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, 2020**

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.)
9200 Sunset Boulevard, Suite #1201 West Hollywood, California	**90069**
(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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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, 2019, was approximately $84.9 million. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors, executive officers, affiliated holders of 10% or more of the registrant's common stock and their affiliates.

As of June 12, 2020, the registrant had 59,356,730 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, podcasting 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 audience, our mission is to bring the experience of live music and entertainment to consumers wherever music and entertainment is watched, listened to, discussed, deliberated or performed around the world. Through March 31, 2020, we operated three core integrated services - (1) one of the industry's leading online live music streaming platforms, (2) a fully integrated streaming music service Slacker, Inc. ("Slacker") operating as LiveXLive powered by Slacker, and (3) producer of original music-related content, including live music festivals, concerts and events through our recently acquired wholly owned subsidiary React Presents LLC ("React Presents"). In May 2020, we agreed to acquire Courtside Group, Inc., operating as PodcastOne ("PodcastOne"). PodcastOne is one of the leading podcasting platforms in the world today, generating over 300 podcasts per week and over 2.0 billion podcast downloads annually. 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, concerts and events, including Rock in Rio, EDC Las Vegas, iHeartRadio's Wango Tango and many more. LiveXLive also gives audiences access to premium original content, artist exclusives and industry interviews. During the fiscal year ended March 31, 2020, we livestreamed 42 major music festivals and live music events to approximately 70 million fans worldwide, and our subscription service eclipsed 850,000 paid subscribers and approximately 1.0 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 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, advertising and sponsorship of our live music and podcast content rights and services. We are also expanding our pay-per-view offerings and expect to generate revenue from ticket sales and other revenue streams.

Music Services

Our music services provide our music fans the ability to experience, engage in and listen to live music, digital Internet radio, podcasts, vodcasts 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. In conjunction with the expected closing of the PodcastOne acquisition in July 2020, our users will also be able to access premium podcasts on www.podcastone.com.

Historically, we acquired 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. Beginning mid-March 2020, the current pandemic associated with COVID-19 temporarily shut down the production of all on-ground, live music festivals and events. As a result, we pivoted our production to 100% digital, and began producing, curating, and broadcasting digital music festivals, concerts and events across our platform. From April 1, 2020 to May 31, 2020, we livestreamed over 20 digital festivals and events across our platform, including "Music Lives," a 48-hour live broadcast sponsored by TikTok and Oculus Venues, featuring over 100 artists and generating over 50 million livestreams and 5.0 billion video views across the hashtag #musiclives on TikTok. In May 2020, we also launched our first pay-per-view ("PPV") performances across our platform, allowing artists and fans to access a new digital compliment to live festivals, concerts and events.

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, 2020, 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 and are working to expand our VOD, PPV, 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 iHeartMedia partnership was extended in March 2020, giving us exclusive global livestreaming rights to over 20 events per year. In February 2020, we acquired React Presents, giving us the capability to produce and stream over 200 events annually, including React Presents' tent pole festival Spring Awakening. Today, we have access and capabilities to produce, edit, curate, and livestream live festivals, concerts and music events daily, 850,000 paid subscribers and approximately 1.0 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.

Live Music Events

We produce, edit, curate and stream live music events through (i) broadband transmission over the Internet and/or satellite networks to our users throughout the world, where permitted ("Digital Live Events"), (ii) physical ticket sales of on-location music events and festivals at a variety of indoor clubs and outdoor venues and arenas ("On-premise Live Events") and (iii) PPV events. These services allow our users to access live music content in person and over the Internet through their personal cellular phones, desktops, computers, tablets, and televisions, including the ability to chat and communicate over our platform. As of March 31, 2020, LiveXLive provided Digital Live Events for free to our users; however, beginning in May 2020 we launched PPV capabilities and began charging our users to view certain Digital Live Events. Through March 31, 2020, we monetized 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 music event, and may include set upfront fees, the amount of which is often dependent on specific artist and/or a festival's existing production infrastructure or lack thereof, and, in turn, our production/financial commitment to the live stream, and in some cases we may also share the associated revenue. The fees generated from any advertising, sponsored content, VOD and other services are generally subject to the aforementioned revenue sharing arrangements with certain artists, festival owners and/or 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").

Podcast Services

Today, our podcasts are available to users online alongside our digital Internet radio. Our users are able to listen to a variety of podcasts, from music, radio personalities, news, entertainment, and sports. Similar to our digital Internet radio fee structure, we monetize podcasts through (i) paid advertising or (ii) paid premium subscription services. With the acquisition of PodcastOne (expected to close in July 2020, subject to customary closing conditions as described in the acquisition purchase agreement), we will own one of the largest networks of podcast content in North America, including over 300 new podcasts per week and over 2.0 billion downloads annually.

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 $20.2 billion in 2019, up 8.2%, from $18.7 billion in 2018 (IFPI Global Music Report 2020). 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 downloadable music, podcasts and online VOD services. These 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, pre-COVID-19, the live music industry was 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. To address this growing opportunity, we acquired React Presents in February 2020, which promoted, produced and ran over 200 live events in 2019, including Spring Awakening, one of the largest music festivals in the Chicago, Illinois.

With the onset of COVID-19 in early calendar year 2020, substantially all major live music events to be held in calendar year 2020 were cancelled, including Coachella, EDC Vegas, Outside Lands, Rock in Rio, Summerfest and our own Spring Awakening. To address the demand for live music events, we shifted our focus to live digital concerts and festivals, and our platform experienced tremendous growth in the number of live events streamed and overall viewership. For example, in April 2020, we produced our largest digital music event, the livestream of "Music Lives," which featured over 100 artists, generated over (i) 50 million live views, (ii) 200,000 concurrent views across 48 hours of continuous programming and (iii) 5.0 billion video views of the hashtag #musiclives across TikTok. Through the first two months of fiscal year ending March 31, 2021, we live-streamed over 20 events and approached nearly 60 million live views. By comparison, we livestreamed 42 live festival and events and generated over 69 million views for the entire fiscal year ended March 31, 2020.

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 2019, streaming revenue grew 23% from 2018 to approximately $11.4 billion (IFPI Global Music Report 2020). The 2019 growth in streaming revenue has more than surpassed the year-over-year declines in physical and download revenues of 5.3% and 15.3%, respectively (IFPI Global Music Report 2020). At the end of calendar 2019, there was over 300 million users of paid streaming services. According to Goldman Sachs, paid streaming users are expected to surpass 1.2 billion by 2030.

These same fans are increasingly engaging digitally on their mobile devices. With over 3.8 billion smartphone users expected globally by 2021, 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 generated over $40 billion in revenue in calendar 2019, and is expected to generate $184 billion in revenue by 2027, a CAGR of over 20% growth from 2020 (Grand View Research).

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, 2020 and 2019, we had one single customer that represented approximately 60% and 41% 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, 2020, 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, 2020, we livestreamed 42 major music festivals and events. As of today, we are on pace to surpass over 40 live performance festivals and events by the end of August 2020. 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 producing, 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, 2020 and 2019, approximately 10% of our revenue was from advertising and licensing, respectively, and the remainder was from subscription revenue from our audio music services platform. More recently, and with the increase in the number of digital-only live events and live views across our platform, we've experienced substantial growth in paid sponsorship, and are currently on pace to generate more sponsorship in the first half of the fiscal year ending March 31, 2021 versus our entire paid sponsorship since our inception. With the acquisition of PodcastOne, we also expect our advertising and sponsorship to substantially increase the overall percentage mix of advertising and licensing versus subscription revenue. 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.

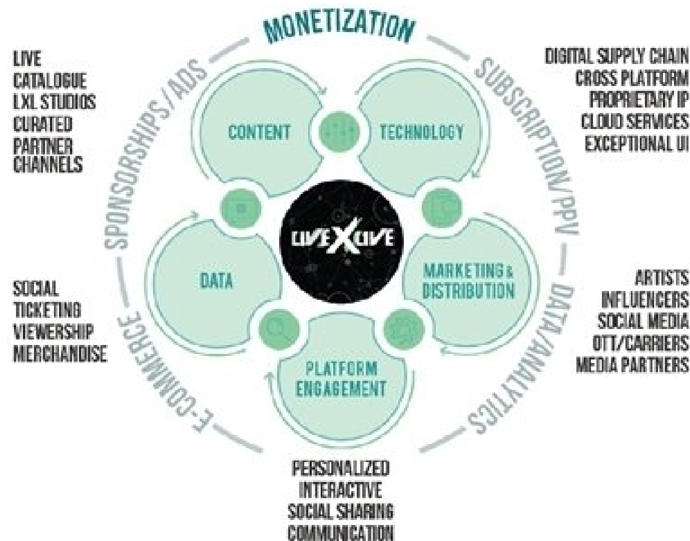
Community Features — Central to the consumption of live music online is the ability for the audience to interact with each other, our hosts and influencers, and the artists themselves. We are building out the social features for our social community based around highly engaging, exclusive live music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

Pay Per View (PPV) — Due to the growing demand for digital-only events post COVID-19, we created our own PPV platform, which allows artists, venues, promoters and festivals to charge users direct for digital access to live events. We also expect our PPV platform to continue to grow substantially in the long term and could represent a large mix of our revenue as early as fiscal year 2022.

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, Inc. – 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, 2020, we had 76 full-time employees and 33 other persons who provide to us consulting and other services, 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, 2020 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.

Geographic Information

For additional information regarding our segment, 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 9200 Sunset Boulevard, Suite #1201, West Hollywood, CA 90069.

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 revenue. The loss of our largest 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.

Our business is dependent, and we believe that it will continue to depend, on our customer relationship with Tesla, which accounted for 60% of our consolidated revenue for the year ended March 31, 2020, and 41% of our consolidated revenue for the year ended March 31, 2019. 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 or other obligations related to our technology or services, Tesla may terminate our agreement to provide them with such service. Tesla may also terminate our agreement for convenience at any time. If Tesla terminates our agreement, requires us to renegotiate the terms of our existing agreement or we are unable to renew such agreement on mutually agreeable terms, no longer makes our music services available to Tesla's car user base, becomes a native music service provider, replaces our music services with one or more of our competitors and/or we experience a significant reduction of business from Tesla, our business, financial condition and results of operations would be materially adversely affected.

In addition, a significant amount of the subscription revenue we generate from Tesla is indirectly subsidized by Tesla to its customers, which Tesla is not committed to carry indefinitely, including the ability to terminate and/or change our music services for convenience at any time. Should our subscription revenue services no longer be subsidized by and/or made available by Tesla to its customers or if Tesla reclassifies or renegotiates with us the definition of a paid subscriber or demands credit for past subscribers that no longer meet such requirement, there can be no assurance that we will continue to maintain the same number of paid subscribers or receive the same levels of subscription service revenue and future period subscription revenue may substantially fluctuate accordingly. There is no assurance that we would be able to replace Tesla or lost business with Tesla with one or more customers that generate comparable revenue. Furthermore, there could be no assurance that our revenue from Tesla continues to grow at the same rate or at all. Any revenue growth will depend on our success in growing such customer's revenues on our platform and expanding our customer base to include additional customers.

Tesla has also integrated Spotify Premium to the car's in-dash touchscreen for its Model S, Model X and Model 3 vehicles. Tesla owners now have access to our music streaming services, Spotify and TuneIn natively. There is no assurance that our music streaming services will be available in every current and/or future Tesla model. Furthermore, our current and future competitors like Spotify, Apple Music, Tesla (if it becomes a native music service provider) and others 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. If we are unable to compete successfully for users against our competitors 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.

In addition, we have derived, and we believe that we will continue to derive, a substantial portion of our revenues from a limited number of other customers. 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. If we were to lose one or more of our key customers, 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.

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, 2020, 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, 2020 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, 2020 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 a history of losses, incurred significant operating and net losses in each year since our inception, including net losses of $38.9 million and $37.8 million for the fiscal years ended March 31, 2020 and 2019, respectively, and cash used in operating activities of $4.9 million and $5.8 million for the fiscal years ended March 31, 2020 and 2019, respectively. As of March 31, 2020, we had an accumulated deficit of $128.1 million and a working capital deficiency of $30.0 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 losses. 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, 2020 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 $61.4 million as of March 31, 2020, 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.

The COVID-19 pandemic is adversely impacting our ability to produce on-premise live events, and to a lesser extent portions of our programmatic advertising revenue; the pandemic is also adversely affecting our global economy, which could adversely impact other parts of our business, including our ability to access capital markets, if and when required. Additional factors could exacerbate such negative consequences and/or cause other and potentially materially adverse effects.

An outbreak of a novel strain of coronavirus, COVID-19 in December 2019 subsequently became a pandemic after spreading globally, including the United States. While the COVID-19 pandemic did not materially adversely affect our financial results and business operations during the fiscal year ended March 31, 2020, it did adversely impact parts of our business during the first quarter of fiscal March 31, 2021, namely our live events and programmatic advertising. Due to the global pandemic and government actions taking in response, since March 2020, all in person festivals, concerts and events have either been canceled or suspended, and it is uncertain when they will be permitted to resume. With our acquisition of React Presents in February 2020, we are presently unable to produce and promote more than 200 forecasted live events in fiscal year ended March 31, 2021, including our flagship live event Spring Awakening festival which is typically annually produced in June. Moreover, our programmatic advertising is presently adversely impacted as COVID-19 caused advertising demand to decline and as a result, overall advertising cost per thousand impressions rates across our platform were subsequently reduced. Furthermore, as of the date of this Annual Report, we are not livestreaming any fan attended live festivals, concerts or other in-person live events on our platform or channels and it is unclear when streaming of fan attended live festivals, concerts or other in-person live events will again become available to us. In addition, the outbreak and any preventative or protective actions that governments, other third parties or we may take in respect of the coronavirus may result in a period of business disruption and reduced operations. For example, Tesla was ordered to keep its main U.S. factory closed for a substantial amount of time.

The extent to which the coronavirus impacts our results will depend on future developments, including new information which may emerge concerning the severity of the coronavirus and the actions taken by us and our partners to contain the coronavirus or treat its impact, among others. The impact of the suspension or cancellation of in-person live festivals, concerts or other live events, and any other continuing effects of COVID-19 on our business operations (such as general economic conditions and impacts on the advertising, sponsorship and ticketing marketplace and our partners), may result in a decrease in our revenues, and if the global COVID-19 epidemic continues for an extended period, our business, financial condition and results of operations could be materially adversely affected.

Our new distribution agreements are dependent upon our compliance with their contractual obligations. Our distribution agreements generally require us to meet certain content criteria, such as availability of a minimum threshold for event content streaming throughout the year for our distributors. If we were unable to meet these criteria due to the suspension of in person festivals and live events, we could become subject to remedies available to the distributors. In addition, the absence of in person festivals and live events could impact our ability to renew expiring agreements on terms as attractive as our existing terms or at all. We may also be forced develop a significant number of additional digital events and festivals and/or more rapidly than we originally anticipated to fill the content requirements on our platform, including those required by our distributors. Furthermore, government actions or regulations applicable to our business or our distributors in response to COVID-19 could have an adverse effect on our revenues.

Our estimate of the ultimate impact of the coronavirus pandemic, including the extent of any adverse impacts on our business, revenues, results of operations, cash flows and financial condition, which will depend on, among other things, the duration and spread of coronavirus, the impact of federal and local government actions that have been and continue to be taken in response, and the effectiveness of actions taken to contain or mitigate the pandemic and economic conditions is subject to significant uncertainty.

Depending on the duration and severity of the current COVID-19 pandemic, it may also have the effect of heightening many of the other risks described in this Annual Report and our other filings with the SEC, such as risks relating to our ability to further develop and execute on our business plan; our ability to access capital markets to obtain additional sources of suitable and adequate financing; restricted access to capital and increased borrowing costs; our ability to fund our current debt obligations and complying with the covenants contained in the agreements that govern our existing indebtedness; our ability to fund potential acquisitions and capital expenditures; and our ability to maintain adequate internal controls in the event that our employees are restricted from accessing our regular offices for a significant period of time.

We cannot reasonably estimate the ultimate impact and duration of the coronavirus pandemic, including the extent of any adverse impacts on our business, revenues, results of operations, cash flows and financial condition, which cannot currently be predicted and will depend on, among other things, the duration and spread of coronavirus, the impact of federal and local government actions that have been and continue to be taken in response, and the effectiveness of actions taken to contain or mitigate the pandemic and economic conditions.

The ability of our employees to work may be significantly impacted by the coronavirus.

Our employees are being affected by the COVID-19 pandemic. Operationally, all of our employees and consultants are working remotely, and we have restricted our production activities and business travel. The health of our workforce is of primary concern and we may need to enact further precautionary measures to help minimize the risk of our employees being exposed to the coronavirus. If significant portions of our workforce, including key personnel, are unable to work effectively because of illness, government actions or other restrictions in connection with the COVID-19 pandemic, any adverse impact of the pandemic on our businesses could be exacerbated. Furthermore, our management team is focused on mitigating the adverse effects of the COVID-19 pandemic, which has required and will continue to require a large investment of time and resources across our entire Company, thereby diverting their attention from other priorities that existed prior to the outbreak of the pandemic. If these conditions worsen, or last for an extended period of time, our ability to manage our business may be impaired, and operational risks, cybersecurity risks and other risks facing us even prior to the pandemic may be elevated.

We cannot predict the impact of the COVID-19 pandemic on our customers, suppliers, vendors, and other business partners, and the full effects of the COVID-19 pandemic are highly uncertain and cannot be predicted.

The COVID -19 pandemic is partially affecting our revenue, sponsorship and advertiser partners, vendors and other business partners, and we are not able to assess the full extent of the current impact nor predict the ultimate consequences that will result therefrom. For example, as a result of COVID-19 pandemic, our largest customer experienced a government ordered halt to its production in part of the quarter ended March 31, 2020 and early quarter ended June 30, 2020 related to COVID-19, but resumed its production as of the date of this Annual Report which temporary halt will in turn slow subscriber growth in the first quarter of 2021 and potentially beyond. In addition, as a result of COVID-19, certain of our advertising and sponsor partners have been forced to reduce their marketing budgets. If our revenue and/or sales channels are substantially impaired for an extended period of time, our revenues will be materially reduced.

We are continuously monitoring our own operations and intend to take appropriate actions to mitigate the risks arising from the COVID-19 pandemic to the best of our abilities, but there can be no assurances that we will be successful in doing so. To the extent we are able to obtain information about and maintain communications with our revenue, sponsorship and advertiser partners, vendors and other business partners, we will seek to minimize disruptions to our revenue, content and distribution channels, but many circumstances will be beyond our control. Governmental action and/or regional quarantines may further result in labor shortages and work stoppages. All of these factors may have far reaching direct and indirect impacts on our business, operations, and financial results and condition. The ultimate extent of the effects of the COVID-19 pandemic on our Company is highly uncertain and will depend on future developments which cannot be predicted. Even after the COVID-19 outbreak has subsided, we may continue to experience material adverse impact on our business as a result of its global economic impact, including any related recession, as well as lingering impact on demand for our services, our customers, suppliers, vendors and other business partners.

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 2021 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 a pandemic, 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 digital live events under "LiveXLive Presents". In the 2020 fiscal year, we acquired React Presents, a producer, promoter and manager of in person live music festivals and events. In the 2021 fiscal year, we also began livestreaming our own digital festival and live events under "Music Lives" and "Music Lives ON". 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, 2020, we have estimated future up-front and minimum guarantee ("MGs") commitments of $4.0 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, 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 2020 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 2021 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 Company

For the years ended March 31, 2020 and 2019, 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, most of which were subsequently remediated during fiscal year ended March 31, 2020. 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.

For our fiscal years ended March 31, 2020 and 2019, our management conducted an assessment of our disclosure controls and procedures and our internal control over financial reporting and concluded that they were ineffective for each of such periods, due to the existence of certain material weaknesses in our internal control over financial reporting, most of which were subsequently remediated during fiscal year ended March 31, 2020, 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: (i) 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 (ii) 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. In connection with the preparation of our consolidated financial statements for the year ended March 31, 2020, management identified a material weakness in the following: ineffective operation of financial reporting controls, specifically around the classification of current and noncurrent liabilities that resulted in a post year end adjustment.

For the steps we intend to take, including steps we undertook in fiscal year ended March 31, 2020 to remediate the fiscal year ended March 31, 2019 material weaknesses, see Item 9A. Controls and Procedures. We may need to expend significant financial resources to remediate these material weaknesses. Beyond fiscal year ended March 31, 2020, we may not be able to remediate any current or 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 of 2002 (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 new 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 and when applicable, 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 may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to maintain 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.

We are required to furnish a report on internal control over financial reporting issued by management. Such report is provided as part of the consolidated financial statements included in this Annual Report. In addition, if and when we cease to be a smaller reporting company and become subject to Section 404(b) of the Sarbanes-Oxley Act, we will be required to furnish an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. 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 may not be entitled to forgiveness of our recently received Paycheck Protection Program loan, and our application for the Paycheck Protection Program loan could in the future be determined to have been impermissible or could result in damage to our reputation.

On April 13, 2020, we received proceeds of less than $2.0 million from a loan (the "PPP Loan") under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), a portion of which may be forgiven, which we intend to use to retain employees and for other qualifying expenses. The PPP Loan matures on April 13, 2022 and bears annual interest at a rate of 1.0%. Commencing in November 2020, we are required to pay the lender equal monthly payments of principal and interest as required to fully amortize by April 13, 2022 any principal amount outstanding on the PPP Loan as of such date. A portion of the PPP Loan may be forgiven by the Small Business Administration (the "SBA") upon our application beginning 60 days but not later than 120 days after loan approval and upon documentation of expenditures in accordance with the SBA requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the eight week period beginning on the date of loan approval, which eight week forgiveness period was extended to be the earlier of 24 weeks after funding or December 31, 2020 under the PPP Flexibility Act of 2020 (the "PPPFA"). Borrowers who received their loan prior to the date of enactment of this bill may elect to use 8 weeks as their covered period for forgiveness. Not more than 40% of the forgiven amount may be for non-payroll costs as adjusted by the PPPFA. The amount of the PPP Loan eligible to be forgiven is reduced if our full-time headcount declines or if salaries and wages for employees with salaries of $100,000 or less annually are reduced by more than 25%. We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, in accordance with the amortization schedule described above, and we cannot provide any assurance that we will be eligible for loan forgiveness or that any amount of the PPP Loan will ultimately be forgiven by the SBA.

In order to apply for the PPP Loan, we were required to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. We made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the PPP Loan, and that our receipt of the PPP Loan is consistent with the broad objectives of the PPP of the CARES Act. The certification described above did not contain any objective criteria and is subject to interpretation. However, on April 23, 2020, the SBA issued guidance stating that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the PPP has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good-faith belief that we satisfied all eligible requirements for the PPP Loan, we or any company that we may acquire in the future which received a loan under the PPP, are later determined to have violated any of the laws or governmental regulations that apply to us or such acquiree in connection with the PPP Loan or another loan under the PPP, respectively, such as the False Claims Act, or it is otherwise determined that we or such acquiree were ineligible to receive the PPP Loan or such other loan under the PPP, respectively, we or such acquiree may be subject to penalties, including significant civil, criminal and administrative penalties, and could be required to repay the PPP Loan or such other loan under the PPP, respectively, in its entirety. In addition, our receipt of the PPP Loan or any company that we may acquire in the future which received a loan under the PPP may result in adverse publicity and damage to our reputation, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources.

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, 2020, our total indebtedness was $16.6 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, 2020, $0.3 million of our total indebtedness (excluding interest and unamortized debt discount and debt issuance costs) is due in fiscal 2021, and $16.2 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) $5.00, 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 2020 (inclusive). We have repaid $0.3 million of principal in January 2019, $0.2 million of principal in each of the months of February 2019 through January 2020 (inclusive) and $0.4 million in each of the months of February 2020 through June 2020 (inclusive).

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, 2020, 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.

We may not have sufficient cash flow from our business operations to make payments on our indebtedness.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt and/or obtaining additional equity capital on terms that may be onerous or highly dilutive. In the event of an acceleration of amounts due under our debt instruments as a result of an event of default, including upon the occurrence of an event that would reasonably be expected to have a material adverse effect on our business, operations, properties, assets or condition or a failure to pay any amount due, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments. 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. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. 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, $0.2 million of principal in each of the months of February 2019 through January 2020 (inclusive) and $0.4 million in each of the months of February 2020 through June 2020 (inclusive). 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 quarterly operating results may be volatile and are difficult to predict in the future, and our stock price may decline if we fail to meet the expectations of securities analysts or investors.

As a result of our acquisition of React Presents in February 2020, and our entry into holding, promoting and managing our live festivals and events, our revenue, margins and other operating results could vary significantly in the future from quarter-to-quarter and year-to-year and may fail to match our past performance due to a variety of factors, including many factors that are outside of our control. Factors that may contribute to the variability of our operating results and cause the market price of our common stock to fluctuate include:

- the entrance of new competitors or competitive products in our market, whether by established or new companies;
- our ability to retain and grow the number of our active user base and increase engagement among new and existing users;
- our ability to maintain effective pricing practices, in response to the competitive markets in which we operate or other macroeconomic factors, such as inflation or increased product taxes;
- our revenue mix, which drives gross profit;
- seasonal or other shifts in festival, event and advertising revenue;
- the timing of the launch of our new or updated festivals, events, products, platforms, channels or features;
- the addition or loss of popular content;
- the popularity of EDM and EDM festivals, events, concerts and clubs; and
- an increase in costs associated with protecting our intellectual property, defending against third-party intellectual property infringement allegations or procuring rights to third-party intellectual property.

Our gross margins are expected to vary across our offerings. Festival and event revenue has a lower gross margin compared to platform revenue derived through our arrangements with advertising, content distribution, billing and licensing activities. In addition, our gross margin and operating margin percentages, as well as overall profitability, may be adversely impacted as a result of a shift in music taste, geographic or sales mix, price competition, or the introduction of new technology and EDM festivals and events. We may in the future strategically reduce our Slacker gross margin in an effort to increase our active accounts and/or maintain our OEM relationships and agreements. As a result, our subscription revenue may not increase as consistently as it has historically, or at all, and, unless we are able to adequately increase our other revenues, including festival and event revenue through RP, and grow our active user base, we may be unable to maintain or grow our margins and revenues and our business will be harmed. If a reduction in margins does not result in an increase in our active user base and revenues, our financial results may suffer, and our business may be harmed.

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 the consultants that we utilize are characterized as employees and 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 believe that the consultants that we utilize in our business, as is customary to do so in our business, are properly characterized as independent contractors, tax or other regulatory authorities may in the future challenge our characterization of independent contractors. We are aware of a number of judicial decisions and legislative proposals that could bring about major reforms in worker classification, including the California legislature's recent passage of California Assembly Bill 5 ("AB 5"). AB 5 purports to codify a new test for determining worker classification that is widely viewed as expanding the scope of employee relationships and narrowing the scope of independent contractor relationships. Given AB 5's recent passage, there is no guidance from the regulatory authorities charged with its enforcement, and there is a significant degree of uncertainty regarding its application. In addition, AB 5 has been the subject of widespread national discussion and it is possible that other jurisdictions, including New York, may enact similar laws. If such regulatory authorities or state, federal or foreign courts were to determine that our recording artists and songwriters are employees, and not independent contractors, we would be required to withhold income taxes, to withhold and pay Social Security, Medicare and similar taxes and to pay unemployment and other related payroll taxes. We would also be liable for unpaid past taxes and subject to penalties. As a result, any determination that our consultants are our employees could have a material adverse effect on our business, financial condition and results of operations. 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, 2020, Slacker owed $2.7 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 our Festival and Events Business

Our success relies, in part, on the strength of our live in person festivals and events, as well as our online businesses, and if any of them were to become less popular, our business could suffer.

With our recent acquisition of React Presents, we now also produce, promote and manage music in person live festivals and events, including Spring Awakening, Mamby on the Beach, Summer Set Music & Camping Festival, Freaky Deaky and Reaction New Year's Eve. In 2020, we also launched in-house our new digital festival, Music Lives, and digital streaming series and events, Music Lives ON and LiveXLive Presents. Our festival and events growth strategy relies on the strength of these brands to attract customers to our in person festivals and events, both through attendance at the original festivals and markets and in new markets, as well as to our online digital properties. We also rely on the strength of these brands to secure sponsorships and marketing partners and to facilitate growth in revenue from the sale of music and other content, as well as advertising on our online properties. Maintaining the strength of our festivals, events and online businesses will be challenging, and our relationship with our fans could be harmed for many reasons, including the quality of the experience at a particular festival or event, our competitors developing more popular events or attracting talent from our businesses, adverse occurrences or publicity in connection with an event and changes to public tastes that are beyond our control and difficult to anticipate. If our key properties become less popular with consumers within the particular music community, such as electronic music culture ("EMC"), our growth strategy would be harmed, which could in turn adversely affect our business and financial results.

Maintaining the popularity of our festivals, events and online businesses requires that we anticipate consumer preferences and offer attractions that appeal to the music community, including EMC. Our customers' preferences and tastes for these attractions can change and evolve rapidly, and our competitors actively seek to provide new and compelling experiences at their events. If we fail to anticipate or respond quickly to changes in public taste, our festivals and related offerings may become less attractive to consumers.

It is possible that the popularity of electronic music and the EMC community will not continue their current growth or even decline.

A substantial part of our festival and events business focuses on the broad market for electronic music and the EMC community, including electronic music festivals and events, venues, sponsorships and ecommerce. Accordingly, our growth strategy is dependent upon the continued growth of the popularity of electronic music and the EMC community, however, this growth is subject to the whims of public taste, which may change over time and may be beyond our control. While interest in electronic music has increased significantly over the past few years, this increased interest may not continue, and it is possible that the public's current level of interest in electronic music will decline. If either were to happen, the demand for and interest in EMC festivals, events and venues and our online properties could fail to meet our expectations or even decline. This would have a material adverse effect on our business and financial results.

The number of EMC festivals and events may grow faster than the public's demand, which could make it difficult for us to attract customers to our festivals and events.

With the growing EMC community, there has been a significant increase in the number of EMC festivals and events due to the creation of new events and the expansion of existing events, both in geography and duration. Our growth strategy includes increasing the number of EMC festivals and events we produce each year, as well as increasing the frequency of established events by bringing them to new cities and countries. It is possible that the proliferation of EMC festivals and events will outpace demand. Further, many of the largest festivals attract fans who travel great distances to attend. It is possible that an increase in the availability of local quality EMC festivals and events will make it less likely that these fans will travel to the same festivals in other locations. If either were to occur, it could make it difficult for us to achieve the increase in overall attendance that is part of our growth strategy or force us to offer tickets at reduced prices, either of which would adversely affect our business and financial results.

In addition, competition for advertising marketing partners, and sponsorships may lead to fewer business partners at our events or lower compensation, with a resulting decrease in revenue. Our competitors may offer increased guarantees to artists and more favorable terms and ticketing arrangements to other parties, which we may be unwilling or unable to match. Even if we are willing to match our competitors' terms, the profitability of our events could decline.

If we are forced to cancel or postpone all or part of a scheduled festival or event, our business may be adversely impacted, and our reputation may be harmed.

We incur a significant amount of up-front costs when we plan and prepare for a festival or event. Accordingly, if a planned festival or event is canceled, we would lose a substantial amount of sunk costs, fail to generate the anticipated revenue and may be forced to issue refunds for tickets sold. If we are forced to postpone a planned festival or event, we would incur substantial additional costs in connection with our having to stage the event on a new date, may have reduced attendance and revenue and may have to refund money to ticketholders. In addition, any cancellation or postponement could harm both our reputation and the reputation of the particular festival or event. We could be compelled to cancel or postpone all or part of an event or festival for many reasons, including such things as low attendance, adverse weather conditions, technical problems, issues with permitting or government regulation, incidents, injuries or deaths at that event or festival, as well as extraordinary incidents, such as pandemics, terrorist attacks, mass-casualty incidents and natural disasters or similar events. In 2019, we were forced to cancel Mamby on the Beach festival due to circumstances beyond our control. In 2020, due to the global COVID-19 pandemic and the government actions taken as a result such as shelter-in-place and other similar stay at home orders, we postponed React Presents' flagship annual Spring Awakening festival to 2021. While we hope to hold Spring Awakening festival in the 2021 calendar year, there can be no assurances that we will be able to hold Spring Awakening festival or any other in-person festival or events in 2020 or thereafter, pending the developments of the COVID-19 pandemic. We often have cancellation insurance policies in place to cover a portion of our insured losses if we are compelled to cancel an event or festival, but our coverage may not be sufficient and may be subject to deductibles. The occurrence of an extraordinary condition in the geographic region or at or near the site where a festival or event will be held may make it impossible or difficult to stage the event or make it difficult for attendees to travel to the site of a festival or event. For example, as of the date of this Annual Report, U.S. and global restrictions on travel and related required quarantine times imposed as a result of COVID-19, may make it nearly impossible or very difficult to stage the event or for attendees to travel to the site of a festival or event. An extraordinary incident may also make it inappropriate to hold a festival or event at a particular site or at a particular time.

We must match the innovation of our competitors.

There is currently a tremendous amount of innovation among EMC-focused businesses, including the different experiential aspects of festivals and other live performances. These include things such as video presentations, lighting, special effects, sets and other creative elements. Businesses in the EMC industry compete, in part, based on their ability to provide experiences for their audiences that are both cutting edge and compelling. Innovation in our industry is taking place both at the companies that produce festivals and events, as well as at smaller companies that are retained by producers and performers to create artistic elements to accompany the music and enhance the experience of the fans. We must be able to match the quality and inventiveness of these competitors at our own festivals and events. If we fail to do so, it could lead to reduced demand for tickets to our festivals and events, harm our reputation or the reputation of our festivals and events and adversely affect our business and financial results.

Costs associated with, and our ability to obtain adequate insurance, could adversely affect our profitability and financial condition.

Heightened concerns and challenges regarding property, casualty, liability, artist, business interruption and other insurance coverage have resulted from security incidents, including terrorism, along with varying weather-related conditions and incidents, and are expected to be further affected by COVID-19. As a result, we may experience increased difficulty obtaining high policy limits of coverage at reasonable costs, including coverage for acts of terrorism and weather-related property damage.

We cannot guarantee that our insurance policy coverage limits, including insurance coverage for property, casualty, liability, artist and business interruption losses and acts of terrorism, would be adequate under the circumstances should one or multiple adverse events occur at or near any of our venues or events, or that our insurers would have adequate financial resources to pay our related claims. We cannot guarantee that adequate coverage limits will be available, offered at reasonable costs or offered by insurers with sufficient financial soundness. If adverse events that our insurance policies do not cover occur and result in a significant liability to us, our financial condition and results of operation could be adversely affected.

To stage festivals in multiple locations, we may be required to transport complex sets and equipment long distances, which creates increased risk that they will be damaged.

Our larger festivals require complex sets and other equipment, including those that currently exist, and those we must construct or purchase from a supplier. We are often required to transport these sets and equipment long distances by land and sea, which creates the risk that they may be damaged or lost if there is an accident or other complication during transport. These sets and equipment are very costly to create, and it would be expensive and time consuming to repair or replace them. We have insurance policies in place to cover a portion of our insured losses for damaged or lost sets and equipment, but our coverage may not be sufficient and is subject to deductibles. Additionally, a supplier's failure to timely deliver the sets and equipment to us or our loss of these sets and equipment might lead to substantial expenses and could force us to delay or cancel a festival or event. Any of these scenarios could adversely affect our business, reputation and financial results.

There is the risk of personal injuries and accidents occurring at our live music events, which could subject us to personal injury or other claims, increase our expenses and damage our brands.

There are inherent risks in live festivals and events, particularly those like ours, which involve complex staging and special effects. As a result, personal injuries and accidents have occurred in the concert industry in general, including some that have injured or killed employees and guests. Injuries and accidents occurring in connection with our festivals, events or venues could subject us to negative publicity, as well as claims and liabilities, and certain of the businesses we have acquired or plan to acquire have been subject to such claims. Injuries and accidents occurring in connection with our live festivals and events, or at any of the venues we manage, or any actual or alleged spread of COVID-19 potentially tied to our festivals could also harm our reputation with artists and fans and make it more difficult for us to obtain sponsors. News of any such incident or accident could also reduce attendance at our events or lead to the cancellation of all or part of an event or festival, in each case leading to a decrease in our revenue. While we maintain insurance policies that provide coverage within limits that are sufficient, in management's judgment, to protect us from material financial loss for personal injuries sustained by persons at our venues or accidents in the ordinary course of business, there can be no assurance that this insurance will be adequate at all times and in all circumstances. In particular, if there were to be a major incident resulting in multiple deaths or injuries at one of our events or venues, it is unlikely our insurance would cover the full liability. We would be responsible for any liabilities not covered by our insurance policies, which would negatively impact our cash flows and results of operations.

In addition, we are subject to state "dram shop" laws and regulations, which generally provide that a person injured by an intoxicated person may seek to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Recent litigation of "dram shop" laws and regulations targeted at restaurant chains has resulted in significant judgments, including many recent instances of punitive damages; such laws may be extended to apply to our events and festivals. While we carry customary live events insurance as part of our existing comprehensive general liability insurance, we may still be subject to a judgment in excess of our insurance coverage, and we may not be able to obtain or continue to maintain such insurance coverage at reasonable costs, if at all. Regardless of whether any claims made against us are valid or whether we are liable, we may be adversely affected by negative publicity resulting from such laws.

Certain activities or conduct, such as illegal drug use, at our in person festivals or events or festival or events we produce may expose us to liability, cause us to lose business licenses or government approvals, result in the cancellation of all or a part of an event or festival or result in adverse publicity.

We are subject to risks associated with certain activities or conduct, such as drug use at our festivals, events or venues, that are illegal or violate the terms of our business licenses. Illegal activities or conduct at any of our events or venues may result in negative publicity, adverse consequences (including illness, injury or death) to the persons engaged in the illegal activity or others and litigation against us. We have historically instituted policies and procedures aimed at ensuring that the operation of each festival and event is conducted in conformance with local, state and federal laws. Additionally, we have a "no tolerance" policy on illegal drug use in or around our facilities, and we continually monitor the actions of entertainers, fans and our employees to ensure that proper behavioral standards are met. However, such policies, no matter how well designed and enforced, cannot provide absolute assurance that the policies' objectives are achieved. Because of the inherent limitations in all control systems and policies, there can be no assurance that our policies will prevent deliberate acts by persons attempting to violate or circumvent them. The consequences of these acts may increase our costs, result in the loss or termination of leases for our venues by property owners (including governments and other parties that own the land at our venues), result in our inability to get the necessary permits and locations for our events or lead to the cancellation of all or part of an event or festival. These consequences may also make it more difficult for us to obtain or retain our business partners, including sponsors, lower consumer demand for our events, subject us to liability claims, divert management's attention from our business and make an investment in our securities unattractive to current and potential investors. These outcomes could adversely affect our business, reputation and financial results.

We face intense competition in the live music, media and ticketing industries, which could adversely affect our business, financial condition and results of operations.

We operate in the highly competitive live music, media and ticketing industries, and this competition may prevent us from maintaining or increasing our current revenue. The live music industry, including electronic dance music, competes with other forms of entertainment for consumers' discretionary spending. Within the live music industry, we compete with other promoters and venue operators to attract customers and talent to events and festivals, as well as to obtain the support of sponsors and advertisers and other business partners. Our competitors include large promotion and entertainment companies, some with substantial scale, that have begun to focus on EMC, smaller promoters that focus on a single festival or event or a particular region or country, venue operators and other producers of live events. Some of our competitors are much larger than we are and have greater resources and stronger relationships with artists, venues, sponsors and advertisers than we do. Others have substantial experience in and strong relationships in the EMC community and are primarily focused on EMC. Our competitors may engage in more extensive development efforts for large-scale events, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to existing and potential advertisers and sponsors and other business partners.

Our festival and events business is subject to substantial governmental regulation, and our failure to comply with these regulations could adversely affect our business, financial condition and results of operations.

Our festival and events operations are subject to federal, state and local laws, statutes, rules, regulations, policies and procedures, which are subject to change at any time, governing matters such as:

- operation of venues;
- licensing, permitting and zoning, including ordinances relating to health, noise, traffic and pollution;
- human health, safety and sanitation requirements;
- the service of food and alcoholic beverages;
- working conditions, labor, minimum wage and hour, citizenship and employment laws;
- the ADA;
- the FCPA and similar regulations in other countries;
- sales and other taxes and withholding of taxes;
- privacy laws and protection of personally identifiable information;
- marketing activities via the telephone and online; and
- primary ticketing and ticket resale services.

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. For example, some legislatures have proposed laws in the past that would impose potential liability on us and other promoters and producers of live music events for entertainment taxes and for incidents that occur at events, particularly those that involve drugs and alcohol. Additionally, new legislation could be passed that may negatively impact our business, such as provisions that have recently been proposed in various jurisdictions that would restrict ticketing methods, mandate ticket inventory disclosure, and attack current policies governing season tickets for sports teams.

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.

A deterioration in general economic conditions and its impact on consumer and business spending, particularly by customers in our targeted millennial generation demographic, could adversely affect our revenue and financial results.

Our business and financial results are influenced significantly by general economic conditions, in particular, those conditions affecting discretionary consumer spending and corporate spending. During past economic slowdowns and recessions, many consumers reduced their discretionary spending and advertisers reduced their advertising expenditures. An economic downturn can result in reduced ticket revenue, lower customer spending and more limited and less lucrative sponsorship opportunities.

We depend on relationships with key event promoters, sponsor and marketing partners, executives, managers and artists, and adverse changes in these relationships could adversely affect our business, financial condition and results of operations.

Our event promotion business is particularly dependent upon personal relationships, as promoters and executives within entertainment companies such as ours leverage their network of relationships with artists, agents, managers and sponsor and marketing partners to secure the rights to the performers and events that are critical to our success. Due to the importance of those industry contacts, the loss of any of our officers or other key personnel who have relationships with these artists, agents or managers could adversely affect our venue management and event promotion businesses. While we have hiring policies and procedures and conduct background checks of our promoters, executives, managers and artists, they may engage in or may have in the past engaged in conduct we do not endorse or that is otherwise improper, which may result in reputational harm to us. Also, to the extent artists, agents and managers we have relationships with are replaced with individuals with whom our officers or other key personnel do not have relationships, our competitive position and financial condition could be adversely affected.

Our business is highly sensitive to public tastes and is dependent on our ability to secure popular artists and other live music events, and we and our ticketing clients may be unable to anticipate or respond to changes in consumer preferences, which may result in decreased demand for our services.

Our business is highly sensitive to rapidly changing public tastes and is dependent on the availability of popular artists and events. Our live entertainment business depends in part on our ability to anticipate the tastes of consumers and to offer events that appeal to them. Since we rely on unrelated parties to create and perform at live music events, any unwillingness to tour or lack of availability of popular artists could limit our ability to generate revenue. Our artist management business could be adversely affected if the artists it represents do not tour or perform as frequently as anticipated, or if such tours or performances are not as widely attended by fans as anticipated due to changing tastes, general economic conditions or otherwise. Our ticketing business relies on third parties to create and perform live entertainment, sporting and leisure events and to price tickets to such events.

In addition, our live entertainment business typically books our live music tours in advance of the beginning of a live event and often agrees to pay an artist a fixed guaranteed amount prior to our receiving any revenue. Therefore, if the public is not receptive to the live event, or we or an artist cancel the show, we may incur a loss for the event depending on the amount of the fixed guarantee or incurred costs relative to any revenue earned, as well as revenue we could have earned at booked venues. We do have cancellation insurance policies in place to cover a portion of our losses if an artist cancels a tour but such policies may not be sufficient and are subject to deductibles. Furthermore, consumer preferences change from time to time, and our failure to anticipate, identify or react to these changes could result in reduced demand for our services, which would adversely affect our business, financial condition and results of operations.

Poor weather adversely affects attendance at our live music events, which could negatively impact our financial performance from period to period.

We promote many live music events. Weather conditions surrounding these events affect sales of tickets, concessions and merchandise, among other things. Poor weather conditions can have a material effect on our results of operations particularly because we promote and/or ticket a finite number of events. Increased weather variability due to climate change exacerbates weather-related issues we face. Due to weather conditions, we may be required to cancel or reschedule an event to another available day or a different venue, which would increase our costs for the event and could negatively impact the attendance at the event, as well as concession and merchandise sales. Poor weather can affect current periods as well as successive events in future periods.

We depend on our ability to lease venues for our events, and if we are unable to do so on acceptable terms, or at all, our results of operations could be adversely affected.

Our business requires access to venues to generate revenue from live EMC events. For these events, we generally lease and operate a number of venues or locations under various agreements which include leases or licenses with third-parties or booking agreements, which are agreements where we contract to book the events at a venue or location for a specific period of time. Some of the leases we enter into may be between us and governmental entities. Our long-term success will depend in part on the availability of venues, our ability to lease these venues and our ability to enter into booking agreements upon their expiration. As many of these agreements are with third-parties over whom we have little or no control, including the government, we may be unable to renew these agreements or enter into new agreements on acceptable terms or at all. We may continue to expand our operations through the development of live music venues and the expansion of existing live music venues, which poses a number of risks, including:

- desirable sites for live music events may be unavailable or costly;
- the attractiveness of our venues and locations may deteriorate over time;
- our competitors may outbid us for the use of certain venues and locations;
- we may be unable to obtain or we may lose local government permits or approvals necessary to use a particular venue or location; and
- a particular venue or location, including one we have used in the past, may determine that events or festivals like ours would be inappropriate for their property.

We may depend upon unionized labor for the provision of some services at our events and any work stoppages or labor disturbances could disrupt our business.

Certain of the employees at some of the venues we manage, and other independent contractors hired to assist at our festivals and events, may be subject to collective bargaining agreements. The applicable union agreements typically expire and may require negotiation in the ordinary course of business. Upon the expiration of any such collective bargaining agreements, however, our partners may be unable to negotiate new collective bargaining agreements on favorable terms, and our business operations may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating such collective bargaining agreements. In addition, our business operations at one or more of our venues may also be interrupted as a result of labor disputes by outside unions attempting to unionize a venue even though there is not unionized labor at that venue currently. A work stoppage at one or more of our owned and/or operated venues or at our promoted events could have a material adverse effect on our business, results of operations, and financial condition. We cannot predict the effect that a potential work stoppage would have on our business.

Risks Related to Our Acquisition Strategy

Our proposed acquisition of PodcastOne is subject to closing conditions, as well as other uncertainties, and there can be no assurances as to whether or when it may be completed. Failure to complete the proposed transaction could adversely affect our business.

The completion of our proposed acquisition of PodcastOne is subject to a number of closing conditions, which make the completion and timing of the completion of the proposed transaction uncertain. If the proposed acquisition of PodcastOne is not completed, our business may be adversely affected and, without realizing any of the benefits of having completed the proposed acquisition, we will be subject to a number of risks, including the following:

- a potential decline to the market price of our common stock;
- an inability to find another acquisition with comparable strategic and other business synergies;
- a loss of time and resources that our management redirected to matters relating to the proposed acquisition that could otherwise have been devoted to pursuing other beneficial opportunities; and
- potential negative reactions from the financial markets or from our customers, business partners or employees.

In addition, we could be subject to litigation related to any failure to complete the proposed acquisition of PodcastOne. The materialization of any of these risks could adversely impact our ongoing businesses. Similarly, delays in the completion of the proposed acquisition could, among other things, result in additional transaction costs, loss of revenue or personnel, or other negative effects associated with uncertainty about completion of the proposed acquisition

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, such as the announced PodcastOne acquisition and pursue and consummate one or more additional acquisitions 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, such as the announced PodcastOne acquisition, 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.

As shown by our 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 in integrating the operations of any businesses we may acquire in the future, 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. 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").

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 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 rights holders of such musical works, may impact our ability to perform our obligations under our licenses from the rights holders, 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 rights holder 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 rights holders from whom a license is required, to identify the applicable rights holders 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 rights holders 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 impact of COVID-19 epidemic, war or incidents of terrorism, other epidemics, 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 28.3% of shares of our common stock issued and outstanding as of June 12, 2020 (not including Mr. Ellin's options which have an exercise price substantially above the market price of our common stock as of the date of this Annual Report). 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.

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, 5,292,288 restricted stock units have been granted, 24,675 restricted stock awards have been granted and options to purchase 4,428,334 shares of our common stock have been granted and are outstanding as of March 31, 2020. If our board of directors elects to issue additional shares of our common stock, stock options, restricted stock units and/or other equity-based awards under the 2016 Plan, as amended, 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, 2019, 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, (ii) are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting, and (iii) 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.

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 9200 Sunset Boulevard, Suite #1201, West Hollywood, CA 90069. 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 $40 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. Rent expense for the operating leases totaled $0.5 million for the year ended March 31, 2020. 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, 2020. Slacker's rent expense for the operating lease totaled $0.3 million for the year ended March 31, 2020. We believe that such property is in good condition and is suitable for the conduct of our business. React Presents leases its Chicago, Illinois premises under an operating lease expiring October 9, 2020. Rent expense for the operating lease totaled less than $0.1 million for the period from acquisition on February 5, 2020 through March 31, 2020. 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

We are from time to time, party to various legal proceedings arising out of our business. Certain legal proceedings in which we are involved are discussed in Note 13 - Commitments and Contingencies, to the consolidated financial statements included in Item 8. Financial Statement and Supplementary Data, and are incorporated herein by reference. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

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". Our common stock has been trading on The Nasdaq Capital Market since February 22, 2018.

Number of Holders

As of June 12, 2020, there were 451 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, 2019 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 year ended March 31, 2020, we issued an aggregate of 1,709,146 and 4,008,306 shares of our common stock to our employees, directors, advisors and/or consultants and restricted stock units to our employees 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 reliance on one key customer for a substantial percentage of its revenue; our ability to consummate the proposed acquisition of PodcastOne and the timing of the closing of the proposed transaction, including the risks that a condition to closing would not be satisfied within the expected timeframe or at all or that the closing of the proposed acquisition will not occur; our ability to continue as a going concern; if and when required, our ability to obtain additional capital, including to fund our current debt obligations and to fund potential acquisitions and capital expenditures; the effects of the global Covid-19 pandemic; our ability to attract, maintain and increase the number of its users and paid subscribers; our ability to identify, acquire, secure and develop content; 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; our ability to maintain compliance with certain financial and other covenants; successfully implementing our growth strategy, including relating to our technology platforms and applications; our management's relationships with industry stakeholders; changes in economic conditions; competition; and other risks and uncertainties set forth in "Item 1A. Risk Factors" of this Annual Report. 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, 2020, 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," "we," "our" 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, podcasting 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. Beginning in the fourth quarter of our fiscal year ended March 31, 2020, we began generating ticketing, sponsorship, and promotion-related revenue from live music events through our February 2020 acquisition of React Presents, LLC ("React Presents"), a leading live entertainment and promoter of electronic dance music ("EDM") festivals and events.

For the fiscal years ended March 31, 2020 and 2019, we reported revenue of $38.7 million and $33.7 million, respectively. For the years ended March 31, 2020 and 2019, one customer accounted for 60% and 41% of our consolidated revenues, respectively.

Fiscal 2020 Significant Transactions

On July 25, 2019, in a registered direct public offering, the Company entered into securities purchase agreements with certain institutional investors pursuant to which the Company sold a total of 5,000,000 shares of the its common stock at a price per share of $2.10. The gross proceeds to the Company were $10.5 million. The net proceeds of the offering to the Company were $9.5 million, after deducting placement agent fees and other offering expenses totaling $1.0 million paid by the Company.

On January 31, 2020, the Company modified certain financial liquidity covenants in its Debentures. The amendment went effective retroactive to December 31, 2019. In addition, the Company issued 400,000 shares of its common stock to the holders of Debentures in exchange for the Debentures in the principal amount of $10,000, originally issued by the Company on June 29, 2018, as sole consideration for the shares, sufficient to qualify for an exemption under Section 5 of the Securities Act pursuant to Section 3(a)(9) thereof and accompanying removal of applicable restrictions under Rule 144 promulgated under the Securities Act. Any sale of such shares shall be subject to a percentage limitation of the daily trading volume.

In February 2020, the Company acquired React Presents for $2.0 million in subordinated convertible debt. React Presents is a leading live entertainment and promoter of EDM festivals and events, including the Spring Awakening festival and hundreds of club shows located in and around the City of Chicago, Illinois. The convertible note bears annual interest of 8%, has a conversion price of $4.50 per share and is payable in two years from the acquisition date.

The Company ended fiscal year March 31, 2020 with approximately 850,000 paid subscribers on the Company's music platform, up from approximately 680,000 at March 31, 2019, representing 25% year-over-year growth since March 31, 2019, with approximately 1.0 million, MAUs. For the fiscal year ended March 31, 2020, the Company successfully produced and livestreamed forty-two (42) live festivals and events, generating over 69 million views, 230 artists livestreamed and 275 hours of live programming.

Basis of Presentation

The consolidated financial statements have been prepared on the same basis as the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019, and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's consolidated financial statements for the year ended March 31, 2020. The presented financial information for the fiscal year ended March 31, 2020 includes the financial information and activities of LiveXLive (365 days) and React Presents for the period from February 5, 2020 to March 31, 2020 (56 days).

Opportunities, Challenges and Risks

In 2020, we derived the majority of our revenue through music subscription services, and secondarily from advertising and ticketing. For our fiscal year ended March 31, 2020 ("fiscal year 2020"), approximately 10% and 90% of our revenue was from advertising and paid customers' subscriptions, respectively. Subsequent to March 31, 2020, we (i) agreed to acquire PodcastOne, (ii) accelerated the number of live events digitally live streamed across our platform, (iii) substantially increased our sponsorship revenue from live events when compared to prior fiscal years and (iv) successfully launched our Pay Per View ("PPV") platform, allowing us to charge customers directly to access and watch certain live events digitally on our music platform. Conversely, the COVID-19 pandemic adversely impacted our on-premise live events, concerts and festivals through React Presents and our programmatic advertising as more fully discussed below. When we aggregate the combined impact of all of these events post March 31, 2020, we expect the percentage mix of advertising versus subscription revenue to be substantially higher beginning in the three months ended September 30, 2020 and throughout the remainder of our fiscal year ended March 31, 2021 ("fiscal year 2021") versus fiscal year 2020. Until the impact of COVID-19 eases around the world, we do not expect to produce on-premise live music events and generate revenue through co-promotion fees, sponsorships, food and beverage and ticket sales of on-premise live events in the near term.

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, 2020, we livestreamed 42 major festivals and live music events. Moreover, in our fiscal 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, and are heavily dependent upon the easing and elimination of the COVID-19 pandemic.

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 2020, the future revenue and operating growth across our music platform will rely heavily on our ability to grow our subscriber base, continue to develop and deploy quality and innovative new music services such as PPV, 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 such as podcasts and video podcasts (“vodcasts”), extending our distribution to include pay television and social channels, deploying new services for our subscribers such as PPV, artist merchandise and live music event ticket sales, and licensing user data across our platform. In 2019 we combined our Slacker audio and LiveXLive video 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 and more recently in 2020, we integrated resources and improved our live music streaming app across Apple TV, Samsung TV, Roku and Amazon Fire platforms. We acquired React Presents in February 2020, which gives us the ability to produce live music events and festivals along with increasing our original music content. In May 2020 we also launched our first PPV performances across our platform, allowing artists and fans to access a new digital compliment to live concerts and events. In May 2020, we announced we would acquire PodcastOne which is expected to close in July 2020 and if the acquisition is successful, we would own one of the largest networks of podcast content in North America, including over 300 new podcasts per week and over 2.0 billion downloads annually. 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, 2021, 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.

As our platform matures, we also expect our contribution margins* and AOL* to improve in the near and long term. Historically, our live events business has not generated enough direct revenue to cover the costs to produce such events, and as a result generated negative contribution margins* and operating losses. Beginning in late March 2020, the COVID-19 pandemic had an adverse impact on on-premise live music events and festivals. Major global music festivals such as Coachella, EDC Las Vegas, Rock-in-Rio, Austin City Limits were postponed to 2021 or indefinitely. Historically, we produced and digitally distributed the live music performances of many of these large global music events to fans all around the world. With the elimination of any fan-attended music events, festivals and concerts, we shifted our operating model beginning in April 2020 towards self-producing live music events that were 100% digital (e.g., artists not performing in front of live fans and solely for digital purposes). In April 2020, we also launched our first all-digital music festival, Music Lives, which aired continuously for over 48 straight hours, with over 100 artists and generated over 50 million livestreams and over 5.0 billion video views of the of hashtag *#musiclives* across TikTok. Music Lives was simulcast across our platform and on TikTok’s platform, who also sponsored the event. Since April 1, 2020 through June 15, 2020, we have live streamed over 35 events, accumulated over 60 million livestreams and generated 300% higher sponsorship revenue versus any quarter historically since our inception. In addition, we also introduced our PPV platform in May 2020, generating over 8,000 ticket sales at average prices of approximately $20.00 per ticket during its first 30 days of launch. Lastly, we are forecasting our cost per live event over near term to decrease substantially when compared to prior periods. When combined, the aggregate financial impact of these new events is improvements in both contribution margins* and AOL*in the near and long term.

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, 2020 and 2019, all material amounts of our revenue was derived from customers located in the United States. Moreover, and during the year ended March 31, 2020, one of our customers accounted for 60% 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.

Effects of COVID-19

An outbreak of a novel strain of coronavirus, COVID-19 in December 2019 subsequently became a pandemic after spreading globally, including the United States. While the COVID-19 pandemic did not materially adversely affect our financial results and business operations during the fiscal year ended March 31, 2020, it did adversely impact parts of our business during the first quarter of fiscal March 31, 2021, namely our live events and programmatic advertising. Due to the global pandemic and government actions taking in response, since March 2020, all in person festivals, concerts and events have either been canceled or suspended, and it is uncertain when they will be permitted to resume, and as a result, the COVID-19 pandemic had an adverse impact on on-premise live music festivals, concerts and events. Major global music festivals such as Coachella, EDC Las Vegas, Rock-in-Rio, Austin City Limits have been postponed until 2021 or indefinitely. With our acquisition of React Presents in February 2020, we are presently unable to produce and promote more than 200 forecasted live events in fiscal year ended March 31, 2021, including our flagship live event Spring Awakening festival which is typically annually produced in June. Moreover, our programmatic advertising is presently adversely impacted as COVID-19 caused advertising demand to decline and as a result, overall advertising cost per thousand impressions/rates across our platform were subsequently reduced. Further, as of the date of this Annual Report, we are not livestreaming any fan attended live festivals, concerts or other in-person live events on our platform or channels and it is unclear when streaming of fan attended live festivals, concerts or other in-person live events will again become available to us. Conversely, while the economic and health conditions in the United States and across the globe have changed rapidly since the end of our fiscal year ended March 31, 2020, we are presently experiencing growth in certain parts of our core business, including (i) substantial growth in the number of live music events produced digitally and livestreamed since April 1, 2020 through June 10, 2020 (36 live events) as compared to fiscal year March 31, 2020 (41 live events), (ii) improvement in the monetization of these digital livestreams, which is currently on pace to exceed prior fiscal year by over 300% and (iii) new growth opportunities across our music platform, including PPV. In addition, the outbreak and any preventative or protective actions that governments, other third parties or we may take in respect of the coronavirus may result in a period of business disruption and reduced operations. For example, Tesla was ordered to keep its main U.S. factory closed for a substantial amount of time.

The extent to which COVID-19 impacts our results will depend on future developments, including new information which may emerge concerning the severity of the coronavirus and the actions taken by us and our partners to contain the coronavirus or treat its impact, among others. The impact of the suspension or cancellation of in-person live festivals, concerts or other live events, and any other continuing effects of COVID-19 on our business operations (such as general economic conditions and impacts on the advertising, sponsorship and ticketing marketplace and our partners), may result in a decrease in our revenues, and if the global COVID-19 epidemic continues for an extended period, our business, financial condition and results of operations could be materially adversely affected.

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, sponsorship of our live events, paid subscriptions across our music platform, and secondarily through the licensing of non-US broadcasting rights for our live events. With the acquisition of React Presents in the fourth quarter of our fiscal year ended March 31, 2020 and the launch of our PPV platform we now generate ticket and event revenue, and beginning in the second quarter of our fiscal year ending March 31, 2021 and with the expected acquisition of PodcastOne, we expect to generate higher advertising revenue when compared to prior periods and as a percentage mix of our consolidated revenue. Our advertising revenue is based upon the number of impressions or active listeners we deliver across our music and podcasting platform. Our subscription revenue is driven by the number of paid subscribers across our music platforms, 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. Ticket/event revenue is primarily derived from the sale of tickets and promoter fees earned from venues or other co-promoters under one of several formulas, including a fixed guaranteed amount and/or a percentage of ticket sales or event profits.

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 including podcasts, vodcasts and PPV events; platform operating expenses, including depreciation of the systems and hardware used to build and operate our platform; personnel costs related to our network operations, production teams, 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 is 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 2021, most notably in the second quarter of fiscal year 2021 with the expected acquisition of PodcastOne and fluctuate as a percent of revenue when compared to 2020, 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. We currently anticipate that our product development expenses will increase in the near term and more significantly in 2021, 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 2021 product development expense as a percentage of revenue to fluctuate accordingly when compared to fiscal year 2020.

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 React Presents expenses in fiscal year 2021 versus partial year in fiscal year 2020, coupled with the expected addition of new personnel from PodcastOne to support our planned growth in fiscal year 2021 and beyond, we anticipate general and administrative expenses to increase overall in fiscal year 2021 as compared to fiscal year 2020.

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 React Presents acquisition made in the fourth quarter of fiscal year ended March 31, 2020 and PodcastOne acquisition expected to close in the second quarter of fiscal year ending March 31, 2021, respectively. 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, 2020, we had approximately $7.8 million of unrecognized employee related stock-based compensation, which we expect to recognize over a weighted-average period of approximately 2.6 years. Stock-based compensation expense is expected to increase throughout fiscal year 2021 compared to fiscal year 2020 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.

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, gain on bargain purchase 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, 2020, we had approximately $89.0 million of federal and $72.7 million of 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 federal NOL and federal 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, 2019, and 21% for the fiscal year ended March 31, 2020 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.

On March 27, 2020, the CARES Act was enacted in the United States. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses and technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property. The Company evaluated the provisions of the CARES Act and do not anticipate the associated impacts, if any, will have a material effect on its financial position.

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, 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:

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 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.

Ticket/Event Revenue

Ticket/Event revenue is primarily from the sale of tickets and promoter fees earned from venues or other co-promoters under one of several formulas, including a fixed guaranteed amount and/or a percentage of ticket sales or event profits.

Revenue from the promotion or production of an event is recognized when the show occurs. Revenue collected in advance of the event is recorded as deferred revenue until the event occurs. Revenue collected from sponsorship agreements, which is not related to a single event, is classified as deferred revenue and recognized over the term of the agreement or operating season as the benefits are provided to the sponsor.

Revenue from our ticketing operations primarily consists of service fees charged at the time a ticket for an event is sold. For tickets sold to our festival events the revenue for the tickets and associated ticket service charges collected in advance of the event is recorded as deferred revenue until the event occurs.

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"), restricted stock awards 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.

COVID-19 Consideration

As a result of the COVID-19 pandemic, there is a reasonable possibility that actual results could differ from those estimates and such differences could be material to the financial position and results of operations, specifically in assessing when the collectability of revenue related consideration is probable, and the impairment assessment of goodwill, indefinite lived assets or long lived assets. In addition, in April 2020 and in consideration of the unknown impact COVID-19 would have on our business and industry, we enacted a three-month pay reduction across our entire organization and obtained a federal loan under the Payroll Protection Program ("PPP") in order to ensure we keep our core employee base intact over the same period. Given the uncertainty around the near and longer-term impact of the COVID-19 pandemic on our business, we may need to take further actions beyond June 2020, which could result in changes in such accounting estimates above having a material adverse impact on our financial position and results of operations. We will continue to monitor the COVID-19 pandemic and make necessary adjustments to our estimates when and as necessary.

Non-GAAP Measures

Contribution margin

Contribution Margin is a non-GAAP financial measure defined as Revenue less Cost of Sales.

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	Depreciation and Amortization	Stock-Based Compensation	Non-Recurring Acquisition and Realignment Costs	Other Non-Recurring Costs	Adjusted Operating Loss
2020							
Music Operations	$ 5,873	$ (22,558)	$ 8,017	$ 6,184	$ -	$ 387	$ (7,970)
Corporate	-	(13,437)	3	5,843	-	2,913	(4,678)
Total	$ 5,873	$ (35,995)	$ 8,020	$ 12,027	$ -	$ 3,300	$ (12,648)
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)

Operating Results

Music Operations

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

	Year Ended March 31,		% Change 2020 vs.
	2020	2019	2019
Revenue	$ 38,659	$ 33,701	15%
Cost of Sales	32,786	31,171	5%
Sales & Marketing, Product Development and G&A	22,705	15,914	43%
Intangible Asset Amortization	5,726	6,504	-12%
Operating Loss	$ (22,558)	$ (19,888)	13%
Operating Margin	-58%	-59%	-1%
AOL*	$ (7,970)	$ (8,041)	-1%
AOL Margin*	-21%	-24%	-14%

* See "—Non-GAAP Measures" above for the definition and reconciliation of AOL

Fiscal Year 2020 Compared to Fiscal Year 2019

Revenue

Music Operations revenue increased $5.0 million, or 15%, during the year ended March 31, 2020 as compared to the year ended March 31, 2019, primarily due to subscriber growth compared to the prior period.

Operating Loss

Music Operations operating loss increased $2.7 million, or 13%, from a ($19.9) million operating loss for the year ended March 31, 2019, to a ($22.6) million operating loss for the year ended March 31, 2020. The increase was largely due to a $2.7 million net increase in non-cash depreciation, amortization, stock based compensation and non-recurring costs, and $3.3 million increase in sales and marketing and product development costs to support the growth of our Company, offset by a $3.3 million increase in contribution margin during the year ended March 31, 2020 versus the year ended March 31, 2019.

Adjusted Operating Loss

Music Operations Adjusted Operating Loss remained flat at ($8.0) million AOL for the year ended March 31, 2020 and 2019. This was largely due to the above-discussed $3.3 million increase in operating expenses largely driven by higher sales and marketing and product development expenses, offset by an improved contribution margin of $3.3 million for the year ended March 31, 2020 compared to the same period in March 31, 2019.

Adjusted Operating Loss Margin

Music Operations AOL Margin improved for the year ended March 31, 2020 to (21%) from (24%) for the year ended March 31, 2019. The year-over-year improvement in AOL Margin was driven by the increase in revenue and related contribution margin for the year ended March 31, 2020, as compared to the year ended March 31, 2019 due to an increase in paid subscribers.

Corporate expense

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

	Year Ended March 31,		% Change 2020 vs.
	2020	**2019**	**2019**
G&A Expenses	$ 13,437	$ 14,006	-4%
Intangible Asset Amortization	-	-	-%
Operating Loss	$ (13,437)	$ (14,006)	-4%
Operating Margin	-100%	-100%	-%
AOL*	$ (4,678)	$ (4,589)	2%

* See “—Non-GAAP Measures” above for the definition and reconciliation of AOL

Operating Loss

Operating loss decreased $0.6 million, or 4%, from ($14.0) million for the year ended March 31, 2019, to ($13.4) million for the year ended March 31, 2020 largely due to a $2.0 million increase in non-recurring legal fees pertaining to higher defense costs incurred from a matter pertaining to a prior asset acquisition, offset by a $2.6 million decrease in non-cash stock based compensation.

Adjusted Operating Loss

Corporate AOL increased $0.1 million, or 2%, in the year ended March 31, 2020 to ($4.7) million as compared to the year ended March 31, 2019 of ($4.6) million. The increase was largely due to an increase in recurring operating expenses such as professional fees, travel and rent during the period.

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, 2020	Year Ended March 31, 2019
Revenue:		
Subscription revenue	$ 35,904	$ 30,398
Advertising, licensing and ticketing revenue	2,755	3,303
Total revenue	38,659	33,701
Operating expenses:		
Cost of sales	32,786	31,171
Sales and marketing	6,255	4,532
Product development	10,767	7,966
General and administrative	19,120	17,422
Amortization of intangible assets	5,726	6,504
Total operating expenses	74,654	67,595
Loss from operations	(35,995)	(33,894)
Other income (expense):		
Interest expense, net	(3,738)	(3,273)
Other expense	614	(377)
Total other expense	(3,124)	(3,650)
Loss before income tax (benefit) expense	(39,119)	(37,544)
Income tax (benefit) expense	(192)	218
Net loss	$ (38,927)	$ (37,762)
Net loss per share – basic and diluted	$ (0.69)	$ (0.73)
Weighted average common shares – basic and diluted	56,206,107	51,899,231

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

	Year Ended March 31,		% Change 2020 vs.
	2020	2019	2019
Depreciation expense			
Cost of sales	$ -	$ -	-
Sales and marketing	185	87	113%
Product development	1,925	731	163%
General and administrative	184	65	183%
Total depreciation expense	$ 2,294	$ 883	160%

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

	Year Ended March 31,		% Change 2020 vs.
	2020	2019	2019
Stock-based compensation expense:			
Cost of sales	$ 106	$ 178	-40%
Sales and marketing	2,127	1,416	50%
Product development	2,568	2,611	-2%
General and administrative	7,226	8,567	-16%
Total stock-based compensation expense	$ 12,027	$ 12,772	-6%

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

	Year Ended March 31,	
	2020	2019
Revenue	100%	100%
Operating expenses		
Cost of sales	85%	92%
Sales and marketing	16%	13%
Product development	28%	24%
General and administrative	49%	52%
Amortization of intangible assets	15%	19%
Total operating expenses	193%	201%
Loss from operations	-93%	-101%
Other expense	-8%	-11%
Loss before income taxes	-101%	-111%
Income tax provision	-%	1%
Net loss	-101%	-112%

Revenue

Revenue was as follows (in thousands):

	Year Ended March 31,		% Change 2020 vs.
	2020	2019	2019
Advertising and Licensing	$ 2,468	$ 3,303	-25%
Ticket/Event	287	-	N/A
Subscription	35,904	30,398	18%
Total Revenue	$ 38,659	$ 33,701	15%

Advertising and Licensing Revenue

Advertising and licensing revenue for the year ended March 31, 2020 decreased by $0.8 million or 25% to $2.5 million as compared to $3.3 million for the year ended March 31, 2019 largely due to less listening hours across our freemium user base in the current period, therefore less opportunity to serve impressions. COVID-19 marginally impacted advertising revenue in the month of March 2020 with a larger impact expected in the first half of fiscal year ending March 31, 2021.

Ticket/Event

Ticket/Event revenue increased $0.3 million, to $0.3 million for the year ended March 31, 2020, as compared to $0 million for the year ended March 31, 2019. The increase was due to the acquisition of React Presents in the fourth quarter of fiscal year ended March 31, 2020 and did not exist in 2019.

Subscription Revenue

Subscription revenue increased $5.5 million, or 18%, to $35.9 million for the year ended March 31, 2020, as compared to $30.4 million for the year ended March 31, 2019. The increase was due to the growth in the number of paid subscribers year-over-year.

Cost of Sales

Cost of sales was as follows (in thousands):

	Year Ended March 31,		% Change 2020 vs.
	2020	2019	2019
Production	$ 7,339	$ 8,285	-11%
Ticket/Event	206	-	N/A
Subscription and Advertising	25,241	22,886	10%
Total Cost of Sales	$ 32,786	$ 31,171	5%

Production

Production cost of sales decreased $0.9 million, or 11%, to $7.3 million for the year ended March 31, 2020, as compared to $8.3 million for the year ended March 31, 2019. The decrease was largely due to efforts to reduce the average costs per events produced during the year ended March 31, 2020, as compared to the year ended March 31, 2019.

Ticket/Event

Ticket/Event cost of sales increased $0.2 million, to $0.2 million for the year ended March 31, 2020, as compared to $0 million for the year ended March 31, 2019. The increase was due to the acquisition of React Presents in the fourth quarter of fiscal year ended March 31, 2020 and did not exist in 2019.

Subscription and Advertising

Subscription and advertising cost of sales increased $2.3 million, or 10%, to $25.2 million for the year ended March 31, 2020, as compared to $22.9 million for the year ended March 31, 2019. The increase was primarily due to an increase in the corresponding subscription revenue in the same period. With total advertising and subscription revenue for the year ended March 31, 2020 increasing by 15%, as compared to the same period in 2019, subscription and advertising cost of sales only increased 10%. This gross margin improvement is driven by the growth in a higher mix of customers in more favorable plans.

Other Operating Expenses

Other operating expenses were as follows (in thousands):

	Year Ended March 31,		% Change 2020 vs.
	2020	**2019**	**2019**
Sales and marketing expenses	$ 6,255	$ 4,532	38%
Product development	10,767	7,966	35%
General and administrative	19,120	17,422	10%
Amortization of intangible assets	5,726	6,504	-12%
Total Other Operating Expenses	$ 41,868	$ 36,424	15%

Sales and Marketing Expenses

Sales and marketing expenses increased $1.8 million, or 38%, to $6.3 million for the year ended March 31, 2020, as compared to $4.5 million for the year ended March 31, 2019. The $1.8 million increase was largely due to $0.7 million increased in non-cash stock-based compensation, $0.5 million in increased personnel-related and consulting expenses, $0.5 million in increased marketing spending to acquire paid subscribers and promote live events and a $0.1 million in deprecation to support growth in initiatives during the year ended March 31, 2020, as compared to the year ended March 31, 2019.

Product Development

Product development expenses increased $2.8 million, or 35%, to $10.8 million for the year ended March 31, 2020, as compared to $8.0 million for the year ended March 31, 2019. The increase of $2.8 million was largely due to $1.2 million increase in depreciation, $1.0 million in increased personnel-related and consulting expenses and $0.6 million in non-cash stock-based compensation to the support growth initiatives during the year ended March 31, 2020, as compared to the year ended March 31, 2019.

General and Administrative

General and administrative expenses increased $1.7 million, or 10%, to $19.1 million for the year ended March 31, 2020, as compared to $17.4 million for the year ended March 31, 2019. The increase was primarily due to $1.5 million increase in non-recurring legal fees, the vast majority of which is to support legal defense costs related to a prior period asset acquisition, coupled with an increase in personnel-related costs of approximately $0.5 million due to the addition of corporate personal, including our new President, appointed in fiscal year 2020, and a $0.1 million increase in depreciation to support growth initiatives.

Amortization of Intangible Assets

Amortization of intangible assets decreased by $0.8 million, or 12%, to $5.7 million for the year ended March 31, 2020, as compared to $6.5 million for the year ended March 31, 2019. The decrease was due to the Slacker purchase price allocation being finalized in December of 2018, resulting in adjustments to the useful life with an effect of reducing monthly amortization in the prior year. Furthermore, certain customer relationships were fully amortized in prior periods thus resulting in further reductions of quarterly amortization.

Total Other Income (Expense)

	Year Ended March 31,		% Change 2020 vs.
	2020	2019	2019
Total other income (expense), net	$ (3,124)	$ (3,650)	-14%

Total other income (expense) decreased $0.5 million, or 14%, to $3.1 million for the year ended March 31, 2020, as compared to $3.7 million for the year ended March 31, 2019. The decrease was primarily due an increase in other income (expense) of $1.0 million as a result of a gain on bargain purchase of $0.5 million, which was offset by an increase in interest expense of $ $0.5 million largely related to higher interest expense in the year ended March 31, 2020 from additional senior secured debentures issued in February 2019, which resulted in a full year of interest expense compared to the year ended March 31, 2019.

Liquidity and Capital Resources

Current Financial Condition

As of March 31, 2020, our principal sources of liquidity were our cash and cash equivalents, including restricted cash balances in the amount of $12.4 million, which primarily are invested in cash in banking institutions in the U.S. In July 2019, we completed a registered public offering of our common stock, selling an aggregate 5,000,000 shares of our common stock and raising net proceeds of approximately $9.5 million. In June 2018 and February 2019, we issued $10.6 million and $3.2 million, respectively of Debentures raising aggregate net proceeds of $12.5 million after issuance costs. The vast majority of our cash proceeds were received as a result of the issuance of our convertible notes since 2014, public offerings, bank debt financing in fiscal year 2018 and the Debentures financing in June 2018 and February 2019. As of March 31, 2020, we had notes payable balance of $0.3 million, $10.1 million in aggregate principal amount of Debentures and unsecured convertible notes with aggregate principal balances of $6.5 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 $38.9 million and utilized cash of $4.9 million in operating activities for the year ended March 31, 2020 and had a working capital deficiency of $30.0 million as of March 31, 2020. 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. 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 through the sale of equity and/or debt securities via public and/or private offerings.

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 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 were used primarily for general working capital. As of the date of this Annual Report, the Debentures holders have sent redemption notices for the months of December 2018 through June 2020 (inclusive). We have repaid $0.3 million of principal in January 2019 and $0.2 million of principal in each month in February 2019 through January 2020 (inclusive) and $0.4 in February 2020 through June 2020 (inclusive). In February 2019, we issued $3.2 million in additional Debentures, with net proceeds of approximately $3.0 million after direct issuance costs. The terms of the additional Debentures were substantially the same as the June 2018 Debentures. The June 2018 Debentures and the additional debentures sold in February 2019 are referred to herein as the "Debentures."

On July 25, 2019, we completed a registered offering with certain institutional investors pursuant to which we sold 5,000,000 shares of our common stock at a price per share of $2.10 to such investors (the "2019 Offering"). The gross proceeds of the 2019 Offering to us were $10.5 million. The net proceeds of the 2019 Offering to us were approximately $9.5 million, after deducting placement agent fees and other estimated offering expenses payable by us. The use of these proceeds was for repayment of our Debentures, working capital needs and general corporate purposes, including without limitation future acquisitions, purchases of outstanding warrants and capital expenditures. The 2019 Offering was made pursuant to our existing shelf Registration Statement on Form S-3 (File No. 333-228909), which was filed with the SEC on December 19, 2018 and went effective on February 7, 2019, and a prospectus supplement relating to the 2019 Offering, which was filed with the SEC on July 26, 2019.

Our cash flows from operating activities are significantly affected by our cash-based investments in our operations, including acquiring live music events and festivals rights, 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 to eighteen 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.

As of March 31, 2020 and 2019, we had an outstanding note payable of $0.3 million issued in connection with certain professional services performed for us through March 2015, and outstanding unsecured convertible notes (the “Trinad Notes”) of $5.2 million and $4.8 million, respectively, in principal and accrued interest, issued to Trinad Capital Master Fund Ltd. (“Trinad Capital”), a fund controlled by Mr. Ellin, our Chief Executive Officer, Chairman, director and principal stockholder. As of March 31, 2020, none of the Trinad Notes were due in less than a year.

On March 31, 2018, we entered into an Amendment of Notes Agreement (the “Amendment Agreement”) with Trinad Capital pursuant to which the maturity dates of all Trinad Notes were 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.

On March 31, 2019, we entered into an additional Amendment of Notes Agreement (the “Second Amendment Agreement”) with Trinad Capital pursuant to which the maturity date of all of our Trinad Notes was extended to May 31, 2021. We may not redeem the Trinad Notes prior to May 31, 2021 without Trinad Capital’s consent.

In September 2019 the Company issued one of the Music Partners $0.4 million in restricted shares of the Company’s common stock, at a price of approximately $4.51 per share, as full payment of certain amounts due under such agreement.

In June 2020, we entered into a new two-year license agreement with a certain Music Partner which owns and license rights to Slacker to certain sound recordings. Pursuant to this agreement, we agreed to certain minimum yearly guarantee payments and issued 264,000 shares of our common stock so such Music Partner in consideration of all payments due to the Music Partner prior the date of the agreement.

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 February 2020, we acquired React Presents in exchange for $2.0 million in convertible debt. The convertible debt has a term of 2 years, bears interest at 8% per year and has a conversion price of $4.50 per share.

In April 2020, we received approximately $2.0 million pursuant to the Paycheck Protection Program promulgated under the CARES Act (the “PPP Loan”). The PPP Loan matures on April 13, 2022 and bears interest at a rate of 1% per annum. Commencing in November 2020, we are required to pay the lender equal monthly payments of principal and interest as required to fully amortize by the maturity date the principal amount outstanding on the PPP Loan as of such date. All or a portion of the PPP Loan may be forgiven by the U.S. Small Business Administration (“SBA”) upon our application and upon documentation of expenditures in accordance with the SBA requirements. While we intend to apply for the forgiveness of the PPP Loan, there is no assurance that we will obtain forgiveness of the PPP Loan in whole or in part. We intend to use the proceeds from the PPP Loan for qualifying expenses.

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. Management believes we have sufficient sources of liquidity to fund our operations over the next twelve months. 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 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 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, 2020 and 2019 (in thousands):

	Year Ended March 31,	
	2020	**2019**
Net cash used in operating activities	$ (4,894)	$ (5,771)
Net cash used in by investing activities	(2,437)	(2,532)
Net cash provided by financing activities	5,829	8,272
Net change in cash and cash equivalents	$ (1,502)	$ (31)

Cash Used In Operating Activities

Year ended March 31, 2020

Net cash used in our operating activities of ($4.9) million primarily resulted from our net loss during the period of ($38.9) million, which included non-cash charges of $20.3 million largely comprised of the accretion of our debt discount on our unsecured convertible notes, depreciation and amortization, interest paid in kind, change in fair value of embedded derivatives, gain on bargain purchase, and stock-based compensation. The remainder of our sources of cash provided by operating activities of $13.7 million was from changes in our working capital, including $0.5 million from timing of accounts receivable and $13.2 million from timing of accounts payable, accrued expenses and other long-term liabilities

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.

Cash Flows Used In Investing Activities

Year ended March 31, 2020

Net cash used in investing activities of ($2.4) million was principally due to the ($2.6) million cash used for the purchase of capitalized internally developed software costs during the year ended March 31, 2020, net of cash acquired in the acquisition of React Presents of $0.2 million.

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.

Cash Flows Provided By Financing Activities

Year ended March 31, 2020

Net cash provided by financing activities of $5.8 million was primarily due to net proceeds of $9.5 million from the registered public offering completed in July 2019, partially offset by repayment of Debentures of $3.0 million and amendment costs of Debentures of $0.7 million.

Year ended March 31, 2019

Net cash provided by financing activities of $8.3 million was primarily due to net proceeds of $13 million from the June 2018 and February 2019 Debentures financing, partially offset by repayment of a term loan of ($3.5) million assumed as part of the Slacker acquisition.

Contractual Obligations

The following table summarizes our contractual obligations that require us to make future cash payments as of March 31, 2020. 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	$ 933	$ 705	$ 228	$ -	$ -
Content and Festival Fees and Guarantees and Contractual Obligations (1)	5,874	3,066	2,808	-	-
Deferred revenue arrangements (2)	949	949	-	-	-
Long-term debt obligations (3)	17,628	3,647	13,981	-	-
Total	$ 25,384	$ 8,367	$ 17,017	$ -	$ -

(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, 2020. See also Note 8 - Note Payable, Note 9 – Senior Secured Convertible Debentures and Note 10 – 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 sheets of LiveXLive Media, Inc. (the "Company") as of March 31, 2020 and 2019, the related consolidated statements of operations, stockholders' (deficit) equity, and cash flows for the years 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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty and COVID-19

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, negative cash flows from operating activities and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. In addition, as discussed in Note 2 to the consolidated financial statements, the COVID-19 pandemic could have a material adverse impact on the Company's results of operations, cash flows and liquidity. Management's plans in regard to these matters are also described in Note 1 and Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2019, the Company adopted Accounting Standards Codification Topic 842, Leases (Topic 842).

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 audits. 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 audits 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. 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 audits 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 audits 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 audits 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 audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP
We have served as the Company's auditor since 2018.
Los Angeles, California
June 26, 2020

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

	March 31, 2020	March 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 5,702	$ 13,704
Restricted cash	6,735	235
Accounts receivable, net	3,889	4,314
Prepaid expense and other assets	1,396	1,311
Total Current Assets	17,722	19,564
Property and equipment, net	3,397	2,720
Goodwill	9,672	9,672
Intangible assets, net	23,198	26,943
Other assets	127	-
Total Assets	$ 54,116	$ 58,899
Liabilities and Stockholders' (Deficit) Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 30,723	$ 20,906
Accrued royalties	13,071	9,921
Note payable	331	312
Deferred revenue	949	950
Senior secured convertible debentures, net	2,720	2,111
Total Current Liabilities	47,794	34,200
Lease liabilities, noncurrent	45	-
Senior secured convertible debentures, net	6,505	10,284
Unsecured convertible notes, net	6,794	4,741
Deferred income taxes	108	211
Total Liabilities	61,246	49,436
Commitments and Contingencies		
Stockholders' (Deficit) 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; 58,984,382 and 52,275,236 shares issued and outstanding, respectively	59	52
Additional paid in capital	120,932	98,605
Accumulated deficit	(128,121)	(89,194)
Total stockholders' (deficit) equity	(7,130)	9,463
Total Liabilities and Stockholders' (Deficit) Equity	$ 54,116	$ 58,899

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, 2020	Year Ended March 31, 2019
Revenue:	$ 38,659	$ 33,701
Operating expenses:		
Cost of sales	32,786	31,171
Sales and marketing	6,255	4,532
Product development	10,767	7,966
General and administrative	19,120	17,422
Amortization of intangible assets	5,726	6,504
Total operating expenses	74,654	67,595
Loss from operations	(35,995)	(33,894)
Other income (expense):		
Interest expense, net	(3,738)	(3,273)
Other income (expense)	614	(377)
Total other income (expense)	(3,124)	(3,650)
Loss before income tax (benefit) expense	(39,119)	(37,544)
Income tax (benefit) expense	(192)	218
Net loss	$ (38,927)	$ (37,762)
Net loss per share – basic and diluted	$ (0.69)	$ (0.73)
Weighted average common shares – basic and diluted	56,206,107	51,899,231

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

LiveXLive Media, Inc.
Consolidated Statements of Stockholders' (Deficit) Equity
For the Years Ended March 31, 2020 and 2019
(In thousands, except share and per share amounts)

	Common stock		Additional Paid in	Accumulated	Total Stockholders' (Deficit)
	Shares	Amount	Capital	Deficit	Equity
Balance as of April 1, 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**
Shares issued to consultants and vendors	1,709,146	2	4,668	-	**4,670**
Stock-based compensation	-	-	7,982	-	**7,982**
Interest paid in kind	-	-	29	-	**29**
Shares issued in the public offering, net of cost	5,000,000	5	9,518	-	**9,523**
Conversion feature recorded as debt discount	-	-	130	-	**130**
Net loss	-	-	-	(38,927)	**(38,927)**
Balance as of March 31, 2020	**58,984,382**	**$ 59**	**$ 120,932**	**$ (128,121)**	**$ (7,130)**

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, 2020	Year Ended March 31, 2019
Cash Flows from Operating Activities:		
Net loss	$ (38,927)	$ (37,762)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,020	7,387
Interest paid in kind	29	-
Beneficial conversion feature on paid in kind interest	-	147
Common stock issued for services	4,423	3,557
Stock-based compensation	7,604	9,215
Change in fair value of bifurcated embedded derivatives	14	323
Amortization of debt discount	824	986
Deferred income taxes	(103)	211
Gain on bargain purchase	(511)	-
Changes in operating assets and liabilities:		
Accounts receivable	525	(1,324)
Prepaid expenses and other current assets	50	625
Deferred revenue	(1)	(96)
Accounts payable and accrued liabilities	13,159	10,960
Net cash used in operating activities	(4,894)	(5,771)
Cash Flows from Investing Activities:		
Cash acquired in acquisition of React Presents	138	-
Purchases of property and equipment	(2,575)	(2,532)
Net cash used in investing activities	(2,437)	(2,532)
Cash Flows from Financing Activities:		
Net proceeds from senior secured convertible debentures	-	13,000
Repayment of senior secured convertible debentures payable	(2,984)	(731)
Senior secured convertible debenture issuance costs	-	(482)
Repayment of bank debt	-	(3,515)
Net proceeds from public offering	9,523	-
Senior secured convertible debenture amendment costs	(710)	-
Net cash provided by financing activities	5,829	8,272
Net decrease in cash, cash equivalents and restricted cash	(1,502)	(31)
Cash, cash equivalents and restricted cash, beginning of period	13,939	13,970
Cash, cash equivalents and restricted cash, end of period	$ 12,437	$ 13,939
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 17	$ 4
Cash paid for interest	$ 1,517	$ 981
Supplemental disclosure of non-cash investing and financing activities:		
Conversion features recorded as debt discount	$ 130	$ 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	$ 378	$ 665
Common stock issued upon conversion of notes payable	$ -	$ 1,181
Common stock issued to senior secured convertible debenture holders	560	-
Fair value of promissory note issued in React Presents acquisition	$ 1,541	$ -
Purchase price adjustment to fair value of shares issued for Slacker acquisition	$ -	(5,744)

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, 2020 and 2019

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. On February 5, 2020, LiveXLive's wholly owned subsidiary, LiveXLive Events, LLC ("LiveXLive Events"), acquired (i) React Presents, LLC a Delaware limited liability company ("React Presents"), and it became a wholly owned subsidiary of LiveXLive Events, and (ii) indirectly Spring Awakening, LLC, which is a wholly owned subsidiary of React Presents, a producer, promoter and manager of in person live music festivals and events.

On May 7, 2020, the Company entered into a binding Stock Purchase Agreement with Courtside Group, Inc. (d/b/a PodcastOne) ("PodcastOne"), a Delaware corporation, to acquire 100% of the issued and outstanding equity interests of PodcastOne in exchange for the issuance of 5,454,545 shares of the Company's common stock subject to customary and other closing conditions. The acquisition of PodcastOne is expected to close in July 2020.

Basis of Presentation

The consolidated financial statements have been prepared on the same basis as the Company's audited consolidated financial statements for the fiscal year ended March 31, 2019, and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's consolidated financial statements for the year ended March 31, 2020. The presented financial information for the fiscal year ended March 31, 2020 includes the financial information and activities of LiveXLive (365 days) and React Presents for the period from February 5, 2020 to March 31, 2020 (56 days).

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, cash equivalents and restricted cash amounted to $12.4 million as of March 31, 2020). As reflected in its consolidated financial statements included elsewhere herein, the Company has a history of losses, incurred a net loss of $38.9 million, and utilized cash of $4.9 million in operating activities for the year ended March 31, 2020, and had a working capital deficiency of $30.0 million as of March 31, 2020. The Company filed a universal shelf Registration Statement on Form S-3 which became effective in February 2019 to raise up to $150.0 million in cash from the sale of equity, debt and/or other financial instruments. During the year ended March 31, 2020, the Company sold 5,000,000 shares of its common stock to certain institutional investors for gross proceeds of $10.5 million. 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.

The Company's ability to continue as a going concern is dependent on its ability to execute its growth strategy and on its ability to raise additional funds. The continued spread of COVID-19 and uncertain market conditions may limit the Company's ability to access capital, may reduce demand for its services, and may negatively impact its ability to retain key personnel. 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. Even if the Company is able to obtain additional financing, it may contain terms that result in 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. The Company 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.

Note 2 — Summary of Significant Accounting Policies

COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus disease ("COVID-19") as a pandemic. The global impact of the COVID-19 pandemic has had a negative effect on the global economy, disrupting the financial markets creating increasing volatility and overall uncertainty. The Company began to experience modest adverse impacts of the COVID-19 pandemic in the fourth quarter of fiscal year ended March 31, 2020 and this impact is expected to become more adverse and to continue throughout the first half of the fiscal year ending March 31, 2021, and possibly longer. The Company's event and programmatic advertising revenues were directly impacted in the first quarter of 2021 with all on-premise in-person live music festivals and events postponed and mixed demand from historical advertising partners. Further, one of the Company's larger customers also experienced a temporary halt to its production as a result of COVID-19, which in turn could adversely, impact the Company's near-term subscriber growth in 2021. Subsequent to the fiscal year ended March 31, 2020, the Company has enacted several initiatives to counteract these near-term challenges, including salary reductions, obtaining a Paycheck Protection Program loan (see Note 19 – Subsequent Events) and pivoting production to 100% digital. The Company began producing, curating, and broadcasting digital music festivals and events across its platform which has resulted in the growth in the number of live events streamed, related sponsorship revenue and overall viewership. However, there is uncertainty as to the duration and overall impact of the COVID-19 pandemic, which could result in an adverse material change in a future period to the Company's results of operations, financial position and liquidity.

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, 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 values 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. Given the overall uncertainty surrounding the COVID-19 pandemic, there is a reasonable possibility that actual results could differ from those estimates and such differences could be material to the financial position and results of operations, specifically in assessing when the collectability of revenue related consideration is probable, and the impairment assessment of goodwill, indefinite lived assets or long-lived assets that are depreciated or amortized.

Revenue Recognition Policy

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 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 ticketing/live events, 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.

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.

Ticket/Event Revenue

Ticket/Event revenue is primarily from the sale of tickets and promoter fees earned from venues or other co-promoters under one of several formulas, including a fixed guaranteed amount and/or a percentage of ticket sales or event profits.

Revenue from the promotion or production of an event is recognized at a point in time when the show occurs. Revenue collected in advance of the event is recorded as deferred revenue until the event occurs. Revenue collected from sponsorship agreements, which is not related to a single event, is classified as deferred revenue and recognized over the term of the agreement or operating season as the benefits are provided to the sponsor.

Revenue from our ticketing operations primarily consists of service fees charged at the time a ticket for an event is sold in either the primary or secondary markets. For primary tickets sold to our festival events the revenue for the associated ticket service charges collected in advance of the event is recorded as deferred revenue until the event occurs.

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, 2020, and 2019, the Company accrued $13.1 million and $9.9 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"), restricted stock awards ("RSAs") 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 would be excluded from the diluted earnings per share calculation because their effect is anti-dilutive.

At March 31, 2020 and 2019, the Company had 167,363 warrants outstanding, 4,428,334 and 4,981,668 options outstanding, respectively, 4,530,705 and 1,377,391 restricted stock units outstanding, respectively, 24,675 and 0 restricted stock awards outstanding, respectively, and 4,206,437 and 2,942,391 shares of common stock issuable underlying the Company's convertible notes and convertible debentures, 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.

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):

	2020	2019
Cash and cash equivalents	$ 5,702	$ 13,704
Restricted cash	6,735	235
Total cash and cash equivalents and restricted cash	$ 12,437	$ 13,939

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 well as an account control agreement associated with the Company's senior secured convertible debentures whereby the Company is required to have a minimum cash on hand of $6.5 million. As of March 31, 2020 and 2019, the Company had restricted cash of $6.7 million and $0.2 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, 2020, the Company had two customers that made up 22% and 57% of the total accounts receivable balance. At March 31, 2019, the Company had three customers that made up 10%, 26% and 36% 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):

	2020	2019
Accounts receivable, gross	$ 4,109	$ 4,318
Less: Allowance for doubtful accounts	220	4
Accounts receivable, net	$ 3,889	$ 4,314

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 two- 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, 2020 and 2019, the Company capitalized $2.8 million and $3.1 million of internal use software, respectively.

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. In the Company's assessment for potential impairment the Company identified triggering events due to the events resulting from the global COVID-19 pandemic. No impairment losses have been recorded in the fiscal years ended March 31, 2020 and 2019. The Company's reporting unit is the same as its operating segment and reporting segment as described in Note 17 - 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. In our assessment for potential impairment we identified triggering events due to the events resulting from the global COVID-19 pandemic which caused the temporary halting of car production of our OEM partner as well as overall advertising spend decrease from our advertising partners. No impairment losses have been recorded in the fiscal years ended March 31, 2020 and 2019. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may impair the Company's asset values, including intangible assets.

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 Non-Compete, Fan Database, Brands, 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: Non-Compete (3 years), Fan Database (3 years), Brands (15-16 years), 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. In our assessment for potential impairment we identified triggering events due to the events resulting from the global COVID-19 pandemic which caused the temporary halting of car production of our OEM partner as well as overall advertising spend decrease from our advertising partners. No impairment losses have been recorded in the fiscal years ended March 31, 2020 and 2019. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may impair the Company's asset values, including intangible assets.

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This ASU and all the related amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted this guidance in the first quarter of fiscal 2020, the quarter ended June 30, 2019 using the optional transitional method afforded under ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. As a practical expedient, the Company has not separated lease components from nonlease components for its real property operating leases. Results for reporting periods beginning after the adoption date are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 840 (see Note 12 - Leases).

The Company elected and applied the available transition practical expedients. By electing these practical expedients, the Company did:

a. not reassess whether expired or existing contracts contain leases under the new definition of a lease;

b. not reassess lease classification for expired or existing leases; and

c. not reassess whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this ASU replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments - Credit Losses. The amendments in this ASU clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20; instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842: Leases. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments. The amendments in this ASU further clarify certain aspects of ASU No. 2016-13. For entities that have not yet adopted ASU No. 2016-13, this ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In May 2019, the FASB issued ASU No. 2019-05, Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief. The amendments in this ASU provide transition relief for ASU No. 2016-13 by providing an option to irrevocably elect the fair value option for certain financial assets measured at an amortized cost basis. For smaller reporting companies that have not yet adopted ASU No. 2016-13, this ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. 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 December 2019, the FASB issued ASU No. 2019-12. *Simplifying the Accounting for Income Taxes.* The amendments in this update affect entities within the scope of Topic 740, Income Taxes. The amendments in this update simplify the accounting for income taxes by removing the following exceptions: 1. Exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items (for example, discontinued operations or other comprehensive income) 2. Exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment 3. Exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary 4. Exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments in this update also simplify the accounting for income taxes by doing the following: 1. Requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax. 2.Requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction. 3. Specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements. However, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority. 4. Requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. 5. Making minor Codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. The FASB decided that for public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. 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 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.

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

The following table represents a disaggregation of revenue from contracts with customers for the years ended March 31, 2020 and 2019 (in thousands):

	Year Ended March 31,	
	2020	**2019**
Revenue		
Subscription services	$ 35,904	$ 30,398
Advertising	2,167	2,904
Licensing	301	399
Ticket/Event	287	-
Total Revenue	$ 38,659	$ 33,701

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, 2020 (in thousands):

	Contract Liabilities
Balance as of April 1, 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
Revenue recognized that was included in the contract liability at beginning of period	(950)
Increase due to cash received, excluding amounts recognized as revenue during the period	949
Balance as of March 31, 2020	$ 949

Note 4 — Property and Equipment

The Company's property and equipment at March 31, 2020 and 2019 was as follows (in thousands):

	As of March 31,	
	2020	**2019**
Property and equipment, net		
Production equipment	$ 54	$ 54
Computer, machinery, and software equipment	707	573
Furniture and fixtures	41	23
Leasehold improvements	41	19
Capitalized internally developed software	5,617	3,070
Total property and equipment	6,460	3,739
Less accumulated depreciation and amortization	(3,063)	(1,019)
Total property and equipment, net	$ 3,397	$ 2,720

Depreciation and amortization expense was \$2.1 million and \$0.9 million for the years ended March 31, 2020 and 2019, respectively.

Note 5 — Business Combinations

React Presents

On February 5, 2020, the Company's wholly owned subsidiary, LiveXLive Events, acquired React Presents and indirectly Spring Awakening, LLC, which is a wholly owned subsidiary of React Presents, for net consideration of $1.5 million consisting of (i) a $2 million convertible note payable with a fair value of $1.5 million and (ii) the assumption of React Presents' liabilities of $0.2 million resulting in a pre-tax bargain purchase gain of $0.5 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. As the fair value of the net assets acquired were in excess of the consideration, a deferred tax liability was recorded and reduced the gain to $0.4 million.

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

Asset Type		Fair Value
Cash	$	138
Accounts receivable		101
Prepaid expense and other assets		37
Property and equipment		17
Brands names		1,500
Non-compete agreement		250
Fan database		230
Accounts payable and accrued liabilities		(221)
Deferred tax liability		(107)
Gain on bargain purchase, net of tax		(404)
Net assets acquired	$	1,541

Since the acquisition date, the amount of revenue for React Presents included in the Company's consolidated statements of operations for the year ended March 31, 2020 was $0.3 million. The net loss for React Presents included in the Company's consolidated statements of operations for the year ended March 31, 2020 was ($0.3) million. The Company incurred less than $0.1 million in transaction costs associated with the React Presents acquisition.

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, 2019.

The following table presents the revenues, net loss and earnings per share of the combined company for the years ended March 31, 2020 and 2019 as if the acquisition of React Presents had been completed on April 1, 2018 (in thousands, except per share data).

	Year Ended March 31, (unaudited)			
		2020		2019
Revenues	$	52,727	$	51,609
Net loss		(42,476)		(40,662)
Net loss per share – basic and diluted		(0.76)		(0.78)

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 along with interest expense associated with the promissory note issued as consideration. 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.

Slacker

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 of which $0.2 million related to a previous year.

Note 6 — 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, 2020 and 2019 (in thousands):

	Goodwill
Balance as of April 1, 2018	$ 5,377
Acquisitions	-
Finalization of purchase price allocation of Slacker (see Note 5)	4,295
Balance as of March 31, 2019	$ 9,672
Acquisitions	-
Impairment losses	-
Balance as of March 31, 2020	$ 9,672

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, 2020 (in thousands):

	Tradenames
Balance as of April 1, 2018	$ -
Finalization of purchase price allocation of Slacker (see Note 5)	4,637
Impairment losses	-
Balance as of March 31, 2019	$ 4,637
Acquisitions	-
Impairment losses	-
Balance as of March 31, 2020	$ 4,637

Finite-Lived Intangible Assets

The Company's finite-lived intangible assets were as follows as of March 31, 2020 (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 19,280	$ 8,674	$ 10,606
Intellectual property (patents)	5,366	805	4,561
Customer relationships	6,570	5,128	1,442
Domain names	29	13	16
Brand names	1,500	17	1,483
Non-compete agreement	250	14	236
Fan database	230	13	217
Total	$ 33,225	$ 14,664	$ 18,561

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 amortization expense on its finite-lived intangible assets was $5.7 million and $6.5 million for the years ended March 31, 2020 and 2019, respectively.

The Company estimated future amortization expense on its finite-lived intangible assets as of March 31, 2020 to be as follows (in thousands):

For Years Ended March 31,	
2021	$ 5,008
2022	5,008
2023	3,885
2024	461
2025	461
Thereafter	3,738
	$ 18,561

Note 7 — Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2020 and 2019 were as follows (in thousands):

	March 31, 2020	March 31, 2019
Accounts payable	$ 26,703	$ 18,316
Accrued liabilities	3,938	2,519
Due to related parties	-	71
Lease liabilities, current	82	-
	$ 30,723	$ 20,906

Note 8 — 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 13 – 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 the date of this Annual Report on Form 10-K (this "Annual Report"), the Note has not been extended and is currently past due. In addition, the holder of the Note obtained a judgement against the Company for nonpayment of the Note in the State of Delaware in August 2019 and a judgement lien against the Company in the State of California in the third fiscal quarter ended December 31, 2019. As of March 31, 2020, and March 31, 2019, 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.

Note 9 — 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. 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 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.

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 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 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.

For the quarter ended June 30, 2019, the Company failed to have revenue of at least $10.8 million and as such did not meet its revenue covenant for the quarter. The Company entered into an amendment agreement ("Q1 2020 Waiver") to waive the covenant breach on July 25, 2019. The amendment allowed for the lenders to have access to the Company's daily cash balances, provided for a cash payment of $150,000, and required the Company to close the then contemplated equity financing with net proceeds of $9.3 million within 6 days. On July 25, 2019, the Company completed a registered offering of its common stock, selling a total of 5.0 million shares of the Company's common stock and raising gross proceeds of $10.5 million. The net proceeds of the Offering to the Company were approximately $9.5 million, after deducting placement agent fees and other estimated offering expenses payable by the Company. 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.*

For the quarter ended December 31, 2019 the Company failed to have revenue of at least $15 million and as such did not meet its revenue covenant for the quarter. The Company entered into an amendment agreement ("Q3 2020 Waiver") to waive the covenant breach on January 31, 2020. In exchange for the Q3 2020 Waiver, JGB (a) received 400,000 free trading shares of the Company's common stock via a Section 3(a)(9) exchange of $10,000 worth of JGB's debentures originally issued on June 28, 2018, (b) received a reduction in the convertible price from $10.00 per share to $5.00 per share, (c) received an incremental $1,000,000 in aggregate in principle Debenture payments equally over six months beginning in February 2020 and (d) $6,500,000 of cash to be deposited into a locked bank account (to be released when and if debt is fully paid down). 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 fair value of the shares issued and change in conversion price was recorded as an additional debt discount of $0.6 million and $0.1 million, respectively, with a corresponding increase to additional paid in capital.

The outstanding principal balance of the Debentures at March 31, 2020 was $10.2 million, which included $0.1 million of accrued interest and at March 31, 2019 was $13.2 million, which included $0.1 million of accrued interest.

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. As of March 31, 2020, the Company was in compliance with these financial covenants.

The Company has evaluated the Debentures 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.

At March 31, 2020, 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: 1.25 years, Volatility: 101.4%, Market Rate: 27.4% and Probability of Default: 51.31%. The Company determined that as of the assessment date, the fair value is $0.5 million. The change in fair value of less than $0.1 million is recorded in Other income (expense) on the Company's consolidated statements of operations for the year ended March 31, 2020.

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 was $0.6 million. The change in fair value of $0.3 million was 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 monthly redemption notices for December 2018 through June 2020 (inclusive). The Company has repaid $0.3 million of principal in January 2019 and $0.2 million of principal in each month in February 2019 through January 2020 (inclusive) and $0.4 in February 2020 through June 2020 (inclusive).

	March 31, 2020	**March 31, 2019**
Senior Secured Convertible Debentures		
Senior Secured Convertible Debentures	$ 10,118	$ 13,101
Accrued interest	101	142
Fair Value of Embedded Derivatives	524	586
Less: Discount	(1,518)	(1,434)
Net	9,225	12,395
Less: Senior Secured Convertible Debentures, current	2,720	2,111
Senior Secured Convertible Debentures, long-term	$ 6,505	$ 10,284

Note 10 — Unsecured Convertible Notes

The Company's unsecured convertible notes payable at March 31, 2020 and 2019 were as follows (in thousands):

	March 31, 2020	March 31, 2019
Unsecured Convertible Notes - Related Party		
(A) 7.5% Unsecured Convertible Note - Due May 31, 2021	$ 4,120	$ 3,850
(B) 7.5% Unsecured Convertible Notes - Due May 31, 2021	1,035	967
Less: Discount	(41)	(76)
Net	5,114	4,741
Unsecured Convertible Promissory Note	$ 2,000	$ -
Accrued interest	24	-
Less: Discount	(485)	-
Fair Value of Embedded Derivatives	141	-
Net	1,680	-
Unsecured Convertible Promissory Notes, long-term	$ 6,794	$ 4,741

Unsecured Convertible Notes – Related Party

Total principal maturities of the Company's long-term borrowings, including the Debentures, unsecured convertible notes, and note payable are $3.6 million for the year ending March 31, 2021 and $14.0 million for the year ending March 31, 2022.

As of March 31, 2020 and March 31, 2019, 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 with Trinad Capital previously issued on December 31, 2014 and April 8, 2015, respectively. The first Trinad Note was due on March 31, 2018 and was extended to May 31, 2019 and further extended to May 31, 2021 (as discussed below). At March 31, 2020, the balance due of $4.1 million, which included $0.5 million of accrued interest, was outstanding under the first Trinad Note. At March 31, 2020, the balance due of $4.1 million, which included $0.5 million of accrued interest, was outstanding under the first Trinad Note.

(B) Between October 27, 2017 and December 18, 2017, the Company issued six 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 and were extended to May 31, 2019 and further extended to May 31, 2021 (as discussed below). For the year ended March 31, 2020, the Company amortized less than $0.1 million of discount to interest expense, and the unamortized discount as of March 31, 2020 was less than $0.1 million. As of March 31, 2020, $0.1 million of 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 all of 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 dates of all of the Trinad 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 — Organization and Basis of Presentation) and Trinad Capital granted the Company a concession, as the effective interest rate of the amended Note is less than that of the original Trinad Notes.

The Company may not redeem the any of the Trinad Notes prior to May 31, 2021 without Trinad Capital's consent.

Unsecured Convertible Promissory Note

On February 5, 2020, React Presents issued a two-year $2 million Convertible Promissory Note (the "Note"), bearing annual interest at 8%. The purpose of the Note was to fund the acquisition of React Presents. All unpaid and outstanding principal and any unpaid and accrued interest are due on February 5, 2022. The Note is convertible by the holder at any time prior to maturity in part or in whole with the unpaid interest and principal convertible at a conversion price equal to $4.50 per share of the Company's common stock, subject to certain protective adjustments. The Note may be prepaid in whole or in part in cash without penalty at any time prior to maturity. Any such prepayment will be applied to accrued interest first and then the principal.

The Company has evaluated the Note and has determined that it includes two derivative instruments which are bifurcated from the underlying Debentures relating to provisions around an event of default and change of control. The Company has performed a fair value analysis using a binomial lattice calculation on the event of default derivative instrument using the following assumptions. Coupon Rate: 8.0%, Term: 2.0 years, Volatility: 100.0%, Market Rate: 27.7% and Probability of Default: 33.1%. The Company determined that at issuance, the fair value of the instruments was $0.1 million. The Company has recorded the fair value of the derivatives and corresponding debt discount within the unsecured convertible notes payable on the Company's consolidated balance sheet.

At March 31, 2020, the Company performed a fair value analysis using a binomial lattice calculation on the derivative instruments using the following assumptions: Coupon Rate: 8.0%, Term: 1.85 years, Volatility: 110.0%, Market Rate: 43.9% and Probability of Default: 51.31%. The Company determined that as of the assessment date, the fair value is $0.1 million. The change in fair value of less than $0.1 million is recorded in other income (expense) on the Company's consolidated statements of operations for the year ended March 31, 2020.

Note 11 — Related Party Transactions

As of March 31, 2020 and March 31, 2019, the amount due to related parties was $0 and less than $0.1 million in the aggregate, respectively, 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.

As of March 31, 2020, and March 31, 2019, the Company had unsecured convertible Trinad Notes outstanding which were issued to Trinad Capital as described in Note 10 – Unsecured Convertible Notes.

Note 12 — Leases

The Company leases a space at a location under a non-cancellable operating lease with a remaining lease term of 1.5 years, expiring in fiscal year 2022. Upon adoption of ASU 2016-02 and its related Updates (ASC 842, Leases), the Company recorded $0.2 million of right-of-use assets in other assets in the consolidated balance sheet and operating lease liabilities in accounts payable and accrued liabilities and lease liabilities, noncurrent in the consolidated balance sheet.

Operating lease costs for the year ended March 31, 2020 consisted of the following (in thousands):

	March 31, 2020
Fixed rent cost	$ 94
Short term lease cost	352
Total operating lease cost	$ 446

Supplemental balance sheet information related to leases was as follows (in thousands):

Operating leases	March 31, 2020
Operating lease right-of-use assets	$ 127
Total operating lease right-of-use assets	127
Operating lease liability, current	$ 82
Operating lease liability, noncurrent	45
Total operating lease liabilities	$ 127

Maturities of operating lease liabilities as of March 31, 2020 were as follows (in thousands):

For Years Ending March 31,	
2021	$ 94
2022	47
Total lease payments	141
Less: imputed interest	(14)
Present value of operating lease liabilities	$ 127

Significant judgments

Discount rate – the Company's lease is discounted using the Company's incremental borrowing rate of 12.75% as the rate implicit in the lease is not readily determinable.

Options – the lease term is the minimum noncancelable period of the lease. The Company does not include option periods unless the Company determined it is reasonably certain of exercising the option at inception or when a triggering event occurs.

Lease and non-lease components – Non lease components were considered and determined not to be material

Short term leases

Slacker leases its San Diego premises under operating leases expiring on December 31, 2020. Rent expense for the operating lease totaled $0.3 million and $0.4 million for the years ended March 31, 2020 and 2019, respectively.

React Presents leases its Chicago, Illinois premises under an operating lease expiring October 9, 2020. Rent expense for the operating leases totaled less than $0.1 million for the period from acquisition on February 5, 2020 through March 31, 2020.

Remaining lease commitments at March 31, 2020 is $0.3 million.

Month to month arrangements

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 occupies 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, effective April 30, 2019.

On May 1, 2019 the Company entered into a month to month agreement with a third party to lease certain office space in Los Angeles, California for $20 thousand per month. This agreement was subsequently amended on October 1, 2019 to $14 thousand per month with a termination date of December 31, 2019. Effective January 1, 2020, 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 compensates the landlord in cash at the rate of approximately $40 thousand per month for months that the Company occupies the space, provided, that the Company and the temporary trustee of landlord's assets agreed that such payments shall be $22.4 thousand per month for the months of December 2019 and January 2020. The Company or the third party have the right to terminate the arrangement at any time without prior notice. Rent expense for the month to month arrangements totaled $0.6 million for the year ended March 31, 2020 and $0.5 million for the year ended March 31, 2019, respectively.

Total rent expense for operating leases classified under ASC 840 for the fiscal year ended March 31, 2019 was $1.0 million. 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 ended March 31, 2020
Operating leases	$ 244

Note 13 — 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, 2020, the Company has licenses, production and/or distribution agreements to make guaranteed payments as follows: $1.8 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.

Contractual Obligations

As of March 31, 2020, the Company is obligated under agreements with Content Providers and other contractual obligations to make guaranteed payments as follows: $1.3 million for the fiscal year ending March 31, 2021, $0.6 million for the fiscal year ending March 31, 2022.

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, 2020, 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, 2020, the Company has employment agreements with ten executive and senior officers that provide annual salary payments of $3.2 million in the aggregate and target bonus compensation of up to $3.2 million for the year ending March 31, 2021, salary payments of $3.1 million and target bonus compensation of up to $3.1 million for the year ending March 31, 2022 and salary payments of $1.4 million and target bonus compensation of up to $1.9 million for the year ending March 31, 2023. Furthermore, such employment agreements contain severance clauses that could require severance payments in the aggregate amount of $11.3 million (excluding the value of potential accelerated vesting of equity awards granted to such executive officers).

Legal Proceedings

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 December 31, 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. The Company believes 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 intends to vigorously defend itself against any obligations or liability to Wynn with respect to such claims. 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. In April 2019, the parties agreed to informally stay the proceeding for the time being and extend discovery deadlines. As of March 31, 2020, the potential range of loss related to this matter was not material.

In March 2018, Manatt Phelps & Phillips, LLP ("Manatt") 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 was paid by the Company to the plaintiff related to this settlement. At March 31, 2020 the promissory note has not been paid and is currently past due.

On October 11, 2018, Manatt 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, and (ii) the note repayment by such due date, Manatt would dismiss 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 was paid by the Company to the plaintiff related to this settlement. Pursuant to the terms of the settlement agreement, as a result of the note due to Manatt described above having not been paid as of June 30, 2019 and is currently being past due, in August, 2019, Manatt obtained a judgement in the Court of Chancery of the State of Delaware against the Company for the amount of $0.3 million, which represents principal and all accrued and unpaid interest on the note through July 5, 2019. The judgement amount will continue to accrue interest at the 6% applicable rate from July 6, 2019 through the date of the judgment's satisfaction in full. In September 2019, Manatt obtained a related sister-state judgement in the Superior Court of California, County of Los Angeles against the Company for the same amount. In December 2019, Manatt obtained a judgement lien with the Secretary of State of California related to such California sister-state judgment.

On April 10, 2018, Joseph Schnaier, Danco Enterprises, LLC (an entity solely owned by Mr. Schnaier, "Danco"), Wantmcs Holdings, LLC (Mr. Schnaier is the managing member) and Wantickets (Mr. Schnaier is the 90% beneficial owner) 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 S. Ellin, Alec Ellin, Blake Indursky and Computershare Trust Company, N.A. ("Computershare"). Plaintiffs subsequently voluntarily dismissed all claims against Alec Ellin and Blake Indursky. The complaint alleged multiple causes of action arising out of Schnaier's investment (through Danco) of $1.25 million into the Company in 2016, the Company's purchase of certain operating assets of Wantickets pursuant to the Asset Purchase Agreement, dated as of May 5, 2017, and Mr. Schnaier's employment with LXL Tickets, including claims for fraudulent inducement, breach of contract, conversion, and defamation. Plaintiffs seek monetary damages and injunctive relief. Plaintiffs have also sued Computershare for negligence and for injunctive relief relating to the refusal to transfer certain restricted shares of the Company's common stock owned by the plaintiffs. Plaintiffs are seeking injunctive relief, damages of approximately $26.7 million, plus interest, attorneys' fees and costs and other such relief as the court may award. The Company has denied plaintiffs' claims. 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 of litigation certain results for Mr. Schnaier's self-serving and improper purposes. The Company is vigorously defending 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), 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 discovery with the trial not expected to commence, if any, until the second half 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. As of April 30, 2020, all of plaintiffs' claims other than fraudulent inducement have been dismissed or addressed by the parties or the court, subject to plaintiffs currently appealing the dismissal of the breach of the implied covenant of good faith and fair dealing claims related to Mr. Schnaier's employment agreement with LXL Tickets. The Company intends to continue to vigorously defend all defendants against any liability to the plaintiffs with respect to such claims. As of March 31, 2020, while the Company has assessed the likelihood of a loss, if any, is not probable, 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.

As part of our ordinary course of business, from time to time, we are involved in various disputes, claims and/or legal actions arising with certain licensors of music content which own and license rights to Slacker to certain sound recordings. On April 20, 2020, a certain licensor filed a complaint in the Superior Court of the State of California, Los Angeles County, against Slacker for non-payment of approximately $7.7 million in license payments. We have been and are continuing to negotiate with this licensor, as well as other licensors, on a payment plan and/or repayment of such amounts. Such amounts have been accrued on our consolidated balance sheet.

During each of the years ended March 31, 2020 and 2019, the Company recorded aggregate legal settlement expenses relating to potential claims arising in connection with litigation brought against the Company by certain third-parties of $0.2 million and less than $0.1 million, respectively. During the years ended March 31, 2020 and 2019, the full amounts were expensed and included in general and administrative expenses.

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.

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, 2020. 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 14 — 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 401(k) 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 years ended March 31, 2020 and 2019.

Note 15 — Stockholders' Deficit

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, 2020, there were 2,446,270 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 $2.5 million and $7.2 million during the years ended March 31, 2020 and 2019, respectively. The total tax benefit recognized related to this share-based compensation expense to employees was $0 for the years ended March 31, 2020 and 2019. As of March 31, 2020, unrecognized compensation costs for unvested awards to employees was $1.1 million, which is expected to be recognized over a weighted-average period of 7.8 years on an accelerated basis.

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

	Year Ended March 31,	
	2020	2019
Number of options granted	195,000	1,237,500
Weighted-average exercise price per share	$ 2.39	$ 4.63
Weighted-average grant date fair value per share	$ 1.14	$ 2.23

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,	
	2020	2019
Expected volatility	47.79%-50.62%	47.43%-52.30%
Dividend yield	0.00%	0.00%
Risk-free rate	0.37%-1.88%	2.52%-2.96%
Expected term (in years)	5.50-7.00	5.10-7.00

The following table summarizes the activity of our options issued to employees during the years ended March 31, 2020 and 2019:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of April 1, 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
Granted	195,000	2.39
Exercised	-	-
Forfeited or expired	(671,667)	4.87
Outstanding as of March 31, 2020	4,403,334	3.74
Exercisable as of March 31, 2020	3,217,091	3.79

The weighted-average remaining contractual term for options to employees outstanding and options to employees exercisable as of March 31, 2020 was 7.8 years and 7.8 years, respectively. The intrinsic value of options to employees outstanding and options to employees exercisable was $4.4 million and $3.2 million, respectively, at March 31, 2020.

Options Grants to Non-Employees

The Company recognized share-based compensation expense to non-employees of less than $0.1 million and $0.1 million during the years ended March 31, 2020 and 2019, respectively. The total tax benefit recognized related to this share-based compensation expense to non-employees was $0 for the years ended March 31, 2020 and 2019. As of March 31, 2020, there were no unrecognized compensation costs for unvested awards to non-employees. There were no option grants to non-employees for the last two fiscal years.

The following table summarizes the activity of our options issued to non-employees during the years ended March 31, 2020 and 2019:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of April 1, 2018	101,667	$ 4.00
Granted	-	-
Exercised	-	-
Forfeited or expired	-	-
Outstanding as of March 31, 2019	101,667	4.00
Granted	-	-
Exercised	-	-
Forfeited or expired	(76,667)	4.00
Outstanding as of March 31, 2020	25,000	4.00
Exercisable as of March 31, 2020	25,000	4.00

The weighted average remaining contractual term for options to non-employees outstanding as of March 31, 2020 was 7.9 years. The intrinsic value of options to non-employees outstanding and options to non-employees exercisable was $0 at March 31, 2020.

Restricted Stock Units Grants

The Company recognized share-based compensation expense to employees of $5.4 million and $2.1 million during the years ended March 31, 2020 and 2019, respectively. Compensation expense resulting from restricted stock 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, 2020 and 2019. As of March 31, 2020, unrecognized compensation costs for unvested awards to employees was $6.7 million, which is expected to be recognized over a weighted-average period of 1.8 years on an accelerated basis.

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

	Year Ended March 31,	
	2020	2019
Number of units granted	4,008,306	1,377,391
Weighted-average grant date fair value per share	$ 2.12	$ 4.64

The following table summarizes the activity of our restricted stock units issued to employees during the years ended March 31, 2020 and 2019:

	Number of Shares
Outstanding as of April 1, 2018	-
Granted	1,337,391
Vested	-
Cancelled	-
Outstanding as of March 31, 2019	1,337,391
Granted	4,008,306
Vested	(761,583)
Cancelled	(93,409)
Outstanding as of March 31, 2020	4,530,705

Restricted Stock Awards

The Company recognized share-based compensation expense to employees of less than $0.1 million and $0 million during the years ended March 31, 2020 and 2019, respectively. Compensation expense resulting from restricted stock award 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, 2020 and 2019. As of March 31, 2020, unrecognized compensation costs for unvested awards to employees was $0.1 million, which is expected to be recognized over a weighted-average period of 0.9 years on an accelerated basis.

The following table summarizes the activity of our restricted stock awards made to employees during the years ended March 31, 2020 and 2019:

	Number of Shares
Outstanding as of March 31, 2019	-
Granted	24,675
Vested	-
Cancelled	-
Outstanding as of March 31, 2020	24,675

The weighted average grant date fair value per share of awards issued during the year ended March 31, 2019 was $4.05.

Issuance of Common Stock in the Public Offering

On July 25, 2019, in a registered direct public offering, the Company entered into securities purchase agreements with certain institutional investors pursuant to which the Company sold a total of 5,000,000 shares of the its common stock at a price per share of $2.10. The gross proceeds to the Company were $10.5 million. The net proceeds of the offering to the Company were $9.5 million, after deducting placement agent fees and other offering costs totaling $1.0 million paid by the Company.

Issuance of Restricted Shares of Common Stock to Consultants and Vendors

During the years ended March 31, 2020 and 2019, the Company issued 1,709,146 and 449,374 restricted shares of its common stock valued at $4.2 million and $2.2 million, respectively, to certain Company consultants and vendors. During the year ended March 31, 2020 and 2019, the Company recorded $3.3 million and $3.1 million, respectively, of expense related to the restricted stock issuances.

During the quarter ended September 30, 2019, Slacker entered into an amendment to an existing agreement with a certain licensor of music content (the “Music Partner”) which owns and licenses rights to Slacker to certain sound recordings. Pursuant to this amendment the Company issued the Music Partner $0.4 million in restricted shares of the Company’s common stock, at a price of approximately $4.51 per share, as full payment of certain amounts due under such agreement.

The Company evaluated this agreement and it was required to be accounted for as troubled debt restructuring under ASC 470-60, *Troubled Debt Restructurings by Debtors.* There were no material adjustments required as a result.

Issuance of Restricted Shares of Common Stock for Services to Employees

During each of the years ended March 31, 2020 and 2019, the Company issued 0 shares of its common stock to certain employees. During the year ended March 31, 2020 and 2019, the Company recorded less than $0.1 million and $0.5 million, respectively, of expense related to the previous stock issuances. As of March 31, 2020, there was no remaining unrecognized compensation cost.

Additional details of the Company's issuances of its restricted common stock to employees during the years ended March 31, 2020 and 2019 are as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
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
Granted	-	
Vested	(15,278)	5.01
Forfeited or expired	-	-
Non-vested as of March 31, 2020	-	-

Warrants

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, April 1, 2018	167,363	$4.01	2.94
Granted	-	-	-
Exercised	-	-	-
Forfeited/expired	-	-	-
Balance outstanding, March 31, 2019	167,363	4.01	1.94
Granted	-	-	-
Exercised	-	-	-
Forfeited/expired	-	-	-
Balance outstanding, March 31, 2020	167,363	4.01	0.94
Exercisable, March 31, 2020	167,363	4.01	0.94

At March 31, 2020, 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 up 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 16 — Income Tax Provision

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in the United States. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses and technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property. The Company evaluated the provisions of the CARES Act and does not anticipate the associated impacts, if any, will have a material effect on its financial position.

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, 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 income tax (benefit) expense are as follows (in thousands):

	Year Ended March 31,	
	2020	**2019**
Loss before income taxes:		
Domestic	$ (39,119)	$ (37,544)
Foreign	-	-
Total loss before income taxes	$ (39,119)	$ (37,544)
The provision for income taxes consisted of the following:		
Current		
U.S. Federal	$ -	$ -
State	18	7
Foreign	-	-
Total Current	18	7
Deferred:		
U.S. Federal	(96)	-
State	(114)	211
Foreign	-	-
Total Deferred	(210)	211
Total provision for income taxes	$ (192)	$ 218

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,	
	2020	**2019**
Income taxes computed at Federal statutory rate	$ (8,214)	$ (7,884)
State tax — net of federal benefit	(839)	(1,555)
State minimum taxes	18	7
Change in tax rates	926	-
Change in valuation allowance	5,959	8,987
Permanent differences	1,958	663
Total provision for income taxes	$ (192)	$ 218

At March 31, 2020, the Company had available federal and state net operating loss carryforwards to reduce future taxable income of approximately $89.0 million and $72.7 million, respectively. The federal and state net operating loss carryforwards begin to expire on various dates beginning in 2024. Of the $89.0 million of federal net operating loss carryforwards, $50.6 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 $38.4 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 2015 and forward are subject to examination by the federal tax authorities and tax years for 2014 and forward are subject to examination by 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, 2020 and 2019, 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,	
	2020	**2019**
Deferred tax assets:		
Net operating loss carryforwards	$ 20,370	$ 18,005
Property and equipment	190	135
Accruals and reserves	716	796
Stock compensation	4,845	3,154
163 (j) interest expense carryforwards	378	-
Charitable contribution carryforward	7	-
Capital loss carryforward	509	556
Gross deferred tax assets	27,015	22,646
Deferred tax liabilities:		
Intangible assets	(5,032)	(6,832)
Net deferred tax assets	21,983	15,814
Valuation allowance	(22,091)	(16,025)
Net deferred tax liability	$ (108)	$ (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 $22.1 million and $16.0 million for the years ended March 31, 2020 and 2019, respectively.

Note 17 — 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 $23.1 million and $13.7 million for the years ended March 31, 2020 and 2019. As a result of COVID-19 pandemic, the Company's largest customer experienced a government ordered halt to its production in part of the quarter ended March 31, 2020 and early quarter ended June 30, 2020 related to COVID-19, but resumed its production as of the date of this Annual Report which temporary halt will in turn slow subscriber growth in the first quarter of 2021 and potentially beyond.

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 18 — 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, 2020			
	Fair	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Liabilities:				
Bifurcated embedded derivative on senior secured convertible debentures	$ 524	$ -	$ -	$ 524
Bifurcated embedded derivative on unsecured convertible note payable	$ 141	$ -	$ -	$ 141

	March 31, 2019			
	Fair	Hierarchy Level		
	Value	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 April 1, 2018	$ -
Additions - unsecured convertible note payable	263
Total fair value adjustments reported in earnings	323
Balance as of March 31, 2019	586
Additions - unsecured convertible note payable	65
Total fair value adjustments reported in earnings	14
Balance as of March 31, 2020	$ 665

Bifurcated embedded derivative on senior secured convertible debentures

At March 31, 2020, the Company performed a fair value analysis using a risk neutral model on the default event derivative instrument using the following significant unobservable input: Market yield: 27.4%. Significant increases or decreases in the market yield in isolation would result in a significantly lower or higher fair value measurement. The Company determined that as of the assessment date, the fair value is $0.5 million. The change in fair value of less than $0.1 million is recorded in other income (expense) on the Company's consolidated statements of operations for the year ended March 31, 2020.

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 significant unobservable input: Market yield: 16.8%. Significant increases or decreases in the market yield in isolation would result in a significantly lower or higher fair value measurement. The Company determined that as of the assessment date, the fair value was $0.6 million. The change in fair value of $0.3 million was recorded in other income (expense) on the Company's consolidated statements of operations at March 31, 2019.

Bifurcated embedded derivative on unsecured convertible note payable

At March 31, 2020, the Company performed a fair value analysis using a binomial lattice calculation on the derivative instruments using the following significant unobservable input Market yield: 43.9%. Significant increases or decreases in the market yield in isolation would result in a significantly lower or higher fair value measurement. The Company determined that as of the assessment date, the fair value is $0.1 million. The change in fair value of less than $0.1 million is recorded in other income (expense) on the Company's consolidated statements of operations for the year ended March 31, 2020.

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, 2020			
	Carrying	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 5,702	$ 5,702	$ -	$ -
Restricted cash	6,735	6,735	-	-
Liabilities:				
Note payable	331	-	-	331
Senior secured convertible debentures, net	8,701	-	-	9,254
Unsecured convertible notes payable related party, net	5,114	-	-	4,451
Unsecured convertible note payable	1,539	-	-	1,338

	March 31, 2019			
	Carrying	Hierarchy Level		
	Value	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

The fair values of financial instruments not included in these tables are estimated to be equal to their carrying values as of March 31, 2020 and 2019. 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, 2020 and 2019.

The Company's outstanding debt is carried at cost, adjusted for discounts. The Company's note payable is not publicly traded and fair value is estimated to equal carrying value. The Company's debentures 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 detailed below. The debentures and unsecured convertible notes are valued using a binomial lattice model and a yield model with a Black-Scholes-Merton option pricing model, respectively.

The fair value of each of the debentures and unsecured convertible notes were determined using the following significant unobservable inputs:

	Year Ended March 31,	
	2020	2019
Senior secured convertible debentures, net (binomial lattice model):		
Market yield	27.4%	16.8%
Unsecured convertible notes payable related party, net (yield model with a Black-Scholes-Merton option pricing model):		
Market yield	41.6%	23.2%
Unsecured convertible note payable (yield model with a Black-Scholes-Merton option pricing model):		
Market yield	43.9%	-

Significant increases or decreases in the inputs noted above in isolation would result in a significantly lower or higher fair value measurement.

Note 19 — Subsequent Events

On April 13, 2020, the Company received the proceeds from a loan in the amount of less than $2.0 million, pursuant to the Paycheck Protection Program of the CARES Act. The loan matures on April 13, 2022 and bears interest at a rate of 1% per annum. Commencing in November 2020, the Company is required to pay the lender equal monthly payments of principal and interest as required to fully amortize by the maturity date the principal amount outstanding on the loan as of such date. The loan is evidenced by a promissory note, dated as of April 13, 2020 which contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. The loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. All or a portion of the loan may be forgiven by the U.S. Small Business Administration (the "SBA") upon application by the Company beginning 60 days but not later than 120 days after loan approval and upon documentation of expenditures in accordance with the SBA requirements. In the event the loan, or any portion thereof, is forgiven pursuant to the Paycheck Protection Program, the amount forgiven is applied to outstanding principal. While the Company intends to apply for the forgiveness of the loan, there is no assurance that the Company will obtain forgiveness of the loan in whole or in part. The Company intends to use the proceeds from the loan for qualifying expenses.

The application for these funds requires the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria.

On May 7, 2020, the Company entered into a binding Stock Purchase Agreement with Courtside Group, Inc. (d/b/a PodcastOne), a Delaware corporation, to acquire 100% of the issued and outstanding equity interests of PodcastOne in exchange for the issuance of 5,454,545 shares of the Company's common stock subject to customary and other closing conditions. The acquisition of PodcastOne is expected to close in July 2020.

In June 2020, the Company entered into a new two-year license agreement with a certain music partner which owns and license rights to Slacker to certain sound recordings. Pursuant to this agreement, the Company agreed to certain minimum yearly guarantee payments and issued 264,000 shares of its common stock to such music partner in consideration of all payments due to the music partner prior the date of the agreement.

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, 2020, 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, 2020 because of one material weakness 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, our principal executive and principal financial officers and effected by our 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 our 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 our Company are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our 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, 2020, 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, 2020 due to a material weakness 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, 2020, the following material weakness existed as of that date: ineffective operation of financial reporting controls, specifically around the classification of current and noncurrent liabilities that resulted in a post year end adjustment.

Notwithstanding the material weakness 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.

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 weakness described in this Item 9A and to enhance our overall control environment. During our fiscal year ending March 31, 2021, our management is committed to remediating such 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 this material weakness. 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 weakness or modify the remediation steps described above. Until this weakness is 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.

Attestation Report of the Independent Registered Public Accounting Firm

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Because we are a smaller reporting company and a non-accelerated filer, our independent registered public accounting firm is not required to attest to or issue a report on the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Fiscal 2019 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 2019 and reported in our Annual Report on Form 10-K for the year ended March 31, 2019, were remediated. The prior year material weaknesses that were remediated in fiscal 2020 included:

- 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.

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, 2020.

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 2020. The remediation actions to address the reported material weaknesses in fiscal 2019 included, but were not limited to, the following:

- Used reputable third-party experts to assist in the preparation of our (i) valuation of 2020 debt transactions; and (ii) valuation of business combination purchase price allocations;

- Established review procedures over valuation reports and key underlying assumptions;

- Established enhanced controls over technical accounting memorandum reviews;

- Identified key reports used in operation of the revenue and royalty cycle control activities and introduced periodic baseline testing to validate the completeness and accuracy of the key reports; and

- Established monitoring review controls over revenue and royalties that are designed to detect and investigate variances or unexpected trends and relationships with key drivers at a sufficient level of precision.

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, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

In June 2020, we entered into a new two-year license agreement with a certain Music Partner which owns and license rights to Slacker to certain sound recordings. Pursuant to this agreement, we agreed to certain minimum yearly guarantee payments and issued 264,000 shares of our common stock to such Music Partner in consideration of all payments due to the Music Partner prior the date of the agreement.

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, 2020 and 2019
- Consolidated Statements of Operations for the years ended March 31, 2020 and 2019
- Consolidated Statement of Changes in Stockholders' (Deficit) Equity for the years ended March 31, 2020 and 2019
- Consolidated Statements of Cash Flows for the years ended March 31, 2020 and 2019
- 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).
4.3*	Convertible Promissory Note, dated as of February 5, 2020, between React Presents, LLC and LiveStyle NA Live Holdings, Inc.
10.1†	Form of Director/Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.14 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†	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).
10.4†	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).

10.5†	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).
10.6†	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).
10.7†	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).
10.8†	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).
10.9†	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).
10.10†	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).
10.11†	Amendment No. 3 to Employment Agreement, dated as of March 31, 2019, between the Company and Jerome N. Gold (Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K, filed with the SEC on June 24, 2019).
10.12†	Amendment No. 4 to Employment Agreement, dated as of April 16, 2019, between the Company and Jerome N. Gold (Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K, filed with the SEC on June 24, 2019).
10.13†	Amendment No. 5 to Amended and Restated Employment Agreement, dated as of December 20, 2019, between the Company and Jerome N. Gold (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 26, 2019).
10.14†	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).
10.15†	Amendment No. 1 to Employment Agreement, dated as of March 31, 2019, between the Company and Michael Zemetra (Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K, filed with the SEC on June 24, 2019).
10.16†	Amendment No. 2 to Employment Agreement, dated as of April 16, 2020 and effective as of April 1, 2020, between the Company and Michael Zemetra (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on April 17, 2020).
10.17	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).
10.18	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).
10.19	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).
10.20	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).
10.21	Amendment Agreement, dated as of July 25, 2019, to the Securities Purchase Agreement, dated as of June 29, 2018, as amended on February 11, 2019, among the Company and JGB Capital Partners, LP, JGB Capital, LP, JGB (Cayman) Finlaggan Ltd and JGB Collateral LLC (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on August 8, 2019).

10.22	Amendment Agreement, dated as of January 31, 2020, to the Securities Purchase Agreement, dated as of June 29, 2018, as amended on February 11, 2019 and January 31, 2020, among the Company and JGB Capital Partners, LP, JGB Capital, LP, JGB (Cayman) Finlaggan Ltd and JGB Collateral LLC (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 6, 2020).
10.23	Form of Securities Purchase Agreement, dated as of July 25, 2019, between the Company and certain investors (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 26, 2019).
10.24†£	Employment Agreement, dated as of January 28, 2019, between the Company and Michael Bebel (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K, filed with the SEC on June 24, 2019).
10.25†	Employment Agreement, dated as of July 15, 2019, between the Company and Dermot McCormack (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 19, 2019).
10.26	Amendment, dated as of September 20, 2019, to the Interactive Radio Agreement between Slacker, Inc. and a certain licensor of music content (Incorporated by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 8, 2019).
10.27£	Amendment, dated as of September 27, 2019, to the Amended and Restated Interactive Radio and Music Services Agreement between Slacker, Inc. and a certain licensor of music content (Incorporated by reference to Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 8, 2019).
10.28*	Membership Interest Purchase Agreement, dated as of February 5, 2020, among the Company, LiveXLive Events, LLC and LiveStyle NA Live Holdings, Inc.
10.29	Promissory Note, dated as of April 13, 2020, between the Company and MidFirst Bank (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 17, 2020).
10.30	Stock Purchase Agreement, dated as of May 7, 2020, by and among the Company, Courtside Group, Inc., LiveXLive PodcastOne, Inc., the persons identified as "Sellers" on the signature pages thereto, and Norman Pattiz, as the representative of the Sellers (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 8, 2020).
21.1*	List of subsidiaries of the Company
23.1*	Consent of BDO USA, LLP, 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.

£ 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 26, 2020

By: /s/ *Robert S. Ellin*
Name: Robert S. Ellin
Title: Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: June 26, 2020

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 26, 2020
/s/ Jay Krigsman Jay Krigsman	Director	June 26, 2020
/s/ *Craig Foster* Craig Foster	Director	June 26, 2020
/s/ Tim Spengler Tim Spengler	Director	June 26, 2020
/s/ Jerome N. Gold Jerome Gold	Director	June 26, 2020
/s/ Ramin Arani Ramin Arani	Director	June 26, 2020
/s/ Patrick Wachsberger Patrick Wachsberger	Director	June 26, 2020
/s/ Kenneth Solomon Kenneth Solomon	Director	June 26, 2020
/s/ Bridget Baker Bridget Baker	Director	June 26, 2020

Exhibit 4.3

THIS NOTE AND THE SECURITIES ISSUABLE UPON THE CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS NOTE AND SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) IN COMPLIANCE WITH RULE 144 OR 144A THEREUNDER, IF AVAILABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, OR (C) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, AND THE HOLDER HAS, PRIOR TO EACH SUCH SALE OR TRANSACTION, FURNISHES TO THE COMPANY AND LIVEXLIVE MEDIA, INC. AN OPINION OF COUNSEL, WITH SUCH OPINON AND COUNSEL SATISFACTORY TO THE COMPANY AND LIVEXLIVE MEDIA, INC., OPINING TO SUCH COMPLIANCE, REGISTRATION OR THAT SUCH REGISTRATION IS NOT REQUIRED.

REACT PRESENTS, LLC

CONVERTIBLE PROMISSORY NOTE

$2,000,000.00 Issuance Date: February 5, 2020

Chicago, Illinois

FOR VALUE RECEIVED, React Presents, LLC, a Delaware limited liability company (the "**Company**") promises to pay to LiveStyle NA Live Holdings, Inc., a Delaware corporation ("**Investor**"), or its registered permitted assigns, in lawful money of the United States of America the principal sum of Two Million Dollars ($2,000,000.00), or such lesser amount as shall equal the outstanding principal amount hereof, together with interest from the date of this Note on the unpaid and outstanding principal balance at a rate equal to eight percent (8%) per annum, compounded annually, computed on the basis of the actual number of days elapsed and a 360-day year comprised of twelve (12) 30-day months. All unpaid and outstanding principal, together with any then unpaid and accrued interest and other amounts payable hereunder, shall be due and payable on February 5, 2022 (the "**Maturity Date**"). This Note is issued pursuant to that certain Membership Interest Purchase Agreement, dated as of February 5, 2020 (as amended, modified or supplemented, the "**Acquisition Agreement**"), by and among Investor, LiveXLive Media, Inc., a Delaware corporation ("**LXL Media**"), and LiveXLive Events, LLC, a Delaware limited liability company ("**Buyer**").

The following is a statement of the rights of Investor and the conditions to which this Note is subject, and to which Investor, by the acceptance of this Note, agrees:

1. ***Definitions***. As used in this Note, the following capitalized terms have the following meanings:

(a) "**Acquisition Agreement**" has the meaning given in the introductory paragraph hereof.

(b) "Affiliate" means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative thereto.

(c) "**Change of Control**" means, with respect to any Person, the sale, lease, transfer, issuance or other disposition, in one transaction or a series of related transactions, of (i) all or substantially all of the consolidated assets of such Person (including by or through the issuance, sale, contribution, transfer or other disposition (including by way of reorganization, merger, share exchange, consolidation or other business combination) of a majority of the capital stock or other equity interests of any direct and/or indirect subsidiary or subsidiaries of such Person if substantially all of the consolidated assets of such Person are held by such subsidiary or subsidiaries) or (ii) at least a majority of the then-issued and outstanding voting equity of such Person to any person or "group" (within the meaning of Section 13(d)(3) or Section 14(d)(3) of the Securities Exchange Act of 1934, as amended, or any successor provision (the "**Exchange Act**")) of persons, whether directly or indirectly or by way of any merger, share exchange, recapitalization, sale or contribution of equity, tender offer, reclassification, consolidation or other business combination transaction or purchase of beneficial ownership; provided, that for purposes of determining whether a Change of Control has occurred under this Note, the acquisition of additional shares of Common Stock and/or convertible and/or voting securities of LXL Media by Robert Ellin and/or his Affiliates resulting in him and/or his Affiliates having Beneficial Ownership (as such term is defined in the Exchange Act) of more (or subsequently less) than 50% of the total voting power of the stock of the Company will not be considered a Change of Control.

(d) "**Common Stock**" means (i) LXL Media's shares of common stock, $0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(e) "**Company**" means React Presents, LLC and any Person which shall succeed to or assume the obligations of React Presents, LLC under this Note.

(f) "**Event of Default**" has the meaning given in **Section 5** hereof.

(g) "**Investor**" shall mean the Person specified in the introductory paragraph of this Note or any Person who shall at the time be the registered holder of this Note.

(h) "**Issuance Date**" shall mean February 5, 2020.

(i) "**Majority in Interest**" shall mean the holders of at least fifty percent (50%) of the aggregate outstanding principal amount of the Note and any other promissory notes issued to Investor, its designees and/or other parties in connection with the acquisition of the Company and any other limited liability company membership interests in other entities sold by Investor to LXL Media and/or its Affiliates, whether on or about the Issuance Date or at any time during twelve (12) months thereafter.

(j) "**Other Notes**" means all convertible notes or other similar instruments issued by LXL Media existing as of or following the Issuance Date from time to time, together with all notes issued or similar instruments issued in exchange or substitution therefor, addition thereto or replacement thereof, whereby the holders thereof shall be entitled to convert any amount therein into shares of Common Stock.

(k) "**Person**" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

(l) "**Securities Act**" shall mean the Securities Act of 1933, as amended.

(m) "**Transaction Documents**" shall mean this Note, the Acquisition Agreement and any other documents entered into in connection with the Acquisition Agreement.

2. ***Interest***. Accrued and unpaid interest on this Note shall be payable at maturity.

3. ***Payment.***

(a) *Voluntary Prepayment.* This Note may be prepaid in whole or in part in cash consideration without penalty at any time prior to or after the Maturity Date upon ten (10) days' prior written notice to Investor. Any such prepayment will be applied first to the payment of interest accrued on this Note and second, if the amount of prepayment exceeds the amount of such accrued interest, to the payment of principal of this Note.

(b) *Payment Upon the Maturity Date*. In the event that the Note is not converted prior to the Maturity Date in accordance with **Section 7** below, all unpaid and outstanding principal and accrued and unpaid and outstanding interest under the Note will be due and payable on the Maturity Date.

4. ***Authorized Capital Stock.***

(a) *Reservation of Stock Issuable Upon Conversion.* LXL Media shall take all action reasonably necessary to reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of this Note and the Other Notes, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of this Note (the "**Required Reserve Amount**").

(b) *Insufficient Authorized Shares.* If, notwithstanding **Section 4(a)**, at any time while this Note and the Other Notes (to the extent convertible into Common Stock) remain outstanding LXL Media does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon conversion of this Note and the Other Notes a minimum number of shares of Common Stock equal to the Required Reserve Amount (an "**Authorized Share Failure**"), then LXL Media shall promptly (but in no event later than 180 days after the occurrence of such Authorized Share Failure) take all action reasonably necessary to increase LXL Media's authorized shares of Common Stock to a number of authorized shares sufficient to allow LXL Media to reserve the Required Reserve Amount then outstanding, and, in connection therewith, LXL Media shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock to satisfy its obligations under this **Section 4**.

5. *Events of Default*. The occurrence of any of the following shall constitute an "**Event of Default**" under this Note and a material breach by LXL Media and/or Buyer, as applicable, under the Acquisition Agreement:

(a) *Failure to Pay*. The Company shall fail to pay when due any principal or interest payment on the due date hereunder only if such failure remains uncured for a period of ten (10) business days after the occurrence thereof; or

(b) *Voluntary Bankruptcy or Insolvency Proceedings.* Either the Company or LXL Media shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated, (v) become insolvent (as such term may be defined or interpreted under any applicable statute), (vi) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vii) take any action for the purpose of effecting any of the foregoing; or

(c) *Involuntary Bankruptcy or Insolvency Proceedings.* Proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or LXL Media or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or LXL Media or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within thirty (30) days of commencement.

(d) *Material Breach or Failure to Comply*. Other than as specifically set forth in this **Section 5**, the Company or LXL Media shall breach or fail to comply in any material respect with any provision of this Note only if such breach or failure remains uncured for a period of fifteen (15) business days after written notice thereof from Investor to the Company and LXL Media.

6. *Rights of Investor upon Default*. Upon the occurrence or existence of any Event of Default (other than an Event of Default described in **Sections 5(b)** or **5(c)**) and at any time thereafter during the continuance of such Event of Default, Investor may, with the consent of the Majority in Interest, by written notice to the Company, declare the unpaid and outstanding principal amount of this Note plus all accrued and unpaid interest thereon to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Transaction Documents to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, Investor may exercise any other right, power or remedy granted to it by the Acquisition Agreement or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

7. *Conversion.*

(a) *Optional Conversion*. At any time on or prior to the Maturity Date, upon the written election of Investor, Investor may convert, in part or in whole, the unpaid and outstanding principal amount of this Note plus all accrued and unpaid interest thereon into the number of validly issued, fully paid and nonassessable shares of Common Stock determined by dividing (i) the sum of all unpaid and outstanding principal (and any accrued and unpaid interest thereon) of this Note as of the date of conversion (the "**Conversion Amount**") by (ii) the share price of $4.50 per share (as adjusted for any stock dividend, stock split, combination of shares, reverse stock split, reorganization, recapitalization, or other reclassification affecting Common Stock). Any shares of Common Stock that are issued as a result of a conversion of the Note shall be subject to a six (6) month lock-up from the applicable date of any conversion (the "**Lock-Up Period**").

(b) *Mechanics of Conversion; Fractional Shares; Interest; Effect of Conversion.* Upon conversion of this Note under this **Section 7**, Investor hereby agrees to execute and deliver to LXL Media all transaction documents related to such conversion, including such ancillary agreements, as applicable, with customary representations and warranties and transfer restrictions (including a six (6) month lock-up agreement in connection with any public offering), and having the same terms as those agreements entered into with similar stockholders of LXL Media, as applicable. In addition, before Investor shall be entitled to convert this Note into shares of Common Stock under this **Section 7**, Investor shall surrender this Note (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction), duly endorsed, to LXL Media in accordance with **Section 21** together with a written notice to LXL Media and the Company (in the case of the Company, to the address of LXL Media in accordance with **Section 21**), of Investor's election to convert this Note pursuant to this **Section 7**, which notice shall state (i) the Conversion Amount to be converted, (ii)) the name or names in which the certificate or certificates for shares of Common Stock are to be issued and (iii) the address or addresses of such holders of such shares of Common Stock to be issued. LXL Media shall, as soon as practicable thereafter, issue and deliver to Investor at the addresses specified therein a certificate or certificates for the number of shares of Common Stock to which Investor shall be entitled upon conversion (bearing such legends as are required by such ancillary agreements, this Note and/or applicable state and federal securities laws in the reasonable opinion of LXL Media's counsel), together with a replacement Note (if any Conversion Amount is not converted) to which Investor may be entitled upon such conversion under the terms of this Note. The conversion shall be deemed to have been made immediately prior to the close of business on the date of the surrender of this Note, and the Person or Persons entitled to receive the shares of Common Stock upon such conversion shall be treated for all purposes as the holder of record of such shares of Common Stock as of such date. No fractional shares shall be issued upon conversion of this Note. In lieu of LXL Media issuing any fractional shares to Investor upon the conversion of this Note, LXL Media shall round up any fraction of a share to the nearest whole share. LXL Media shall pay any and all stamp, issuance and similar taxes that may be payable with respect to the issuance and delivery of Common Stock upon conversion.

8. ***Certain Covenants.*** Until this Note has been converted, repaid or otherwise satisfied in accordance with the terms herein and the Acquisition Agreement, without the prior written consent of a Majority in Interest:

(a) *Affiliate Transactions.* The Company shall not make any loan or advance in excess of $250,000 to any employee of the Company or its affiliates.

(b) *Guarantee of Indebtedness*. The Company shall not guarantee any indebtedness for borrowed money of any unrelated third party.

(c) *Incurrence of Indebtedness*. The Company shall not incur any indebtedness for borrowed money in excess of $500,000 in the aggregate, other than the indebtedness for borrowed money evidenced by this Note and the Other Notes; provided, that this covenant shall not be applicable to any secured indebtedness incurred by the Company in the ordinary course of business.

(d) *Change in Nature of Business*. The Company shall not exit the Business (as defined in the Acquisition Agreement) as conducted on the Issuance Date other than in connection with a Change of Control of the Company or LXL Media.

(e) *Restriction on Certain Transfers of Material Technology and Intellectual Property Assets*. The Company shall not sell or assign any of its material technology or Intellectual Property (as defined in the Acquisition Agreement) assets, including the Intellectual Property, solely related to the portion of the Business (as defined in the Acquisition Agreement) conducted in the Chicago-Naperville-Elgin, IL-In-WI Metro Area, as defined by the United States Census Bureau (the "**Geographic Area**"), other than (i) sales or assignments of such assets in the ordinary course of business consistent with past practice, (ii) sales and assignments of such assets that do not have a fair market value in excess of $250,000 in the aggregate in any twelve (12) month period, or (iii) sales or assignments of such assets in connection with a Change of Control of the Company or LXL Media; provided, that the foregoing limitation shall not in any way limit, restrict or otherwise prohibit the Company, Buyer, LXL Media and/or their Affiliates from utilizing, licensing or otherwise using, exploiting or commercializing in any manner any of the Company's assets, technology and Intellectual Property in any way outside of the Geographic Area. Notwithstanding anything to the contrary in this Note, the Company shall not be prohibited in any way from complying with its representations, warranties, obligations, covenants and agreements set forth in (i) the Securities Purchase Agreement, dated as of June 29, 2018 (the "**SPA**"), by and among LXL Media, the holders of the Debentures and JGB Collateral, LLC, as agent for such holders, with respect to the senior secured debentures (the "**Debentures**") issued by LXL Media pursuant to the SPA, and related transaction documents, as such may be amended, modified or restated from time to time, or (ii) any agreements with any other current or future senior lender.

(f) *Liquidation, Dissolution and Winding Up*. The Company shall give prior reasonable notice to the Investor of any formal and final intent to liquidate or dissolve the Company or wind up the business of the Company.

9. ***Rights Upon a Change of Control***.

(a) *Change of Control of the Company or LXL Media*. No later than the third (3rd) business day prior to the consummation of a Change of Control of either the Company or LXL Media (or such later date if such Change of Control has not been publicly announced prior to such third (3rd) business day), the Company shall deliver written notice thereof via certified mail and e-mail to Investor (a "**COC Notice**"). At any time during the period commencing as of the date of Investor's receipt of a COC Notice and no later than (30) calendar days prior to the consummation of such Change of Control, subject to satisfaction of any senior indebtedness described in **Section 10**, Investor shall have the right to require the Company or LXL Media, as applicable, to pay the entire amount outstanding under this Note effective as of the consummation of such Change of Control by delivering written notice thereof to the Company (a "**COC Payment Notice**"). If Investor timely delivers a COC Payment Notice, then the amount to be paid to Investor under this **Section 9** in connection with such Change of Control shall be equal to the unpaid and outstanding principal amount and any accrued and unpaid interest thereon under this Note as of the date such Change of Control is consummated (the "**COC Payment Amount**"). The payment of the COC Payment Amount shall be made in accordance with the provisions of **Section 9(b)**. To the extent payments required by this **Section 9** are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such payments shall be deemed to be voluntary prepayments. In the event such Change of Control is not consummated, any COC Payment Notice submitted by the Investor shall be automatically deemed null, void and of no effect.

(b) *Mechanics*. The Company shall deliver the COC Payment Amount, subject to the last sentence of **Section 9(a)**, to Investor, in the same form of consideration as that which (i) the Company or each of the members of the Company, or (ii) LXL Media or the stockholders of LXL Media, as applicable, is entitled pursuant to such Change of Control, which payment shall be delivered in no event later than ten (10) business days following the consummation of such Change of Control. In the event the COC Payment Amount is less than the entire the Conversion Amount of this Note, the Company shall, upon request by Investor, promptly cause to be issued and delivered to Investor a new Note representing the unpaid and outstanding principal amount which has not been paid following payment of the COC Payment Amount. In the event that the Company does not pay the COC Payment Amount to Investor within the period set forth in this Section, at any time thereafter and until the Company pays such unpaid COC Payment Amount in full, Investor shall have the option, in lieu of payment, to require the Company to promptly return to Investor all or any portion of this Note representing the COC Payment Amount that was submitted for payment and for which the COC Payment Amount has not been paid. Upon the Company's receipt of such notice, (x) the COC Payment Notice shall be null and void with respect to such COC Payment Amount and (y) the Company shall promptly return this Note to Investor.

10. ***Subordination*****.** This Note is an unsecured obligation of the Company and is subordinate and junior in right of payment to any current and future indebtedness of the Company or LXL Media to banks, financial institutions, lenders or any other third parties having a senior or secured interest in the assets of the Company and/or LXL Media or any extensions, amendments or replacements of such indebtedness.

11. ***Successors and Assigns*****.** Subject to the restrictions on transfer described in **Sections 12** and **13** below, the rights and obligations of the Company and Investor shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

12. ***Waiver and Amendment.*** Any provision of this Note may be amended, waived or modified upon the written consent of the Company, LXL Media and a Majority in Interest, provided, however, that no such amendment or waiver may, without the written consent of Investor, reduce the amount owed to Investor, change the amount of any payment of principal of, or reduce the rate of payment of interest on, the Note.

13. ***Transfer of this Note or Securities Issuable on Conversion Hereof.*** This Note may not be transferred, assigned or otherwise disposed without the prior written consent of the Company and LXL Media, except such consent shall not be required in connection with (a) any transfer, assignment or other disposition by Investor to Investor's Affiliates, subject to such affiliates making required Securities Act representations to the Company and LXL Media, or (b) a Change of Control of Investor. Prior to the expiration of any Lock-Up Period applicable to the Common Stock into which this Note may be converted (the "**Conversion Shares**"), such Conversion Shares may not be transferred, assigned or otherwise disposed without the prior written consent of LXL Media, which may be withheld, conditioned or delayed for any reason or no reason. Upon the expiration of Lock-Up Period, Investor shall give reasonable prior written notice to LXL Media of Investor's desire, describing briefly the manner thereof, together with a written opinion of Investor's counsel, with such opinion and counsel reasonably satisfactory to LXL Media, to the effect that such offer, sale or other distribution of the Conversion Shares may be effected without registration or qualification (under any federal or state law then in effect) and in compliance with this Note. Upon receiving such written notice and opinion, LXL Media, as promptly as practicable, shall notify Investor that Investor may sell or otherwise dispose of some or all of the Conversion Shares, all in accordance with the terms of the notice delivered LXL Media. If a determination has been made pursuant to this **Section 12** that the opinion of counsel or counsel for Investor or other supporting documents are not reasonably satisfactory to LXL Media, LXL Media shall so notify Investor promptly after such determination has been made. Each certificate representing the Conversion Shares thus transferred shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with the terms of this Note and the Securities Act, unless in the opinion of Investor's counsel, with such opinion and counsel reasonably satisfactory to LXL Media, such legend is not required in order to ensure compliance with the Securities Act. LXL Media may issue stop transfer instructions to its transfer agent in connection with such restrictions. Subject to the foregoing transfers, if any, the Conversion Shares shall be registered upon registration books maintained for such purpose by or on behalf of LXL Media. Prior to presentation of this Note for conversion, LXL Media and the Company shall treat the registered holder hereof as the owner and holder of this Note for the purpose of receiving all payments of principal and interest hereon and for all other purposes whatsoever, whether or not this Note shall be overdue and the Company and LXL Media shall not be affected by notice to the contrary.

14. ***Assignment by the Company.*** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Company without the prior written consent of a Majority in Interest.

15. ***Notices.*** All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall in writing and emailed, mailed or delivered to each party at the respective addresses of the parties as set forth in the Acquisition Agreement in accordance with the provisions thereof, or at such other address or emails addresses as each party shall have furnished to the other in writing.

16. *Payment*. Payment shall be made in lawful tender of the United States.

17. *Usury.* In the event any interest is paid on this Note which is deemed to be in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rate shall be deemed a payment of principal and applied against the principal of this Note.

18. *Headings; Governing Law*. The descriptive headings in this Note are inserted for convenience only and do not constitute a part of this Note. This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions of the State of Delaware, or of any other state.

19. *Waiver of Jury Trial; Dispute Resolution*. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND AGREES TO THE ARBITRATION PROVISION CONTAINED IN THIS **SECTION 18**. In the event of any dispute arising out of or relating to this Agreement, then such dispute shall be resolved solely and exclusively by confidential binding arbitration with the Los Angeles, California branch of JAMS ("**JAMS**") to be governed by JAMS' Commercial Rules of Arbitration applicable at the time of the commencement of the arbitration (the **"JAMS Rules**") and heard before one arbitrator. The parties shall attempt to mutually select the arbitrator. In the event they are unable to mutually agree, the arbitrator shall be selected by the procedures prescribed by the JAMS Rules. The prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements, in addition to any other relief to which the prevailing party may be entitled. The arbitration shall be conducted in Los Angeles, California.

20. *No Indication of Fair Market Value*. The parties hereby agree that the various conversion prices negotiated and set forth herein are arbitrary and not reflective of the fair market value of any of LXL Media's securities.

21. *Severability*. If any provision of this Note is determined to be invalid, illegal or unenforceable, in whole or in part, the validity, legality and enforceability of any of the remaining provisions or portions of this Note shall not in any way be affected or impaired thereby and this Note shall nevertheless be binding between the Company, Investor and, to the extent expressly provided herein, LXL Media.

(*Signature Page Follows*)

The Company has caused this Note to be issued as of the date first written above.

REACT PRESENTS, LLC

By: /s/ *Jerome N. Gold*
Name: Jerome N. Gold
Title: Authorized Signatory

ACKNOWLEDGED AND AGREED as of this 5th day of February 2020:

LIVEXLIVE MEDIA, INC.

By: /s/ *Robert S. Ellin*
Name: Robert S. Ellin
Title: Chief Executive Officer

Exhibit 10.28

MEMBERSHIP INTEREST PURCHASE AGREEMENT

by and among

LIVESTYLE NA LIVE HOLDINGS, INC.,

LIVEXLIVE MEDIA, INC.,

and

LIVEXLIVE EVENTS, LLC

Dated as of February 5, 2020

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement") is dated as of February 5, 2020 (the "Effective Date"), by and among LiveStyle NA Live Holdings, Inc., a Delaware corporation ("Seller"), LiveXLive Media, Inc., a Delaware corporation ("Parent"), and LiveXLive Events, LLC, a Delaware limited liability company and wholly-owned subsidiary of Parent ("Buyer"). The parties hereto shall each be referred to as a "Party" and collectively as the "Parties".

WHEREAS, Seller desires to sell, convey, assign, transfer and deliver to Buyer, and Buyer desires to purchase from Seller, all of its right, title and interest in one hundred percent (100%) of the Membership Interests of React at the Closing pursuant to the terms hereof.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements set forth in this Agreement, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS; INTERPRETATION

1.1. Definitions. The following terms shall have the following meanings for the purposes of this Agreement:

"2019 Balance Sheet" has the meaning set forth in Section 3.7(a).

"Accrued PTO" means all accrued vacation and/or paid time off with respect to each Transferred Employee as of the Effective Date.

"Action" means any Legal Proceeding, grievance, opposition, interference, audit, assessment, hearing, or other legal proceeding (whether sounding in contract, tort or otherwise, whether civil or criminal and whether brought at law or in equity) that is commenced, brought, conducted, tried or heard by or before, or otherwise involving, any Authority.

"Adjustment Calculation Time" means as of the opening of business on the Effective Date, without giving effect to the transactions contemplated hereby.

"Affiliate" means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative thereto.

"Agreement" shall have the meaning set forth in the Preamble.

"Assignment and Assumption Agreement" means that the Assignment and Assumption Agreement and Bill of Sale, dated as of the date hereof, by and between React and SFXE IP, in the form attached hereto as Exhibit A.

"Authority" means any national, federal, state, provincial, county, municipal or local government, foreign or domestic, or the government of any political subdivision of any of the foregoing, or any entity, authority, agency, ministry or other similar body exercising executive, legislative, judicial, regulatory or administrative authority or functions of or pertaining to government, including any authority or other self-regulated organization or quasi-governmental agency (to the extent that the rules, regulations or orders of such authority or organization have the force of Law), and also including any non-governmental regulatory authority or trade association, union or organization, guild, arbitrator, court or tribunal of competent jurisdiction or similar body.

"Balance Sheet Date" has the meaning set forth in Section 3.7(a).

"Business" means the business of producing, promoting, organizing and/or holding electronic music clubs, concerts, venues, events and/or festivals (including Spring Awakening Festival) carried out by the Companies in the Chicago-Naperville-Elgin, IL-In-WI Metro Area, as defined by the United States Census Bureau, and in such locations in the states of Indiana, Michigan, Wisconsin and Illinois where any of the Companies are currently producing, promoting, organizing and/or holding electronic music clubs, concerts, venues, events and/or festivals as of the date hereof; provided, that notwithstanding anything to the contrary contained herein, the Business shall not include any such activity by any Person related to that live music festival event commonly referred to as "Freaky Deaky Music Festival", the word mark "Freaky Deaky" as registered with the USPTO under registration number 4974644, or any other activity exploiting such Intellectual Property related thereto.

"Business Day" means any day other than a Saturday, Sunday or other day on which banking institutions in the State of California are authorized or required by law or other governmental action to close.

"Buyer Objection Notice" has the meaning set forth in Section 5.5(b).

"Buyer Parties" means Buyer, Parent, and their respective Affiliates (including, after the Closing, the Companies and any of their respective Subsidiaries, but excluding Seller and its Affiliates) and their respective owners, stockholders, members, partners, officers, directors, managers, employees, agents, Representatives, successors and permitted assigns.

"Claim Amount" has the meaning set forth in Section 5.5(a).

"Claim Notice" has the meaning set forth in Section 5.4(a).

"Closing" means the consummation of the purchase of Membership Interests by Buyer contemplated herein.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Common Stock" means the restricted shares of common stock issuable by Parent pursuant to the Note.

"Companies" means React, Spring Awakening and Summer Set.

"Confidential Information" means all information of a confidential or proprietary nature (whether or not specifically labeled or identified as "confidential"), in any form or medium, whether oral or written, that relates to the business, business plans, products (current and prospective), product plans, developments, technology, platforms, services, research or development, Contracts, real property leases, agreements with or proposals from third parties and information about such agreements or proposals, including, without limitation, the identity of such third parties, strategy, legal and business analysis, confidential recommendations of consultants and other advisors, and all proprietary and intellectual property of any kind or nature, and other agreements (and the terms thereof and the parties thereto) of React, Spring Awakening or Summer Set or any of their suppliers, distributors, vendors, partners, customers (current and prospective), employees, independent contractors or other business relations; except such information which (a) becomes generally available to the public through no fault of Seller or its Affiliates, (b) was known to the party to whom such information was disclosed, without restriction, at the time of disclosure, as demonstrated by files in existence or such other evidence at the time of disclosure, or (c) is hereafter available to the party to whom such information was disclosed on a non-confidential basis from a source (other than the party disclosing or on whose behalf such information was disclosed) which was, to the knowledge of the receiving party, not prohibited from disclosing the same and otherwise not in violation of the disclosing party's rights.

"Contract" means any contract, agreement, indenture, note, bond, mortgage, loan, instrument, note, lease, mortgage, license, indenture, joint venture, commitment or other arrangement, understanding, undertaking, commitment or obligation, whether written or oral.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

"Deductible" has the meaning set forth in Section 5.3.

"Disclosure Schedules" has the meaning set forth in ARTICLE III.

"Effective Date" shall have the meaning set forth in the Preamble.

"Encumbrance" means any Lien (other than restrictions on transfer under the Securities Act and applicable state securities Laws).

"Estimated Closing Working Capital" has the meaning set forth in Section 3.7(a).

"Estimated Closing Working Capital Statement" has the meaning set forth in Section 3.7(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended

"Financial Statements" has the meaning set forth in Section 3.7(a).

"Financial Advisor Fees" has the meaning set forth in Section 3.17.

"GAAP" means generally accepted accounting principles as in effect in the United States on the date of this Agreement, applied in a manner consistent with the past methodologies, practices, estimation and reserve techniques, assumptions and principles of the Companies.

"Guaranty" means Guaranty and Pledge Agreement, dated December 21, 2018, by and among Axar Master Fund, Ltd., as collateral agent for the lenders party to the Loan Agreement, Seller, React, and the other the grantor parties thereto.

"Indemnification Notice" has the meaning set forth in Section 5.1(b)

"Indemnifiable Claim" has the meaning set forth in Section 5.4(a).

"Indemnified Party" has the meaning set forth in Section 5.4(a).

"Indemnifying Party" has the meaning set forth in Section 5.4(a).

"Indemnity Cap" has the meaning set forth in Section 5.3.

"Infringing" has the meaning set forth in Section 3.13.

"Insurance Policies" has the meaning set forth in Section 3.18.

"Insurance Recovery Efforts" has the meaning set forth in Schedule 5.6.

"Intellectual Property" means all intellectual property and industrial property rights and assets, and all rights, interests and protections that are associated with, similar to, or required for the exercise of, any of the foregoing, however arising, pursuant to the Laws of any jurisdiction throughout the world, whether registered or unregistered, including any and all: (a) trademarks, service marks, trade names, brand names, logos, trade dress, design rights and other similar designations of source, sponsorship, association or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications and renewals for, any of the foregoing; (b) internet domain names, whether or not trademarks, registered in any top-level domain by any authorized private registrar or Authority, web addresses, web pages, websites and related content, accounts with Twitter, Facebook and other social media companies and the content found thereon and related thereto, and URLs; (c) works of authorship, expressions, designs and design registrations, whether or not copyrightable, including copyrights, author, performer, moral and neighboring rights, and all registrations, applications for registration and renewals of such copyrights; (d) inventions, discoveries, trade secrets, business and technical information and know-how, databases, data collections and other confidential and proprietary information and all rights therein; (e) patents (including all reissues, divisionals, provisionals, continuations and continuations-in-part, re-examinations, renewals, substitutions and extensions thereof), patent applications, and other patent rights and any other Authority-issued indicia of invention ownership (including inventor's certificates, petty patents and patent utility models); and (f) software and firmware, including data files, source code, object code, application programming interfaces, architecture, files, records, schematics, computerized databases and other related specifications and documentation.

"Knowledge" or any similar phrases whether or not capitalized, means that which is actually known or constructively known by (a) (i) any director, manager or officer of Seller or the Companies or (ii) solely with respect to Sections 3.6 (Litigation) and 3.9 (Material Contracts), Brian Griffin, or (b) any director or executive officer of Buyer or Parent, as applicable, or reasonably should have been known by (x) (i) any director, manager or officer of Seller or the Companies or (ii) solely with respect to Sections 3.6 (Litigation) and 3.9 (Material Contracts), Brian Griffin, or (y) any director or executive officer of Buyer or Parent, as applicable.

"Law" means any constitution, law, statute, ordinance, rule, regulation, regulatory requirement, code, treaty, common law, judgment, Order, other requirement or rule of law enacted, issued, promulgated, enforced, adopted or entered by any Authority.

"Leased Real Property" has the meaning set forth in Section 3.15.

"Leases" has the meaning set forth in Section 3.15.

"Legal Proceeding" means any charge, complaint, judicial, administrative or arbitral action, suit, investigation, inquiry, cause of action, demand, lawsuit, litigation, arbitration, inquiry, notice of violation, citation, summons, proceeding, claim, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity, whether by or before an Authority or otherwise.

"Liability" means any liability, obligation or commitment of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

"Lien" means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, deed, pledge, hypothecation, lease, sublease or other right of occupancy, easement, encroachment, license, right of way, title defect, option, warrant, right of first refusal, right of way, right of first offer, preemptive right, voting trust or agreement, proxy, or similar encumbrance or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"Loan Agreement" means that certain Loan and Security Agreement, dated December 21, 2018, by and among LiveStyle, Inc., Axar CL SPV LLC, in its capacity as a lender and as administrative agent and collateral agent for the other lenders party thereto, Star V Partners LLC, and Blackwell Partners LLC – Series E, as amended by that certain Amendment No. 1 to Loan and Security Agreement, dated October 18, 2019, that certain Amendment No. 2 to Loan and Security Agreement, dated November 25, 2019, and that certain Amendment No. 3 to Loan and Security Agreement, dated December 20, 2019).

“Losses” has the meaning set forth in Section 5.2(a).

“Material Adverse Effect**”** means any event, occurrence, fact, condition, effect, circumstance or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the Business, taken as a whole, when viewed on a long-term and not a short-term basis, (b) results of operations, condition (financial or otherwise) or assets of any of the Companies, taken as a whole, when viewed on a long-term and not a short-term basis, or (c) the ability of Seller or any of the Companies to consummate the transactions contemplated hereby on a timely basis; provided, that none of the following shall be deemed to constitute a Material Adverse Effect or be taken into account in determining whether a Material Adverse Effect has occurred: any event, occurrence, fact, condition, effect, circumstance or change which (i) generally affects the industry, markets or geographic areas in which the Companies operate, (ii) results from or arises out of a change in applicable Law (or interpretation thereof) or accounting requirements, standards or principles, (iii) results from or arises out of any act of war, political, regulatory or social conditions, outbreak of illness or other public health event, continuation or escalation of hostilities, act of terrorism, sabotage, natural or man-made disaster or other force majeure event, (iv) results from or arises out of changes in economic, financial, banking, currency or capital markets conditions, including interest rates and exchange rates, or any other national, international or regional calamity, (v) is required or contemplated under this Agreement, or results from or arises out of the announcement, pendency or performance of this Agreement or the identity of Buyer or Parent (including any termination of, reduction in or similar negative impact on relationships, contractual or otherwise, with any customers, partners, suppliers, distributors, employees or financing sources of, or other third parties engaged in any business with, the Companies), (vi) results from or arises out of actions taken (or omitted to be taken) at the written request of or with the written consent of Buyer, Parent or any of their respective Affiliates, (vii) results from or arises out of any communication by Buyer, Parent or any of their respective Affiliates regarding the plans or intentions of Buyer, Parent or any of their respective Affiliates with respect to the conduct of the Business following the Closing, (viii) results from or arises out of any failure by the Companies to meet any internal or public projections, budgets, forecasts or estimates of revenues, earnings or other financial results for any period, (ix) results from any change or announcement of a change or potential change in the credit rating or other rating of financial strength of the Companies or any of their Affiliates or any of their respective securities, (x) results from or arises out of any action required to be taken under any applicable Law (including any antitrust law), (xi) actions taken (or omitted to be taken) at the written request of or with the written consent of Buyer or Parent following the Closing, or (xii) is disclosed in the Disclosure Schedule; provided, that any event, occurrence, fact, condition, effect, circumstance or change referred to in clauses (i) through (iv) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition, effect, circumstance or change has a disproportionate effect on Seller or any of the Companies, individually or in aggregate, compared to other participants in the industries in which Seller or any of the Companies conduct their businesses.

"Material Contract" means (a) any Contract which by its terms calls for aggregate payments, commitments or consideration by any of the Companies under such Contract of more than $25,000 over the remaining term of such Contract, (b) any indenture, credit agreement, loan agreement, security agreement, guarantee, bond or similar Contract pursuant to which the Liability (whether contingent or otherwise) of any of the Companies or all of them in aggregate (if more than one of the Companies is a party to such indenture, credit agreement, loan agreement, security agreement, guarantee, bond or similar Contract), in each case in excess of $25,000, is outstanding or may be demanded or incurred, (c) any Contract involving aggregate payments, commitments or consideration in excess of $25,000 between any of the Companies, on the one hand, and (i) any director, statutory auditor, attorney, banker, officer, employee or Affiliate of any of the Companies, or (ii) any Affiliate of Seller, on the other hand, (d) any Contract that requires any of the Companies to purchase its total requirements of any product or service from a third party or that contain "take or pay" provisions, (e) any Contracts between any of the Companies and any current employee relating to the employment of, or performance of employment- related services by, such employee, but not including Contracts that provide for employment that is terminable "at will" and that are without severance or change of control pay or benefits, (f) any Contracts with independent contractors or consultants (or similar arrangements) for the provision of services, to which any of the Companies is a party and which are not cancellable without a penalty of $5,000 (or more) or without more than sixty (60) days' notice; (g) any Contract relating to indebtedness or other debt arrangement (including, without limitation, guarantees) of any of the Companies; (h) any Contract in effect as of the Effective Date with any Authority to which any of the Companies is party; (i) any Contract that limits or purports to limit the ability of any of the Companies to compete in any line of business or with any Person or in any geographic area or during any period of time; (j) any Contract relating to any of the Companies that provides for the indemnification of any Person in an amount in excess of $25,000, or (k) any Contract to which any of the Companies is a party that provides for any joint venture, partnership or similar arrangement by such Company, other than co-promotion Contracts whereby the parties thereto share in receipts resulting from the exhibition of live performances at venues from time to time involving aggregate payments, commitments or consideration lower than $25,000; provided, that "Material Contract" shall exclude any Contract involving aggregate payments, commitments or consideration in excess of $25,000 and that has expired or has been terminated prior to the Effective Date in accordance with its terms.

"Membership Interests" means (a) 100% of the issued and outstanding membership interests of React, (b) 100% of the issued and outstanding membership interests of Spring Awakening and (c) 82.5% of the issued and outstanding membership interests of Summer Set.

"Note" has the meaning set forth in Section 2.2.

"Offset Amount" has the meaning set forth in Section 5.5(a).

"Order" means any order, injunction, judgment, decree, ruling, writ, assessment, settlement, stipulation or arbitration award.

"Organizational Documents" means an entity's articles or certificate of incorporation, certification of organization or formation, bylaws, operating or limited liability company agreement, or other similar organizational or governing documents.

"Parent SEC Documents" has the meaning set forth in Section 4.5(a).

"Parent Financial Statements" has the meaning set forth in Section 4.5(b).

"Permits" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from any Authority.

"Person" means any individual, partnership, corporation, limited liability company, unincorporated organization, association, trust, joint venture, limited partnership, proprietorship, firm, or any Authority or other entity.

"Plan" has the meaning set forth in the definition of Post-Reorganization.

"Post-Reorganization" means the period following the consummation of the reorganization of LiveStyle, Inc., a Delaware corporation formerly known as SFX Entertainment, Inc., and its affiliated debtors, pursuant to that certain Fifth Amended Joint Plan of Reorganization of SFX Entertainment, Inc., et. al., dated November 15, 2016 (the "Plan").

"Pre-Closing Tax Period" has the meaning set forth in Section 6.8(a).

"Proceeds" has the meaning set forth in Schedule 5.6.

"Proposed Business" has the meaning set forth in Section 3.2.

"Purchase Price" has the meaning set forth in Section 2.2.

"React" means React Presents, LLC, a Delaware limited liability company.

"Real Property" means the real property owned, leased or subleased by React, together with all buildings, structures and facilities located thereon.

"Related Persons" has the meaning set forth in Section 3.16.

"Release Letter" means that certain Letter Agreement, dated as of the Effective Date, by and among Axar CL SPV LLC, as administrative agent and collateral agent, and the other parties thereto, in the form attached hereto as Exhibit B.

"Representative" means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

"Required Consents" means (a) any material approvals, consents, Orders, ratifications, waivers or other authorizations, in each case, required to be obtained from another Person prior to the Effective Date for the consummation of the transactions contemplated by this Agreement or any other Transaction Document.

"Restricted Period" has the meaning set forth in Section 6.2(a).

"Securities Act" means the Securities Act of 1933, as amended.

"Seller" shall have the meaning set forth in the Preamble.

"Seller Objection Notice" has the meaning set forth in Section 5.5(a).

“Seller Parties” means Seller and its Affiliates (other than the Companies), successors and permitted assigns.

“SFXE IP” means SFXE IP LLC, a Delaware limited liability company and wholly-owned subsidiary of Seller.

“Spring Awakening” means Spring Awakening, LLC, an Illinois limited liability company and wholly-owned subsidiary of React.

“Spring Awakening Festival” means the festival known as “Spring Awakening Music Festival” (including for the 2018, 2019 and 2020 calendar years) produced, promoted, organized and held by React and Spring Awakening.

“Straddle Period” has the meaning set forth in Section 6.8(b).

“Subsidiary” means, with respect to any Person, any corporation, partnership, limited liability company, association, joint venture or other business entity of which (a) if a corporation, more than 50% of the total voting power of shares of stock entitled (irrespective of whether, at the time, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a partnership, limited liability company, association, joint venture or other business entity, more than 50% of the partnership, limited liability company, membership, joint venture or other similar ownership or equity interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof.

“Summer Set” means Summer Set Music and Camping Festival, LLC, an Illinois limited liability company.

“Tax” means any federal, state, local or foreign income, gross receipts, franchise, estimated, alternative minimum, escheat, unclaimed property, add-on minimum, sales, use, transfer, registration, value added, excise, natural resources, severance, stamp, occupation, premium, windfall profit, environmental, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll, license, employee or other withholding, or other tax, of any kind whatsoever, including any interest, penalties or additions to tax or additional amounts in respect of the foregoing.

“Tax Audit” means any audit and other proceedings by any Authority relating to Taxes.

“Tax Returns” means any return, declaration, report, claim for refund, estimate or information return or statement relating or attributable to Taxes, (including any election, schedule or attachment thereto, and including any amendment thereof), and including, where permitted or required, affiliated, combined, consolidated, unitary or similar returns for any group of entities.

“Terminated Liens” has the meaning set forth in Section 6.4.

"Termination Date" has the meaning set forth in Section 5.1(b).

"Threshold" has the meaning set forth in Section 5.3.

"Transaction Documents" means this Agreement, the Note, and the Assignment and Assumption Agreement.

"Transfer Taxes" has the meaning set forth in Section 6.8(f).

"Transferred Employees" has the meaning set forth in Section 6.1(a).

"Vivendi Notice" has the meaning set forth in Schedule 3.5,

"WARN Act" means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

1.2. Interpretation. Unless the context otherwise requires, as used in this Agreement: (i) an accounting term not otherwise defined herein has the meaning ascribed to it in accordance with GAAP; (ii) "or" is not exclusive; (iii) "including" and its variants mean "including, without limitation" and its variants; (iv) words defined in the singular have the parallel meaning in the plural and vice versa; (v) words of one gender shall be construed to apply to each gender; (vi) the words "hereof", "herein", "hereby", "hereto," and derivative or similar words refer to this entire Agreement, including the Schedules and Exhibits hereto; (vii) the terms "Article", "Section", "Exhibit", "Preamble", "Recital" and "Schedule" refer to the specified Article, Section, Exhibit, Preamble, Recital or Schedule of or to this Agreement; (viii) unless specifically denominated as Business Days, references to "day" or "days" are to calendar days; and (ix) any references to time shall be references to Los Angeles time.

ARTICLE II
PURCHASE AND SALE OF THE MEMBERSHIP INTERESTS OF REACT; CLOSING

2.1. Purchase and Sale of the Membership Interests of React. At the Closing, upon the terms and subject to the conditions set forth herein, Buyer shall purchase from Seller, and Seller shall sell, convey, assign, transfer and deliver to Buyer, all of its right, title and interest in the Membership Interests of React, free and clear of any Encumbrances.

2.2. Purchase Price. As consideration for the sale, conveyance, assignment, transfer and delivery of Membership Interests of React, Buyer shall pay or cause to be paid to Seller an aggregate purchase price equal to $2,000,000 (the "Purchase Price"), which shall be payable in the form of a convertible promissory note issued by React effective as of immediately following the Closing in the principal amount equal to the Purchase Price and in the form attached hereto as Exhibit C (the "Note").

2.3. Transactions to be Effected at the Closing.

(a) Closing. The Closing shall take place at the offices of Seller, located at 9171 Wilshire Boulevard, Suite 500, Beverly Hills, CA 90210, or through electronic mail and/or national recognized overnight delivery service, commencing at 7:00 A.M. Pacific time on the Effective Date or at such other time or place as the Parties may agree in writing.

(b) At the Closing, Buyer shall deliver to Seller:

(i) a certificate of good standing with respect to each of Buyer and Parent issued by the office of the Secretary of State of the State of Delaware, each of which is dated as of a date no more than ten (10) days prior to the Effective Date;

(ii) employment offer letters executed by React or Buyer (as determined by Parent in its sole and absolute discretion) addressed to the employees of Seller or its Affiliates set forth in Schedule 6.1(a);

(iii) evidence of delivery of the Vivendi Notice, executed by a duly authorized signatory of Buyer and duly authorized officer of Parent;

(iv) evidence reasonably satisfactory to Seller that the consents that each of Buyer or Parent is required to obtain or receive as set forth in Schedule 4.6 have been obtained or received by Buyer or Parent, as applicable;

(v) a certificate dated as of the Effective Date (executed by a duly authorized officer of Buyer) certifying to the effect that: (A) attached thereto are true and complete copies of the resolutions of the members or managers, as applicable, authorizing and approving this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby and that such resolutions were duly adopted by written consent, remain in full force and effect, and have not been amended, rescinded or modified; and (B) each of the officers or other individuals executing this Agreement and the other documents to be delivered hereunder and thereunder is duly authorized to execute such agreements on behalf of Buyer;

(vi) a certificate dated as of the Effective Date (executed by a duly authorized officer of Parent) certifying to the effect that: (A) attached thereto are true and complete copies of the resolutions of the directors of Parent authorizing and approving this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, and that such resolutions were duly adopted at a duly convened meeting thereof, at which a quorum was present an acting throughout, remain in full force and effect, and have not been amended, rescinded or modified; and (B) each of the officers or other individuals executing this Agreement and the other documents to be delivered hereunder and thereunder is duly authorized on behalf of Parent; and

(vii) such other documents or instruments as Seller may reasonably request for the purpose of otherwise facilitating the consummation or performance of any of the transactions contemplated hereby or the other Transaction Documents.

(c) At the Closing, Seller shall deliver to Buyer:

(i) the Assignment and Assumption Agreement duly executed by each of the parties thereto;

(ii) the Release Letter, duly executed by each of the parties thereto;

(iii) a certificate of good standing with respect to Seller and each of the Companies issued by the office of the Secretary of State of the state in which such Person was formed, each of which is dated as of a date no more than ten (10) days prior to the Effective Date;

(iv) a certificate dated as of the Effective Date (executed by a duly authorized officer of Seller) certifying to the effect that: (A) attached thereto are true and complete copies of the resolutions of the directors authorizing and approving this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby and that such resolutions were duly adopted by written consent, remain in full force and effect, and have not been amended, rescinded or modified; and (B) each of the officers or other individuals executing this Agreement or the other Transaction Documents and the other documents to be delivered hereunder and thereunder is duly authorized to execute such agreements and documents on behalf of Seller;

(v) a certificate dated as of the Effective Date (executed by a duly authorized officer of React) certifying to the effect that: (A) attached thereto are true and complete copies of the resolutions of the members authorizing and approving this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby and that such resolutions were duly adopted by written consent, remain in full force and effect, and have not been amended, rescinded or modified; (B) each of the officers or other individuals executing any other Transaction Documents and the other documents to be delivered thereunder is duly authorized to execute such agreements and documents on behalf of React;

(vi) evidence reasonably satisfactory to Buyer of the termination and release of the Encumbrances set forth in Schedule 3.10, except to the extent waived by Buyer or Parent pursuant to Section 6.4; and

(vii) such other documents or instruments as Buyer or Parent may reasonably request for the purpose of otherwise facilitating the consummation or performance of any of the transactions contemplated hereby or the other Transaction Documents.

(d) Concurrent with or immediately following the Closing, Buyer shall deliver to Seller:

(i) the Note, dated as of the Effective Date, duly executed by an authorized signatory of React, of which the transactions contemplated thereby shall be acknowledged and agreed to by a duly authorized officer of Parent; and

(ii) a certificate dated as of the Effective Date (executed by a duly authorized signatory of React) certifying to the effect that: (A) attached thereto are true and complete copies of the resolutions of the sole member of React, authorizing and approving the Note, and that such resolutions were duly adopted by written consent, remain in full force and effect, and have not been amended, rescinded or modified; and (B) each of the officers or other individuals executing the Note and the other documents to be delivered thereunder is duly authorized on behalf of React.

2.4. Withholding. Notwithstanding anything in this Agreement to the contrary, Buyer shall be entitled to deduct and withhold from the consideration otherwise payable to Seller or any other recipient of a payment hereunder, such amount as Buyer is required to deduct and withhold with respect to such payment under the Code, or any provision of applicable Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to Seller.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer and Parent that, subject to the exceptions and qualifications set forth in the correspondingly numbered disclosure schedules attached hereto or where such relevance is reasonably apparent on the face such disclosure schedules (the "Disclosure Schedules"), all of the statements contained in this ARTICLE III are true, correct and complete as of the Effective Date, except to the extent such representations and warranties are specifically made as of a particular date (in which case such representations and warranties will be true and correct as of such date).

3.1. Organization and Authority of Seller. Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Seller has full company power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on its business as it has been and is currently conducted, and to consummate the transactions contemplated hereby and under the other Transaction Documents. Seller is licensed or qualified to conduct business as a foreign entity in each jurisdiction in which the nature of the Business or the ownership or leasing of its assets or properties requires such licensing or qualification, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. Seller has the full power and authority to (a) execute and deliver this Agreement and each of the other Transaction Documents to which it is a party, (b) consummate and perform the transactions to be performed by it pursuant to this Agreement and under the other Transaction Documents to which it is a party, and (c) satisfy or perform, as the case may be, its obligations under this Agreement and under the other Transaction Documents to which it is a party. The execution, delivery and performance of this Agreement and under the other Transaction Documents to which it is a party have been duly authorized by all necessary corporate action, including approval by its sole stockholder, and no other corporate proceedings on the part of Seller are necessary to authorize the execution, delivery and performance of this Agreement or the other Transaction Documents to which it is a party or to consummate the transactions contemplated hereby and thereby. This Agreement and under the other Transaction Documents to which it is a party constitute the legal, valid and binding obligation of Seller enforceable against Seller in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other Law relating to or affecting creditors' rights generally or by equitable principles (regardless of whether enforcement is sought at law or in equity).

3.2. Organization, Authority and Qualification of the Companies. React is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware. Except as set forth in Schedule 3.2, React has full company power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business, as it has been and is currently conducted, and as presently proposed to be conducted during the calendar year of 2020 (including the concerts, events and festivals set forth in Schedule 3.2) (the "Proposed Business"). Spring Awakening is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Illinois. Spring Awakening has full company power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business, as it has been and is currently conducted, and the Proposed Business. Summer Set is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Illinois. Summer Set has full company power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business, as it has been and is currently conducted. Except as set forth in Schedule 3.2, each of the Companies is licensed or qualified to conduct business as a foreign entity in each jurisdiction in which the nature of the Business or the ownership or leasing of their respective assets or properties requires such licensing or qualification, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. Each of the Companies has full power and authority to (a) execute and deliver the Transaction Documents to which such Company is a party, (b) consummate and perform the transactions contemplated hereby and under the other Transaction Documents, and (c) satisfy or perform, as the case may be, its respective obligations under this Agreement and under the other Transaction Documents. The execution, delivery and performance of this Agreement and under the other Transaction Documents has been duly authorized by all necessary corporate action of the Companies, including approval by React's sole member), and no other corporate proceedings on the part of any of the Companies are necessary to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents and to consummate the transactions contemplated hereby and thereby. The Transaction Documents to which any of the Companies is party constitute the legal, valid and binding obligation of such Company enforceable against such Company in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other Law relating to or affecting creditors' rights generally or by equitable principles (regardless of whether enforcement is sought at law or in equity). Seller has provided to Buyer true, correct and complete copies of the Organizational Documents of each of the Companies relating to or in effect after the Post-Reorganization. None of the Companies is in default under their respective Organizational Documents. The record books of each of the Companies relating to any period after the Post-Reorganization are accurate and complete in all material respects.

3.3. Capitalization. React's Membership Interests have been duly authorized, are validly issued, fully paid and non-assessable, and are owned of record and beneficially by Seller, free and clear of all Encumbrances except as set forth in Schedule 3.3. Spring Awakening's Membership Interests have been duly authorized, are validly issued, fully paid and non-assessable, and are owned of record and beneficially by React, free and clear of all Encumbrances. Summer Set's Membership Interests have been duly authorized, are validly issued, fully paid and non-assessable, and are owned of record and beneficially by React, free and clear of all Encumbrances. There are no accrued but unpaid distributions with respect to any Membership Interests. Seller has the full power and authority to transfer and deliver good and marketable title to all of React's Membership Interests, and upon Seller's transfer to Buyer of React's Membership Interests, Buyer shall receive good and marketable title to the Membership Interests, free and clear of all Encumbrances except as set forth in Schedule 3.3.

3.4. Subsidiaries. Schedule 3.4 sets forth a true and accurate list of the Subsidiaries of React. React does not own or hold the right to acquire any equity interests in any Person. None of the Subsidiaries set forth in Schedule 3.4 has any Subsidiary and does not own or hold the right to acquire any equity interests in any Person.

3.5. No Conflict; Consents. Except as set forth in Schedule 3.5, the execution, delivery and performance of this Agreement and the other Transaction Documents to which Seller or any of the Companies is a party, and the consummation of the transactions contemplated hereby and thereby will not (a) violate or conflict with any applicable Law to which Seller or any of the Companies is subject, (b) conflict with, result in a breach of, constitute a default under (with or without notice or lapse of time, or both), result in the acceleration of, create in any Person the right to accelerate, terminate, modify or cancel, require any notice under, or result in the creation or imposition of any Lien under, any Organizational Document of any of the Companies or any Contract, lease, license, permit, indenture, agreement for borrowed money, instrument of indebtedness, Lien or other arrangement to which any of the Companies is a party or by which any of the Companies is bound or to which any of their respective properties and assets are subject or any Permit affecting the properties, assets or business of any of the Companies, or (c) create in any Person the right to accelerate, terminate, modify or cancel any Contract to which any of the Companies is a party or by which any of the Companies is bound (including any Material Contracts), except, in the case of (b) and (c), as would not reasonably be expected to have a Material Adverse Effect. Except as set forth in Schedule 3.5 and except as would not reasonably be expected to have a Material Adverse Effect, to Seller's Knowledge, no consent, approval, Permit, Order, declaration or filing with, or notice to, is required to be obtained by Seller or any of the Companies, and none of Seller or any of the Companies is required to give any notice to, make any filing with, or obtain any authorization, consent, approval, Permit, Order, declaration or filing with, or notice to, or approval of any Authority or any other Person for the Parties to consummate the transactions contemplated by this Agreement and the other Transaction Documents, and in order that such transactions not constitute a breach or violation of, or result in a right of termination or acceleration or any Lien on the Business pursuant to the provisions of, any Contract.

3.6. Litigation. Except as set forth in Schedule 3.6, there are no Actions pending or, to Seller's or the Companies' Knowledge, threatened (a) against or by Seller affecting the Business the Membership Interests, (b) against or by any of the Companies or affecting any of their respective properties or assets or the Membership Interests, or (c) against or by Seller or any of the Companies that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement and the other Transaction Documents. Except as set forth in Schedule 3.6, to Seller's or the Companies' Knowledge, no event has occurred and no circumstances exist that could give rise to or serve as the basis for the commencement of any such Action. There is no judgment, Order, writ, injunction, penalty, award, decree or other similar award outstanding (whether rendered by a court, administrative agency or other Authority, or by arbitration or otherwise) against or affecting the Membership Interests, the Business, any of the Companies or any of their respective properties or assets, this Agreement, the other Transaction Documents or the transactions contemplated hereby and thereby. Except as set forth in Schedule 3.6, to Seller's or the Companies' Knowledge no event has occurred or circumstances exist that may result in the commencement of a Legal Proceeding against or by Seller affecting any of its properties or assets related to the Business or the Membership Interests or against or by any of the Companies or affecting any of their properties or assets, except as would not reasonably be expected to have a Material Adverse Effect.

3.7. Financial Statements; Accounts Receivable.

(a) Schedule 3.7 contains true and accurate copies of the following financial statements (collectively, the " Financial Statements"): (i) the unaudited consolidated balance sheets of React as of December 31, 2018 and December 31, 2019 (the "2019 Balance Sheet"), (ii) the unaudited consolidated statement of income of React for the fiscal years ended December 31, 2018 and December 31, 2019 (the "Balance Sheet Date"), and (iii) a statement setting forth Seller's good faith estimate of Closing Working Capital (the "Estimated Closing Working Capital"), which statement shall contain an estimated consolidated balance sheet of React as of the estimated Effective Date (without giving effect to the transactions contemplated herein), a calculation of Estimated Closing Working Capital (the "Estimated Closing Working Capital Statement") prepared in accordance with GAAP, applied using the same accounting methods, practices, principles, policies and procedures, with consistent classifications, judgments and valuation and estimation methodologies that were used in the preparation of the Financial Statements for the most recent fiscal year end as if such Estimated Closing Working Capital Statement was being prepared as of a fiscal year end. The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved, and fairly present in all material respects the consolidated financial position and the consolidated results of operations, as the case may be, of React as of the dates and for the periods set forth therein and have been derived from and are based on the books and records (including accounting records) of Seller or its Affiliate and represent only actual, bona fide transactions. React maintains a standard system of accounting established and administered in accordance with GAAP.

(b) All accounts receivable of React (net of the allowances for doubtful accounts set forth in the 2019 Balance Sheet) represent bona fide claims and were earned by performance in the ordinary course of business and, to Seller's and the Companies' Knowledge, are subject to no valid defense, offset or counterclaim. To Seller's and the Companies' Knowledge, all accounts payable of React arose in the ordinary course of business and represent only actual, bona fide transactions.

(c) The Companies have no Liabilities, except (i) those which are adequately reflected or reserved against in the 2019 Balance Sheet as of the Balance Sheet Date, and (ii) those which have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date and which are not, individually or in the aggregate, in an amount in excess of $25,000.

(d) The accounts receivable reflected on the 2019 Balance Sheet and the accounts receivable arising after the date thereof (i) have arisen from bona fide transactions entered into by the Companies involving the sale of goods or the rendering of services in the ordinary course of business consistent with past practice; and (ii) to Seller's and the Companies' Knowledge, constitute only valid, undisputed claims of the Companies not subject to claims of set-off or other defenses or counterclaims other than normal cash discounts accrued in the ordinary course of business consistent with past practice; and (iii) subject to a reserve for bad debts shown on the 2019 Balance Sheet. The reserve for bad debts shown on the 2019 Balance Sheet or, with respect to accounts receivable arising after the Balance Sheet Date, on the accounting records of the Companies have been determined in accordance with GAAP, consistently applied, subject to normal year-end adjustments and the absence of disclosures normally made in footnotes.

3.8. Absence of Liabilities, Changes and Events. Since the Balance Sheet Date through the Effective Date, (a) each of the Companies has conducted its business in the ordinary course of business in all material respects consistent with past practice, and (b) there has been no change, event, occurrence, fact or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

3.9. Material Contracts. To Seller's and the Companies' Knowledge, Schedule 3.9 sets forth a true and accurate list of the Material Contracts. Except as would not reasonably be expected to have a Material Adverse Effect, each Material Contract is valid and effective in accordance with its terms, is binding and enforceable against each of the Companies and, to Seller's and the Companies' Knowledge, against each other party thereto and is in full force and effect. To Seller's and the Companies' Knowledge, each of the Companies and the other parties to the Material Contracts have performed all of their respective obligations required to be performed under the Material Contracts. To Seller's and the Companies' Knowledge, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute a breach of or an event of default under (or is alleged to be in breach of or default under) any Material Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder, in each case in accordance with the terms of such Material Contract. There is no actual or, to Seller's and the Companies' Knowledge, threatened termination, cancellation or limitation of any Material Contract, and none of Seller and the Companies has provided or received any notice of any intention to terminate, any Material Contract. To Seller's and the Companies' Knowledge, there is no pending or threatened bankruptcy, insolvency or similar proceeding with respect to any other party to a Material Contract. To Seller's and the Companies' Knowledge, complete and correct copies of each Material Contract (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to Buyer.

3.10. Sufficiency of Assets. Except as set forth in Schedule 3.10, the Leases, together with all other properties and assets of the Companies, are sufficient for the continued conduct of the Business and the Proposed Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted. None of the Companies have made any material commitments or arrangements or entered into any material Contracts in connection with Spring Awakening Festival for the 2020 calendar year. Except as set forth in Schedule 3.10, all of the assets of the Companies are free and clear of all Liens.

3.11. Compliance with Laws. Except as set forth in Schedule 3.11, none of the Companies is in violation of any applicable Law or Permit or is not in possession of any material Permits or other authorizations or consents of an Authority necessary or required for the Companies to conduct the Business, as is currently conducted, or the Proposed Business, except in each case as would not reasonably be expected to have a Material Adverse Effect. To Seller's and the Companies' Knowledge, all fees and charges with respect to such Permits as of the date hereof have been paid in full, except as would not reasonably be expected to have a Material Adverse Effect. No event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any material Permit.

3.12. Employment Matters. Except as set forth in Schedule 3.12, neither the execution of this Agreement or the other Transaction Documents nor any of the transactions contemplated by hereunder or thereunder will (either alone or upon the occurrence of any additional or subsequent events): (a) entitle any current or former director, officer, employee, independent contractor or consultant of any of the Companies to severance pay or any other payment; (b) limit or restrict the right of any of the Companies to amend or terminate any Contract with any employee of any of the Companies; or (c) increase the amount payable under or result in any other material obligation pursuant to any Contract with any employee of the Companies or any other Contract to which any of the Companies is a party. To Seller's and the Companies' Knowledge, Schedule 3.12 contains a list of all persons who are current employees or material independent contractors or consultants of the Companies, including any employee who is on a leave of absence of any nature, paid or unpaid, authorized or unauthorized. Except as set forth in Schedule 3.12, all compensation, including wages, commissions and bonuses, payable to all employees and all material compensation, including commissions and bonuses, payable to all independent contractors or consultants of the Companies for services performed on or prior to the date hereof have been paid in full (or accrued in full on the 2019 Balance Sheet and the Estimated Closing Working Capital Statement), except as would not reasonably be expected to have a Material Adverse Effect, and there are no outstanding agreements, understandings or commitments of any of the Companies with respect to any compensation, commissions or bonuses. Each of the Companies has complied in all material respects with the WARN Act, and it has no plans to undertake any action on or prior to the Effective Date that would trigger the WARN Act.

3.13. Intellectual Property. Except as would not reasonably be expected to have a Material Adverse Effect and immediately following the consummation of the transactions contemplated by the Assignment and Assumption Agreement, (a) React or its Subsidiaries own the Intellectual Property necessary for the conduct of the Business as conducted as of the Effective Date free and clear of all Liens except as set forth in Schedule 3.10, (b) to Seller's Knowledge, (i) no Actions have been asserted in writing by any third party as of the date of this Agreement (A) challenging the validity or ownership of any such Intellectual Property or the Companies' right to use such Intellectual Property, or (B) claiming that any of the Companies is materially infringing, misappropriating or otherwise violating ("Infringing") any Intellectual Property owned by third parties, (ii) no third party is Infringing the Intellectual Property of any of the Companies and (iii) the Intellectual Property that is registered with Authorities in the name of (A) React, (B) Spring Awakening, (C) Summer Set or (D) SFXE IP, as applicable (in the case of the foregoing clause (D), pending the amendment to such Intellectual Property registrations pursuant to the transactions contemplated by the Assignment and Assumption Agreement) is valid and enforceable.

3.14. Taxes. Except as set forth in Schedule 3.14, each of Seller and the Companies has timely filed all Tax Returns required to be filed by Seller, the Companies or their respective Affiliates with respect to the Companies and all such Tax Returns have been true, correct, and complete. Seller, its Affiliate and the Companies have timely paid (or accrued in full on the 2019 Balance Sheet) all material Taxes imposed on the Companies when the same have become due (including for 2018 and 2019 fiscal years). To Seller's and the Companies' Knowledge, (a) no material deficiencies for any Taxes have been proposed, asserted or assessed in writing against any of the Companies that are still pending, (b) there are no outstanding agreements, waivers or arrangements extending the statutory period of limitation applicable to any claim for, or the period for the collection or assessment of, any material amount of Taxes due from or with respect to the Companies for any Taxable period, (c) there is no current examination or outstanding audit or assessment by any Authority concerning any material Tax liability of the Companies, (d) no claim has been made by any taxing Authority in any jurisdiction where Seller or the Companies do not file Tax Returns that it is, or may be, subject to Tax by that jurisdiction, (e) the Companies have withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, shareholder or other party, and complied with all information reporting and backup withholding provisions of applicable Law.

3.15. Real Property. None of the Companies currently own any Real Property, or, to Seller's Knowledge, has ever owned any Real Property. **Schedule 3.15** contains a complete list of all Real Property currently leased or subleased by any of the Companies (the "Leased Real Property"). Seller has delivered to Buyer true and complete copies of any leases in respect of the Leased Real Property (the "Leases"). To Seller's and the Companies' Knowledge, the Leases are free and clear of Encumbrances. Except as set forth in **Schedule 3.15,** each Lease is valid and in full force and effect, except as enforceability of such Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws now or hereafter in effect relating to or limiting creditors' rights generally and general principles of equity relating to the availability of specific performance and injunctive and other forms of equitable relief. To Seller's and the Companies' Knowledge, none of the Companies is in material breach of any term or provision thereof, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute a breach of or an event of default under (or is alleged to be in breach of or default under) any Lease or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder.

3.16. No Related Party Transactions. Except as set forth in **Schedule 3.16**, no employee, officer, director, equityholder, partner, manager, member or Affiliate of Seller or any of the Companies or, to the extent applicable, any immediate family member or Affiliate of any of the foregoing Persons (collectively, "Related Persons") (a) owes any of the Companies nor do any of the Companies owe any amount to, nor has any of the Companies committed to make any loan or extend or guarantee credit to or for the benefit of, any Related Person, (b) is involved in any commitment, transaction, business arrangement or other relationship (other than customary employment relationships) with any of the Companies (whether written or oral), (c) owns any property or right, tangible or intangible, that is used by React (other than rights arising out of customary employment arrangements), (d) to Seller's Knowledge, has any claim or cause of action (matured or unmatured, contingent or otherwise) against any of the Companies, or (e) has at any time transacted any business with any of the Companies (other than as an investor therein or employee thereof).

3.17. Financial Advisor. Except as set forth in Schedule 3.17, the fees and expenses of which shall be paid by solely by Seller or its Affiliates (other than the Companies) following the Closing (the "Financial Advisor Fees"), no Person is or will be entitled to any brokerage, finder's or other fee or commission or like payment in respect of acting or having acted, directly or indirectly, as a broker, finder or financial advisor for Seller in connection with the transactions contemplated by this Agreement or any other Transaction Documents.

3.18. Insurance. Seller has made available to Buyer true and complete copies of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, directors' and officers' liability, fiduciary liability and other casualty and property insurance maintained by Seller or its Affiliate and relating to the assets, business, operations, employees, officers and directors of the Companies (collectively, the "Insurance Policies"). Such Insurance Policies are in full force and effect and shall remain in full force and effect following the consummation of the transactions contemplated by this Agreement. None of Seller and the Companies have received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have either been paid or, if due and payable prior to Closing, will be paid prior to Closing in accordance with the payment terms of each Insurance Policy. All such Insurance Policies (a) are valid and binding in accordance with their terms; (b) are provided by carriers who are financially solvent; and (c) have not been subject to any lapse in coverage. Except as set forth in Schedule 3.18, there are no claims related to the Business or the Companies pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. None of the Companies is in default under, and has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are of the type and in the amounts customarily carried by Persons conducting a business similar to the Business as currently conducted.

3.19. Books and Records. The minute books and stock record books of each of the Companies relating to any period after the Post-Reorganization, all of which have been made available to Buyer, are complete and correct and have been maintained in accordance with sound business practices. The minute books of the Companies relating to any period after the Post-Reorganization contain accurate and complete records of all meetings, and actions taken by written consent of, the members, managers and any committees thereof, and no meeting, or action taken by written consent, of any such members, managers or committees thereof has been held at which material decisions have been considered or approved and for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of such books and records relating to any period after the Post-Reorganization will be in the possession of the Companies.

3.20. Material Misstatements or Omissions. To Seller's and the Companies' Knowledge, no representation or warranty by Seller in this Agreement and no statement contained in the Disclosure Schedules or any certificate or other document furnished or to be furnished to Buyer or Parent or any of their Representatives pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

3.21. No Other Representation and Warranties. Except as expressly set forth in this ARTICLE III, Seller does not make any representation or warranty, express or implied, at law or in equity, with respect to Seller or any other matter, and any such other representations or warranties are hereby expressly disclaimed.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER AND PARENT

Buyer and Parent hereby represent and warrant to Seller that, subject to the exceptions and qualifications set forth in the Disclosure Schedules, all of the statements contained in this ARTICLE IV are true, correct and complete as of the Effective Date, except to the extent such representations and warranties are specifically made as of a particular date (in which case such representations and warranties will be true and correct as of such date):

4.1. Organization and Authority of Buyer. Buyer is a limited liability company validly existing and in good standing under the Laws of the State of Delaware and has all requisite power and authority to own, lease and operate its assets and conduct its business as it is now being operated and conducted.

4.2. Organization and Authority of Parent. Parent is a corporation validly existing and in good standing under the Laws of the State of Delaware and has all requisite power and authority to own, lease and operate its assets and conduct its business as it is now being operated and conducted.

4.3. Due Authorization. Each of Buyer and Parent has full power and authority to execute and deliver into this Agreement, the other Transaction Documents and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Buyer and Parent of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved. Each of Buyer and Parent has duly and validly executed and delivered this Agreement the other Transaction Documents to which it is a party. Assuming the due authorization, execution and delivery of this Agreement by Seller, this Agreement constitutes the legal, valid and binding obligation of Buyer and Parent and upon execution and delivery, will constitute legal, valid and binding obligations of Buyer and Parent, enforceable in accordance with its respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws in effect which affect the enforcement of creditors' rights generally and by equitable principles (regardless of whether enforcement is sought in a proceeding at law or in equity).

4.4. Parent Common Stock. The issuance and delivery of Parent's Common Stock pursuant to the Note has been duly authorized by all necessary corporate action on the part of Parent and, when issued as contemplated by this Agreement and the other Transaction Documents to which it is a party, such Common Stock will be duly and validly issued, fully paid and nonassessable. Such Common Stock, when so issued and delivered in accordance with the provisions of this Agreement and the other Transaction Documents to which it is a Party, shall be free and clear of all Encumbrances (other than Encumbrances set forth in Schedule 4.4) and will not have been issued in violation of applicable federal and state securities Laws, state corporate Laws, their respective properties or any warrants, options, agreements, commitments, conversion rights, preemptive rights, rights of first refusal or similar rights.

4.5. Parent SEC Documents; Financial Information.

(a) Parent has filed all forms, reports, statements and documents required to be filed with the SEC during the past twelve (12) months (collectively, and together with all documents filed or furnished on a voluntary basis on Form 8-K, in each case, including all exhibits and schedules thereto and documents incorporated by reference therein, as have been supplemented, modified or amended since the time of filing, the "Parent SEC Documents"). Each of the Parent SEC Documents, at the time of its filing or being furnished, complied, or if not yet filed or furnished, will comply, in all material respects, with the applicable requirements of the Exchange Act, the Securities Act, and the rules and regulations promulgated thereunder applicable to the Parent SEC Documents. As of their respective dates (or, if amended prior to the Agreement Date, as of the date of such amendment), the Parent SEC Documents did not, and any Parent SEC Documents filed with or furnished to the SEC subsequent to the Agreement Date will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

(b) All of the financial statements included in the Parent SEC Documents, in each case, including any related notes thereto, as filed with the SEC (collectively, the "Parent Financial Statements"), have been prepared in conformity with GAAP, applied on a consistent basis during the periods involved, subject to such exceptions as may be indicated in the notes thereto. The Parent Financial Statements present fairly in all material respects the financial condition of the Parent and its consolidated Subsidiaries as of the dates thereof, and the related statements of income, changes in equity and cash flows present fairly in all material respects the income, changes in equity and cash flows for the periods then ended (except, in each case, as may be indicated in the notes thereto and subject, in the case of the unaudited statements, to normal, year-end adjustments and the absence of footnotes otherwise required by GAAP).

(c) Parent has no Liabilities (whether or not the subject of any other representation or warranty hereunder), except for Liabilities (i) reflected or reserved for on Parent Financial Statements as of, and for the six-month period ended on September 30, 2019, (ii) that may have arisen in the ordinary course of its business since September 30, 2019, (iii) set forth in the Parent SEC Documents or incurred in connection with the transactions contemplated herein, and (iv) which, individually or in the aggregate, would not reasonably be expected to be material to Parent.

4.6 No Conflict. Except as set forth in Schedule 4.6, the execution and delivery of this Agreement by Buyer and Parent and the other Transaction Documents to which they are a party to, Buyer's and Parent's performance hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not and will not, (a) contravene, conflict with or violate any provisions of the Organizational Documents of Buyer or Parent, (b) violate or constitute a material breach of or default (with notice or lapse of time, or both), permit termination, cancellation, modification or acceleration, or cause the forfeiture of any right, under any provision of any material Contract to which Buyer or Parent is party or by which Buyer's or Parent's properties or assets are bound, (c) require any notice under any material Contract to which Buyer or Parent is a party or by which it is bound, or to which any of its assets or properties are subject, or (d) assuming compliance with the matters referred to in Section 0, contravene, conflict with or violate any Law applicable to Buyer or Parent or any Order of any Authority to which Buyer or Parent is subject, or by which any of its properties or assets are bound or affected, except, in the case of clauses (b) and (c), for any such items that would not, individually or in the aggregate, reasonably be expected to be material to Buyer's or Parent's ability to consummate the transactions contemplated hereby.

4.7 Consents and Governmental Approvals. Except as set forth in Schedule 4.7, the execution and delivery by Buyer and Parent of this Agreement and the other Transaction Documents to which they are a party to, Buyer's and Parent's performance hereunder and thereunder, and the consummation of transactions contemplated hereby and thereby do not require (a) any notice or Required Consent under any material Contract to which Buyer or Parent is party or by which Buyer's or Parent's properties or assets are bound, except where failures to obtain such Required Consents would not, individually or in the aggregate, reasonably be expected to be material to Buyer's and Parent's ability to consummate the transactions contemplated hereby and under the other Transaction Documents to which it is a party, (b) any approval of any Authority, except (i) for applicable requirements, if any, of the Securities Act, Exchange Act, state securities or "blue sky" Laws or the rules and regulations of any national securities exchange or stock market (including, without limitation, the notice and/or application(s) to The Nasdaq Capital Market for the issuance of the shares of Common Stock underlying the Note and the filing of Form D with the U.S. Securities and Exchange Commission), and (iii) where failures to obtain such approval by such Authority would not, individually or in the aggregate, reasonably be expected to be material to Buyer's or Parent's ability to consummate the transactions contemplated hereby, or (c) any notice or consents from any national securities exchange or stock market.

4.8 Litigation. There is no Action pending or, to Buyer's and Parent's Knowledge, threatened, at law or in equity or before any Authority which challenges the validity of this Agreement or the other Transaction Documents to which it is a party or which would, individually or in the aggregate, reasonably be expected to be material to Buyer's and Parent's ability to consummate the transactions contemplated hereby.

4.9 Financial Advisors. No Person has acted, directly or indirectly, as a broker, finder or financial advisor for Buyer and Parent in connection with the transactions contemplated by this Agreement and no Person is or will be entitled to any fee or commission or like payment in respect thereof.

ARTICLE V
INDEMNIFICATION

5.1. Survival.

(a) The representations, warranties, and covenants in this Agreement shall survive the Closing and remain in full force and effect; provided, that

(i) the representations, warranties and, subject to Section 5.1(a)(ii), covenants of Seller set forth in this Agreement shall survive and remain in full force and effect until the earliest of (A) the date upon which (1) Buyer or Parent makes an assignment for the benefit of creditors, (2) Buyer or Parent files a voluntary petition under any Debtor Relief Law, (3) an involuntary proceeding shall have been commenced or an involuntary petition shall have been filed under any Debtor Relief Law with respect to Buyer or the Parent which is not dismissed or discharged within sixty (60) calendar days, or (4) a trustee, liquidator, receiver, custodian, or similar official for Buyer or the Parent or for a substantial part of any of its their respective assets shall have been appointed; or (B) the date that is eighteen (18) months after the Effective Date, except that, for purposes of this Section 5.1(a)(i)(B), the representations and warranties of Seller set forth in (1) Section 3.14 (Taxes) shall survive and remain in full force and effect until the earliest of (x) the expiration of the later of the applicable statute of limitations to a breach of contract or the applicable statute of limitations applicable to the subject matter of the representation or warranty plus sixty (60) days and (y) the sale or transfer of the Membership Interests of React to any other Person other than Parent's or Buyer's Affiliates, and (2) Sections 3.1 (Organization and Authority of Seller), 3.2 (Organization, Authority and Qualification of the Companies), 3.3 (Capitalization) and 3.6 (Litigation) shall survive and remain in full force and effect until the date that is two (2) years after the Effective Date;

(ii) all covenants and agreements of the Parties contained herein (other than any covenants or agreements contained in ARTICLE VI, which are subject to ARTICLE VI) shall survive the Closing indefinitely or for the period explicitly specified therein.

(iii) the representations, warranties and, subject to Section 5.1(a)(ii), covenants of Buyer and Parent set forth in this Agreement shall survive and remain in full force and effect until the date that is eighteen (18) months after the Effective Date, except that the representation and warranties of Buyer and Parent set forth in Section 4.1 (Organization and Authority of Buyer), 4.2 (Organization and Authority of Parent), 4.3 (Due Authorization), and 4.4 (Parent Common Stock) shall survive and remain in full force and effect until the date that is two (2) years after the Effective Date; and

(iv) claims for indemnification for Losses arising out of or resulting from fraud shall not be subject to any Termination Date.

(b) Notwithstanding anything to the contrary in this Section 5.1, if an Indemnification Notice of a claim for indemnification pursuant to Section 5.2 has been delivered prior to 5:00 p.m., Pacific Time, on or before the date specified in this Section 5.1 with respect to the expiration of the applicable representations, warranties and covenants (such date, as applicable, the "Termination Date"), then the applicable representations, warranties and covenants shall survive as to such claim until such claim has been finally resolved in accordance with this Agreement. Claims for indemnification pursuant to Section 5.2 must be made by delivery of a written notice to Seller (in the case of claims made by a Buyer Party) or to Buyer and Parent (in the case of claims made by a Seller Party) setting forth claims asserted and in general terms the basis for the indemnification claim (an "Indemnification Notice"), no later than the applicable Termination Date.

5.2. Indemnification.

(a) Subject to the limitations set forth in this ARTICLE V, Seller agrees to and shall fully indemnify, defend and hold harmless each Buyer Party from and against any and all claims, actions, losses, obligations, costs, expenses, settlement payments, awards, damages, deficiencies, Actions, judgments, interest, awards, fines, penalties and other liabilities of any kind or nature whatsoever (whether or not arising out of a third party claim), including, without limitation, reasonable attorneys', accountants' and experts' fees actually incurred, the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers (collectively, "Losses"), without duplication, if and to the extent arising out of or resulting from:

(i) any inaccuracy in or breach of (or in the event any third party alleges any facts that, if true, would constitute any inaccuracy in or breach of) any representation or warranty made by Seller in this Agreement or in any certificate or instrument delivered by or on behalf of Seller or React pursuant to this Agreement or the other Transaction Documents; and

(ii) any breach or failure to perform or observe (or in the event any third party alleges any facts that, if true, would constitute a breach or failure to perform or observe) any covenant, agreement, obligation or condition to be performed or observed by Seller or any of the Companies pursuant to this Agreement or the other Transaction Documents.

Solely for purposes of determining the amount of Losses subject to indemnification, and not for purposes of determining whether any breach of a representation, warranty, covenant or agreement has occurred, any references to "materiality" (including, without limitation, the word "material") or "Material Adverse Effect" will be disregarded. For purposes of this Agreement, except to the extent payable to a third party with respect to a third-party claim, Losses shall not include any punitive, special, consequential, incidental or indirect damages, including loss of revenue, diminution in value, multipliers, profits or income. Losses shall exclude any amount for which there is a valid reserve set forth in the Financial Statements.

(b) Subject to the limitations set forth in this ARTICLE V, following the Closing, Buyer and Parent shall, jointly and severally, indemnify, defend and hold harmless the Seller Parties from and against any and all Losses, without duplication, if and to the extent arising out of or resulting from:

(i) any inaccuracy in or breach of (or in the event any third party alleges any facts that, if true, would constitute any inaccuracy in or breach of) any representation or warranty made by Buyer or Parent in this Agreement or in any certificate or instrument delivered by or on behalf of Buyer or Parent pursuant to this Agreement or the other Transaction Documents; and

(ii) any breach or failure to perform or observe (or in the event any third party alleges any facts that, if true, would constitute a breach or failure to perform or observe) any covenant, agreement or condition to be performed or observed by Buyer or Parent pursuant to this Agreement or the other Transaction Documents or solely with respect to React's covenants, agreements and conditions under the Note, React as the post-Closing wholly-owned subsidiary of Buyer.

(c) Each Party shall use commercially reasonable efforts to mitigate its Losses (including, to the extent consistent with sound business judgment, incurring costs only to the minimum extent necessary to remedy the breach which gives rise to the Losses) upon becoming aware of any event which would reasonably be expected to, or does, give rise thereto.

5.3. Threshold; Deductible; Cap. Notwithstanding anything to the contrary in this Agreement, Seller shall not be obligated to indemnify the Buyer Parties for claims brought pursuant to Section 5.2(a)(i) unless and until the aggregate amount of Losses incurred by all Buyer Parties in the aggregate exceeds $30,000 (the "Threshold"); provided, after such Losses exceed the Threshold, Seller shall be obligated to indemnify the Buyer Parties from and against all Losses in excess of $15,000 (the "Deductible"). In no event shall Seller be obligated to indemnify the Buyer Parties for claims brought pursuant to Section 5.2(a)(i) for Losses in excess of $400,000 (the "Indemnity Cap"); provided, that notwithstanding anything to the contrary contained herein, the Indemnity Cap, Threshold and Deductible terms set forth in this Section or otherwise in this Agreement shall not be applicable with respect to any claims for indemnification under this Agreement by any Buyer Party related to the Financial Advisor Fees; provided, further, that notwithstanding the foregoing clause and anything to the contrary contained herein, the indemnity obligations of Seller under this Agreement shall in no event exceed the Purchase Price.

5.4. Third Party Claims.

(a) If any Buyer Party or Seller Party (each, an "Indemnified Party") receives notice of the assertion by any third party of any claim or of the commencement by any such third party of any Action (any such Action being referred to herein as an "Indemnifiable Claim") with respect to which another Party (an "Indemnifying Party") is or may be obligated to provide indemnification, the Indemnified Party shall promptly notify the Indemnifying Party in writing (the "Claim Notice") of the Indemnifiable Claim; provided, that the failure to provide such notice shall not relieve or otherwise affect the obligation of the Indemnifying Party to provide indemnification hereunder, except to the extent (i) of any Losses directly resulting from such failure or (ii) the defense of such Indemnifiable Claim by the Indemnifying Party is materially prejudiced by such failure; provided, that the Indemnified Party must provide the Claim Notice to the Indemnifying Party no later than the applicable Termination Date.

(b) The Indemnifying Party shall have thirty (30) days after receipt of the Claim Notice (unless the claim or Action requires a response before the expiration of such thirty (30)-day period, in which case the Indemnifying Party shall have until the date that is ten (10) days before the required response date and the Indemnified Party has provided prompt Claim Notice) to acknowledge assumption of the defense thereof and undertake, conduct and control, through counsel of its own choosing, and at its expense, the settlement or defense thereof, and the Indemnified Party shall cooperate with the Indemnifying Party in connection therewith; provided, that: (i) the Indemnifying Party shall permit the Indemnified Party to participate in such settlement or defense through counsel chosen by the Indemnified Party (provided, that the fees and expenses of such counsel shall not be borne by the Indemnifying Party, subject to clause (iii) below); (ii) the Indemnifying Party shall not pay, compromise or settle any Indemnifiable Claim without the Indemnified Party's prior written consent (such consent not to be unreasonably withheld or delayed) unless the proposed payment, compromise or settlement (A) involves solely the payment of money damages by the Indemnifying Party, (B) includes, as an unconditional term of such payment, compromise or settlement, an unconditional and irrevocable release by the Person(s) asserting such claim of the Indemnified Party from any liability with respect to such claim, (C) does not impose any liability or restriction on the Indemnified Party or any injunctive or other equitable relief against the Indemnified Party, and (D) does not include or require a finding or admission of any wrongdoing; and (iii) if the Indemnified Party reasonably determines, based on the written advice of counsel, that there (A) are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party, or (B) is an actual conflict of interest between any Indemnified Party and any Indemnifying Party, then the Indemnified Party shall be permitted to retain one special counsel in each jurisdiction for which the Indemnified Party determines counsel is required and shall be reimbursed by the Indemnifying Party for all of such Indemnified Party's reasonable fees and expenses actually incurred in connection therewith. So long as the Indemnifying Party has taken responsibility for and continues to diligently defend the Indemnifiable Claim in good faith, the Indemnified Party shall not pay, compromise or settle such claim without the Indemnifying Party's written consent, which consent shall not be unreasonably withheld or delayed.

(c) If the Indemnifying Party does not notify the Indemnified Party within thirty (30) days after receipt of the Claim Notice (or before the date that is ten (10) days before the required response date, if the claim or Action requires a response before the expiration of such thirty (30) day period and the Indemnified Party has provided prompt Claim Notice) that it elects to undertake the defense of the Indemnifiable Claim described therein, elects not to compromise or defend such Indemnifiable Claim, or fails to diligently prosecute the defense of such Indemnifiable Claim, the Indemnified Party shall have the right to contest, settle, pay, defend or compromise, through counsel of its own choosing, the Indemnifiable Claim at the expense of the Indemnifying Party and seek indemnification for any and all Losses based upon, arising from or relating to such Indemnifiable Claim; provided, that such Losses shall be subject to Section 5.5(a) in all respects.

5.5. Claims for Indemnification Other Than Third Party Claims.

(a) In the event Buyer or Parent (on behalf of themselves or any other Buyer Party) wishes to make a claim for indemnification that does not involve an Indemnifiable Claim and the amount of Losses with respect to such claim (the "Claim Amount") is known to Buyer or the applicable Buyer Party, Buyer shall deliver to Seller an Indemnification Notice in accordance with Section 5.1 and including the Claim Amount. No delay or failure to provide such notice pursuant to this Section 5.5(a) shall relieve or otherwise affect the obligation of the Indemnifying Party to provide indemnification hereunder except to the extent of any Losses directly resulting from such failure; provided, that the Indemnified Party must provide the Indemnification Notice to the Indemnifying Party no later than the applicable Termination Date. If, within thirty (30) days after delivery of an Indemnification Notice that includes the Claim Amount, Buyer has not received a written notice from Seller in which Seller contests the payment of all or part of the Claim Amount with an explanation (in reasonable detail) of the basis therefor (a "Seller Objection Notice"), then the applicable Buyer Party shall be entitled at its discretion to (the "Indemnification Settlement Method") (i) offset an amount equal to the Claim Amount (the "Offset Amount") by reducing the outstanding principal owed under the Note by such Offset Amount or (ii) recover from Seller the Offset Amount in cash; provided, that in the case of the foregoing clause (ii), any cash payment in respect thereof shall in no event be due or payable on or prior to the earlier of (x) the second (2nd) anniversary of the Effective Date or (y) the time that any portion of the Note is converted and the resulting Conversion Shares (as defined in the Note) are sold, and in either case shall be limited to the amount in cash actually paid by Buyer pursuant to the Note or received by Seller from the sale of Conversion Shares, as applicable. If Seller delivers a Seller Objection Notice to Buyer within such thirty (30) day period, the Parties shall use their good faith efforts to resolve such dispute. If such dispute is not resolved within forty-five (45) days following the delivery by Seller of the Seller Objection Notice, the Parties shall submit such dispute to arbitration in accordance with the terms of Section 7.3 below. For the avoidance of doubt, the Parties may resolve any such dispute at any time by mutual written consent.

(b) In the event Seller (on behalf of any Seller Party) wishes to make a claim for indemnification that does not involve an Indemnifiable Claim and the Claim Amount is known to Seller or the applicable Seller Party, Seller shall deliver to Buyer and Parent an Indemnification Notice in accordance with Section 5.1 and including the Claim Amount. No delay or failure to provide such notice pursuant to this Section 5.5(b) shall relieve or otherwise affect the obligation of the Indemnifying Party to provide indemnification hereunder except to the extent of any Losses directly resulting from such failure. If, within thirty (30) days after delivery of an Indemnification Notice that includes the Claim Amount, Seller has not received a written notice from Buyer or Parent in which Buyer or Parent contests the payment of all or part of the Claim Amount with an explanation (in reasonable detail) of the basis therefor (a "Buyer Objection Notice"), then Seller or the applicable Seller Party shall be entitled to recover an amount in cash equal to the Claim Amount. If Buyer or Parent delivers a Buyer Objection Notice to Seller within such thirty (30) day period, the Parties shall use their good faith efforts to resolve such dispute. If such dispute is not resolved within forty-five (45) days following the delivery by Buyer or Parent of a Buyer Objection Notice, the Parties shall submit such dispute to arbitration in accordance with the terms of Section 7.3 below. For the avoidance of doubt, the Parties may resolve any such dispute at any time by mutual written consent.

(c) For the avoidance of doubt, the provisions of Section 5.5(b) shall not apply with respect to any claim for indemnification involving or relating to an Indemnifiable Claim by a third party (or the settlement or compromise of such an Indemnifiable Claim), which is addressed in Section 5.4 above.

5.6. Indemnification Payments. Payments by an Indemnifying Party pursuant to Section 5.2 in respect of any Loss shall be limited to the amount of any Liability that remains after deducting therefrom any insurance proceeds (less any expected increase in future premiums) and any indemnity, contribution or other similar payment received by the Indemnified Party in respect of any such claim; provided, that to the extent that Parent or Buyer are entitled to and actually fully satisfy any of their Claim Amounts via the Indemnification Settlement Method, and subsequently to such satisfaction Parent or Buyer actually receive any insurance proceeds (less any expected increase in future premiums) or any indemnity, contribution or other similar payment in respect of such Claim Amount (the "Proceeds"), such Proceeds shall be separately designated as held for the benefit of Seller, and Parent and Buyer shall provide such Proceeds to Seller via the same consideration that such Claim Amount was satisfied pursuant to the Indemnification Settlement Method. The Indemnified Party shall use its commercially reasonable efforts to recover under insurance policies or indemnity, contribution or other similar agreements for any Losses prior to seeking indemnification under this Agreement (the "Insurance Recovery Efforts"); provided, that any representations, warranties or covenants survival period set forth in Section 5.1 or any period during which any Indemnified Party may make a demand for indemnification from any Indemnifying Party pursuant to this ARTICLE V shall be tolled for the same duration of the Indemnified Party's Insurance Recovery Efforts. All payments from one Party to this Agreement to another Party to this Agreement made under this ARTICLE V are in the nature of adjustments to the Purchase Price, and each Party agrees that it will file its federal, state and local Tax Returns in a manner consistent with treating such payments as adjustments to the Purchase Price. Any indemnification payments required to be made by a Party to this Agreement under this ARTICLE V shall be made promptly (but in no event later than ten (10) Business Days after the determination thereof, including the determinations set forth in Section 5.8) via wire transfer of immediately available funds to such bank and accounts as are designated by Buyer or Parent (in the case of any indemnification payment to any Buyer Party) or Seller (in the case of any indemnification payment to any Seller Party).

5.7. Remedies Exclusive. Except with respect to (a) claims for Losses arising out of or resulting from fraud, criminal activity, or willful misconduct; and (b) claims for specific performance, injunctive relief or other equitable relief, claims for indemnification pursuant to this ARTICLE V shall be the sole and exclusive remedy of the Parties for any Losses arising out of any misrepresentation or breach of the representations, warranties, covenants or agreements contained in this Agreement.

5.8. Treatment of Insurance Recoveries; Determining Payment. In the event any amounts recovered or recoverable under insurance policies or other collateral sources are not received before any claim for indemnification is paid pursuant to this ARTICLE V, then the Indemnified Party shall use commercially reasonable efforts to pursue such insurance policies or collateral sources, and in the event the Indemnified Party receives any recovery, the amount of such recovery shall be applied first, to reimburse the Indemnified Party for its out-of-pocket expenses (including reasonable attorney's fees and expenses) expended in pursuing such recovery, second, to refund any payments made by the Indemnifying Party which would not have been so paid had such recovery been obtained prior to such payment, and third, the Indemnified Party. In calculating amounts payable to an Indemnified Party, the amount of any Losses shall be determined without duplication of any other Loss for which an Indemnification Claim has been made, and shall be computed net of (a) payments actually recovered by the Indemnified Party under any insurance policy with respect to such Losses or pursuant to any contribution rights, net of all reasonable out-of-pocket costs and expenses incurred by the Indemnified Party in recovering such payments, (b) any prior or subsequent recovery by the Indemnified Party from any Person with respect to such Losses (including pursuant to any indemnification agreement or arrangement with any third party), and (c) any Tax benefit received by the Indemnified Party, less the cost of any Tax filings and related costs related to the receipt of such benefit, in the Tax year in which the Loss occurred and the subsequent Tax year.

ARTICLE VI
ADDITIONAL AGREEMENTS

6.1. Employees and Employment Benefits.

(a) Buyer shall offer employment effective as of the Effective Date, or shall cause React to offer continued employment after the Effective Date, to all employees of Seller or its Affiliates set forth in Schedule 6.1(a) (the employees who accept such employment by Buyer or React, as applicable, and commence or continue, as applicable, employment on the Effective Date, the "Transferred Employees"), subject to Section 6.1(b).

(b) Buyer shall offer, or shall cause React to continue to offer, the employees set forth in Schedule 6.1(a): (i) base salary or hourly wages that are substantially comparable in the aggregate to the base salary or hourly wages provided by Seller or its Affiliate to such respective employee immediately prior to the Closing; and (ii) employee benefits that are substantially comparable in the aggregate to the benefits offered by Seller or its Affiliate to such respective employee immediately prior to the Closing, with the determination of the employee base salary, wages and benefits and their comparability under clauses (i) and (ii) to be made by Buyer from time to time and in its sole and absolute discretion; provided, that nothing contained herein shall alter any Transferred Employee's at-will status or require Buyer to guarantee employment for a specified duration to any Transferred Employee.

(c) Immediately prior to the first calendar day of the first full month following the Effective Date, the Transferred Employees shall cease active participation in the Benefit Plans. Seller shall remain liable for all eligible claims for benefits under the Benefit Plans that are incurred by the employees of Seller prior to the Effective Date. For purposes of this Agreement, the following claims shall be deemed to be incurred as follows: (i) life, accidental death and dismemberment, short-term disability, and workers' compensation insurance benefits, on the event giving rise to such benefits; (ii) medical, vision, dental, and prescription drug benefits, on the date the applicable services, materials or supplies were provided; and (iii) long-term disability benefits, on the eligibility date determined by the long-term disability insurance carrier for the plan in which the applicable employee participates.

(d) The Parties intend that the transactions contemplated by this Agreement should not constitute a separation, termination or severance of employment of any employee set forth in Schedule 6.1(a) who accepts an employment offer by Buyer or React that is consistent with the requirements of Section 6.1(b), and that each such Transferred Employee will have continuous employment immediately before and immediately after the Closing such that the WARN Act shall not be implicated with respect to any Transferred Employee. Buyer hereby agrees to assume, or shall cause React to assume, all Accrued PTO for the 2020 calendar year for all Transferred Employees as of the Effective Date, and Buyer agrees, in accordance with applicable Law, to, or shall cause React to, rollover and assume such Accrued PTO for the 2020 calendar year for all Transferred Employees in connection with Buyer's or React's employment of such Transferred Employee after the Closing, which Accrued PTO shall be subject to Buyer's or React's, as applicable, vacation and/or paid time off policies in effect from time to time thereafter.

(e) Seller agrees and acknowledges that the selling group (as defined in Treasury Regulation Section 54.4980B-9, Q&A-3(a)) of which it is a part will not continue to offer a group health plan after the Effective Date and, accordingly, Buyer shall be solely responsible for providing continuation coverage under COBRA to those individuals who are M&A qualified beneficiaries (as defined in Treasury Regulation Section 54.4980B-9, Q&A-4(a)) with respect to the transactions contemplated by this Agreement.

(f) This Section 6.1 shall be binding upon and inure solely to the benefit of each of the Parties, and nothing in this Section 6.1, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Section 6.1. Nothing contained herein, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement. The Parties acknowledge and agree that the terms set forth in this Section 6.1 shall not create any right in any Transferred Employee or any other Person to any continued employment with Buyer or any of its Affiliates or compensation or benefits of any nature or kind whatsoever.

6.2. Non-Competition; Non-Solicitation.

(a) For a period of three (3) years commencing on the Effective Date (the "Restricted Period"), Seller shall not, and shall not permit any of its Affiliates to, directly or indirectly, (i) engage in, assist others in engaging in or be involved in any respect with the Business or the Proposed Business; (ii) have an interest in any entity that engages directly or indirectly or is involved in any respect in the Business (including, without limitation, in the state of Kentucky) or the Proposed Business in any capacity, including as a partner, shareholder, member, employee, principal, promoter, producer, agent, trustee or consultant; or (iii) cause, induce or encourage any actual or prospective client, customer, supplier or licensor of the Business or the Proposed Business (including any existing or former client or customer of any of the Companies and any Person that becomes a client or customer of the Business or the Proposed Business after the Effective Date), or any other Person who has a business relationship with the Business or the Proposed Business, to terminate or modify any such actual or prospective relationship. Notwithstanding the foregoing, Seller and its Affiliates may own, directly or indirectly, solely as an investment, securities of any entity traded on any national securities exchange if Seller or such Affiliate is not a controlling Person of, or a member of a group which controls, such entity and does not, directly or indirectly, own five percent (5%) or more of all classes of securities of such entity.

(b) During the Restricted Period, Seller shall not, and shall not permit any of its Affiliates to, directly or indirectly, hire, recruit or solicit any Person who is offered employment by Buyer or, following the Closing, the Companies or is or was employed in the Business or the Proposed Business during the Restricted Period, or encourage any such employee to leave such employment, adversely affect such employee's employment relationship with Buyer or the Companies or hire any such employee who has left such employment, except pursuant to a general solicitation which is not directed specifically to any such employees.

(c) Seller acknowledges that a breach or threatened breach of this Section 6.2 would give rise to irreparable harm to Buyer and Parent, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by Seller of any such obligations, Buyer and Parent shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to seek equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond or other assurance or to prove actual damages), which relief Seller hereby acknowledges and agrees would be appropriate in such case.

(d) Seller acknowledges that the restrictions contained in this Section 6.2 are reasonable and necessary to protect the legitimate interests of Buyer and constitute a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby. In the event that any covenant contained in this Section 6.2 should ever be adjudicated to exceed the time, geographic, product or service or other limitations permitted by applicable law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service or other limitations permitted by applicable law. The covenants contained in this Section 6.2 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

(e) Notwithstanding anything to the contrary contained herein, nothing shall restrict Seller or its Affiliates in any way from conducting any business, regardless of whether such business directly or indirectly competes with any business of any Buyer Party, including the Business, solely in connection with the exploitation of any Intellectual Property existing and held by Seller or its Affiliates (other than the Companies) immediately following the Closing and not sold or otherwise transferred to Buyer or React pursuant to this Agreement, whether within North America or anywhere in the world, including the Intellectual Property and businesses of the Persons set forth in Schedule 6.2(e).

(f) This Section 6.2 shall survive for a period of three (3) years following the Closing.

6.3. Transition Services. For a period commencing as of the Effective Date and ending on the date that is sixty (60) days thereafter, to facilitate an orderly transition of control of the Companies from Seller to Buyer, Seller shall, and/or shall cause its Affiliates to, upon request from Buyer from time to time and at Seller's expense, use commercially reasonable efforts to provide certain talent booking, sponsorship and accounting services (and such other services as may be reasonably required for the Business or the Proposed Business in Seller's sole discretion) to Buyer and the Companies in respect of the Business or the Proposed Business, including with respect to the Spring Awakening Festival; provided, that Seller makes no representations and warranties of any kind, implied or expressed, with respect to such services, and disclaims any warranty of any kind or nature whatsoever, including warranties of merchantability or fitness for a particular purpose; provided, further, that Seller agrees to act in good faith with respect to its agreements in this Section. Buyer acknowledges and agrees that this Agreement does not create a fiduciary relationship, partnership, joint venture or relationships of trust or agency between the Parties and that all such services provided by Seller are provided in its capacity as an independent contractor. Buyer shall use commercially reasonable efforts to transition the performance of any such services described in this Section to its own internal organization or to obtain third-party sources to provide such services.

6.4. Termination and Release of Encumbrances. Following the Effective Date, Seller shall take all such action reasonably necessary to cause the termination and release of (collectively, "Terminated Liens") (a) the Encumbrances relating to the Membership Interests of React under the Guaranty, (b) the Encumbrances relating to the Pledged Collateral (as defined in the Guaranty) of React and (c) any other Encumbrances relating to any of the Companies, including the Encumbrances set forth in Schedule 3.10; provided, that unless waived by Buyer or Parent, Seller agrees to terminate the Liens set forth on Schedule 3.10 on or prior to the Closing; provided, further, that following the Effective Date, Buyer shall also have the right to take all such action reasonably necessary as determined by Buyer to cause the termination and release of the Terminated Liens.

6.5. Further Assurances. From and after the Closing, if any further action is reasonably necessary or desirable to carry out the purposes of this Agreement or the other Transaction Documents or to fully consummate the transactions herein or therein, each Party hereto shall take, or cause to be taken, any and all such necessary or desirable action and execute, deliver and file, or cause to be executed, delivered and filed, all necessary or desirable agreements, instruments, certificates or other documents. Without limiting the generality of the foregoing, from and after the Closing, at the request of Buyer and without requiring any further consideration therefor, Seller shall use commercially reasonable efforts to assist Buyer and React to cause any registration with any Authorities relating to the Intellectual Property transferred pursuant to the Assignment and Assumption Agreement to be updated to reflect React's title in, and ownership of, such Intellectual Property, and shall promptly execute and deliver to Buyer and Parent such certificates, instruments and other documents of transfer, assignment and conveyance and take such other action as may be reasonably requested by Buyer and/or Parent to more effectively transfer, assign and convey to and vest in React, or to put React in possession of, such Intellectual Property.

6.6. Confidentiality. Seller agrees not to disclose or use at any time (and shall cause each of its Affiliates not to use or disclose at any time) any Confidential Information. Seller further agrees to take commercially reasonable steps (and to cause each of its Affiliates to take commercially reasonable steps) to safeguard such Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. In the event Seller or any of its Affiliates is required by Law to disclose any Confidential Information, Seller shall promptly notify Buyer in writing, which notification shall include the nature of the legal requirement and the extent of the required disclosure, and Seller shall reasonably cooperate with Buyer and React, at React's expense, to preserve the confidentiality of such information consistent with applicable Law. Seller acknowledges and agrees that Buyer and the other Buyer Parties would be damaged irreparably in the event this Section 6.6 is not performed in accordance with its specific terms or is otherwise breached. Accordingly, Seller agrees that Buyer shall be entitled to an injunction or injunctions, without the necessity of posting a bond or other security, to prevent breaches of the provisions of this Section 6.6 and to enforce specifically this Section 6.6 and the terms and provisions hereof in any action instituted in any court in the United States or in any state having jurisdiction over the Parties and the matter in addition to any other remedy to which they may be entitled pursuant hereto. This Section 6.6 shall survive for a period of two (2) years following the Closing.

6.7. Publicity. Except as otherwise required by applicable Law, no Party nor any of their respective owners, members, managers, directors, officers, employees, representatives or Affiliates shall issue a press release or make any public statement regarding this Agreement, the other Transaction Documents and the transactions contemplated hereby or thereby without the prior written approval of the other Party not to be unreasonably withheld, conditioned or delayed and provided that such approving Party promptly provides its response and/or approval, as applicable; provided, that each Party shall have the right to issue press releases and other public statements consistent with certain content to be agreed upon by the Parties. Buyer and/or Parent shall be permitted to make such statements and filings, including filing a copy of this Agreement and the other Transaction Documents as may be required by any applicable law or by obligations pursuant to the requirements of any national securities exchange, as reasonably determined by Buyer and/or Parent in consultation with their legal counsel and with prompt written approval of Seller, in any event no later than one day after receipt, not to be unreasonably withheld, conditioned or delayed.

6.8. Tax Matters. The following provisions shall govern the allocation of responsibility as among the Parties for certain Tax matters following the Closing:

(a) Seller shall indemnify the Buyer Parties and hold each of them harmless from and against (i) any and all Taxes (or the non-payment thereof) of the Companies for all Taxable periods ending as of or prior to the Adjustment Calculation Time and the portion through the Adjustment Calculation Time for any Taxable period that includes (but does not end as of) the Adjustment Calculation Time ("Pre-Closing Tax Period") that are paid after Closing, and (ii) any and all Taxes of any Person imposed on any of the Companies as a successor or transferee. Seller shall reimburse the Buyer Parties for any Taxes that are the responsibility of Seller pursuant to this Section 6.8(a) within five (5) Business Days following written request for reimbursement from Buyer or React.

(b) In the case of any Taxable period that includes (but does not end as of) the Adjustment Calculation Time (a "Straddle Period"), the amount of any Taxes (other than income or franchise Taxes) shall be deemed to be the amount of such Tax for the entire Taxable period, multiplied by a fraction, the numerator of which is the number of days in the Taxable period ending as of the Adjustment Calculation Time, and the denominator of which is the number of days in such Straddle Period.

(c) Buyer and Seller shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information which are reasonably relevant to any such Tax Return, audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any materials provided hereunder. Seller shall retain all books and records with respect to Tax matters pertinent to any of the Companies relating to any Taxable period beginning before the Effective Date until the expiration of the statute of limitations (and, to the extent notified by Buyer, any extensions thereof) of the respective Taxable periods, and to abide by all record retention agreements entered into with any taxing authority. Seller shall provide Buyer with the opportunity to make copies, during normal business hours and at Buyer's expense, of all books and records relevant to the taxation of Seller or direct or indirect interest holders therein.

(d) Seller shall be entitled to control all Tax Audits for which Seller has an indemnification obligation under Section 6.8(a) (each such Tax Audit, a "Seller Tax Audit"); provided, that (i) such Tax Audit can be conducted separately from any audit or other proceeding for which Seller does not have an indemnification obligation under Section 6.8(a) (for this purpose, Seller shall use commercially reasonable efforts to bifurcate any Tax Audit if such bifurcation is required to enable Seller to control a portion of such Tax Audit pursuant to this Section 6.8(d), (ii) Seller shall provide written notice to Buyer of its intention to control such Tax Audit within fifteen (15) days of receiving notice thereof, (iii) Buyer shall have the right to participate in such Tax Audit at its own expense, and (iv) Seller shall not either settle or appeal any adverse determination made in the course of such Tax Audit at any administrative or judicial level without the prior written consent of Buyer, which consent shall not be unreasonably conditioned, delayed or withheld. Buyer shall control any Tax Audit other than a Seller Tax Audit; provided, that Seller shall have the right to participate in such Tax Audit at its own expense. In the case of any conflict between the provisions of this Section 6.8(d) and Section 5.4 involving a Tax Audit, this Section 6.8(d) shall govern.

(e) Buyer and Seller further agree, upon request, to use commercially reasonable efforts to obtain any certificate or other document from any Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated hereby).

(f) All transfer, documentary, sales, use, stamp, registration and other similar Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest), incurred in connection with the consummation of the transactions contemplated hereby (collectively, "Transfer Taxes") shall be borne solely by Buyer, and Buyer shall prepare and file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp registration and other Taxes and fees.

6.9. No Reliance.

(a) Buyer and Parent each acknowledge that it has conducted an independent investigation of the business, operations, technology, assets, prospects, financial condition, liabilities, results of operations and projected operations of the Companies and the nature and condition of their properties, assets and businesses and, in making the determination to proceed with the transactions contemplated by this Agreement and the other Transaction Documents, has relied solely on the results of its own independent investigation and the representations and warranties set forth in ARTICLE III. Buyer and Parent each acknowledge that Seller has provided Buyer and Parent with access to certain of the personnel, properties, premises and books and records of the Companies. Without limiting the generality of the foregoing, none of Seller, its Affiliates or any other Person has made a representation or warranty to Buyer and Parent with respect to any projections, estimates or budgets for the Companies.

(b) In connection with Buyer's and Parent's investigation of the Companies, Buyer has received from Seller and its Representatives certain projections and other forecasts, including projected financial statements, cash flow items and other data of the Companies and certain business plan information of the Companies. Buyer and Parent each acknowledge that there are uncertainties inherent in attempting to make such projections and other forecasts and plans and accordingly is not relying on them, that each of Buyer and Parent is familiar with such uncertainties, that each of Buyer and Parent is taking full responsibility for making its own evaluation of the adequacy and accuracy of all projections and other forecasts and plans so furnished to it, and that, absent fraudulent misrepresentation by Seller in ARTICLE III, Buyer, Parent and their respective Affiliates and Representatives shall have no claim against any Person with respect thereto. Accordingly, each of Buyer and Parent acknowledges that, without limiting the generality of Section 6.9(c), none of Seller or its respective Representatives has made any representation or warranty with respect to such projections and other forecasts and plans.

(c) Except for the representations and warranties contained in ARTICLE III, none of Seller or its Affiliates or any other Person on behalf of Seller or its Affiliates makes any express or implied representation or warranty with respect to Seller, the Companies or any of their respective Affiliates, the Membership Interests, the Business or any other information provided to Buyer or its Representatives in connection with the transactions contemplated hereby. Seller disclaims any and all other representations and warranties, whether express or implied.

ARTICLE VII
MISCELLANEOUS

7.1. Notices. All notices and other communications hereunder will be in writing and will be deemed received (a) on the date of delivery if delivered personally or by telecopy or facsimile or other electronic means (in the case of electronic means with copies by next day air courier or by registered or certified mail, return receipt requested, postage prepaid), (b) on the first (1st) Business Day following the date of dispatch if delivered by a recognized next-day courier service, or (c) on the fifth (5th) Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder must be delivered as set forth below, or pursuant to instructions as may be designated in writing by the Party to receive such notice:

If to Seller, addressed as follows:

LiveStyle NA Live Holdings, Inc.
9171 Wilshire Blvd., Suite 500
Beverly Hills, CA 90210
Attention: General Counsel
Attention: Charles Ciongoli
E-mail: aenriquez@livestyle.com, cciongoli@livestyle.com

If to Buyer or Parent, addressed as follows:

LiveXLive Media, Inc.
9200 Sunset Boulevard, Suite 1201

West Hollywood, CA 90069

Attention: CEO

E-mail: rob@livexlive.com

with a copy to (which shall not constitute notice):

Foley Shechter Ablovatskiy LLP
1359 Broadway, 20th Floor, Suite 2001
New York, NY 10018
Attention: Sasha Ablovatskiy, Esq.
E-mail: sablovatskiy@foleyshechter.com

or to such other individual or address as a Party may designate for itself by notice given as herein provided.

7.2. Governing Law; Consent to Jurisdiction.

(a) This Agreement shall be construed and interpreted according to the Laws of the State of Delaware without giving effect to any choice of Law or conflict of Laws rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT OR ANY AGREEMENT EXECUTED PURSUANT TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENT EXECUTED PURSUANT TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (iii) IT MAKES SUCH WAIVER VOLUNTARILY, AND (iv) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.2(b).

(c) Each Party irrevocably consents to service of process in the manner provided for notices in Section 7.1. Nothing in this Agreement will affect the right of any Party to serve process in any other manner permitted by Law.

7.3. Arbitration.

(a) Any controversy, claim or dispute involving the Parties (or their Affiliates) directly or indirectly concerning this Agreement, the other Transaction Documents or the subject matter hereof or thereof, including, without limitation, any questions concerning the scope and applicability of this Section 7.3, shall be finally settled by arbitration held in Los Angeles, California by one arbitrator in accordance with the Comprehensive Arbitration Rules then followed by Judicial Arbitration and Mediation Services (JAMS) or any successor to the functions thereof. The arbitrator shall apply Delaware law in the resolution of all controversies, claims and disputes and shall have the right and authority to determine how his or her decision or determination as to each issue or matter in dispute may be implemented or enforced. Any decision or award of the arbitrator shall be final, binding and conclusive on the Parties to this Agreement and their respective Affiliates, and there shall be no appeal therefrom other than from gross negligence or willful misconduct.

(b) The Parties agree that any action to compel arbitration pursuant to this Agreement may be brought in the appropriate federal or state court in Los Angeles County, California. Application may also be made to such court for confirmation of any decision or award of the arbitrator, for an order of the enforcement and for any other remedies which may be necessary to effectuate such decision or award. The Parties hereby consent to the jurisdiction of the arbitrator and of such court and waive any objection to the jurisdiction of such arbitrator and court.

(c) Notwithstanding the foregoing provisions of this Section 7.3, nothing contained herein shall require arbitration of any issue arising under this Agreement or the other Transaction Documents for which injunctive relief or specific performance is successfully sought by any Party. Any action, suit or other proceeding initiated by any Party against any other Party for injunctive relief, specific performance or to enforce this Section 7.3 or any decision or award of the arbitrator may be brought in a court of competent jurisdiction in Los Angeles County, California, or in the event that such court does not have subject matter jurisdiction over such action or proceeding, a federal court located in the Central District of California. The Parties hereby submit themselves to the jurisdiction of any such court and agree that service of process on them in any such action, suit or proceeding may be effected by the means by which notices are to be given to it under this Agreement.

(d) The Parties shall keep confidential any arbitration proceeding and any decisions and awards rendered by the arbitrator, and shall not disclose any information regarding any arbitration proceeding (including, without limitation, the existence of any arbitration proceeding and any resulting decisions or awards) except (i) as may be necessary to prepare for or conduct the arbitration hearing on the merits, (ii) as may be necessary in connection with a court application as contemplated by Sections 7.3(b) and 7.3(c) above, (iii) to its current or prospective advisors, lenders, investors or acquirers, or (iv) as otherwise required by Law or judicial decision.

7.4. Attorneys' Fees. If any Action relating to this Agreement or the enforcement of any provision of this Agreement is brought against any Party, the prevailing Party shall be entitled to recover reasonable attorneys' fees, costs and disbursements, in addition to any other relief to which the prevailing Party may be entitled.

7.5. Expenses. Seller shall pay and be responsible for all of its fees, costs and expenses of Seller and the Companies incurred in connection with the negotiation of and entering into this Agreement, including the fees, expenses and disbursements of their counsel and accountants, and Buyer and Parent shall pay and be responsible for all of their respective fees, costs and incurred in connection with the negotiation of and entering into this Agreement, including the fees, expenses and disbursements of its counsel and accountants.

7.6. Assignment; Successors and Assigns; No Third-Party Rights. This Agreement and all of the covenants and agreements contained herein and rights, interests or obligations hereunder, by or on behalf of any of the Parties, shall bind and inure to the benefit of the respective heirs, successors and permitted assigns of the Parties whether so expressed or not. Neither this Agreement nor any of the rights or obligations hereunder may be assigned or delegated by any Party without the prior written consent of the other Parties; provided, that Buyer and/or Parent may, without obtaining the consent of Seller, assign any of its rights and/or obligations under this Agreement to any of its Affiliates or to its lenders as collateral security or to any Person that acquires (whether by merger, purchase of stock or equity, purchase of assets or otherwise), or is the successor or surviving entity in any such acquisition, merger or other transaction involving, Buyer; provided, further, that if Buyer or Parent assigns its obligations hereunder without obtaining the consent of Seller, Buyer or Parent, as applicable, shall not be relieved of its obligations hereunder in respect of any such assignment.

7.7. Counterparts; Electronic Transmission. This Agreement may be executed in one or more counterparts, by electronic transmission (including DocuSign and PDF) or otherwise. Each such counterpart shall be deemed an original agreement, but all of which together shall constitute one and the same instrument.

7.8. Headings. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

7.9. Entire Agreement. This Agreement and the other Transaction Documents constitute the entire agreement among the Parties with respect to the matters covered hereby and thereby and supersedes all previous written, oral or implied understandings among them with respect to such matters.

7.10. Amendment; Waiver. This Agreement shall only be amended or modified in a writing signed by the Parties. Any of the terms or conditions of this Agreement may be waived at any time by the Party or Parties entitled to the benefit thereof, but only by a writing signed by the Party or Parties waiving such terms or conditions. No course of dealing between or among any Persons having any interest in this Agreement shall be deemed effective to modify, amend or waive any part of this Agreement or any rights or obligations of any Person under or by reason of this Agreement. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

7.11. Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

7.12. Joint Negotiation and Drafting. The Parties have participated jointly in the negotiation and drafting of this Agreement and the agreements ancillary hereto and, in the event that an ambiguity or question of intent or interpretation arises, this Agreement and the agreements ancillary hereto shall be construed as jointly drafted by the Parties and the parties thereto and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement or of any of the agreements ancillary hereto.

7.13. Exhibits and Schedules. All Exhibits and Schedules attached hereto are incorporated herein and expressly made a part of this Agreement as though completely set forth herein. For purposes of this Agreement, any reference to a representation and warranty shall include the related Disclosure Schedule. All references to this Agreement herein or in any of the Exhibits or Schedules shall be deemed to refer to this entire Agreement, including all Exhibits and Schedules. Capitalized terms used in the Disclosure Schedules and not otherwise defined therein shall have the meanings given to such terms in this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered as of the date first written above.

SELLER:

LIVESTYLE NA LIVE HOLDINGS, INC.

By: /s/ *Charles Ciongoli*
Name: Charles Ciongoli
Title: Chief Financial Officer, Secretary

BUYER:

LIVEXLIVE EVENTS, LLC

By: /s/ *Jerome N. Gold*
Name: Jerome N. Gold
Title: Executive Vice President

LIVEXLIVE MEDIA, INC.

By: /s/ *Robert S. Ellin*
Name: Robert S. Ellin
Title: Chief Executive Officer

[Signature Page to MIPA]

Exhibit A

Assignment and Assumption Agreement

See attached.

Exhibit B

Release Letter

See attached.

Exhibit C

Note

[See Exhibit 4.3 to LiveXLive Media, Inc.'s Annual Report on Form 10-K, filed with the SEC on June 19, 2020]

Exhibit 21.1

LIST OF SUBSIDIARIES OF THE REGISTRANT

LiveXLive Media, Inc.,
a Delaware corporation

Subsidiaries	Jurisdiction
LiveXLive, Corp.	Delaware
Slacker, Inc.	Delaware
LiveXLive Events, LLC	Delaware
React Presents, LLC	Delaware
LXL Studios, 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 Statements on Form S-3 (No. 333-228909) and Form S-8 (No. 333-234619) of LiveXLive Media, Inc. of our report dated June 26, 2020, relating to the consolidated financial statements 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.

/s/ BDO USA, LLP
Los Angeles, California
June 26, 2020

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 26, 2020

/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 26, 2020

/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, 2020 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 26, 2020

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, 2020 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 26, 2020

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.