company operates, changes in tax laws and regulations in those jurisdictions, further interpretation and legislative guidance regarding the new Tax Act, changes in valuation allowances on its deferred tax assets, tax planning strategies available to the Company, and other discrete items.

The components of pretax loss and provision for income taxes are as follows (in thousands):

	Year Ended March 31,	
	2019	2018
Loss before income taxes:		
Domestic	$ (37,544)	$ (23,330)
Foreign	-	-
Total loss before income taxes	$ (37,544)	$ (23,330)
The provision for income taxes consisted of the following:		
Current		
U.S. Federal	$ -	$ -
State	7	6
Foreign	-	-
Total Current	7	6
Deferred:		
U.S. Federal	-	-
State	211	-
Foreign	-	-
Total Deferred	211	-
Total provision for income taxes	$ 218	$ 6

The differences between income taxes expected at U.S. statutory income tax rates and the income tax provision are as follows (in thousands):

	Year Ended March 31,	
	2019	2018
Income taxes computed at Federal statutory rate	$ (7,884)	$ (7,360)
State tax — net of federal benefit	(1,555)	(330)
State minimum taxes	7	6
Change in valuation allowance	8,987	6,311
Permanent differences	663	1,379
Total provision for income taxes	$ 218	$ 6

At March 31, 2019 and 2018, the Company had available federal and state net operating loss carryforwards to reduce future taxable income of approximately $70.5 million and $54.3 million, respectively. The federal and state net operating loss carryforwards begin to expire on various dates beginning in 2024. Of the $70.5 million of federal net operating loss carryforwards, $54.3 million was generated in tax years beginning before March 31, 2018 and is subject to the 20-year carryforward period ("pre-Tax Act losses"), the remaining $16.2 million ("post-Tax Act losses") can be carried forward indefinitely but is subject to the 80% taxable income limitation.

The Company obtained $136 million and $2.6 million of net operating loss and credit carryforwards, respectively, through the acquisition of Slacker, Inc. in December 2017. Utilization of these losses is limited by Section 382 and 383 of the Code in fiscal year end March 31, 2018 and each taxable year thereafter. The Company has estimated a limitation and revalued the losses and credits at $22 million and $0, respectively. It is possible that the utilization of these NOL carryforwards and tax credits may be further limited. The Company is undertaking a study to determine the applicable limitations, if any. Upon the attainment of taxable income by the Company, management will assess the likelihood of realizing the tax benefit associated with the use of the carryforwards and will recognize the appropriate deferred tax asset at that time.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by the federal and state jurisdictions where applicable. There are currently no pending income tax examinations. The Company's tax years for 2014 and forward are subject to examination by the federal and California tax authorities due to the carryforward of unutilized net operating losses.

The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of March 31, 2019 and 2018, the Company has not accrued interest or penalties related to uncertain tax positions.

Significant components of the Company's deferred income tax assets and liabilities are as follows as of (in thousands):

	Year Ended March 31,	
	2019	2018
Deferred tax assets:		
Net operating loss carryforwards	$ 18,005	$ 12,469
Property and equipment	135	122
Accruals and reserves	796	333
Stock compensation	3,154	1,003
Tax credits	-	2,618
Capital loss carryforward	556	502
Gross deferred tax assets	22,646	17,047
Deferred tax liabilities:		
Intangible assets	(6,832)	(10,009)
Net deferred tax assets	15,814	7,038
Valuation allowance	(16,025)	(7,038)
Net deferred tax liability	$ (211)	$ -

As the ultimate realization of the potential benefits of the Company's deferred tax assets is considered unlikely by management, the Company has offset the deferred tax assets attributable to those potential benefits through valuation allowances. Accordingly, the Company did not recognize any benefit from income taxes in the accompanying Consolidated Statements of Operations to offset its pre-tax losses. The valuation allowance is $16.0 million and $7.0 million for the years ended March 31, 2019 and 2018, respectively.

Note 19 — Business Segment and Geographic Reporting

The Company determined its operating segments in accordance with ASC 280, "Segment Reporting" ("ASC 280").

Management has determined that the Company has one operating segment. The Company's reporting segment reflects the manner in which its chief operating decision maker reviews results and allocates resources. The Company's reporting segment meets the definition of an operating segment and does not include the aggregation of multiple operating segments.

Customers

The Company has one external customer that accounts for more than 10% of its revenue. Such original equipment manufacturer (the "OEM") provides premium Slacker service in its new vehicles. Total revenues from the OEM were $13.7 million and $1.8 million for the year ended March 31, 2019 and in the period from the acquisition of Slacker on December 29, 2017 through March 31, 2018, respectively.

Geographic Information

The Company operates as an Internet live music streaming platform based in the United States. All material revenues of the Company are derived from the United States. All long-lived assets of the Company are located in the United States.

Note 20 — Fair Value Measurements

The following table presents the fair value of the Company's financial liabilities that are measured at fair value on a recurring basis (in thousands):

	March 31, 2019			
	Fair Value	Hierarchy Level		
		Level 1	Level 2	Level 3
Liabilities:				
Bifurcated embedded derivative on senior secured convertible debentures	$ 586	$ -	$ -	$ 586

The following table presents a reconciliation of the Company's derivative instruments (in thousands):

	Amount
Balance as of March 31, 2018	$ -
Bifurcated embedded derivative recognized on issuance of senior secured convertible debentures	263
Total fair value adjustments reported in earnings	323
Balance as of March 31, 2019	$ 586

The Company did not elect the fair value measurement option for the following financial assets and liabilities. The fair values of certain financial instruments and the hierarchy level the Company used to estimate the fair values are shown below (in thousands):

	March 31, 2019			
	Carrying Value	Hierarchy Level		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 13,704	$ 13,704	$ -	$ -
Restricted cash	235	235	-	-
Liabilities:				
Note payable	312	-	-	312
Senior secured convertible debentures, net	11,809	-	-	13,737
Unsecured convertible notes payable, net	4,741	-	-	8,844

	March 31, 2018			
	Carrying Value	Hierarchy Level		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 10,285	$ 10,285	$ -	$ -
Restricted cash	3,685	3,685	-	-
Liabilities:				
Note payable	294	-	-	294
Bank debt	3,500	-	3,500	-
Unsecured convertible notes payable, net	4,916	-	-	4,916

The fair values of financial instruments not included in these tables are estimated to be equal to their carrying values as of March 31, 2019 and 2018. The Company's estimates of the fair values were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop the estimated fair values.

Cash equivalents and restricted cash equivalents primarily consisted of short-term interest-bearing money market funds with maturities of less than 90 days and time deposits. The estimated fair values were based on available market pricing information of similar financial instruments.

Due to their short maturity, the carrying amounts of the Company's accounts receivable, accounts payable and accrued expenses approximated their fair values at March 31, 2019 and 2018.

The Company's outstanding debt is carried at cost, adjusted for discounts. The Company's bank debt is not publicly traded and the carrying amounts typically approximate fair value for debt that accrues interest at a variable rate, which are considered to be Level 2 inputs. The Company's debentures, embedded derivatives and unsecured convertible notes payable with fixed rates are not publicly traded and the Company has estimated fair values using a variety of valuation models and market rate assumptions. The debentures, embedded derivates and unsecured convertible notes are valued using a binomial lattice model, a risk neutral model and a yield model with a Black-Scholes-Merton option pricing model, respectively. The Company has recognized $0.3 million of expense in the year ended March 31, 2019, related to the fair value of bifurcated derivatives through other income (expense). The Company's note payable is not publicly traded and fair value is estimated to equal carrying value.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2019, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were not effective as of March 31, 2019 because of the material weaknesses in internal control over financial reporting, described in Management's Annual Report on Internal Control Over Financial Reporting below.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of March 31, 2019, the end of our fiscal year. Our management based its assessment on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management's assessment included evaluation and testing of the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our management's assessment, our management has concluded that our internal control over financial reporting was not effective as of March 31, 2019 due to material weaknesses that existed in our internal controls. Our management communicated the results of its assessment to the Audit Committee of our Board of Directors.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on management's assessment of our internal control over financial reporting as of March 31, 2019, the following material weaknesses existed as of that date:

Ineffective design, implementation and operating effectiveness of internal controls over:

- management's identification of and accounting for significant and unusual transactions; specifically over measurement period adjustments related to a business combination and the accounting for modifications of complex debt instruments, including review of valuation reports and key underlying assumptions; and

- revenue recognition and accounting for royalties, including the identification and testing of certain application controls within its information systems around the provisioning of accounts and tracking of related revenue and royalty expense, as well as the completeness and accuracy of key revenue and royalty reports used in the operation of certain control activities.

Notwithstanding the material weaknesses discussed above, our management, including our CEO and CFO, concluded that the consolidated financial statements in this Annual Report fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented, in conformity with GAAP.

Our independent registered public accounting firm, BDO USA, LLP, audited our consolidated financial statements for the fiscal year ended March 31, 2019 included in this Annual Report, and has issued an audit report with respect to the effectiveness of our internal control over financial reporting, a copy of which is included below in this Annual Report.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

Our management, with oversight of the Audit Committee of our Board of Directors has identified and begun to implement several steps to remediate the material weaknesses described in this Item 9A and to enhance our overall control environment. During fiscal 2020, our management is committed to remediating the material weakness through continuing training and hiring of personnel, improving the timeliness of our accounting close process, and continuing to enhance our financial review controls. We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively.

Although we intend to complete the remediation process as promptly as possible, we cannot at this time estimate how long it will take to remediate these material weaknesses. In addition, we may discover additional material weaknesses that require additional time and resources to remediate and we may decide to take additional measures to address the material weaknesses or modify the remediation steps described above. Until these weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to ensure that our consolidated financial statements are prepared in accordance with GAAP.

Changes in Internal Control over Financial Reporting

Fiscal 2018 Form 10-K Material Weaknesses Remediated

Based on management's assessment of our internal control over financial reporting discussed above, management concluded that certain material weaknesses identified in fiscal 2018 and reported in our Annual Report on Form 10-K for the year ended March 31, 2018, were substantially remediated. The prior year material weaknesses that were remediated in fiscal 2019 included operating effectiveness of ITGCs (excluding automated application controls) in accordance with the five components of the 2013 COSO framework at our corporate location, establishing entity level internal controls and oversight, hiring of personnel throughout fiscal 2019, engaging third party experts to assist in the internal control design, testing and remediation efforts in fiscal 2019, and improvement in internal controls over the accounting for income taxes, payroll-related items, stock-based compensation and treasury-related. This was achieved through the culmination of various efforts, execution of management's remediation plan, and improvements made throughout the year, as summarized below. Management validated its conclusion that these items were properly remediated through its evaluation and testing, which was completed as of March 31, 2019.

Management, with oversight of our Audit Committee of our Board of Directors, completed numerous remediation actions and made improvements to its control environment and processes throughout fiscal 2019. The remediation actions to address the reported material weaknesses in fiscal 2018 included, but were not limited to, the following:

- In April 2018, we hired Michael Zemetra as our EVP and CFO. Subsequent to his hiring, Mr. Zemetra served as the Company's principal financial and accounting officer, hired an internal accounting team and replaced all historical outsourced financial functions with internal processes and personal;

- Development of a shared services center in Los Angeles to support our finance and accounting functions and the integration of related processes and controls, including our financial close, treasury, payables and consolidation processes;

- Integration of various key processes, systems and resources, including implementation of a common financial system, Great Plains, across all of the business;

- Establishment of Entity Level Controls and information technology ("IT") governance, policies, procedures and general controls at the Company's corporate and subsidiaries;

- Establishment of controls over new systems development, program changes and user access controls commensurate with the user's job responsibilities and authorities;

- Establishment of a Disclosure Committee, which meets quarterly to review the adequacy and completeness of our financial statements and disclosures;

- Established proper segregation of duties across the Company's payables, treasury, accounts receivable and revenue, and financial close; and,

- Use of reputable third party experts to assist in the preparation of our (i) 2019 tax provision, sales tax assessment and taxes; (ii) valuation of 2019 debt transactions; (iii) 2019 payroll processing and accounting-related items and controls; (iv) 2019 internal control risk, design, testing and remediation efforts; and (v) calculations supporting certain inputs into the Company's accounting for stock-based compensation.

Changes in Internal Control Over Financial Reporting

Except as described above, there have been no changes in our internal control over financial reporting during fourth quarter of the fiscal year ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of the Independent Registered Public Accounting Firm

Shareholders and Board of Directors
LiveXLive Media, Inc.
Beverly Hills, CA

Opinion on Internal Control over Financial Reporting

We have audited LiveXLive Media, Inc.'s (the "Company's") internal control over financial reporting as of March 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of March 31, 2019, based on the COSO criteria. We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet of the Company as of March 31, 2019, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as "the consolidated financial statements") and our report dated June 21, 2019 expressed an unqualified opinion thereon. Our report contains an explanatory paragraph regarding LiveXLive Media, Inc.'s ability to continue as a going concern.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses regarding management's failure to design and maintain internal controls over the identification of and accounting for significant and unusual transactions and management's failure to design and maintain internal controls over revenue recognition and accounting for royalties have been identified and described in management's assessment. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the fiscal year 2019 financial statements, and this report does not affect our report dated June 21, 2019 on those financial statements.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP
Los Angeles, California
June 21, 2019

CEO and CFO Certifications

Exhibits 31.1 and 31.2 to this Annual Report are the Certifications of our CEO and the CFO, respectively. These certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act (the "Section 302 Certifications"). This Item 9A. of this Annual Report, which you are currently reading, is the information concerning the Evaluation referred to above and in the Section 302 Certifications, and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2020 Annual Meeting of Stockholders (our "2020 Proxy Statement") to be filed with the SEC within 120 days of our fiscal year end.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to our 2020 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference to our 2020 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to our 2020 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to our 2020 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of Documents Filed.

(1) Financial Statements (Included in Item 8 of this Annual Report)

The consolidated financial statements of LiveXLive Media, Inc. included in this Annual Report include:

- Consolidated Balance Sheets as of March 31, 2019 and 2018
- Consolidated Statements of Operations for the years ended March 31, 2019 and 2018
- Consolidated Statement of Changes in Stockholders' Equity (Deficit) for the years ended March 31, 2019 and 2018
- Consolidated Statements of Cash Flows for the years ended March 31, 2019 and 2018
- Notes to the Consolidated Financial Statements

(2) Financial Statement Schedules

All schedules have been omitted since they are either not applicable or the information is contained elsewhere in this Annual Report.

(b) Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
3.2	Certificate of Amendment to the Certificate of Incorporation of the Company, dated as of September 30, 2017 (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, Amendment No. 3, filed with the SEC on October 6, 2017).
3.3	Bylaws of the Company (Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
4.1	Form of 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021 (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 3, 2018).
4.2	Form of Amendment to 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021, dated February 11, 2019 (Incorporated by reference to Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019).
10.1†	Form of Director/Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on April 30, 2014).
10.2†	The Company's 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2016).
10.3†	Form of Director Option Agreement under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2016).
10.4†	Form of Employee Option Agreement under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2016).
10.5†	Employment Agreement, dated as of September 7, 2017, between the Company and Robert S. Ellin (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on September 8, 2017).
10.6†	Amended and Restated Employment Agreement, dated as of September 1, 2017, between the Company and Jerome N. Gold (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 8, 2017).
10.7†	Employment Agreement, dated as of May 3, 2017, between the Company and Douglas Schaer (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 15, 2017).
10.8†	Employment Agreement, dated as of October 6, 2015, between the Company and Blake Indursky (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K, filed with the SEC on July 19, 2016).
10.9†	Amendment No. 1 to Employment Agreement, dated as of December 15, 2017, between the Company and Robert Ellin (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 15, 2017).

Exhibit Number	Description
10.10†	Amendment No. 1 to Employment Agreement, dated as of December 15, 2017, between the Company and Jerome N. Gold (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 15, 2017).
10.11†	Employment Agreement, dated as of April 13, 2018, between the Company and Michael Zemetra (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 19, 2018).
10.12†	Amendment No. 2 to Employment Agreement, dated as of April 27, 2018 and effective as of April 16, 2018, between the Company and Jerome N. Gold (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K, filed with the SEC on June 29, 2018).
10.13†*	Amendment No. 3 to Employment Agreement, dated as of March 31, 2019, between the Company and Jerome N. Gold.
10.14†*	Amendment No. 4 to Employment Agreement, dated as of April 16, 2019, between the Company and Jerome N. Gold.
10.15†*	Amendment No. 1 to Employment Agreement, dated as of March 31, 2019, between the Company and Michael Zemetra.
10.16	Securities Purchase Agreement, dated as of June 29, 2018, among the Company and JGB Partners, LP, JGB Capital, LP and JGB (Cayman) Finlaggan Ltd. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 3, 2018).
10.17	Subsidiary Guarantee, dated as of June 29, 2018, made by each of the Guarantors, in favor of the Secured Parties (as defined therein) (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 3, 2018).
10.18	Security Agreement, dated as of June 29, 2018, among the Company, the Guarantors and JGB Collateral LLC (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on July 3, 2018).
10.19	Amendment Agreement, dated as of February 11, 2019, to the Securities Purchase Agreement, dated as of June 29, 2018, among the Company and JGB Partners, LP, JGB Capital, LP and JGB (Cayman) Finlaggan Ltd. (Incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019).
10.20 †	Amendment No. 1 to the LiveXLive Media, Inc. 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019).
10.21†*£	Employment Agreement, dated as of January 28, 2019, between the Company and Michael Bebel.
21.1*	List of subsidiaries of the Company.
23.1*	Consent of BDO USA, LLP, independent registered public accounting firm.
23.2*	Consent of Weinberg & Company, P.A., independent registered public accounting firm.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

† Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to the requirements of Item 15(a)(3) of Form 10-K.

£ Certain confidential information has been omitted or redacted from these exhibits that is not material and would likely cause competitive harm to the Company if publicly disclosed.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIVEXLIVE MEDIA, INC.

Date: June 21, 2019

By: /s/ *Robert S. Ellin*
Name: Robert S. Ellin
Title: Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: June 21, 2019

By: /s/ *Michael Zemetra*
Name: Michael Zemetra
Title: Chief Financial Officer and
Executive Vice President
(Principal Financial Officer and
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/ s / Robert S. Ellin Robert S. Ellin	Chief Executive Officer, Chairman and Director	June 21, 2019
/s/ Jay Krigsman Jay Krigsman	Director	June 21, 2019
/ s / Craig Foster Craig Foster	Director	June 21, 2019
/s/ Tim Spengler Tim Spengler	Director	June 21, 2019
/s/ Jerome N. Gold Jerome Gold	Director	June 21, 2019
/s/ Ramin Arani Ramin Arani	Director	June 21, 2019
/s/ Patrick Wachsberger Patrick Wachsberger	Director	June 21, 2019
/s/ Kenneth Solomon Kenneth Solomon	Director	June 21, 2019

Exhibit 10.13

AMENDMENT NO. 3 TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDMENT NO. 3 TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this " Amendment "), dated as of March 31, 2019, is entered into by and between LiveXLive Media, Inc., a Delaware corporation (the " Company "), and Jerome N. Gold (the " Executive "). The Company and the Executive shall collectively be referred to herein as the " Parties ". Capitalized terms used in this Amendment but not defined herein have the meanings ascribed to them in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Amended and Restated Employment Agreement, dated as of September 1, 2017, as amended by Amendment No. 1 to the Amended and Restated Employment Agreement, dated as of December 14, 2017, and Amendment No. 2 (" Amendment No. 2 ") to the Amended and Restated Employment Agreement, dated as of April 27, 2018 (collectively, the " Employment Agreement ");

WHEREAS, in connection with a contemplated material event to be consummated by the Company, the Company is now requiring its senior executives and certain shareholders to extend the lock-up period previously agreed to by such persons, and accordingly, the Parties now desire to amend the Employment Agreement as set forth herein; and

WHEREAS, pursuant to Section 9.1 of the Employment Agreement, the Employment Agreement may be amended by the Parties pursuant to a written instrument duly executed by each of the Parties.

NOW, THEREFORE, in consideration of the representations, warranties, covenants, agreements and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

Section 1. Amendments to the Employment Agreement .

(a) The following defined term in Section 1(c) of Amendment No. 2 is hereby amended by inserting the bold, underlined text and deleting the strickenthrough text as follows:

" **"Lock-up Period** " means the period ending **December 1** ~~June 30~~ , 2019. During the Lock-up Period, the Executive agrees to abide by the terms set forth in Exhibit A hereto."

(b) Except for the amendments expressly set forth in this Section 1 , the text of Amendment No. 2 and the Employment Agreement shall remain unchanged and in full force and effect.

Section 2. Miscellaneous . The provisions of Sections 8.8 and 9 of the Employment Agreement are incorporated herein by reference.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties have entered into and signed this Amendment as of the date and year first above written.

COMPANY:

LiveXLive Media, Inc.

By: */s/ Robert S. Ellin*
Name: Robert S. Ellin
Title: CEO and Chairman

EXECUTIVE:

Jerome N. Gold

/s/ Jerome N. Gold
(signature)

Exhibit 10.14

AMENDMENT NO. 4 TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDMENT NO. 4 TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this " Amendment "), dated as of April 16, 2019, is entered into by and between LiveXLive Media, Inc., a Delaware corporation (the " Company "), and Jerome N. Gold (the " Executive "). The Company and the Executive shall collectively be referred to herein as the " Parties ". Capitalized terms used in this Amendment but not defined herein have the meanings ascribed to them in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Amended and Restated Employment Agreement, dated as of September 1, 2017, as amended by Amendment No. 1 to the Amended and Restated Employment Agreement, dated as of December 14, 2017, Amendment No. 2 to the Amended and Restated Employment Agreement, dated as of April 27, 2018, and Amendment No. 3 to the Amended and Restated Employment Agreement, dated as of March 31, 2019 (collectively, the " Employment Agreement ");

WHEREAS, the Parties now desire to amend the Employment Agreement as set forth herein; and

WHEREAS, pursuant to Section 9.1 of the Employment Agreement, the Employment Agreement may be amended by the Parties pursuant to a written instrument duly executed by each of the Parties.

NOW, THEREFORE, in consideration of the representations, warranties, covenants, agreements and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

Section 1. Amendments to the Employment Agreement .

(a) Section 5.2 of the Employment Agreement is hereby amended and restated in its entirety to read as follows:

" Public Offering Bonus . In addition to the Base Salary and the Performance Bonus defined in Section 5.3 , the Company shall pay to Executive a cash bonus in an amount equal to One Hundred Thousand Dollars ($100,000) (the " **Public Offering Bonus** ") in a single lump sum payment on the later to occur of: (i) January 1, 2020 and (ii) the date, which shall be on or after March 31, 2019, when a firm commitment underwritten public offering or a public offering via a placement agent of securities of the Company pursuant to an effective registration statement under the Securities Act of 1933, as amended, is consummated."

(b) Except for the amendments expressly set forth in this Section 1 , the text of the Employment Agreement shall remain unchanged and in full force and effect.

Section 2. Miscellaneous . The provisions of Sections 8.8 and 9 of the Employment Agreement are incorporated herein by reference.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties have entered into and signed this Amendment as of the date and year first above written.

COMPANY:

LiveXLive Media, Inc.

By: */s/ Robert S. Ellin*
Name: Robert S. Ellin
Title: CEO and Chairman

EXECUTIVE:

Jerome N. Gold

/s/ Jerome N. Gold
(signature)

Exhibit 10.15

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (this " Amendment "), dated as of March 31, 2019, is entered into by and between LiveXLive Media, Inc., a Delaware corporation (the " Company "), and Michael Zemetra (the " Executive "). The Company and the Executive shall collectively be referred to herein as the " Parties ". Capitalized terms used in this Amendment but not defined herein have the meanings ascribed to them in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Employment Agreement, dated as of April 13, 2018 (the " Employment Agreement ");

WHEREAS, in connection with a contemplated material event to be consummated by the Company, the Company is now requiring its senior executives and certain shareholders to extend the lock-up period previously agreed to by such persons, and accordingly, the Parties now desire to amend the Employment Agreement as set forth herein; and

WHEREAS, pursuant to Section 9.1 of the Employment Agreement, the Employment Agreement may be amended by the Parties pursuant to a written instrument duly executed by each of the Parties.

NOW, THEREFORE, in consideration of the representations, warranties, covenants, agreements and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

Section 1. Amendments to the Employment Agreement .

(a) The following defined term in Section 5.3 of the Employment Agreement is hereby amended by inserting the bold, underlined text and deleting the strickenthrough text as follows:

"" **Lock-up Period** " means (i) with respect to the First RSUs Tranche, the period ending on **December 1** ~~June 30~~ , 2019, and (ii) with respect to the Second RSUs Tranche, the period ending on the earlier of: (x) one year after the Subsequent Vesting Date applicable to the Second RSUs Tranche, or (y) the second anniversary of the Effective Date. During the Lock-up Period, the Executive agrees to abide by the terms set forth in Exhibit C hereto."

(b) Except for the amendments expressly set forth in this Section 1 , the text of the Employment Agreement shall remain unchanged and in full force and effect.

Section 2. Miscellaneous . The provisions of Sections 8.8 and 9 of the Employment Agreement are incorporated herein by reference.

[*Signature page follows*]

IN WITNESS WHEREOF, the Parties have entered into and signed this Amendment as of the date and year first above written.

COMPANY:

LiveXLive Media, Inc.

By: /s/ *Robert S. Ellin*
Name: Robert S. Ellin
Title: CEO and Chairman

EXECUTIVE:

Michael Zemetra

/s/ *Michael Zemetra*
(signature)

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this " **Agreement** ") is made as of January 28, 2019 (the " **Effective Date** ") by and between LiveXLive Media, Inc., a Delaware corporation (the " **Company** ") and Michael Bebel (" **Executive** ").

The Company and Executive sometimes are referred to herein collectively as the " **Parties** " and each individually as a " **Party** ."

The Company and Executive, intending to be legally bound, agree as follows:

1 **Employment** . On the terms and subject to the conditions contained herein, the Company hereby employs Executive, and Executive accepts such employment with the Company.

2 **Term** . This Agreement is effective as of the Effective Date. The Company agrees to employ Executive in accordance herewith during the period starting on the Effective Date and ending on and inclusive of the date three (3) years thereafter, subject to any earlier termination of Executive's employment hereunder pursuant to Article 7 . The period starting on the Effective Date and ending on and inclusive of the date three (3) years thereafter, regardless of any termination of Executive's employment hereunder, is referred to herein as the " **Term** ". The period starting on the Effective Date and ending on and inclusive of the earlier of (a) the date three (3) years thereafter, and (b) the Termination Date (as defined in Section 8.1) is referred to herein as the " **Employment Period** ".

3 **Position and Duties** . The Company agrees that during the Employment Agreement:

3.1 Title; Reporting

(a) (i) The provisions of this Section3.1(a) are subject to Sections3.1(b),3.1(c) , and 3.1(d) .

(ii) The Company will employ Executive as the Senior Executive Vice President of the Company. Other than (x) the Chief Executive Officer of the Company (the " **CEO** ") and (y) the President, if any, of the Company (the " **President** "), and subject to the Reporting Exception (as defined in Section 3.1(b)), Executive will be the most senior executive officer of the Company and of each and all of its Affiliates (as defined in Section 9.5(a)) (the Company, together with all of its Affiliates, are referred to herein collectively as the " **Company Group** "). Executive will report solely and directly (A) to the CEO, or (B)if so directed in writing by the board of directors of the Company (the " **Board** ") or by the CEO, to the President, if any, (the individual to whom Executive reports pursuant to clauses (A) or (B) above, the " **Approved Reporting Officer** "). Other than the CEO and the President, if any, and subject to the Reporting Exception, no other employee or officer of the Company Group will have any authorities, duties, offices, positions, powers, reporting relationships, responsibilities, or titles equal or superior to those of Executive, except that each of the Chief Financial Officer of the Company (the " **CFO** "), the Chief Strategy Officer of the Company (the " **CSO** "), the Chief Development Officer of the Company (the " **CDO** "), the President of Programming and Content Development of the Company (the " **President of Programming** "), and the General Counsel of the Company (the " **GC** ") is permitted to have authorities, duties, offices, positions, powers, reporting relationships, responsibilities, or titles equal to, but not superior to or the same as, those of Executive(the foregoing exception solely with respect to the CFO, the CSO, the CDO, the President of Programming and the GC, the " **Designated Officers Exception** "). The Company acknowledges and agrees that the title and office of the President of Programming is different from the title and office of the President, and that at all times during the Term the title and office of the President is and will be senior in all respects to the office and title of the President of Programming.

(iii) Other than the CEO and the President, if any, and subject to the Designated Officers Exception and the Reporting Exception, the Company will not (A) appoint any other person to a position more senior than, or equivalent in status to, that held by Executive (whether in terms of any authorities, duties, offices positions, powers, reporting relationships, responsibilities, titles, or otherwise), (B) appoint any other person to act jointly with Executive, or (C) require Executive to share with any person any of Executive's authorities, duties, powers, reporting relationships, responsibilities, or titles. Subject only to (x) Section 3.1(a)(iv) and (y) the Reporting Exception, each and all of the employees and officers of the Company Group (including the most senior executives of each Affiliate of the Company and of the Company's and its Affiliates' respective operating units and divisions) will report directly to Executive or, at Executive's election, to any designee(s) of Executive.

(iv) Notwithstanding anything to the contrary contained herein: (A)the CEO may cause each of the following, but no other persons, to report directly to the CEO rather than to Executive: (i)the CFO,(ii)the CSO, (iii) the CDO, (iv) the President of Programming of Programming and (v) the GC, (B)the CEO, or the Board, may cause employees solely or primarily performing finance, accounting, human resources, or investor relations functions to report directly to the CFO, (C) subject to the condition that the CEO or the Board causes the CSO to inform Executive of all strategy, mergers and acquisitions, and related matters (in each case whether actual, potential, pending, completed, or otherwise)in regards to the Company Group or any member thereof on a timely manner and on a regular basis, the CEO or the Board may cause employees solely or primarily performing strategy, mergers and acquisitions, and related functions to report directly to the CSO, (D) subject to the condition that the CEO or the Board causes the CDO to inform Executive of all business development activities and all other activities of the CDO (in each case whether actual, potential, pending, completed, or otherwise)in regards to the Company Group or any member thereof on a timely manner and on a regular basis, the CEO or the Board may cause employees solely or primarily performing business development functions to report directly to the CDO, (E) subject to the condition that the CEO or the Board causes the President of Programming to inform Executive of all programming and content development activities and all other activities of the President of Programming (in each case whether actual, potential, pending, completed, or otherwise)in regards to the Company Group or any member thereof on a timely manner and on a regular basis, the CEO or the Board may cause employees solely or primarily performing programming or content development functions to report directly to the President of Programming, and (F) the CEO or the Board may cause the GC of the Company to report directly to both the CEO and to Executive may cause employees solely or primarily performing legal functions to report directly to the GC.

(b) Notwithstanding Section 3.1(a) , and subject to Section 3.1(c) : (i) with respect to any entity acquired by the Company which becomes an Affiliate of the Company after the Effective Date (an " **Acquired Entity** "), the failure of the Company to cause all employees of such Acquired Entity to report directly or indirectly to Executive, in and of itself, shall not constitute a breach of this Agreement or a basis for the Executive's termination for Good Reason pursuant to Section 7.6 ; and (ii) the CEO or the Board may cause only the most senior executive officer of any Acquired Entity (and any successor to such most senior executive officer) to report directly to the CEO rather than to Executive (the exception set forth in this clause (ii) , the " **Reporting Exception** "). If the CEO or the Board causes only the most senior executive officer of an Acquired Entity to report directly to the CEO rather than to Executive pursuant to and in accordance with this Section 3.1(b) , then during the period in which such officer (or any successor) reports directly to the CEO rather than to Executive in accordance herewith, the Acquired Entity of which such officer is the most senior executive officer is referred to herein as an " **Exempt Subsidiary** ".

(c) Without limiting the general provisions of Section 3.1(a), and notwithstanding any express exceptions thereto, including the Designated Officers Exception and the Reporting Exception, the Company agrees that at all times during the Term:

(i) Executive's authorities, duties, powers, and responsibilities will include all of Executive's authorities, duties, powers, and responsibilities as of the Effective Date, including (A) the day-to-day control, direction, management, and supervision of the following functions for the Company Group: operations and operational resources; marketing; sales; products; content programming (subject to the last sentence of this Section 3.1(c)(i)); and technology and technology development (each of the foregoing, a " **Protected Function** "), and (B) general supervision, direction, and control of the day-to-day business and affairs of Slacker, Inc., (including any successor or assign of Slacker, Inc. that is a member of the Company Group) (" **Slacker** ") and the business conducted using the assets owned or controlled by Slacker. Notwithstanding the foregoing, only during any period of the Term in which a person holds the title and office of President of Programming, only the functions of creating, developing, and producing content programming for the Company Group do not constitute a Protected Function hereunder, but in each case only if, and then only to the extent, any such function is delegated to the President of Programming by the CEO or the Board; and

(ii) all employees who solely or primarily perform services relating to any Protected Function or who solely or primarily perform functions for Slacker, including the Chief Operating Officer of the Company, the Chief Marketing Officer of the Company, the Chief Technology Officer of the Company (or, if any of the foregoing titles does not exist at any time during the Term, the closest equivalent title thereto), and the most senior officer of Slacker, will report directly to Executive or Executive's designee.

(d) [RESERVED]

3.2 Duties. Executive will have general supervision, direction, and control of the day to day business and affairs of the Company Group excluding only each Exempt Subsidiary (if any), subject to (x) the budget of the Company then in effect, and, (y) without limiting the provisions of Section 7.6, the direction and control of the Approved Reporting Officer. Subject to the reasonable direction and control of the Board and such Written Policies (as defined below) as may be established from time to time by the Board, the authority and responsibilities of the Executive shall include: (a) managing the day-to-day business operations of the Company Group; (b) supervising, coordinating, and managing the Company Group's business, operations, activities, operating expenses, and capital allocation; (c) matters relating to the Company Group's employees and officers (other than employment matters relating to (t)the CEO,(u) the President, if any, (v) the CFO, but only if the CEO causes the CFO to report to the CEO rather than to Executive, (w) the CSO, but only if the CEO causes the CSO to report to the CEO rather than to Executive, (x) the CDO, but only if the CEO causes the CDO to report to the CEO rather than to Executive, (y) the President of Programming, but only if the CEO causes the President of Programming to report to the CEO rather than to Executive, (z) the GC, but only if the CEO causes the GC to report to the CEO rather than to Executive, and (z) any individual who the CEO causes to report directly to the CEO rather than to Executive pursuant to and in accordance with the Reporting Exception), including hiring, terminating, setting compensation of, the positions or titles (including promotions) of, and allocating responsibilities of such employees and officers subject to the applicable Written Policies, if any; and (d) such other authorities, duties, powers, and responsibilities typically exercised by a Senior Executive Vice President. As used herein, " **Written Policy(ies)** " shall mean, and include, any policy or procedure of the Company, the Board or the Compensation Committee of the Board (the " **Compensation Committee** "), as the case may be, in each case which has been set forth in writing and (i) delivered to the Executive or (ii) of which the Executive has been informed in writing.

3.3 Location. Executive's principal place of business will be the Company's principal executive offices located in the metropolitan Los Angeles, California area.

3.4 Confidentiality, Non-Interference and Invention Assignment. As a condition of employment, Executive shall execute and comply with the Confidentiality, Non-Interference and Invention Assignment Agreement attached hereto as Exhibit "A" (" **Confidentiality Agreement** ").

4 **Services .** During the Employment Period, Executive shall devote substantially all of Executive's working time, attention, and efforts to the Company, excluding any periods for illness, incapacity, and vacations, subject to the policies established by the Compensation Committee, except as otherwise specifically provided herein. Notwithstanding the immediately preceding sentence or anything to the contrary contained herein, during the Employment Period Executive is permitted (a) to serve on the boards of directors, the boards of trustees, or any similar governing bodies, of any corporations or other business entities, of any charitable, educational, religious, or public service organizations, or of any trade associations, (b) to engage in charitable activities and community affairs, (c) to engage in venture investing, and (d) to manage Executive's personal investments, in each case so long as such activities are disclosed to the Board, do not compete with the business of the Company, and do not interfere with Executive's performance of this Agreement and which shall take first priority over all other such activities as determined in the reasonable discretion of the Board. The Company hereby acknowledges and agrees that all such activities conducted by Executive as of the Effective Date (including all boards of directors on which Executive serves as of the Effective Date) which are listed in Schedule "1" to this Agreement, do not interfere with Executive's performance of this Agreement and do not compete with the business of the Company.

5 **Compensation**

5.1 Base Salary

(a) During the Employment Period, the Company shall pay to Executive a cash base salary at the following applicable rates: (i) during the period starting on the Effective Date and ending on the date immediately prior to the date on which the Salary Increase Event (as hereinafter defined) occurs: at the rate of not less than Two Hundred Seventy Five Thousand Dollars ($275,000) per annum; and (ii) from and after the date on which the Salary Increase Event occurs: at the rate of not less than Three Hundred Twenty Five Thousand Dollars ($325,000) per annum. During the Employment Period the Board (or the Compensation Committee) shall review Executive's annual cash base salary not less frequently than on an annual basis and may increase (but not decrease, including as it may be increased from time to time) such base salary. Executive's annual cash base salary, as it may be increased from time to time, is referred to herein as the " **Base Salary** ". The Company shall pay the Base Salary to Executive in accordance with the Company's generally applicable payroll practices for senior executive officers, but not less frequently than in equal monthly installments.

(b) For the purposes hereof, the term " **Salary Increase Event** " has the meaning set forth on Schedule 5.1(b) attached hereto and incorporated herein by reference.

5.2 Reimbursement of Relocation Expenses . The Company acknowledges that prior to the Effective Date Executive relocated his primary residence to work full time from the Company's principal executive offices located in the metropolitan Los Angeles, California area. In addition to the Base Salary and the Performance Bonus (as defined in Section 5.3), on or before the date thirty (30) days following the date of occurrence of the Salary Increase Event the Company shall (a) reimburse Executive for all costs, expenses, and fees incurred by Executive in connection with Executive so relocating his primary to the Los Angeles, California area to work full time from the Company's principal executive offices (" **Relocation Expenses** ") in an amount not to exceed Thirty Five Thousand Dollars ($35,000) and (b) concurrently therewith pay to Executive an additional amount (the " **Relocation Gross-Up** ") such that the net after-tax proceeds to Executive of the reimbursement of his Relocation Expenses and the Relocation Gross-Up (at his then-current combined state and federal marginal income tax rates) is equal to Executive's reimbursable Relocation Expenses.

5.3 Annual Performance Bonus .

(a) In addition to the Base Salary, Executive is eligible to earn an annual fiscal year cash performance bonus (a " **Performance Bonus** ") for each whole or partial fiscal year of the Employment Period in accordance with the Company's annual bonus plan applicable to the Company's senior executives (the " **Annual Plan** "). (The fiscal year, as of the Effective Date, is April 1 to March 31.) The Company agrees to use its good faith efforts to establish, or cause the establishment of the Annual Plan prior to March 31, 2019. Executive's "target" Performance Bonus shall be one hundred percent (100%) of Executive's average annualized Base Salary during the fiscal year for which the Performance Bonus is earned (disregarding any reduction to the Base Salary in violation of this Agreement). Executive's "target" Performance Bonus is referred to herein as the " **Target Bonus** ." On or before the date sixty (60) days after the first day of each fiscal year of the Company occurring during the Employment Period the Compensation Committee shall meaningfully consult with Executive in connection with establishing the performance objectives for determining Executive's Performance Bonus for the respective fiscal year, provided that the final determination shall remain in the complete and sole discretion of the Compensation Committee and the Board.

(b) The Company agrees that the performance objectives established under the Annual Plan for Executive will be no less favorable in the aggregate to Executive than the objectives established and used under the Annual Plan to determine the amount of the annual cash bonus payable to any other executive officer of the Company Group who participates in the Annual Plan (other than the CEO). Except as otherwise provided herein: (i) depending on such performance in any particular whole or partial fiscal year, and on the criteria set forth in the Annual Plan, the actual amount of the Performance Bonus for that fiscal year may be less than, equal to, or greater than the Target Bonus; (ii) the Company shall pay each Performance Bonus to Executive at the same time that annual cash bonuses are paid to the other senior executive officers of the Company Group, but in no event later than the fifteenth (15th) day of the third month following the end of the applicable fiscal year for which the Performance Bonus is earned; and (iii) except as provided in Article 8 , Executive shall not be entitled to receive any Performance Bonus if Executive is not employed on the date on which annual cash bonuses for the applicable fiscal year are paid (or are payable in accordance with this Section 5.3), provided that, if the Executive's employment shall end at the end of the Term, the Performance Bonus, if any, for the last fiscal year of the Term shall be payable as if the Executive was employed on the date on which annual cash bonuses for the applicable fiscal year are paid (or are payable in accordance with this Section 5.3) and shall be prorated based on the ratio of (x) the total number of calendar days elapsed in such fiscal year through and inclusive of the date on which the Term ends, to (y) the total number of calendar days in that fiscal year.

5.4 Initial Equity Grant . The following is in addition to any other equity-based compensation or equity awards the Company or any other member of the Company Group grants to Executive on or after the Effective Date (including any Other Equity Awards, as defined in Section 8.1):

(a) The Company acknowledges and confirms that prior to the Effective Date the Company granted to Executive nonqualified options (the " **Options** ") to purchase a total of three hundred fifty thousand (350,000) shares of the Company's common stock, par value $0.001 (collectively, the " **Shares** ", and each, individually, a " **Share** "), at an exercise price equal to Four and 00/100 Dollars ($4.00). The Options (i) have a term of ten (10) years from the date of grant, and (ii) subject to Article 8 , vest annually starting on January 31, 2018 as to one-third (1/3) of the Shares every anniversary thereafter (such that the Options shall be fully vested as of January 31, 2021), provided that on each such vesting date, Executive is employed by the Company (except as otherwise provided in Article 8). Subject to Article 8 , each tranche of Shares subject to the Options shall become exercisable on the earlier of (x) one (1) year after the date each tranche shall vest, (y) the second anniversary of the Effective Date, or (z) the earliest date vested equity awards become exercisable or transferable for similarly situated executives of the Company. Notwithstanding the foregoing, in the event of a "Change of Control" (as defined in the Company's 2016 Equity Incentive Plan (the " **2016 EIP** ")) any unvested portion of the Options shall vest and become exercisable effective immediately prior to such event.

(b) In addition to the Options, the Company shall grant to Executive, as soon as practicable following the Effective Date, five hundred thousand (500,000) restricted stock units (" **RSUs** "). Subject to Article 8 , the RSUs shall vest as follows: (i) a number of RSUs equal to the Initial Vested Amount (as hereinafter defined) shall vest on the later of (A) the date six (6) months after the Effective Date and (B) the earlier of (x) the expiration of any "lock up" agreement in respect of shares of capital stock of the Company to which Executive is subject, and (y) June 30, 2019 (the applicable date determined pursuant to clauses (A) and (B) above, (the " **Initial Vesting Date** "); and (ii) a number of RSUs equal to the Additional Vested Amount (as hereinafter defined) shall vest on such date every three (3) months thereafter through the date three (3) years after the Effective Date, provided that on a particular vesting date Executive is employed by the Company (except as other provided in Article 8). The RSUs will be evidenced by an Award Agreement (as defined in the 2016 EIP) between the Company and Executive and the provisions of which comply with this Agreement. Notwithstanding the foregoing, in the event of a "Change of Control" (as defined in the 2016 EIP) any unvested RSUs shall vest in full effective immediately prior to such event. Each vested RSU shall be settled by delivery to Executive of one share of common stock of the Company per vested RSU as soon as practicable after the applicable vesting date, but in no event later than March 15 of the calendar year immediately following the calendar year in which the applicable vesting date occurred (each such applicable date, the " **Settlement Date** "). Any fractional RSUs resulting from the application of the vesting schedule shall be aggregated and the RSUs resulting from such aggregation shall vest on the final vesting date. Upon each Settlement Date, Executive shall be entitled, at his discretion and to the extent permitted by applicable law, to satisfy his tax obligations arising in connection with the settlement of his RSUs through the sale by Executive in the open market of a number of shares of common stock of the Company underlying the RSUs up to the maximum applicable withholding rate. As permitted by law and subject to any required consents, on or before each Settlement Date, the Company shall use its commercially reasonable efforts to file a Registration Statement on Form S-8 with the SEC to allow the Executive (and if permitted by the Company, other senior executives) to settle a number of RSUs sufficient to cover his employment tax obligation arising in connection with the settlement of his RSUs in the open market pursuant to such Form S-8.For the purposes of this Agreement: (I) the term " **Initial Vested Amount** " means the amount determined by the following formula: $\left(\frac{A}{1{,}095}\right) \times (500{,}000)$, where " *A* " is the total number of calendar days occurring during the period from the Effective Date through the Initial Vesting Date; and (II) the term " **Additional Vested Amount** " means the amount determined by the following formula: $\frac{(500{,}000) - (\textit{the Initial Vested Amount})}{10}$.

5.5 Tax Withholding . The Company may withhold from any amounts payable hereunder, including any amounts payable pursuant to this Article 5 or pursuant to Article 8 , any applicable federal, state, and local taxes that the Company is required withhold pursuant to any applicable law.

6 Benefits; Perquisites; Expenses

6.1 Benefits . Except as otherwise agreed to by the Executive or elected by the Executive in any applicable voluntary election materials, Executive shall be eligible to participate in and shall receive all or comparable benefits under all welfare plans, pension plans, fringe benefit plans, other benefit plans, and all other arrangements, plans, policies, and programs in each case (w) that the Company makes available generally to the senior executives of the Company or of any other member of the Company Group (other than the CEO or the President, if any), (x) that are sponsored or maintained by any member of the Company Group or to which any member of the Company Group contributes, (y) on a basis no less favorable than the basis as such arrangements, plans, policies, and programs are applicable or made available to the other senior executives of any member of the Company Group (other than the CEO and the President, if any), and (z) whether now existing or established hereafter, including (a) all accidental death, business travel insurance, death benefits, dental, disability (including short-term disability and long-term disability), flexible spending accounts, health, hospitalization, life insurance, long term care, medical, prescription drug, salary continuation, sickness, surgical, vacation, vision, welfare, wellness, and similar arrangements, plans, policies, or programs, and (b) all change in control, deferred compensation, deferred stock unit, executive compensation, incentive (or other) bonus (whether short-term, long-term, or otherwise), other equity-based compensation, pension, profit sharing, restricted stock, restricted stock unit, retention, retirement, savings, stock appreciation right, stock option, stock purchase, supplemental retirement, and similar arrangements, plans, policies, and programs (collectively, the " **Benefit Plans** "). The Company agrees that Executive's eligible dependents shall have the right to participate in all Benefit Plans as permitted in accordance with the applicable terms of the respective Benefit Plan and that the Company's medical and hospital plan shall provide coverage for Executive's eligible dependents.

6.2 Perquisites . Executive is entitled to receive such perquisites that the Company generally provides to its other senior executive officers in accordance with the then-current policies and practices of the Company.

6.3 Vacation . Executive is entitled to not less than four (4) weeks of paid vacation during each calendar year, taken in accordance with the generally applicable policies and procedures of the Company.

6.4 Business Expenses . The Company shall promptly pay or reimburse Executive for all reasonable expenses incurred or paid by Executive during the Term in the performance of the Executive's duties hereunder, upon presentation of expense statements or vouchers and such other information as the Company may reasonably require and in accordance with the generally applicable policies and procedures of the Company.

6.5 Indemnification

(a) The Company shall indemnify and hold harmless Executive to the fullest extent permitted by law from and against any and all expenses (including: attorneys' fees, fees of experts, witness fees, fees of other professional advisors, other disbursements incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, appealing, or participating in a Proceeding (as hereinafter defined); bonds; all interest, assessments, and other charges paid or payable in connection with or in respect of the foregoing; and any federal, state, local, or foreign taxes imposed on Executive as a result of the actual or deemed receipt of any payments pursuant to this Section 6.5) (" **Expenses** "), demands, claims, damages, judgments, penalties, fines, settlements, and all other liabilities incurred or paid by him, or on his behalf, in connection with the investigation, defense, prosecution, settlement or appeal(s) of any threatened, pending or completed action, suit, proceeding, alternative dispute resolution mechanism, investigation, inquiry, or hearing (including any administrative hearing), whether civil, criminal, administrative or investigative and to which Executive was or is a party or other participant or is threatened to be made a party or other participant (a " **Proceeding** "), or any claim, issue, or matter therein (including any Proceeding brought by or in the right of any member of the Company Group), by reason of or arising from the fact that Executive is or was a director, officer, employee, agent, or fiduciary of the Company or of any other member of the Company Group or, at the request of the Company, of any other corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, or by reason of or arising from anything done or not done by Executive in any such capacity or capacities, (including any Proceeding, or any claim, issue, or matter therein, by reason of or arising from: any actual or alleged breach by Executive of his fiduciary duty as a director or officer of any member of the Company Group; the registration, purchase, sale, or ownership of any securities of the Company or any fiduciary obligation owed with respect thereto; or any misstatement or omission of material fact by the Company in violation of any duty of disclosure imposed on the Company by any federal, state, or foreign securities or common laws), provided that Executive acted in good faith and in a manner that was not grossly negligent and Executive reasonably believed to be in or not opposed to the best interests of the Company or such other member of the Company Group, and, with respect to any criminal Proceeding, had no reasonable cause to believe Executive's conduct was unlawful. Notwithstanding the foregoing, solely with respect to any Proceeding brought by or in the right of the Company, the Company is not obligated to so indemnify Executive in respect of any claim, issue, or matter in such Proceeding as to which Executive shall have been adjudged to be liable to the Company, unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such Proceeding was brought shall determine upon application that, despite such adjudication but in view of all the circumstances in the Proceeding, Executive is fairly and reasonably entitled to indemnity for Expenses and such other amounts which the Court of Chancery or such other court shall deem proper. The Company also shall pay any and all Expenses incurred by Executive as a result of Executive being called as a witness in connection with any matter involving the Company, any other member of the Company Group, or any of its or their respective officers or directors, provided that the Company shall not be obligated to pay for any such attorney's fees if there is no appreciable risk of liability to Executive as a result of serving as such a witness, provided further that, in such event, the Company (at its expense) will provide Executive with reasonable access to the Company's legal counsel for the sole purpose of advising Executive in connection Executive's serving as such a witness. Without limiting the generality of the foregoing, the Company's covenants and obligations under this Section 6.5 include indemnifying and holding harmless Executive against all Expenses incurred by or on behalf of Executive in connection with, relating to, or arising from any Proceeding initiated by Executive or by any member of the Company Group to enforce or interpret this Section 6.5 or any rights of Executive to indemnification or advancement of Expenses (whether hereunder, under any other agreement, under the Company's certificate of incorporation or bylaws (as now or hereafter in effect), under any applicable laws, or otherwise), or for recovery under any directors' and officers' liability insurance policies maintained by any member of the Company Group, in each case if, and only if Executive prevails with respect to any substantial issue or set of issues presented in such Proceeding.

(b) The termination of any Proceeding or of any claim, issue, or matter therein, by judgment, order, or settlement, shall not create a presumption that Executive did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

(c) The Company shall pay any Expenses, judgments, penalties, fines, settlements, and other liabilities incurred by Executive in investigating, defending, settling or appealing any Proceeding described in this Section 6.5 in advance of the final disposition of such Proceeding, as such Expenses, judgments, penalties, fines, settlements, and other liabilities come due. The Company shall promptly pay the amount of such Expenses, judgments, penalties, fines, settlements, and other liabilities to Executive, but, in respect of advances of Expenses, in no event later than ten (10) days following Executive's delivery to the Company of a written request for an advance pursuant hereto, together with a reasonable accounting of such Expenses, and in respect of all other indemnification payments, in no event later than thirty (30) days following Executive's delivery to Company of a written request therefor, together with such reasonable accounting or other applicable supporting information. Executive hereby undertakes and agrees to repay to the Company any advances made pursuant to this Section 6.5(c) within ten (10) days after an ultimate finding that Executive is not entitled to be indemnified by the Company for such amounts. The Company shall make the advances contemplated by this Section 6.5(c) regardless of Executive's financial ability to make repayment, and regardless whether indemnification of Executive by the Company will ultimately be required. Any advances and undertakings to repay pursuant to this Section 6.5(c) shall be unsecured and interest-free.

(d) The Company agrees that (i) during the Employment Period the Company will maintain in full force and effect directors' and officers' liability insurance that has a liability limit of not less than Ten Million Dollars ($10,000,000); (ii) in such insurance policy or policies maintained by the Company, Executive shall be named as an insured in such a manner as to provide the same rights and benefits as are accorded to the most favorably insured of the Company's officers or directors, and (iii) such policy or policies shall include a "tail" for coverage for claims made within a minimum of three (3) years following the end of the Employment Period.

(e) The rights of Executive pursuant to this Section 6.5 shall be in addition to any other rights Executive may now or hereafter have under the Company's certificate of incorporation or bylaws (as now or hereafter in effect), any agreement, any vote of stockholders or directors, applicable law, or otherwise. To the extent that a change in applicable law (whether by statute, judicial decision, or otherwise) permits greater indemnification that would be afforded currently under the Company's certificate of incorporation or bylaws, applicable law, any other agreement, or this Section 6.5 , it is the intent of the Parties that Executive enjoy by this Section 6.5 the greater benefits so afforded by such change.

(f) No breach of this Agreement by Executive, in and of itself, shall relieve the Company from any of its obligations or covenants pursuant to this Section 6.5 .

7 Termination of Employment

7.1 Termination Notice . For the purposes hereof, the term " **Termination Notice** " means a written notice provided in accordance with Section 9.2 (x) by the Company, with respect to any termination of Executive's employment pursuant to Section 7.3 , 7.4 , or 7.5 or (y) by Executive with respect to any termination of Executive's employment pursuant to Section 7.6 or 7.7 , as the case may be, that (a) indicates the specific provision of this Agreement relied upon for such termination, (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under the provision so indicated, and (c) other than for a termination pursuant to Section 7.3 , specifies the effective date of the termination, if such effective date is subsequent to the date of receipt of the notice. The failure by the Company or Executive, as the case may be, to set forth in a Termination Notice any fact or circumstance which contributes to a showing of Cause (as defined in Section 7.4(b))) or Good Reason (as defined in Section7.6(b)) does not waive any right of the Company or Executive, respectively, hereunder, or preclude the Company or Executive, respectively, from asserting such fact or circumstance in enforcing its or his rights hereunder.

7.2 Termination Due to Death . The Executive's employment with the Company hereunder terminates automatically upon the death of Executive of Executive during the Term.

7.3 Termination by Company due to Disability .

(a) The Company may terminate Executive's employment hereunder due to Disability only if (i) a majority of the Board determine in good faith that a Disability of Executive has occurred (pursuant to the definition of Disability set forth in Section7.3(b)), and (ii) subsequent (but not prior) to such determination the Company provides a Termination Notice to Executive. In such event, Executive's employment with the Company terminates on the date (the " **Disability Effective Date** ") thirty (30) days after the date on which Executive (or Executive's legal representative, if applicable) receives the Termination Notice, except that if Executive resumes the full-time performance of Executive's duties on or before the Disability Effective Date, then the Termination Notice is of no force or effect, the Executive's employment with the Company does not terminate on the Disability Effective Date, and the Company may not terminate Executive's employment for Disability in that particular instance.

(b) For the purposes hereof, the term " **Disability** " means Executive's absence from his duties with the Company on a full-time basis for one hundred eighty (180) days during any period of twelve (12) consecutive months, or one hundred and twenty (120) consecutive days, in each case solely as a result of incapacity due to mental or physical illness and, at the end of such applicable period, the determination in good faith by a Qualifying Doctor that such incapacity will result in Executive's continued inability to perform his services hereunder for an additional period of not less than three (3) months from the date of such determination. As used herein, " **Qualifying Doctor** " means an independent medical doctor then-licensed to practice medicine in the State of California specializing in the area to which Executive's incapacity relates and who is selected by the Company and approved by Executive (or Executive's legal representative, if applicable) (such approval not to be unreasonably withheld or delayed by the Executive, or Executive's legal representative, if applicable). In connection with such determination, Executive or his legal representative or any member of his family has the right to present to such medical doctor any information or arguments as to Executive's incapacity as he, she, or they deem appropriate, including the opinion of Executive's personal physician(s).

7.4 Termination by Company for Cause

(a) The Company may terminate Executive's employment with the Company for Cause at any time by providing a Termination Notice and Board resolution described below to Executive, if the Company and the Board comply with all of the provisions of this Section 7.4 :

(b) For the purposes hereof, " **Cause** " means:

(i) Executive's conviction of a felony requiring intent under the laws of the United States or any State thereof, after the exhaustion of all possible appeals, or Executive entering a plea of nolo contendere to any charge of a felony requiring intent under the laws of the United States or any State thereof, in each case excluding any Limited Vicarious Liability (as hereinafter defined). For the purposes hereof, " **Limited Vicarious Liability** " means any liability that (x) is based on acts or omissions of the Company for which Executive is responsible solely as a result of his offices with the Company, where Executive was not directly involved in such acts or omissions and either had no prior knowledge of such intended acts or omissions or upon obtaining any such knowledge promptly acted reasonably and in good faith to attempt to prevent the acts or omissions causing such liability, or (y) Executive did not have a reasonable basis to believe that any applicable law was being violated by such acts or omissions; or

(ii) a willful and substantial refusal by Executive to perform Executive's duties or responsibilities assigned to Executive in accordance with the terms of this Agreement, but only if such duties or responsibilities so assigned to Executive are not inconsistent with (x) Executive's position as Senior Executive Vice President of the Company, or (y) any of Executive's duties or responsibilities hereunder (including any such duties or responsibilities as set forth in, or as contemplated by, Section3.1), and, in each case, excluding any such failure by reason of death, Disability, or incapacity; or

(iii) any material and willful violation of any Written Policy of the Company that is generally applicable to all employees or officers of the Company and that results in a material negative effect on the business of the Company; or

(iv) Executive's willful malfeasance in the performance of his duties hereunder that has a material negative effect on the business of the Company; or

(v) Executive engaging in intentional acts of material fraud against the Company.

(c) For the purposes hereof: (i) any act or omission (including any refusal or violation) by Executive is " **willful** " only if the same is not in good faith and is without the reasonable belief by Executive that such act or omission is in the best interests of the Company; and (ii) any act or omission by Executive based upon any authority granted pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company in each case is presumed to be in good faith and in the best interests of the Company.

(d) For avoidance of doubt, " **Cause** " does not include (i) differences of opinion with respect to strategy or implementation of business plans, (ii) the success or lack of success of any such strategy or implementation, or (iii) any failure to achieve any performance objectives, whether relating to Executive, the Company, or otherwise.

(e) With respect to clauses (ii) , (iii) , and (iv) of Section 7.4(b) , "Cause" shall not exist unless (i) the Company, on or before the date one hundred twenty (120) days after the first date on which any member of the Board has knowledge of the act or omission alleged to constitute Cause, provides written notice to Executive informing Executive of the Company's intention to consider terminating Executive's employment hereunder for Cause and identifying the act or omission alleged to constitute Cause, and (ii) Executive fails to cure such act or omission (if capable of being cured) on or before the date thirty (30) days after the date on which Executive receives such notice from the Company (such thirty (30) day period, the " **Cause Cure Period** ").

(f) Notwithstanding anything to the contrary contained herein, no cessation of Executive's employment with the Company shall be deemed to be for Cause unless, on or before the one year anniversary of the first date the Board has knowledge of the act or omission alleged to constitute Cause, or if later, the last day of the applicable Cause Cure Period, the Company delivers to Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds (2/3) of the entire Board (excluding Executive if he is a member thereof) at a meeting called and held for such purpose (i) finding that, in the good faith opinion of the Board, Executive is guilty of conduct constituting Cause hereunder, and (ii) authorizing the termination of Executive's employment for Cause.

7.5 Termination by Company Without Cause . The Company may terminate Executive's employment with the Company Without Cause (as hereinafter defined) only by the Company providing a Termination Notice to Executive. For the purposes hereof, the term " **Without Cause** " means (a) without Cause, and (b) other than by reason of the Executive's death or Disability.

7.6 Termination by Executive for Good Reason

(a) Executive may terminate his employment with the Company for Good Reason only by providing a Termination Notice to the Company on or before the date ninety (90) days after the date on which Executive becomes aware of the act or omission constituting Good Reason, which shall take effect only if the Company shall not cure such basis for Good Reason within thirty (30) days following receipt of such Termination Notice and, unless otherwise agreed to by the parties, termination shall be effective upon the expiration of such cure period.

(b) For the purposes hereof, " **Good Reason** " means:

(i) a material reduction in Executive's then-current Base Salary, or then-current Target Bonus;

(ii) the material diminution, removal, or withdrawal of, or any other material adverse change in, any of Executive's authorities, duties, offices, positions, powers, reporting relationships, responsibilities, or titles (as set forth in, or as contemplated by, Sections 3.1 or 3.2 , subject only to the Designated Officers Exception and the Reporting Exception), including a reorganization or other corporate transaction resulting in any entity directly or indirectly controlling (as such concept is defined in Section 9.5(a)) the Company and either (A) Executive is not the first, second, or third most senior executive officer of the ultimate parent entity, or (B) Executive does not report solely and directly to(x) the chief executive officer of the ultimate parent entity, or (y) the President, if any, of the ultimate parent entity, or (z) the board of directors of the ultimate parent entity;

(iii) the assignment to Executive of any authorities, duties, functions, offices, positions, or responsibilities, that materially impair Executive's ability to function as the sole Senior Executive President of the Company (or any other position in which Executive is then serving) or the assignment to Executive of any duties that are materially inconsistent with any of the provisions of Section 3.1 or 3.2;

(iv) the Company relocating Executive's principal place of business more than twenty-five (25) miles outside of the City of Los Angeles, California, excluding any such relocation to a location that is closer to Executive's then-current primary residence than the location of Executive's principal place of business immediately prior to the occurrence of such relocation;

(v) any purported termination of Executive's employment for Cause that is not effected in compliance with Section 7.4 , other than by reason of Executive's timely cure of such basis for Cause;

(vi) [RESERVED]; or

(vii) the Company failing to comply with Section 9.3 ; or any other breach of this Agreement by the Company, including any other breach of Sections 3.1 or 3.2 .

7.7 Termination by Executive Without Good Reason . Executive may terminate Executive's employment with the Company without Good Reason by providing a Termination Notice to the Company that specifies an effective date that is not less than thirty (30) days after the date on which Executive provides the Termination Notice to the Company. The Company, after its receipt of the Termination Notice, may elect to accelerate such effective date by providing Executive with written notice of such acceleration, and in such event the Termination Notice shall be effective as of the date specified in the Company's acceleration notice, and such acceleration, in and of itself, shall not constitute a termination of Executive's employment hereunder by the Company with or without Cause.

8 Consequences of Termination or Non-Renewal

8.1 Certain Defined Terms . As used herein:

" **Accrued Obligations** " means the aggregate of: (a) Executive's accrued Base Salary through and inclusive of the Termination Date (disregarding any reduction thereto in violation of this Agreement); (b) Executive's accrued vacation pay through and inclusive of the Termination Date; and (c) Executive's business expenses incurred through and inclusive of the Termination Date that have not been reimbursed by the Company as of the Termination Date.

" **eligible dependent** " includes Executive's spouse (or widow).

" **Equity Compensation** " means (i) the Options granted to Executive pursuant to Section 5.4(a) , (ii) the RSUs granted to Executive pursuant to Section 5.4(b) , and (iii) the Other Equity Awards.

" **Medical Plan** " means each of the Benefit Plans that provides dental, health, hospitalization, life, medical, prescription, surgical, or vision benefits, care, coverage, or insurance, or any similar benefits, care, coverage, or insurance.

" **Other Benefits** " means all benefits, compensation, and rights, whether accrued, earned, or vested, to which Executive is entitled as of the Termination Date under the terms and conditions applicable to such benefits, compensation, and rights, including death benefits, disability benefits, and all other benefits, compensation, and rights pursuant to any of the Benefit Plans (including vested stock options, restricted shares, restricted stock units).

" **Other Equity Awards** " means all equity compensation or other equity awards granted by any member of the Company Group to Executive before, on, or after the Effective Date (including restricted stock, restricted stock units, stock appreciation rights, and stock options), excluding (i) the Options granted to Executive pursuant to Section 5.4(a) and (ii) the RSUs granted to Executive pursuant to Section 5.4(b) .

" **Prior Year Bonus** " means Executive's Performance Bonus earned for the fiscal year immediately preceding the fiscal year in which the Termination Date occurs, if such Performance Bonus has not been paid as of the Termination Date (disregarding any reduction to the Target Bonus in violation of this Agreement);

" **Pro Rata Bonus** " means an amount equal to the product of (a)(i) if the Termination Date occurs during the first fiscal year of the Term, one hundred percent (100%) of the Performance Bonus determined in good faith by the Company pursuant to Section 5.3 , and (ii) if the Termination Date occurs after the end of the first fiscal year of the Term, one hundred percent (100%) of the Performance Bonus earned by Executive for the immediately preceding completed fiscal year prior to the fiscal year in which the Termination Date occurs, in each case, multiplied by (b) a fraction, the numerator of which is the number of days elapsed through and inclusive of the Termination Date in the fiscal year in which Executive's employment is terminated, and the denominator of which is 365.

“ **Termination Date** ” means (a) if Executive’s employment is terminated by reason of death: the date of the Executive’s death; (b) if Executive’s employment is terminated for Disability: the Disability Effective Date; (c) if Executive’s employment is terminated for any other reason, the date of Executive’s “separation from service” as such term is defined under Section 409A (“Section 409A” is defined in Section 8.8).

“ **Unvested Equity** ” means the portion of the Equity Compensation that is unvested as of the Termination Date, after taking into account any acceleration of vesting based on the prior occurrence of any acceleration events specified hereunder.

8.2 Death or Disability . If Executive’s employment is terminated by reason of Executive’s death or due to Executive’s Disability, then:

(a) Executive (or Executive’s beneficiary or estate) is entitled to receive or otherwise to be provided, and the Company shall pay or provide to Executive (or to Executive’s beneficiary or estate):

(i) The aggregate of the following, in a single lump sum, on or before the date thirty (30) days after the Termination Date: (A) the Accrued Obligations, (B) the Prior Year Bonus, and (C) the Pro Rata Bonus; and

(ii) The timely payment or timely provision of the Other Benefits in accordance with the terms and conditions of the applicable Benefit Plan;

(b) Subject to timely execution of a Release pursuant to Section 8.6 and compliance with Exhibit “A” , (i) the portion of the Equity Compensation that would have vested in the twelve (12) month period following the Termination Date had Executive’s employment with the Company continued, shall automatically and immediately vest and become exercisable; and (ii) any such accelerated Equity Compensation shall remain outstanding and be exercisable, to the extent applicable, for a period of twelve (12) months from the later of the Termination Date or the date the award first becomes vested and exercisable, but in all events no later than the applicable term for each such award, and (iv) all restrictions on the portion of the Equity Compensation that is vested as of the Termination Date (or during the twelve (12) month period following the Termination Date) shall automatically and immediately lapse.

(c) All Unvested Equity (after giving effect to Section 8.2(b)) shall be forfeited as of the Termination Date.

8.3 Termination by the Company for Cause; Termination by Executive without Good Reason . If Executive’s employment is terminated by the Company for Cause or by Executive without Good Reason, then:

(a) Executive is entitled to receive or otherwise to be provided, and the Company shall pay or provide to Executive:

(i) The Accrued Obligations, in a single lump sum, on or before the date thirty (30) days after the Termination Date, and

(ii) The timely payment or timely provision of the Other Benefits in accordance with the terms and conditions of the applicable Benefit Plan; and

(iii) All vested and Unvested Equity shall be forfeited effective as of the Termination Date.

8.4 Termination by the Company Without Cause; Termination by Executive for Good Reason . If Executive's employment is terminated by the Company Without Cause or by Executive for Good Reason, then:

(a) Executive is entitled to receive or otherwise to be provided, and the Company shall pay or provide to Executive:

(i) The aggregate of the following, in a single lump sum, on or before the date thirty (30) days after the Termination Date: (A) the Accrued Obligations; and (B) Prior Year Bonus;

(ii) Subject to timely execution of a Release pursuant to Section 8.6 and compliance with Exhibit "A" , continued payment of Executive's annual Base Salary (disregarding any reduction thereto in violation of this Agreement) and Pro Rata Bonus for the period from the Termination Date through the lesser of twelve (12) months or the period through and inclusive of the last day of the Term as if Executive's employment had not terminated (the " **Continuation Period** "), payable to Executive in accordance with the Company's generally applicable payroll practices for senior executive officers, but not less frequently than in equal monthly installments (with the Pro-Rata Bonus being paid at the same time Annual Bonuses are paid to other senior executives); and

(iii) The timely payment or timely provision of the Other Benefits in accordance with the terms and conditions of the applicable Benefit Plan; and

(b) Subject to timely execution of a Release pursuant to Section 8.6 and compliance with Exhibit "A" , (i) all Unvested Equity shall automatically and immediately become vested and exercisable in full on the Termination Date, (ii) any such accelerated Equity Compensation, to the extent permitted by (x) applicable law and (y) the 2016 EIP, shall remain outstanding and be exercisable, to the extent applicable, for a period of six (6) months from the later of the Termination Date or the date the award first becomes vested and exercisable, but in all events no later than the applicable term for each such award; and (iv) all restrictions on the Equity Compensation shall automatically and immediately lapse.

(c) Subject to timely execution of a Release pursuant to Section 8.6 and compliance with Exhibit "A" , during the period starting on the Termination Date and ending on and inclusive of the earlier of (i) the date, if any, on which Executive is eligible under an employee welfare plan of another employer to receive benefits substantially equivalent to the benefits provided under the Medical Plans, and (ii) the end of the Continuation Period, Executive and his eligible dependents shall be entitled, at the Company's sole cost and expense, to continue participation in all Medical Plans in which such Executive and his eligible dependents were participating as of the Termination Date, at the same levels as existed as of the Termination Date, except that if Company is unable to provide coverage under the Medical Plans, then the Company shall notify Executive on a timely basis to allow Executive to obtain COBRA benefits and shall reimburse Executive, on a monthly basis for the Continuation Period, an amount equal to the applicable COBRA premium for the Executive and his eligible dependents, on a "tax grossed-up basis, and it shall be Executive's responsibility to elect and maintain medical coverage under COBRA.

8.5 Non-Renewal . If this Agreement is not terminated before the last day of the Term and prior to that date the Company and Executive do not (i) enter into a mutually acceptable extension of this Agreement, or (ii) enter into a new agreement relating to Executive's employment with the Company to have effect after such date, or (iii) otherwise agree to continue Executive's employment with the Company after such date without the benefit of an agreement relating to such employment, then this Agreement shall automatically end on the last day of the Term, and in such event:

(a) Executive is entitled to receive or otherwise to be provided, and the Company shall pay or provide to Executive:

(i) the aggregate of the following, in a single lump sum, on or before the date thirty (30) days after the effective date of such termination: (x) the Accrued Obligations and (y) any unpaid Prior Year Bonus;

(ii) a Performance Bonus for the completed portion of the final fiscal year of the Term calculated pursuant to and payable in accordance with Section 5.3 and

(iii) the timely payment or timely provision of the Other Benefits in accordance with the terms and conditions of the applicable plan.

(b) Any Unvested Equity shall be immediately forfeited and any outstanding vested portion of the Equity Compensation, to the extent permitted under (x) applicable law and (y) the 2016 EIP, shall remain outstanding and be exercisable, to the extent applicable, for a period of six (6) months from the later of the last day of the Term or the date the award first becomes exercisable, but in all events no later than the applicable term for each such award.

8.6 Release . In connection with any termination of Executive's employment by the Company without Cause or by Executive for Good Reason, each of the Company and Executive shall execute and deliver a Mutual General Release in the form and substance of attached hereto as Exhibit "B" (a " **Release** ") and the Executive's right to payment of the amounts specified in Sections 8.4(a)(ii) , 8.4(b) and 8.4(c) shall be subject to Executive's execution (without revocation) of such a Release within sixty (60) days after the Termination Date.

8.7 No Mitigation . Executive is not required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise. The Company shall not reduce the amount of any payment or benefit provided for herein by any compensation that Executive earns from another employer or from any other employment or from rendering services to or for the benefit of any other person or entity (including self-employment).

8.8 Compliance with Section 409A . Unless otherwise expressly provided, any payment of compensation by Company to Executive, whether pursuant to this Agreement or otherwise, shall be made no later than the fifteenth (15th) day of the third (3rd) month (i.e., 2½ months) after the later of the end of the calendar year or the Company's fiscal year in which Executive's right to such payment vests (i.e., is not subject to a "substantial risk of forfeiture" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (" **Section 409A** "). For purposes of this Agreement, termination of employment shall be deemed to occur only upon "separation from service" as such term is defined under Section 409A. Each payment and each installment of any severance payments provided for under this Agreement shall be treated as a separate payment for purposes of application of Section 409A. To the extent any amounts payable by the Company to the Executive constitute "nonqualified deferred compensation" (within the meaning of Section 409A) such payments are intended to comply with the requirements of Section 409A, and shall be interpreted in accordance therewith. Neither Party individually or in combination may accelerate, offset or assign any such deferred payment, except in compliance with Section 409A. No amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A, including a six (6) month delay of termination payments made to specified employees of a public company, to the extent then applicable. Executive shall have no discretion with respect to the timing of payments except as permitted under Section 409A. Any Section 409A payments which are subject to execution of a Release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as termination of employment) occurs shall commence payment only in such following calendar year as necessary to comply with Section 409A. All expense reimbursement or in-kind benefits subject to Section 409A provided under this Agreement or, unless otherwise specified in writing, under any Company program or policy, shall be subject to the following rules: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other year; (ii) reimbursements shall be paid no later than the end of the calendar year following the year in which Executive incurs such expenses, and Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit. It is the intent of the Company that the provisions of this Agreement and all other plans and programs sponsored by the Company be interpreted to comply in all respects with Section 409A, however, the Company shall have no liability to Executive, or any successor or beneficiary thereof, in the event taxes, penalties or excise taxes may ultimately be determined to be applicable to any payment or benefit received by Executive or any successor or beneficiary thereof, nor for reporting in good faith any payment of benefit as subject to Section 409A.

9 Additional Provisions

9.1 Entire Agreement; No Oral Amendments . This Agreement and the Confidentiality Agreement (including all exhibits and schedules attached hereto and thereto) together set forth the compete, entire, and final agreement between the Company and Executive relating to the subject matter hereof and terminates, cancels, and supersedes any and all prior agreements, communications, contracts, representations, or understandings, in each case whether oral or written, between the Company and Executive relating to the subject matter hereof. No amendment, modification, or supplement to this Agreement is valid, binding, or enforceable unless the same is in writing and executed and delivered on behalf of the Company and by Executive.

9.2 Notices . Each notice or other communication relating to this Agreement, in order to be effective, must be in writing, must be sent to the applicable address indicated below for the recipient (or to the then-most recent address of which the recipient has notified the sender in writing in accordance herewith), and must be sent, all costs, expenses, and fees prepaid by the sender, by (a) personal delivery, (b) first class registered mail, return receipt requested, or (c) a nationally recognized courier service that provides proof of delivery (e.g., FedEx, UPS) for delivery on the first business day immediately following the day on which the notice or other communication is deposited with the courier service. Each notice or communication given in accordance herewith is deemed effective: (i) upon actual receipt when delivered personally or by courier service, or (ii) three (3) business days after the date on which the notice or communication is deposited with the United States Postal Service, if sent by first class registered mail (or any earlier date evidenced by the proof of delivery).

If to the Company : to the attention of the Chairman of the Board, at the address of Company's principle place of business.

If to Executive : to the address listed as Executive's primary residence in the human resource records and to Executive's principle place of business.

9.3 Successors

(a) This Agreement is personal to Executive and Executive may not assign or delegate this Agreement without the prior written consent of the Company. This Agreement inures to the benefit of and is enforceable by Executive's legal representatives, heirs, or legatees.

(b) The Company may not assign or delegate this Agreement without the prior written consent of Executive, except that the Company may assign or delegate this Agreement to any successor (whether direct or indirect, whether by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business or assets of the Company, subject to the condition that the successor, no later than fifteen (15) days after the occurrence of such succession, executes and delivers to Executive an instrument in from and substance acceptable to Executive (such approval not to be unreasonably withheld) pursuant to which the successor explicitly assumes and agrees to perform, comply with, and otherwise be bound by this Agreement in the same manner and to the same extent that the Company would be required to do so if no such succession had occurred. Subject to the immediately preceding sentence, this Agreement is binding upon and inures to the benefit of the Company and its permitted successors and permitted assigns. As used in this Agreement, the term " **Company** " means the Company as hereinbefore defined and any successor to its business or assets as aforesaid that assumes and agrees to perform this Agreement, whether by operation of law or otherwise.

(c) Without limiting the provisions of Section 7.6 , any purported assignment or delegation in violation of this Section 9.3 is null and void *ab initio* and of no force or effect.

9.4 Severability . If any provision of this Agreement is determined to be illegal, invalid, or unenforceable, then such determination does not affect the legality, validity, or enforceability of the other provisions of this Agreement, all of which remain in full force and effect. Each of the Company and Executive agrees that in the event of any such determination the Company and Executive will negotiate to modify this Agreement so as to effect the original intent of the Company and Executive as close as possible to the fullest extent permitted by applicable law.

9.5 Certain Interpretative Matters

(a) For the purposes of this Agreement: (i) the term " **Affiliate** " means, with respect to a specified entity (the " **specified entity** "), at any particular time, any other present or future person or entity that at such time, directly or indirectly, controls, is under common control with, or is controlled by, the specified entity; and the term " **control** " (and, with correlative meanings, the terms " **under common control with** " and " **controlled by**) means the possession, direct or indirect, of the power to direct or cause the direction of the management or policies of any entity, whether through ownership of voting securities, by contract, or otherwise); (ii) the terms " **herein** ," " **hereof** ," " **hereto** ," " **hereunder** ," and terms of similar import refer to this Agreement in its entirety and not to any particular provision; (iii) the term " **include** " (and its grammatical variations) is not limiting; and (iv) the term " **or** " is not exclusive. The headings of the Sections and other subdivisions of this Agreement are for convenience only, do not constitute a part of this Agreement, and are of no force or effect in connection with the construction or the interpretation of this Agreement. Except where expressly provided otherwise, each reference herein to an Article, Section, or other subdivision, or to an Exhibit or Schedule, is a reference to the applicable Article, Section, or other subdivision of, or exhibit or schedule to, this Agreement.

(b) In the event of any inconsistency or conflict between any of the provisions of this Agreement and any of the provisions of any of the Benefit Plans or any other award, code, form, plan, policy, or program of the Company (including the 2016 EIP and any Award Agreement (as defined in the 2016 EIP)), the provisions of this Agreement control and govern. No provision in any of the Benefit Plans or in any other award, code, form, plan, policy, or program (including the 2016 EIP and any Award Agreement (as defined in the 2016 EIP)) related to a violation thereof being grounds for termination, or similar language, will result in a "cause" termination unless such violation is also Cause under this Agreement and the provisions hereof are complied with, and the foregoing applies even if Executive signs an acknowledgement or otherwise agrees to the provisions of such Benefit Plan or other policy, code, plan, or program (including the 2016 EIP and any Award Agreement (as defined in the 2016 EIP)). If any ambiguity or question of interpretation or of construction arises in connection with or relating to this Agreement, each of the Company and Executive agrees that this Agreement is to be interpreted and construed as if jointly drafted by both the Company and Executive and that no presumption or burden of proof is to arise favoring or disfavoring the Company or Executive by virtue of the authorship of any provision of this Agreement.

9.6 Survival . The following provisions survive the expiration or termination of the Employment Period and the Term: (including any termination by reason of Executive's breach of this Agreement): Section 6.5 , Article 8 , and this Article 9 .

9.7 Chosen Law . The laws of the State of California (excluding any conflict of laws principles of that State that would result in the application of the laws of any jurisdiction other than the State of California) govern all matters in connection with, relating to, or arising from this Agreement.

9.8 Authority . The Company represents and warrants that (a) it has the full corporate power and authority to execute, deliver, and perform this Agreement, and (b) the execution, delivery, and performance of this Agreement has been duly and validly authorized.

9.9 Counterparts . This Agreement may be executed in multiple counterparts, each of which constitutes an original and all of which together constitute one and the same instrument. A manually executed counterpart of this Agreement delivered by means of e-mail as a Portable Document Format file (".pdf") (or in any present or future file format intended to preserve the original graphic and pictorial appearance of a document), or by means of facsimile transmission, constitutes the valid and effective execution and delivery of this Agreement for all purposes and has the same force and effect for all purposes as the personal delivery of a manually executed counterpart bearing an original ink signature.

[SIGNATURE PAGE FOLLOWS]

By signing below, each of the Company and Executive acknowledges that it or he has carefully read, fully understands, and accepts and agrees to be bound by the provisions of this Agreement.

LIVEXLIVE MEDIA, INC.

By: /s/ *Robert S. Ellin*
Name: Robert S. Ellin
Its: CEO and Chairman

MICHAEL BEBEL

/s/ *Michael Bebel*

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT BETWEEN LIVEXLIVE AND MICHAEL BEBEL]

Schedule “1”

Outside Activities, Investments and Board Positions

1) Advisory Board – BWG Strategy Group

2) Company Advisor – Road Nation

3) Involvement in Make-A-Wish Foundation

4) Involvement in Chai Life Line Charity

[END OF SCHEDULE “1”]

Schedule 5.1(b)

All terms used but not defined in this Schedule 5.1(b) have the respective meanings given to them in the Employment Agreement dated January 28, 2019 between LiveXLive Media, Inc. and Michael Bebel to which this Schedule is attached and made a part of.

For the purposes of this Agreement, the term " **Salary Increase Event** " means the first to occur of the following:

(1) (a) the initial closing of the first to occur of the following:

(i) the next debt financing of the Company following the Effective Date from which the Company receives gross proceeds of not less than [***] Dollars ($[***]) (including any issuance (or series of related issuances) of debt securities of the Company or any borrowing of loans by the Company); or

(ii) the next sale (or series of related sales) by the Company of any of its Equity Securities (as hereinafter defined) following the Effective Date from which the Company receives gross proceeds of not less than [***] Dollars ($[***]), including the aggregate amount of debt securities converted into the Equity Securities issued upon conversion or cancellation of promissory notes, excluding the conversion or cancellation of (A) any convertible promissory notes held as of the Effective Date by Trinad Capital Master Fund Ltd. (i.e., the 6% convertible notes issued to Trinad Capital Master Fund Ltd. on February 21, 2017, October 27, 2017, and December 5, 2017 described in Item 13 of the Company's Form 10-K filed with the U.S. Securities and Exchange Commission for the fiscal year ending March 31, 2018) or (B) any convertible promissory notes held as of the Effective Date by any of JGB Partners, LP, JGB Capital, LP, and JGB (Cayman) Finlaggan Ltd.

(b) As used herein, the term " **Equity Securities** " means (i) the Company's common stock or preferred stock (in each case whether now existing or hereafter created), (ii) securities conferring the right to purchase the Company's common stock or preferred stock, or (iii) securities convertible into, or exercisable or exchangeable for (with or without additional consideration) the Company's common stock or preferred stock;

(2) (a) the Company or any other member of the Company Group (as applicable, the " **Company Licensee** ") executing written agreements (including any "short form" written agreement or any written "memorandum of understanding" that in each case is intended to be binding on the parties thereto) with not less than [***] ([***]) Majors (as hereinafter defined) pursuant to which, among other things, the applicable Major grants to the Company Licensee a license to do all of the following: (i) exploit by means of "streaming" sound recordings and audiovisual works owned or controlled by that Major, and (ii) exploit by means of "streaming" live performances (whether such "streaming" is audio-only, visual-only, or audiovisual)of recording artists (e.g., musicians or vocalists) whose recording services (or the results and proceeds thereof) are subject to an agreement with the applicable Major, and (iii) make and exploit by means of "streaming" sound recordings and audiovisual works embodying performances of recording artists whose recording services (or the results and proceeds thereof) are subject to an agreement with the applicable Major, including "live" performances rendered by such recording artists. For the purposes hereof, the term " **streaming** " includes (x) delivering a recording (including any sound recording or audiovisual work) by means of digital transmission where such transmission occurs substantially contemporaneously with the performance of the particular recording, (y) "streaming" on an interactive basis (including "on demand" streaming) or on a noninteractive basis, or (z) any method of "streaming" using technology intended to enable the end user to make streaming cache reproductions on a local device for offline playback.

(b) As used herein, the term " **Major** " means (i) [***], (ii) [***], (iii) [***], (iv) any material Affiliate of any of the Persons identified in clauses (i), (ii), or (iii) above (it being agreed that material Affiliates of such Persons include (x) in respect of [***]: [***], [***], and [***]; and (y) in respect of [***]: [***], [***], [***], [***], and [***]); or (iv) any successors or assigns of any of the Persons identified in clauses (i), (ii), (iii), or (iv) above. Without limiting the generality of the foregoing, if any of the corporate names listed in clauses (i), (ii), or (iii) above are incorrect, then the particular reference is deemed to refer to the respective parent entity that operates the business commonly known as "[***]", "[***]", or "[***]", as the case may be;

(3) the Company or any other member of the Company consummating a transaction (or series of related transactions) (including any merger (including any reverse merger), consolidation, or acquisition (including any purchase of securities or any purchase of assets)) pursuant to which the Company (or such other member of the Company Group, if applicable), acquires all or substantially all of the assets or securities of any Person that controls, manages, operates, or owns, any video programming service (whether such service is distributed or transmitted by any "multichannel video programming distributor" (within the meaning of the Communications Act of 1934, as amended), using IP technology (or any successor thereto), or otherwise) that has annual gross revenue in excess of [***] Dollars ($[***]) as of the date on which the transaction (or series of related transactions) is consummated; or

(4) the Company, or any other member of the Company Group, consummating a multi-year, slate transaction (or a series of related transactions) with respect to [***] ([***]) or more events with (a) [***], (b) any Affiliate of [***], or (c) any successor or assign of any of the foregoing the principle terms of which are substantially the same as, or more favorable to the Company than, the principle terms under consideration as of the Effective Date.

(5) the Company, or any other member of the Company Group, consummating a transaction (or a series of related transactions) (including any merger (including any reverse merger), consolidation, or acquisition (including any purchase of securities or any purchase of assets)) pursuant to which the Company (or any other member of the Company Group) acquires all or substantially all of the assets or securities of [***].

[END OF SCHEDULE 5.1(b)]

EXHIBIT "A"

[FORM OF]

<u>CONFIDENTIALITY, NON-INTERFERENCE AND INVENTION ASSIGNMENT AGREEMENT</u>

As a condition of my becoming employed by, or continuing employment with, LiveXLive Media, Inc., a Nevada Corporation (the " **Company** "), and in consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to me by the Company, I agree to the following. All initially capitalized terms used but not defined herein have the respective meanings given to such terms in the Employment Agreement between the Company and me dated January 28, 2019, as amended (the " **Employment Agreement** ")

1 <u>Confidential Information</u>

1.1 <u>Company Group Information</u> . I acknowledge that, during the course of my employment, I will have access to non-public information about the Company and its direct and indirect subsidiaries and affiliates (collectively, the " **Company Group** ") and that my employment with the Company shall bring me into close contact with confidential and proprietary information of the Company Group. In recognition of the foregoing, I agree, at all times during the term of my employment with the Company and for the five (5) year period following my termination of my employment for any reason, to hold in confidence, and not to use, except for the benefit of the Company Group, or to disclose to any person, firm, corporation, or other entity without written authorization of the Company or except as expressly permitted herein, any Confidential Information that I obtain or create. I further agree not to make copies of such Confidential Information except as authorized by the Company, or except as permitted herein, or as otherwise necessary to fulfill my duties to the Company. For the purposes hereof, " **Confidential Information** " means information that the Company Group has developed, acquired, created, compiled, discovered, or owned or will develop, acquire, create, compile, discover, or own, that has value in or to the business of the Company Group that is not generally known and that the Company wishes to maintain as confidential. I understand that Confidential Information includes, but is not limited to, any and all non-public information that relates to the actual or anticipated business and/or products, research, or development of the Company, or to the Company's technical data, trade secrets, or know-how, including, without limitation, proposals and development work for television programs, formats, copyright works, research, product plans, or other information regarding the Company's products or services and markets, customer lists, and customers (including, without limitation, customers of the Company on whom I called or with whom I may become acquainted during the term of my employment), software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances, and other business information disclosed by the Company either directly or indirectly in writing, orally, or by drawings or inspection of premises, parts, equipment, or other Company property. Notwithstanding the foregoing, Confidential Information shall not include (i) any of the foregoing items that are, or become, publicly known through no unauthorized disclosure by me, (ii) any of the foregoing items lawfully disclosed to me free of restriction from a source that was not legally or contractually prohibited from disclosing such item, or (iii) any of the foregoing items or other information that I had or owned prior to my employment with the Company. Notwithstanding anything to the contrary contained herein, I am permitted to disclose any Confidential Information if and to the extent I am required to do so by, or pursuant to any order of, any court, tribunal, or other governmental, judicial, arbitral, administrative, or regulatory authority, agency, or instrumentality. In the event I am so required to disclose any Confidential Information, I will, if permitted pursuant to applicable law, give the Company prompt notice thereof so that the Company Group, at its sole cost and expense, may seek an appropriate protective order and/or waive compliance with the confidentiality provisions of this Confidentiality, Non-Interference, and Invention Assignment Agreement (the " **Confidentiality Agreement** ").

1.2 Former Employer Information. I represent that my performance of all of the terms of this Confidentiality Agreement as an employee of the Company has not breached and will not breach any agreement to keep in confidence proprietary information, knowledge, or data acquired by me in confidence or trust prior or subsequent to the commencement of my employment with the Company, and I will not disclose to any member of the Company Group, or induce any member of the Company Group to use, any developments, or confidential or proprietary information or material I may have obtained in connection with employment with any prior employer in violation of a confidentiality agreement, nondisclosure agreement, or similar agreement with such prior employer.

2 Developments

2.1 Developments Retained and Licensed. I hereby represent and warrant that there are not any developments, original works of authorship, improvements, or trade secrets which were created or owned by me prior to the commencement of the Employment Period (collectively referred to as " **Prior Developments** "). If the foregoing representation and warranty is breached, and during any period during which I perform or performed services for the Company both before or after the date hereof (the " **Assignment Period** "), I incorporate or have incorporated into a Company product, program, service or other work a Prior Development owned by me or in which I have an interest, then I hereby grant the Company a non-exclusive, royalty-free, irrevocable, perpetual, worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, use, sell and otherwise distribute such Prior Development, to the extent of my interest therein, as part of or in connection with such product, program, service or work.

2.2 Assignment of Developments. I hereby assign to the Company all my right, title and interest throughout the world (if any) in and to any and all (i) inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions and reexaminations thereof, (ii) trademarks, service marks, trade dress, logos, titles and working titles, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations and renewals in connection therewith, (iii) copyrightable works, all copyrights, and all applications, registrations and renewals in connection therewith, (iv) trade secrets and confidential business information (excluding general industry knowledge and contacts) and all ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, technology, systems, and business and marketing plans and proposals, (v) rights in and to computer software (including object code, source code, data and related documentation), (vi) Internet Web sites, including domain name registrations and content and software included therein, (vii) other proprietary rights, including, without limitation, original works of authorship, content, dialogue, plots, scripts, scenarios, music programming, formats, graphics, productions, products, programs, services, concepts, moral rights, rights to characters, actions, acts, gags, routines, materials, ideas, names, likeness, image, personality, publicity etc., (viii) rights to exploit, collect remuneration for, and recover for past infringements of any of the foregoing and (ix) copies and tangible embodiments thereof (in whatever form or medium), whether or not patentable or registrable under copyright or similar laws, which I may solely or jointly conceive or develop or reduce to practice or cause to be conceived or developed or reduced to practice, or have conceived or developed or reduced to practice or have caused to be conceived or developed or reduced to practice, during the Employment Period, whether or not during regular working hours, in each case only if the applicable item (A) relates at the time of conception or development to the actual or demonstrably proposed business or research and development activities of the Company; (B) results from or relates to any work performed by me for the Company; or (C) is developed through the use of Confidential Information and/or resources of the Company (collectively referred to as " **Developments** "). I further acknowledge that all Developments which are or were made by me (solely or jointly with others) during the Assignment Period are "works made for hire" as to my contribution (to the greatest extent permitted by applicable law) for which I am, in part, compensated by my salary, unless regulated otherwise by law, but that, in the event any such Development is deemed not to be a work made for hire, I hereby assign any right, title and interest throughout the world in any such Development to the Company or its designee. If any Developments cannot be assigned, I hereby grant to the Company an exclusive, assignable, irrevocable, perpetual, worldwide, sublicenseable (through one or multiple tiers), royalty-free, unlimited license to use, make, modify, sell, offer for sale, reproduce, distribute, create derivative works of, publicly perform, publicly display and digitally perform and display such work in any media now known or hereafter known. Outside the scope of my service, whether during or after my employment with the Company, I agree not to (x) modify, adapt, alter, translate, or create derivative works from any such work of authorship or (y) merge any such work of authorship with other Developments. To the extent rights related to paternity, integrity, disclosure and withdrawal (collectively, " **Moral Rights** ") may not be assignable under applicable law and to the extent the following is allowed by the laws in the various countries where Moral Rights exist, I hereby irrevocably waive such Moral Rights in and to all or any Developments and consent to any action of the Company Group that would violate such Moral Rights in the absence of such consent. I understand that the provisions of this Non-Interference Agreement requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of Section 2870 of the California Labor Code (attached hereto as Schedule A). I will advise the Company promptly in writing of any inventions that I believe meet the criteria in Section 2870 of the California Labor Code and I bear the full burden of proving to the Company Group that an invention qualifies fully under Section 2870 of the California Labor Code. I acknowledge receipt of this Confidentiality Agreement and of written notification of the provisions of Section 2870 of the California Labor Code.

2.3 Maintenance of Records. I agree to keep and maintain adequate and current written records of all Developments made by me (solely or jointly with others) during the Assignment Period. The records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, and any other format. The records will be available to and remain the sole property of the Company at all times. I agree not to remove such records from the Company's place of business except as expressly permitted by Company policy, which may, from time to time, be revised at the sole election of the Company for the purpose of furthering the business of the Company.

2.4 Intellectual Property Rights. I agree to assist the Company, or its designee, at the Company's expense, in every way to secure the rights of the Company in the Developments and any copyrights, patents, trademarks, service marks, database rights, domain names, mask work rights, moral rights, or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments, recordations, and all other instruments which the Company shall deem necessary in order to apply for, obtain, maintain and transfer such rights and in order to assign and convey to the Company the sole and exclusive right, title and interest in and to such Developments, and any intellectual property or other proprietary rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the Assignment Period until the expiration of the last such intellectual property right to expire in any country of the world; provided, however, the Company shall reimburse me for my reasonable expenses incurred in connection with carrying out the foregoing obligation. If the Company is unable because of my mental or physical incapacity or unavailability for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Developments or original works of authorship assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead only to execute and file any such applications or records and only to do all other lawfully permitted acts to further the application for, prosecution, issuance, maintenance or transfer of letters patent or registrations thereon with the same legal force and effect as if originally executed by me. I hereby waive and irrevocably quitclaim to the Company any and all claims, of any nature whatsoever, which I now or hereafter have for past, present or future infringement of any and all proprietary rights assigned to the Company hereunder.

3 Returning Company Group Documents. I agree that, at the time of termination of my employment with the Company for any reason, or earlier if reasonably requested, I will deliver to the Company (and will not keep in my possession, recreate, or deliver to anyone else) any and all Confidential Information and all other documents, materials, information, and property developed by me pursuant to my employment or otherwise belonging to the Company. I agree further that any property situated on the Company's premises and owned by the Company (or any other member of the Company Group), including disks and other storage media, filing cabinets, and other work areas, is subject to inspection by personnel of any member of the Company Group at any time with or without notice.

4 **Disclosure of Agreement .** As long as it remains in effect, I will disclose the existence of this Confidentiality Agreement to any prospective employer, partner, co-venturer, investor, or lender prior to entering into an employment, partnership, or other business relationship with such person or entity.

5 **Restrictions on Interfering**

5.1 Non-Interference . During the period of my employment with the Company (the " **Employment Period** ") and the Post-Termination Non-Interference Period, I shall not, directly or indirectly for my own account or for the account of any other individual or entity, engage in Interfering Activities.

5.2 Definitions . For purposes of this Confidentiality Agreement:

(a) " **Business Relation** " shall mean any current or prospective client, customer, licensee, account, supplier or other business relation of the Company Group, or any such relation that was a client, customer, licensee, account, supplier, or other business relation within the six (6) month period prior to the expiration of the Employment Period, in each case, to whom I provided services, or with whom I transacted business.

(b) " **Interfering Activities** " means (A) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Person employed by, or providing consulting services to, any member of the Company Group (each, a " **Restricted Associate** ") to terminate such Person's employment or services (or in the case of a consultant, materially reducing such services) with the Company Group, provided that the foregoing shall not be violated by general advertising not targeted at employees or consultants of any member of the Company Group; or (B) encouraging, soliciting, or inducing, or in any manner attempting to encourage, solicit, or induce, any Business Relation to cease doing business with or reduce the amount of business conducted with the Company Group, or in any way interfering with the relationship between any such Business Relation and the Company Group. Notwithstanding the foregoing, for the purposes hereof the term "Interfering Activities" excludes my taking all or any of the following actions, whether for my account or benefit or for the account or benefit of any other Person: (x) hiring any Restricted Associate or engaging any Restricted Associate to otherwise render services (whether consulting or otherwise), so long as in connection therewith I do not knowingly encourage, induce, or solicit, or knowingly attempt to encourage, induce, or solicit, the respective Restricted Associate in violation of the above clause (A) of this definition; (y) engaging in, accepting, or otherwise conducting business with any Business Relation, so long as in connection therewith I do not knowingly encourage, solicit, or induce, or knowingly attempt to encourage, solicit, or induce, the respective Business Relation in violation of the above clause (C) of this definition; or (z) communicating, or any Person at my direction communicating, to any Persons, including, without limitation, any Restricted Associate or any Business Relation, by any means, method, media, or format now or hereafter known (including, without limitation, via any present or future social media service, such as, without limitation, LinkedIn, Facebook, or Twitter), any change in my employment, including, but not limited to, the cessation of my employment with the Company or my employment with any Person other than the Company.

(c) " **Person** " means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization, or other form of business entity.

(d) " **Post-Termination Non-Interference Period** " means the period commencing on the date of the termination of my employment with the Company for any reason and ending on the twelve (12) month anniversary of such date of termination.

6 Reasonableness of Restrictions . I acknowledge and recognize the highly competitive nature of the Company's business, that access to Confidential Information renders me special and unique within the Company's industry, and that I will have the opportunity to develop substantial relationships with existing and prospective clients, accounts, customers, consultants, contractors, investors, and strategic partners of the Company Group during the course of and as a result of my employment with the Company. In light of the foregoing, I recognize and acknowledge that the restrictions and limitations set forth in this Confidentiality Agreement are reasonable and valid in geographical and temporal scope and in all other respects and are essential to protect the value of the business and assets of the Company Group. I acknowledge further that the restrictions and limitations set forth in this Confidentiality Agreement will not materially interfere with my ability to earn a living following the termination of my employment with the Company and that my ability to earn a livelihood without violating such restrictions is a material condition to my employment with the Company.

7 Independence; Severability; Blue Pencil . Each of the rights enumerated in this Confidentiality Agreement shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company Group at law or in equity. If any of the provisions of this Confidentiality Agreement or any part of any of them is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of this Confidentiality Agreement, which shall be given full effect without regard to the invalid portions.

8 Injunctive Relief . I expressly acknowledge that any breach or threatened breach of any of the terms and/or conditions set forth in this Confidentiality Agreement may result in substantial, continuing, and irreparable injury to the members of the Company Group. Therefore, I hereby agree that, in addition to any other remedy that may be available to the Company, any member of the Company Group shall be entitled to seek injunctive relief, specific performance, or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of this Confidentiality Agreement without the necessity of posting of a bond.

9 General Provisions .

9.1 Governing Law . Except where preempted by federal law, all matters in connection with, relating to, or arising from this Confidentiality Agreement, including, without limitation, the validity, interpretation, construction, and performance of this Confidentiality Agreement, is governed by and is to be construed under the laws of the state of California applicable to agreements made and to be performed in that state, without regard to conflict of laws rules of the State of California that would result in the application of the laws of any jurisdiction other than the state of California.

9.2 Entire Agreement . This Confidentiality Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions and communications between the Company and me relating to the same. No modification or amendment to this Confidentiality Agreement, nor any waiver of any rights under this Confidentiality Agreement, will be effective unless in writing and signed and delivered by each of the Company and me. Any subsequent change or changes in my duties, obligations, rights, or compensation will not affect the validity or scope of this Confidentiality Agreement.

9.3 Successors and Assigns . Sections 9.3(b) and 9.3(c) of the Employment Agreement are incorporated into this Confidentiality Agreement by reference, *mutatis mutandis* . Notwithstanding anything to the contrary contained in the Employment Agreement or in this Confidentiality Agreement, the Company is prohibited from assigning or delegating all or any portion of this Confidentiality Agreement except in compliance with this Section 9.12 in connection with an assignment or delegation of the Employment Agreement that is effected in compliance with Sections 9.3(b) and 9.3(c) of the Employment Agreement. Subject to the two immediately preceding sentences, this Confidentiality Agreement will be binding upon my heirs, executors, administrators, and other legal representatives and will be binding upon and for the benefit of the Company, its successors, and its assigns.

9.4 Survival . The provisions of this Confidentiality Agreement shall survive the termination of my employment with the Company and/or the assignment, in compliance with the requirements hereof, of this Confidentiality Agreement by the Company to any successor in interest or other assignee, in each case subject to the temporal limitations contained herein.

9.5 Construction . Each party hereto has had an adequate opportunity to have this Confidentiality Agreement reviewed by counsel. If an ambiguity or question of intent or interpretation arises, this Confidentiality Agreement shall be construed as if drafted jointly by the parties hereto. This Confidentiality Agreement shall be construed without regard to any presumption, rule or burden of proof regarding the favoring or disfavoring of any party hereto by virtue of the authorship of any of the provisions of this Confidentiality Agreement. In the event any of the provisions of this Confidentiality Agreement conflict with any of the provisions of the Employment Agreement, the respective provisions of the Employment Agreement govern and control.

[SIGNATURE PAGE FOLLOWS]

I, Michael Bebel, have executed this Confidentiality, Non-Interference, and Invention Assignment Agreement on the date set forth below:

MICHAEL BEBEL

Date: January 28, 2019

/s/ *Michael Bebel*
(Signature)

ACCEPTED AND AGREED TO:

LIVEXLIVE MEDIA, INC.

By: /s/ *Robert S. Ellin*
Name: Robert S. Ellin
Its: CEO and Chairman

Date: February 4, 2019

[SIGNATURE PAGE TO CONFIDENTIALITY, NON-INTERFERENCE AND INVENTION ASSIGNMENT AGREEMENT BETWEEN LIVEXLIVE AND MICHAEL BEBEL]

SCHEDULE A

SECTION 2870 of the CALIFORNIA LABOR CODE
INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT

"(a) any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

EXHIBIT “B”

[FORM OF]

MUTUAL RELEASE OF CLAIMS

This Mutual Release of Claims (this “ **Release** ”), is entered into as of the date of the last signature below, by and between LiveXLive Media, Inc. (the “ **Company** ”) and Michael Bebel (“ **Executive** ”) and is executed by each of the Company and Executive pursuant to Article 8 of that certain Employment Agreement, dated January 28, 2019[, as amended] (the “ **Employment Agreement** ”), by and between the Company and Executive. Capitalized terms used in this Release without definition shall have the meanings ascribed thereto in the Employment Agreement. Executive and the Company sometimes are referred to herein collectively as the “Parties” and each individually as a “Party”. The Company and Executive agree as follows:

1 Release by Executive . Executive, on his own behalf and on behalf of his descendants, dependents, heirs, devisees, legatees, executors, administrators, legal or personal representatives, trustees, assigns, and successors (individually and collectively, the “ **Executive Parties** ”), and each of them, hereby acknowledges full and complete satisfaction of and releases and discharges the Company, and each of its Affiliates, subsidiaries, divisions, or parents,, past and present, and each of them, as well as their respective predecessors, assignees, successors, directors, officers, stockholders, partners, representatives, attorneys, agents or employees, past or present, or any of them (individually and collectively, the “ **Company Parties** ”), from and with respect to any and all claims, agreements, obligations, demands and causes of action, known or unknown, suspected or unsuspected, that Executive has ever had, or now has, or ever will have, against the Company Parties by reason of any and all acts, omissions, conditions, events, circumstances, or facts existing, occurring, or failing to occur at any time through the date of Executive’s execution of this Release that directly or indirectly arise out of, relate to, or are connected in any way with Executive’s employment by, services to (whether as an employee, officer, director, or otherwise), or separation from, all or any of the Company Parties, including, without limiting the generality of the foregoing, any claim under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Family and Medical Leave Act, the California Fair Employment and Housing Act, California Labor Code Section 132a, the California Family Rights Act, or any other federal, state or local law, regulation or ordinance relating to employment (the foregoing, as modified by the following clause, collectively, the “ **Executive Released Claims** ”); except that notwithstanding anything to the contrary herein, the release set forth in this Section 1 expressly excludes, and shall not alter, limit, release, apply to, or otherwise affect, and the term Executive Released Claims shall not include; (a) the obligations and covenants of the Company and the rights of Executive in each case that, directly or by implication, survive the termination of Executive’s employment with the Company pursuant to Section [9.6] of the Employment Agreement; (b) any claim that is prohibited from being released as a matter of law; (c) Executive’s rights to tail indemnification or contribution, whether pursuant to the governance documents of any of the Company Parties (including, without limitation, pursuant to any certificate of incorporation, bylaws or any written agreements) or Section [6.5] of the Employment Agreement (d) any rights or claims of Executive as a stockholder of the Company; (e) any vested rights or vested benefits under ERISA or under any Benefit Plan; (f) workers’ compensation benefits; and (g) any claims arising after the date of Executive’s execution of this Release.

2 It is a condition hereof, and it is the Parties’ intention in the execution of this Release, that the release set forth in Section 1 above shall be effective as a bar to each and all of the Executive Released Claims, and in furtherance of this intention, Executive, on behalf of himself and each and all of the other Executive Parties, hereby waives any and all rights and benefits conferred upon him by Section 1542 of the California Civil Code, which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

3 ADEA Waiver . Executive expressly acknowledges and agrees that by entering into this Release, he is waiving any and all rights or claims that he may have arising under the Age Discrimination in Employment Act of 1967, as amended (" **ADEA** "), which have arisen on or before the date of execution of this Release. Executive further expressly acknowledges and agrees that:

3.1 In return for this Release, he will receive consideration beyond that which he was already entitled to receive before entering into this Release;

3.2 He is hereby advised in writing by this Release to consult with an attorney before signing this Release;

3.3 He was given a copy of this Release on [_________], and informed that he had twenty-one (21) days within which to consider this Release, that changes (whether material or otherwise) will not restart the 21-day period;

3.4 Nothing in this Release prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs from doing so, unless specifically authorized by federal law; and

3.5 He was informed that he has seven (7) days following the date of execution of this Release in which to revoke this Release, and this Release will become null and void if Executive so elects revocation during that time. Any revocation must be in writing and must be received by the Company during the seven (7)-day revocation period. In the event that Executive exercises his right of revocation, neither the Company nor Executive will have any obligations under this Release.

4 Release by Company . The Company, on behalf of itself and each and all of the other Company Parties, hereby acknowledges full and complete satisfaction of and releases and discharges each and all of the Executive Parties from and with respect to any and all claims, agreements, obligations, demands and causes of action, known or unknown, suspected or unsuspected, that all or any of the Company Parties have ever had, or now have, or ever will have, against all or any of the Executive Parties by reason of any and all acts, omissions, conditions, events, circumstances, or facts existing, occurring, or failing to occur at any time through the date of the Company's execution of this Release that directly or indirectly arise out of, relate to, or are connected with Executive's employment by, services to (whether as an employee, officer, director, or otherwise), or separation from, all or any of the Company Parties (the foregoing, as modified by the following clause, collectively, the " **Company Released Claims** "); except that notwithstanding anything to the contrary herein, the release set forth in this Section 4 expressly excludes, and shall not alter, limit, release, apply to, or otherwise affect, and the term Company Released Claims shall not include (a) the obligations of Executive that survive the termination of Executive's employment with the Company pursuant to Section [9.6] of the Employment Agreement and that certain Confidentiality, Non-Interference, and Invention Assignment Agreement dated [*] between the Company and Executive; and (b) any claims arising after the date of the Company's execution of this Release.

5 It is a condition hereof, and it is the Parties' intention in the execution of this Agreement, that the release set forth in Section 4 above shall be effective as a bar to each and all of the Company Released Claims, and in furtherance of this intention, the Company, on behalf of itself and each and all of the other Company Parties, hereby waives any and all rights and benefits conferred upon the Company Parties by Section 1542 of the California Civil Code, which provides:

> **A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

6 No Transferred Claims. Executive represents and warrants to the Company, that he has not heretofore assigned or transferred to any person or entity any of the Executive Released Claims or any part or portion thereof. The Company represents and warrants to Executive that it has not heretofore assigned or transferred to any person or entity any of the Company Released Claims or any part or portion thereof.

7 Miscellaneous.

7.1 Section Headings. The section headings contained in this Release are for reference purposes only and shall not affect in any way the meaning or interpretation of this Release.

7.2 Governing Law. All matters in connection with, relating to, or arising from this Release shall be governed by and construed in accordance with the internal laws of the State of California, without regard to the principles of conflicts of law thereof (to the extent that the application of the laws of another jurisdiction would be required thereby).

7.3 Amendments. This Release may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by Executive and the Company or, in the case of a waiver, by the Party waiving compliance.

7.4 Waivers

(a) Except as otherwise provided herein, no action taken pursuant to this Release, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Release. Any term, covenant, agreement, obligation, undertaking, condition, representation or warranty under this Release may be waived at any time by the Party which is entitled to the benefit thereof, but only by a written notice signed by such Party expressly waiving such term, covenant, agreement, obligation, undertaking, condition, representation or warranty.

(b) The failure of any Party to insist, in any one or more instances, upon performance of the terms or conditions of this Release shall not be construed as a waiver or relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition. No waiver on the part of any Party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, shall preclude any further exercise thereof or the exercise of any other such right, power or privilege.

7.5 Severability. Any provision of this Release which is invalid or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Release, and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by law, the Parties waive any provision of law which renders any such provision prohibited or unenforceable in any respect.

7.6 Counterparts. This Release may be executed in counterparts, each of which shall be deemed an original, and it will not be necessary in making proof of this Release or the terms of this Release to produce or account for more than one of such counterparts. All counterparts shall constitute one and the same instrument. Each Party may execute this Release via a facsimile (or transmission of a PDF file) of a counterpart of this Release. In addition, facsimile or PDF signatures of authorized signatories of any Party shall be valid and binding and delivery of a facsimile or PDF signature by any Party shall constitute due execution and delivery of this Release.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the Company and Executive has executed this Release as of the respective date set forth below.

LIVEXLIVE MEDIA, INC.

By: ______________________

Name: ______________________

Its: ______________________

MICHAEL BEBEL

____
(signature)

[SIGNATURE PAGE TO MUTUAL RELEASE OF CLAIMS BETWEEN LIVEXLIVE AND MICHAEL BEBEL]

Exhibit 21.1

LIST OF SUBSIDIARIES OF THE REGISTRANT

LiveXLive Media, Inc.,
a Delaware corporation

Subsidiaries	Jurisdiction
LiveXLive, Corp.	Delaware
Slacker, Inc.	Delaware
LXL Studios, Inc.	Delaware
LXL Influencers, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

LiveXLive Media, Inc.
Beverly Hills, CA

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 No. 333-228909 of LiveXLive Media, Inc. of our reports dated June 21, 2019, relating to the consolidated financial statements and the effectiveness of LiveXLive Media, Inc.'s internal control over financial reporting, which appear in this Form 10-K. Our report on the consolidated financial statements contains an explanatory paragraph regarding LiveXLive Media, Inc.'s ability to continue as a going concern. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of internal control over financial reporting as of March 31, 2019.

/s/ BDO USA, LLP
Los Angeles, California
June 21, 2019

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement (Form S-3 No. 333-228909) of our report dated June 29, 2018, with respect to the consolidated financial statements of LiveXLive Media, Inc. included in this Annual Report (Form 10-K) for the year ended March 31, 2019.

/s/ Weinberg & Company
Los Angeles, California
June 21, 2019

Exhibit 31.1

**CERTIFICATION OF CEO PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Ellin, certify that:

1. I have reviewed this Annual Report on Form 10-K of LiveXLive Media, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 21, 2019

/s/ Robert S. Ellin

Robert S. Ellin
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF CFO PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Zemetra, certify that:

1. I have reviewed this Annual Report on Form 10-K of LiveXLive Media, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 21, 2019

/s/ Michael Zemetra

Michael Zemetra
Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of LiveXLive Media, Inc. (the "Company") on Form 10-K for the year ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. Ellin, as the Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

/s/ Robert S. Ellin

Robert S. Ellin
Chief Executive Officer

June 21, 2019

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

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

In connection with the Annual Report of LiveXLive Media, Inc. (the "Company") on Form 10-K for the year ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Zemetra, as the Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

/s / Michael Zemetra

Michael Zemetra
Chief Financial Officer

June 21, 2019

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.