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, 2023**

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

LIVEONE, INC.
(Exact name of registrant as specified in its charter)

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

Registrant’s telephone number, including area code **(310) 601-2505**

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	**LVO**	**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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2022, was approximately $50.8 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 26, 2023 the registrant had 90,131,848 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K (this “Form 10-K”) incorporates by reference certain information from the registrant’s definitive Proxy Statement for its 2023 annual meeting of stockholders (the “Proxy Statement”), which the registrant intends to file pursuant to Regulation 14A with the U.S. Securities and Exchange Commission not later than 120 days after the registrant’s fiscal year end of March 31, 2023. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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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

LiveOne, Inc. (formerly LiveXLive Media, Inc.) (the "Company," "LiveOne", "we," "us," or "our") is a creator-first, music, entertainment and technology platform focused on delivering premium experiences and content worldwide through memberships and live and virtual events. We are a pioneer in the acquisition, distribution and monetization of live music events, Internet radio, podcasting/vodcasting and music-related membership, streaming and video content. Through our comprehensive service offerings and innovative content platform, we provide music fans the ability to listen, watch, attend, engage and transact. 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. Our operating model is focused on a flywheel concept of integrated services centered on servicing and monetizing superfans through multiple revenue streams and product/service offerings. At March 31, 2023, we operated four core integrated services: (1) one of the industry's leading online live music streaming platforms (LiveOne), (2) a fully integrated membership and advertising streaming music service Slacker operating as LiveOne powered by Slacker, (3) a leading podcasting platform operating as PodcastOne ("PodcastOne"), and (4) a retailer of personalized merchandise and gifts operating as Custom Personalization Solutions, Inc. ("CPS"). LiveOne 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 having worked with Rock in Rio, Electronic Daisy Carnival ("EDC") Las Vegas, iHeartRadio's Wango Tango and many more. LiveOne enhances the experience by granting audiences access to premium original content, artist exclusives and industry interviews. Our LiveOne application offers users access to live events, audio streams with access to millions of songs and hundreds of expert-curated radio platforms and stations, original episodic content, podcasts, vodcasts, video on demand, real-time livestreams, and social sharing of content. In October 2021, we entered artist and brand development and music-related press relations business through our acquisition of Gramophone Media ("Gramophone"). Today, our business is comprised of two operating segments; our Audio Group, which includes the operations of PodcastOne and Slacker, and our Media Group, which includes LiveOne, CPS, PPVOne, Gramophone, corporate and our remaining subsidiaries (hereon referred to as our "Media Operations").

We generate revenue through the sale of membership-based services and advertising from our music offerings, from the licensing, advertising and sponsorship of our live music and podcast content rights and services, from our expanding pay-per-view offerings and from retail sales of merchandise and gifts.

Operations

We provide services through a dedicated over-the-top application powered by Slacker ("LiveOne App") called LiveOne. Our services are delivered through digital streaming transmissions over the Internet and/or through satellite transmissions and may be accessed on users' desk-top, tablets, mobile devices (iOS, Android), Roku, Apple TV, and Amazon Fire, and through over-the-top ("OTT"), STIRR, and XUMO with more service platforms in discussions. Our users can also access our music platform from our websites, including www.liveone.com and www.slacker.com. Our users may also access our podcasts on www.podcastone.com or our PodcastOne app and acquire merchandise and gifts on www.personalizedplanet.com and www.limogesjewelry.com.

Historically, we acquired the rights to stream our live and recorded music and broadcasts from a combination of festival owners and promoters, 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. As a result, we pivoted our production to 100% streaming, and began producing, curating, and broadcasting streaming music festivals, concerts and events across our platform. In May 2020, we 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.

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"). We are working to expand our VOD, PPV, content catalog and content capabilities. Since 2018, we launched LiveZone, a traveling studio originating from live music events and festivals all over the world. LiveZone combines 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. During fiscal years ended March 31, 2023 and 2022, we launched our own franchises including "Music Lives," our multi-artist virtual festival, "Music Lives ON," our series of virtual live-streaming performances, "Self Made" our music competition platform, "The Lockdown Awards", our award show celebrating the best in quarantine content, "The Snubbys", our award show celebrating deserving artists who should have been but were not nominated for applicable awards, "The Breakout Awards," our award show celebrating some of the year's most iconic music, celebrities and pop culture moments and "One Rising" an emerging artist program that breaks up and coming talent across the music landscape.

In July 2020, we entered the podcasting business with the acquisition of PodcastOne and in December 2020, we entered the merchandising business with the acquisition of CPS. In October 2021, we entered artist and brand development and music-related press relations business through our acquisition of Gramophone.

During the fiscal year ended March 31, 2023, we livestreamed 31 major music festivals and live music events and generated approximately 10 million views worldwide, and as of March 31, 2023, our membership services eclipsed 2,075,000 paid members and approximately 0.9 million monthly active users ("MAUs") across our audio services. Included in the total number as of March 31, 2023 are certain members which are the subject of a contractual dispute. We are currently not recognizing revenue related to these members. We use MAUs, which is a non-GAAP financial measure, as a measure of our audience reach and define a MAU as a user of one of our platforms who has logged in and visited our music membership 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") both advertisers supported and PPV events, and (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"). These services allow our users to access live music content in person and over the Internet, including the ability to chat and communicate over our platform. LiveOne provides 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. We monetize these live events through third party advertising and sponsorship, including with brands such as Volkswagen, Hyundai, Facebook, Tik Tok, Porsche, and Pepsi, 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/artist guarantees, the amount of which is often dependent on specific artist. A festival's existing production infrastructure or lack thereof, and, in turn results in, us having a 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/PPV 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

Our digital Internet radio and music services are available to users online and through automotive and mobile 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, comedy and the audio of live music events. Our revenue 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 membership services, and/or (iii) a fixed fee per user. The fees generated from ad-supported and membership 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

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, comedy and sports. The podcasts are available on the LiveOne platforms and also on other leading podcast listening platforms such as Apple Music, Spotify, and Amazon. Similar to our digital Internet radio fee structure, we monetize podcasts through (i) paid advertising or (ii) paid premium membership services. We own one of the largest networks of podcast content in North America, which has over 300 exclusive podcast shows that produces over 300 episodes per week and has generated over 2.48 billion downloads during the year ended March 31, 2023. In April 2021, we announced an agreement with Samsung for all PodcastOne distributed content to be available via the Listen tab on Samsung TV.

PodcastOne and its roster of top performing hosts are also able to integrate unique visual elements into the podcasts they produce and distribute them via YouTube, with PodcastOne becoming the first podcast network to utilize Adori, a pioneering interface technology. Adori's unique YouTube integration technology allows podcast hosts and networks to seamlessly import episodes from RSS feeds, enhance them with visual elements and upload enriched assets directly to YouTube. Adori's patented technology embeds contextual visuals, multi-format ads, augmented reality ("AR") experiences, buy buttons, polls, and other "call to action" features in the audio creating a more enhanced and richer listener experience. In creating visually enhanced podcasts, Adori's YouTube product provides additional monetization avenues for PodcastOne's slate of original programming, increased discoverability and search engine optimization presence.

In June 2023, we launched PodcastOne TV, a free ad-supported streaming television (“FAST”) channel that will stream the video content from PodcastOne’s slate of award-winning podcasts, to be distributed through MuxIP to 60 outlets, using MuxIP’s FASTHub for OTT platform. MuxIP will enable PodcastOne to expand its content to viewers of niche content on Smart TVs and a wide range of devices. MuxIP is a global leader in powering the rapidly growing TV business model centered on FAST.

In addition to PodcastOne’s core business, it also built, owns and operates a solution for the growing number of independent podcasters, LaunchPadOne. LaunchPadOne is a self-publishing podcast platform, created to provide a low or no cost tool for independent podcasters without access to parent podcasting networks or state of the art equipment to create shows. LaunchPadOne serves as a talent pool for us to find new podcasts and talent.

Merchandise

With the acquisition of CPS, we now own a group of web-oriented businesses specializing in the merchandise personalization industry. CPS develops, manufactures, and distributes personalized products for wholesale and direct-to-consumer distribution. CPS offers thousands of exclusive personalized gift items for family, home, seasonal holidays, and special events along with personalized jewelry.

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 customer’s content is activated on the LiveOne App, we provide technical and network support, which includes 24/7 operational assistance and monitoring of our services and performance.

Our Industry

Globally, its estimated that recorded music revenues increased to $26.2 billion in 2022, up 9.0% year over year. We believe that by 2030, global recorded music revenues will increase to $80 billion. 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. We expect live music industry revenues to grow to $30 billion by 2025. Festivals, which is where our live concert promotion has focused on, have become an increasingly important cultural phenomenon. Each festival can attract hundreds of thousands of people over multiple day periods. 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.

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 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. During the fiscal year ended March 31, 2023, we live-streamed over 31 events with over 10 million views. These events featured artists such as T-Pain, Lil Jon, Tank and the Bangaz, Krooked Kings, Kid Ink, K Camp, OT Genesis, B.I. and Francis Karel, in addition to our own internally developed franchises such as “One Rising” our emerging artist platform, “Music Lives,” our largest digital music event, and “Music Lives ON,” our series of virtual live-streaming performances.

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 $3.5 billion since 2018.

Digital Music Streaming Industry

The addressable market for paid digital music streaming is large and growing, representing almost half of global music revenue. In 2022, we estimate that streaming revenue was $17.5 billion or approximately 67% of global music sales, and we further expect paid streaming users to surpass 1.2 billion by 2030.

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.

Podcasting Industry

The podcasting industry continues to benefit from both a broad audience, with attractive demographics and loyal listeners. According to Edison One and Triton Digital, an estimated 100 million people listened to a podcast each month in 2022 and is expected to reach 125 million in 2023. As podcast listening grows, the addressable market for podcast advertising spend continues to grow. PricewaterhouseCoopers estimated that podcast advertising spend was $1.8 billion in 2022 and is slated to reach $2.3 billion by 2023, annual growth of nearly 43% per their 2023 Global Entertainment and Media Outlook Report.

Technology

We own 38 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 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

We intend to protect our trademarks, brands, copyrights, patents and other original and acquired works, ancillary goods and services. In connection with the Slacker, Inc. ("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 our network that brings our ecosystem to life for our users and Content Providers. We currently deliver our video viewer experience through our LiveOne App and 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. Our most recent version of the LiveOne App is available on the iOS and Android operating systems and through Apple TV, Roku, Samsung and Amazon Fire platforms. 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.

Podcasting

PodcastOne has built an internal Content Management System (“CMS”) that creators and producers can use to track metrics about shows on an episode-by-episode basis. CMS is the platform where podcast episodes are uploaded, RSS feeds are created and distributed to listening platforms, and the listening data is analyzed and displayed in a dashboard for the creators / producers to see. PodcastOne is one of the few podcast networks with proprietary CMS/Content Delivery Network (“CDN”) that allows for optimized programmatic capabilities and improved audience analytics. Our hosts/talent are also able to view their download numbers, trends and analytics on this proprietary software, something many competitors don’t provide. This fully owned and operated enterprise CMS rivals other paid platforms such as Megaphone (Spotify owned), Art19 (Amazon owned) and SimpleCast (SiriusXM/Pandora owned). The CMS day to day operation and maintenance is managed by a vendor we contract with and is constantly being updated to be a best-in-class system. We provide analytical support that creators need to optimize their performance and focus on doing what they do best — creating unique, entertaining experiences to share with fans around the world. For example, many creators have used our analytics to inform tour locations by citing the geographical audience insights provided in the CMS that would otherwise not have been known. PodcastOne is focused on continuously improving its technology so that it is user-friendly and sets it apart from other independent publishers.

PodcastOne also majority owns LaunchPadOne, a free innovative podcast hosting, distribution, and monetization platform that provides an end-to-end podcast solution.

Members

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 music 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. In December 2021, we also launched LiveOne on Google's Android Automotive platform, a full-stack, open source, highly customizable software platform powering the vehicle's numerous safety, environmental, and infotainment systems, enabling implementers to differentiate and tailor the content experience specific to a brand's identity. Android Automotive continues to see wide adoption from virtually all the major automotive OEMs including Ford, GMC, Dodge, Chrysler, Volvo, Polestar, Ford, Lincoln, Chevrolet, Nissan, Volkswagen, Mitsubishi, and others. For the fiscal year ended March 31, 2023 and 2022, we had one single customer that represented approximately 44% and 28% 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, where we have historically agreed to share production costs for certain festivals.

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, 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 fully owned and operated enterprise CMS rivals other paid platforms such as Megaphone (Spotify owned), Art19 (Amazon owned) and SimpleCast (SiriusXM/Pandora owned).

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 finance 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, 2023, we livestreamed 31 major music festivals and events. The majority of our agreements provide us exclusive rights to produce and digitally stream these live festivals across any screen in most major territories around the world. Moreover, and in certain cases, we also have the exclusive rights to VOD, AR, VR, broadcast TV and audio rights from these festivals (subject to music copyright clearances).

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, LiveOne Studios, plans to develop and produce original music-related video content, including digital magazine-style news programming and original-concept digital pilots and documentaries. During fiscal years ended March 31, 2023 and 2022, we launched our own franchises including “Music Lives,” our multi-artist virtual festival, “Music Lives ON,” our series of virtual live-streaming performances, “The Lockdown Awards”, our award show celebrating the best in quarantine content, “Self Made” our music competition platform, “The Snubbys”, our award show celebrating deserving artists who should have been but were not nominated for applicable awards, and “The Breakout Awards,” our award show celebrating some of the year’s most iconic music, celebrities and pop culture moments.

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 membership base and revenues from membership fees, advertising, sponsorship and licensing. Moreover, we plan to drive more audience to our Music Services platform as we grow our streamed live events, helping us leverage and lower our overall marketing spending and drive more user growth.

Approximately 53% and 35% of our revenue for the years ended March 31, 2023 and 2022, respectively, was from our membership services platform. We believe the data we generate from our platform will be valuable to Industry Stakeholders and the ability to reach our audience to market more efficiently to them products and services.

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 LiveOne App. Our LiveOne 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 LiveOne 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 continuously redesign and develop our custom LiveOne 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 LiveOne 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.

We currently run 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.

Our unified LiveOne App ecosystem includes live streaming video, VOD, streaming music stations, podcasts, vodcasts, 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 our LiveOne App includes a top hero carousel depicting featured performances and options for viewing concurrent programming located below the top carousel. Our LiveOne App also includes 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.

Our unified LiveOne App showcases 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 LiveOne platform. Once they have been upgraded to work with video as well as audio, they will form the core of our data management platform and personalization system.

Personalized and 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 LiveOne 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 LiveOne 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. We continue to see growth in PPV post COVID-19 lockdowns being eased.

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.

Expanding Podcasting Reach

PodcastOne and its roster of top performing hosts are also able to integrate unique visual elements into the podcasts they produce and distribute them via YouTube, with PodcastOne becoming the first podcast network to utilize Adori, a pioneering interface technology. Adori's unique YouTube integration technology allows podcast hosts and networks to seamlessly import episodes from RSS feeds, enhance them with visual elements and upload enriched assets directly to YouTube. Adori's patented technology embeds contextual visuals, multi-format ads, augmented reality ("AR") experiences, buy buttons, polls, and other "call to action" features in the audio creating a more enhanced and richer listener experience. In creating visually enhanced podcasts, Adori's YouTube product provides additional monetization avenues for PodcastOne's slate of original programming, increased discoverability and search engine optimization presence.

In June 2023, we launched PodcastOne TV, a FAST channel that will stream the video content from PodcastOne's slate of award-winning podcasts, to be distributed through MuxIP to 60 outlets, using MuxIP's FASTHub for OTT platform. MuxIP will enable PodcastOne to expand its content to viewers of niche content on Smart TVs and a wide range of devices. MuxIP is a global leader in powering the rapidly growing TV business model centered on FAST.

PodcastOne has built, owns and operates a solution for the growing number of independent podcasters called LaunchPadOne. LaunchPadOne is a free innovative self-publishing podcast hosting, distribution, and monetization platform that provides an end-to-end podcast solution. LaunchPadOne was created to provide a low or no cost tool for independent podcasters without access to parent podcasting networks or state of the art equipment to create shows. LaunchPadOne serves as a talent pool for us to find new podcasts and talent. With over 1,000 available podcasts, LaunchPadOne offers creators a 360 podcasting ecosystem - a cutting-edge technology hosting platform, customizable design elements, a podcast player, distribution tools to publish on all major listening apps, including Apple Podcasts, Spotify, Google Podcasts, Overcast and Pocket Casts and others, and a deep network of shows. LaunchPadOne's robust platform technology, promotion and monetization opportunities will allow podcast creators to leverage unique opportunities from PodcastOne, such as the ability to accumulate new listeners, get discovered, and collaborate with the established podcast network. PodcastOne will monetize the audience of the LaunchPadOne network through ad insertion technology platform, which generates revenue for PodcastOne. Simultaneously, LaunchPadOne creators will receive free hosting and also have the opportunity to generate revenue for their own podcasts by embedding any ads they sell on their own.

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 LiveOne platform as compared with other platforms and Content Providers that deliver content through Internet-connected screens.

Our competitors include (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 Music, Amazon Music, Spotify and Pandora that allow listeners to stream music or select the audio content that they stream or purchase, (iii) podcast providers, including Amazon Music, Apple Music, Apple Podcasts, Spotify and iHeartMusic, (iv) large merchandise retailers, online and traditional specialty retailers, (v) other forms of entertainment, including Facebook, Twitch, Instagram, Google/YouTube and Twitter, and (v) promoters and producers of content on mobile, online and AR/VR platforms such as Red Bull TV, Live Nation TV and independent content owners. Conversely, these content platforms can also become valuable distribution partners. For example, we have 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, and our podcasts are available on Spotify, Amazon Music, Apple Podcasts, and iHeartMusic, among others.

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 17 million musical works.

- The American Society of Composers, Authors and Publishers ("ASCAP") – ASCAP is a membership association of more than 800,000 songwriters, composers and music publishers. ASCAP licenses songs and scores to the businesses that play them publicly.

- SoundExchange, Inc. – SoundExchange ("SX") collects and distributes digital performance royalties on behalf of more than 245,000 recording artists and master rights owners and licensees.

- The Music Modernization Act (MMA) updated the copyright law to make statutory licensing more efficient for digital music providers. Under the new law, the U.S. Copyright Office has designated the Mechanical Licensing Collective, Inc. (The MLC) to collect and distribute mechanical royalty payments. As of January 1, 2021. LiveOne has a blanket license in place with the MLC that enables us to make all songs delivered by our recorded music label partners available to our users in our music service upon delivery, eliminating any need for further rights clearances, making our service more robust and current.

- Other performing right organizations.

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;

- U.S. 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 also collect and use certain types of information from our users in accordance with the privacy policies posted on our websites. We 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

We own 39 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. We also own over 25 trademarks and trademark applications covering our various brands, channels and product names.

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."

Human Capital Management

Our business relies on our ability to attract and retain talented employees. In order to do so, we seek to provide a work environment that creates a diverse, inclusive and supportive workplace, with opportunities for our employees to grow and develop in their careers, which is supported by competitive compensation, benefits, and health and wellness programs.

Workforce Composition

As of March 31, 2023, we had a total of 165 employees as well as other persons who provide to us consulting and other services, including through our subsidiaries. These employees represent the diverse and complex nature of LiveOne with skills in programming operations, sales, engineering, podcasting, digital and beyond, as well as corporate support, such as information technology, legal, human resources, communications and finance.

Total Rewards

We operate in a highly-competitive environment and make significant investments in our people and provide competitive pay and comprehensive benefits including:

- Employer sponsored health insurance;
- Paid sick, holidays and vacation;
- 401(k) plan; and
- An Employee Assistance Program, which is available to all full-time employees and their household members at no cost and provides services such as in person and telephonic counseling sessions, consultation on legal and financial matters and referrals for services such as child-care and relocation.

In response to COVID-19 we quickly took action enabling our employees, where possible, to work from home, voluntarily expanding our paid sick leave benefits to include additional paid time off for COVID-related illness, testing, and implementing flexible work policies and reasonable accommodations for our employees on a case by case basis, including making resources available to parents who were homeschooling their children and offering a mid-year annual enrollment to give our employees the opportunity to elect additional coverage if they so desired.

Diversity

Diversity, equity and inclusion are keys to our success. As a company, we value diversity and respect all voices, from both inside and outside our organization. One of our top human capital priorities at LiveOne is to create an inclusive organizational culture to attract and develop a dynamic workforce that is as diverse as the audiences and communities we serve which includes and supports gender identity, race, sexual orientation, sexual identity, ethnicity, religion, socioeconomic background, age, disability, national origin and more. Our ongoing recruiting efforts include including targeting minority enrolled universities, working with minority and woman owned talent and search firms, working hand and hand with them to create job descriptions that are both gender neutral and culturally sensitive to attract the most diverse and inclusive candidate pools. In addition, our board of directors is committed to seeking director candidates who can best contribute to the future success of our Company and represent stockholder interests through the exercise of sound judgment and leveraging of the group’s diversity of skills and experience, resulting in board members with diverse backgrounds, including, among other attributes, gender, ethnicity and professional experience.

Workplace Safety

Employee health and safety in the workplace is of utmost importance to our Company. We believe that all employees, regardless of our job role or title, have a shared responsibility in the promotion of health and safety in the workplace. We collectively are committed to providing and following all safety laws and rules, including internal policies and procedures. This means carrying out company activities in ways that preserve and promote a clean, safe and healthy environment.

The global effects associated with the COVID-19 pandemic have been unprecedented in their scope and depth. We have been and will continue to be following recommendations of the U.S. Center for Disease Control and other applicable agencies to maximize the safety and well-being of our employees. With respect to job roles that can be performed remotely, we quickly implemented a Work from Home policy that enabled our employees to continue working while also keeping themselves and their loved ones safe.

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 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. Management's plans in regard to these matters are described in 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.

Geographic Information

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

Corporate History

On August 2, 2017, our name changed from "Loton, Corp" to "LiveXLive Media, Inc.", and we reincorporated from the State of Nevada to the State of Delaware, pursuant to the reincorporation merger of Loton, Corp ("Loton"), a Nevada corporation, with and into LiveXLive Media, Inc., a Delaware corporation and Loton's wholly owned subsidiary, effected on the same date. As a result of such reincorporation merger, Loton ceased to exist as a separate entity, with LiveXLive Media, Inc. being the surviving entity. On October 6, 2021, our name changed from "LiveXLive, Media Inc." to "LiveOne, Inc." Our principal executive offices are located at 269 S. Beverly Drive, Suite #1450, Beverly Hills, 90212.

Available Information

Our main corporate website address is www.liveone.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.liveone.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 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.liveone.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. Many of the following risks and uncertainties are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result.

RISK FACTORS SUMMARY

The risks contained in this Risk Factors Summary are not exhaustive and it is not possible for us to predict all risks that could cause our actual results to differ materially. The risks speak only as of the date hereof, and new risks may emerge or changes to the foregoing risks may occur that could impact our business. Some of the material risk include, but are not limited to, the following:

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.
- 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.
- 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.
- Our failure to meet the continued listing requirements of Nasdaq could result in a de-listing of our ordinary shares and penny stock trading.
- 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.
- 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.
- 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.

Risks Related to Our Company

- For the years ended March 31, 2023 and 2022, our management concluded that our disclosure controls and procedures and our internal control over financial reporting were not effective due to the existence of material weaknesses in our internal control over financial reporting during such periods. If we are unable to establish and maintain effective disclosure controls and internal control over financial reporting, our ability to produce accurate financial statements on a timely basis or prevent fraud could be impaired, and the market price of our securities may be negatively affected.
- 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.
- We rely on key members of management, particularly our Chairman and Chief Executive Officer, Mr. Robert Ellin, and our Interim Chief Financial Officer, Vice President, Controller, Interim Treasurer and Interim Secretary, Aaron Sullivan, and the loss of their services or investor confidence in them could adversely affect our success, development and financial condition.

- Unfavorable outcomes in legal proceedings may adversely affect our business, financial conditions and results of operations.
- Our debt agreements contain restrictive and financial covenants that may limit our operating flexibility and our substantial indebtedness may limit cash flow available to invest in the ongoing needs of our business.
- We may not have the ability to repay the amounts then due to our senior secured lender at maturity and/or to the holders of our Series A Preferred Stock.
- If we do not comply with the provisions of the senior credit facility, our lender may terminate its obligations to us and require us to repay all outstanding amounts owed thereunder.
- We may incur substantially more debt or take other actions that would intensify the risks related to our indebtedness.

Risks Related to Our Acquisition Strategy

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

Risks Related to Technology and Intellectual Property

- We rely heavily on technology to stream content and manage other aspects of our operations and on our Content Management System. The failure of any of this technology to operate effectively could adversely affect our business.

Risks Related to Our Intended Spin-Out of PodcastOne as a Separate Public Company and Special Dividend of PodcastOne's Common Stock and the Slacker Proposed Business Combination

- We may be unable to complete the Spin-Out and the Special Dividend and/or the Slacker Proposed Business Combination, and we may be unable to achieve some or all of the benefits that we expect to achieve from such transactions.
- Our debt agreements contain certain provisions requiring the consent of our senior lender and certain conditions to be satisfied in order for us to complete each of the Spin-Out and the Special Dividend and/or the Slacker Proposed Business Combination.

Risks Related to Our PodcastOne Business

- We generate a substantial portion of our revenues from our podcast and advertising sales. If we fail to maintain or grow podcasting and advertising and e-commerce merchandise revenue, our financial results may be adversely affected.
- We face and will continue to face competition for listeners and listener listening time.
- Our business is dependent upon the performance of the podcasts and their talent.
- If we fail to increase the number of listeners consuming our podcast content, our business, financial condition and results of operations may be adversely affected.
- Our podcasting revenue and operating results are highly dependent on the overall demand for advertising.
- We rely on integrations with advertising platforms, demand-side platforms ("DSPs"), proprietary platforms and ad servers, over which we exercise very little control.

Risks Related to Our E-commerce Merchandising Business

- Our business is affected by seasonality, which could result in fluctuations in our operating results.
- We are subject to data security and privacy risks that could negatively affect our results, operations or reputation.
- Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our sites and our financial results.

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.
- 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.
- 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.

Risks Related to the Ownership of Our Common Stock

- The market price of our common stock may be highly volatile.
- We cannot guarantee that our stock repurchase program will be consummated, fully or all, or that it will enhance long-term shareholder value. Stock repurchases could also increase the volatility of the trading price of our stock and could diminish our cash reserves.
- 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.
- 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.
- We do not intend to pay dividends on our common stock so any returns will be limited to the value of our 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.

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 44% of our consolidated revenue for the year ended March 31, 2023, and 28% of our consolidated revenue for the year ended March 31, 2022.

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 membership 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 membership 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 member or demands credit for past members that no longer meet such requirement, there can be no assurance that we will continue to maintain the same number of paid members or receive the same levels of membership service revenue and membership 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, membership 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.

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.

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 $10.0 million and $43.9 million for the fiscal years ended March 31, 2023 and 2022, respectively, and used cash in operating activities of $3.8 million and $9.1 million for the fiscal years ended March 31, 2023 and 2022, respectively. As of March 31, 2023, we had an accumulated deficit of $224.3 million and net liabilities of $1.0 million.

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, 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 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.

The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered by a growing company, 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. 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.

Our ability to meet our total liabilities, as reported in the accompanying consolidated balance sheets, 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.

Our failure to meet the continued listing requirements of Nasdaq could result in a de-listing of our ordinary shares and penny stock trading.

There can be no assurance that we will be able to continue to meet all of the criteria necessary for Nasdaq to allow us to remain listed. If we fail to satisfy the applicable continued listing requirement and continue to be in non-compliance after notice and the applicable grace period ends, Nasdaq may commence delisting procedures against our Company (during which we may have additional time of up to six months to appeal and correct our non-compliance).

If our ordinary shares are ultimately delisted from Nasdaq, our ordinary shares would likely then trade only in the over-the-counter market and the market liquidity of our ordinary shares could be adversely affected and their market price could decrease. If our ordinary shares were to trade on the over-the-counter market, selling our ordinary shares could be more difficult because smaller quantities of shares would likely be bought and sold, transactions could be delayed, and we could face significant material adverse consequences, including: a limited availability of market quotations for our securities; reduced liquidity with respect to our securities; a determination that our shares are a "penny stock," which will require brokers trading in our securities to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our securities; a reduced amount of news and analyst coverage for our Company; and a decreased ability to issue additional securities or obtain additional financing in the future. These factors could result in lower prices and larger spreads in the bid and ask prices for our ordinary shares and would substantially impair our ability to raise additional funds and could result in a loss of institutional investor interest and fewer development opportunities for us.

In addition to the foregoing, if our ordinary shares are ultimately delisted from Nasdaq and they trade on the over-the-counter market, the application of the "penny stock" rules could adversely affect the market price of our ordinary shares and increase the transaction costs to sell those shares. The SEC has adopted regulations which generally define a "penny stock" as an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. If our ordinary shares are ultimately delisted from Nasdaq and then trade on the over-the-counter market at a price of less than $5.00 per share, our ordinary shares would be considered a penny stock. The SEC's penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and the salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that before a transaction in a penny stock occurs, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's agreement to the transaction. If applicable in the future, these rules may restrict the ability of brokers-dealers to sell our ordinary shares and may affect the ability of investors to sell their shares, until our ordinary shares no longer is considered a penny stock.

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, Tesla was ordered to keep its main U.S. factory closed for a substantial amount of time in 2020 calendar year. 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. 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 "LiveOne 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 festivals and live events under "Music Lives" and "Music Lives ON", with "Music Lives" returning in March 2021 for its second edition. 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 minimum guaranteed cash payment requirements to artists or festival or event promoters prior to the event or festival taking place (“MGs”). 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, paid members 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 paid members may cancel their memberships at any time. If our forecasts for paid members do not meet our expectations or the number of our paid members 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 this 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 members 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 membership, 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, our LiveOne App and our PodcastOne application ("PodcastOne App"), compared to those of our competitors;
- the timing and market acceptance of our platform, products and services, including Slacker, LiveOne App and PodcastOne App;
- users' willingness to pay for membership 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 One Rising, 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, membership 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 2021 fiscal year, we started producing and expect to continue to produce live events, including digital and PPV events, which generated revenue and 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 memberships 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, SiriusXM 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 services 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, which 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 ("GCP") and Amazon Web Services ("AWS") to operate certain aspects of our business and to store certain data, and any disruption of or interference with our use of the GCP and AWS could have a material adverse effect on our business, operating results, and financial condition.

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 certain 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. In addition, we rely upon the AWS to operate certain aspects of our business and to store certain data. Any disruption of, or interference with, our use of GCP or AWS could have a material adverse effect on our business, operating results, and financial condition.

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, paid members and advertisers.

We have developed a strong "Slacker" brand and are developing what we hope to be a strong "LiveOne" brand in the future that we believe contributes and will contribute significantly to the success of our business. Maintaining, protecting and enhancing the "LiveOne" and "Slacker" brands is critical to expanding our base of ad-supported users, paid members 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 paid members, 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 paid members and membership 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 paid members' 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 paid members, 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 monthly active user ("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 paid members. 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 paid members, 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 membership 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 2024 fiscal year, which would subject us to risks associated with the legislative, judicial, accounting, regulatory, foreign exchange, 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;
- foreign exchange risk;
- 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 membership 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, 2023 and 2022, our management concluded that our disclosure controls and procedures and our internal control over financial reporting were not effective due to the existence of material weaknesses in our internal control over financial reporting during such periods. If we are unable to establish and maintain effective disclosure controls and internal controls over financial reporting, our ability to produce accurate financial statements on a timely basis or prevent fraud could be impaired, and the market price of our securities may be negatively affected.

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. For our fiscal years ended March 31, 2023 and 2022, 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. 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, 2023, management identified material weaknesses in the following: (i) our controls relating to proper evaluation and accounting of certain features embedded in complex debt and equity instruments. Specifically, we did not have sufficient technical resources to appropriately identify and evaluate certain features that require instruments or features to be accounted for as liabilities remeasured at fair value; (ii) our controls were not adequately designed to allow management to identify errors in the accounting for business combinations; and (iii) our controls relating to the calculation of our inventory obsolesce reserve were not adequately designed at a sufficient level of precision, which could have resulted in a material misstatement.

In connection with the preparation of our consolidated financial statements for the year ended March 31, 2022, 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.

For the fiscal year ended March 31, 2023 we failed to remediate all of the material weaknesses identified during the fiscal year ended March 31, 2022 and 2021, 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, 2023, 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 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.

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 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 our Interim Chief Financial Officer, Vice President, Controller, Interim Treasurer and Interim Secretary, Aaron Sullivan, 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, and our Interim Chief Financial Officer, Vice President, Controller, Interim Treasurer and Interim Secretary, Aaron Sullivan. Each of Messrs. Ellin and Sullivan have extensive knowledge about our business and our operations, and the loss of either of them or any other key member of our senior management (including senior management of Slacker and PodcastOne) would likely have a material adverse effect on our business and operations. We do not currently maintain a key-person insurance policy for either of Messrs. Ellin or Sullivan 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.

Rising inflation may adversely affect us by increasing costs of labor, equipment and other costs beyond what we can recover through price increases.

Inflation can adversely affect us by increasing the costs of labor, technology, equipment and other costs required to operate and grow our business. The United States is experiencing high levels of inflation, which may depress consumer demand for our services and reduce our profitability if we are unable to raise prices enough to keep up with increases in our costs. Inflationary pressures have resulted in increases in salaries and the cost of certain equipment and technology necessary for the production of our services, and such increases may continue to impact us in the future. Accordingly, we are exposed to risks associated with significant levels of cost inflation. If we are unable to increase our prices to offset the effects of inflation, our business, operating results, and financial condition could be materially and adversely affected.

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. 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 and our substantial indebtedness may limit cash flow available to invest in the ongoing needs of our business.

We have a significant amount of indebtedness. Our total outstanding consolidated indebtedness as of March 31, 2023 was $11.9 million net of fees and including any premiums or discounts. While we have certain restrictions and covenants with our current indebtedness, we could in the future incur additional indebtedness beyond such amount. Our debt agreements 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.

Our substantial debt combined with our other financial obligations and contractual commitments could have other significant adverse consequences, including:

- requiring us to dedicate a substantial portion of cash flow from operations to the payment of interest on, and principal of, our debt, which will reduce the amounts available to fund working capital, capital expenditures, product development efforts and other general corporate purposes;
- increasing our vulnerability to adverse changes in general economic, industry and market conditions;
- obligating us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

We intend to satisfy our current and future debt service obligations with our existing cash and cash equivalents and funds from external sources, including equity and/or debt financing. However, we may not have sufficient funds or may be unable to arrange for additional financing to pay the amounts due under our existing debt. Funds from external sources may not be available on acceptable terms, if at all. 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.

We may not have the ability to repay the amounts then due to our senior secured lender at maturity.

At maturity, the entire outstanding principal amount then due to our senior secured lender will become due and payable by us. As of March 31, 2023, $4.7 million of our total indebtedness (excluding interest and unamortized debt discount and debt issuance costs) is due in fiscal 2024 and $7.2 million thereafter.

Our failure to repay any outstanding principal amount then due to our senior secured lender would constitute an event of default under the applicable debt instruments, and would allow the senior lender to accelerate, after any applicable notice or grace periods, the outstanding principal amount then due to become immediately due and payable. A default under the senior secured lender documents 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 senior secured lender and/or make cash payments required by the holders of the Series A Preferred Stock. Furthermore, upon the occurrence and during the continuation of any event of default, the senior secured lender 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.

If we do not comply with the provisions of the senior credit facility, our lender may terminate its obligations to us, and require us to repay all outstanding amounts owed thereunder.

The senior credit facility contains provisions that limit our operating activities, including a covenant relating to the requirement to maintain a certain amount cash (as provided in the senior credit facility loan agreement). If an event of default occurs and is continuing, the lender may among other things, terminate its obligations thereunder, accelerate its debt and require us to repay all amounts thereunder. For example, on October 13, 2022, a judgement was ordered in favor of SX against us and Slacker in the United States District Court Central District of California in the amount of approximately $9.8 million. On February 3, 2023, we entered into an agreement to settle the dispute with SX and related court judgement entered against the defendants, pursuant to which we agreed to make certain monthly payments to SX for a period of 24 months and certain other payments in the event we obtain additional financing(s), unless we repay the judgment amount earlier pursuant to the terms of the agreement, and SX agreed not to take any action to enforce such judgment, so long as the defendants are not in default under the agreement. Our debt agreements with the provider of the senior credit facility contains a covenant that if a material adverse change occurs in its financial condition, or such lender reasonably believes the prospect of payment or performance of their loan is materially impaired, the lender at its option may immediately accelerate their debt and require us to repay all outstanding amounts owed thereunder. If for any reason we fail to comply with the terms of our settlement agreement with SX, our senior credit facility provider may declare an event of default and at its option may immediately accelerate its debt and require us to repay all outstanding amounts owed under the senior credit facility, which would materially adversely impact our business, operating results and financial condition. As of March 31, 2023, we were in full compliance with these debt covenants.

Our debt agreements contain restrictive and financial covenants that may limit our operating flexibility, and our substantial indebtedness may limit cash flow available to invest in the ongoing needs of our business.

We have a significant amount of indebtedness. Our total outstanding consolidated indebtedness as of March 31, 2023 was $11.9 million, net of fees and discounts. While we have certain restrictions and covenants with our current indebtedness, we could in the future incur additional indebtedness beyond such amount. Our existing debt agreements with senior facility lender contain certain restrictive covenants that limit our ability to merge with other companies or consummate certain changes of control, make certain investments, pay dividends or repurchase shares of our common stock, transfer or dispose of assets, 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 our senior secured 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.

Our substantial debt combined with our other financial obligations and contractual commitments could have other significant adverse consequences, including:

- requiring us to dedicate a substantial portion of cash flow from operations to the payment of interest on, and principal of, our debt, which will reduce the amounts available to fund working capital, capital expenditures, product development efforts and other general corporate purposes;
- increasing our vulnerability to adverse changes in general economic, industry and market conditions;
- obligating us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

We intend to satisfy our current and future debt service obligations with our existing cash and cash equivalents and funds from external sources, including equity and/or debt financing. However, we may not have sufficient funds or may be unable to arrange for additional financing to pay the amounts due under our existing debt. Funds from external sources may not be available on acceptable terms, if at all. 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.

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 August 2020, we repaid in full our senior secured convertible debentures, and in September 2020 we issued 8.5% Senior Secured Convertible Notes in the aggregate principal amount of $15.0 million due September 15, 2022, which were subsequently extended until June 3, 2023 (the "Harvest Notes"). In June 2021, we entered into a revolving senior credit facility, collateralized by all of the assets of our Company and our subsidiaries, which provides for up to $7.0 million in borrowing capacity, and the holders of the Harvest Notes agreed to subordinate their debt to the senior credit facility lender. The Harvest Notes and the senior credit facility contain certain restrictive covenants that limit our ability to merge with other companies or consummate certain changes of control, make certain investments, pay dividends or repurchase shares of our common stock, transfer or dispose of assets 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. The senior credit facility also contains certain covenants, including maintaining a minimum cash amount at all times and is secured by substantially all of our and our subsidiaries' 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.

We may not have the ability to pay the cash dividends or other amounts then due to the holders of our Series A Preferred Stock.

Our Series A Preferred Stock bears a dividend of 12% per annum, is perpetual and has no maturity date and is convertible at any time at the option of a holder of Series A Preferred Stock (the "Holders") into shares of our common stock at a price of $2.10 per share of common stock. At our option, the dividend may be paid in-kind for the first 12 months after the issuance date of the Series A Preferred Stock, and commencing on April 1, 2024, a Holder shall have the option to select whether subsequent dividend payments shall be paid in kind or in cash; provided, that as long as any Series A Preferred Stock is held by the Harvest Funds, Trinad Capital shall receive the dividend solely in kind. We are required on or before August 3, 2024 (the "Mandatory Redemption Date"), and in any event if prior to the Mandatory Redemption Date we consummate any financing transaction in which we, directly or indirectly, raise, in aggregate, gross proceeds of more than $20 million of new capital, to purchase $5 million in aggregate of the then outstanding shares of Series A Preferred Stock held by the Harvest Funds at the Redemption Price (as defined below).

Our failure to pay any amount due to the Holders of the Series A Preferred Stock would require us to issue an aggregate of 56,473 shares of our common stock in aggregate to the Holders for each five trading days (or pro rata thereof) that such breach or default is ongoing commencing on the date that such breach or default occurred (subject to any cure period); provided, that such number of shares shall be pro rata decreased for any conversion of such Holder's shares of Series A Preferred Stock into our common stock. In addition, a breach of any of the Protective Provisions (as defined in the Certificate of Designation) would also trigger the same shares issuance requirement. A default under the Series A Preferred Stock issuance agreements itself could also lead to a default under agreements governing our future indebtedness. We may not have sufficient funds to pay amounts due to the Holders of the Series A Preferred Stock. Our failure to pay such amount(s) may materially adversely impact our business, operating results and financial condition. Furthermore, our debt agreements with the provider of the senior credit facility contains a covenant that if a material adverse change occurs in our financial condition, or such lender reasonably believes the prospect of payment or performance of their loan is materially impaired, the lender at its option may immediately accelerate its debt and require us to repay all outstanding amounts owed thereunder. If for any reason we fail to comply with the payment terms of our Series A Preferred Stock, our senior credit facility provider may declare an event of default and at its option may immediately accelerate its debt and require us to repay all outstanding amounts owed under the senior credit facility, which would materially adversely impact our business, operating results and financial condition. We do not have the right to redeem the Series A Preferred Stock other than our optional right to purchase up to $5,000,000 in aggregate of the outstanding shares of Series A Preferred Stock held by the Harvest Funds, in whole or in part, at a cash redemption price per share of Series A Preferred Stock equal to the Stated Value (as defined in the Certificate of Designation) (the "Redemption Price").

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.

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, including, as a result of our acquisition of React Presents in February 2020, PodcastOne in July 2020, CPS in December 2020, and Gramophone in October 2021, and our entry into holding, promoting and managing our live festivals and events, podcasting and the merchandise personalization industry. 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, advertising and CPS revenue;
- the timing of the launch of our new or updated festivals, events, products, platforms, channels, podcasts or features;
- the addition or loss of popular content or talent;
- the popularity of EDM and EDM festivals, events, concerts and clubs;
- the popularity of podcasts and specifically our podcast content;
- 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 have 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 membership 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 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.

We depend upon third-party licenses for sound recordings and musical compositions and an adverse change to, loss of, or claim that we do not hold any necessary licenses may materially adversely affect our business, operating results and financial condition.

To secure the rights to stream sound recordings and the musical compositions embodied therein, we enter into license agreements to obtain licenses from rights holders such as record labels, aggregators, artists, music publishers, performing rights organizations, collecting societies, podcasters and podcast networks, and other copyright owners or their agents, and pay substantial royalties or other consideration to such parties or their agents around the world. Though we work diligently in our 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 us 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 we are required to pay pursuant to them, may change as a result of changes in our bargaining power, changes in the industry, changes in the laws and regulations, or for other reasons. Increases in royalty rates or changes to other terms of these licenses may materially impact our business, operating results, and financial condition.

We enter 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, such as Universal Music Group, Sony Music Entertainment, Warner Music Group and SX, as well as others. If we fail 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.

We generally obtain 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 we pay 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 also subject to further change as part of future Copyright Royalty Board proceedings. If any such rate change increases, our sound recordings and musical compositions license costs may substantially increase and impact our ability to obtain content on pricing terms favorable to us, and it could negatively harm our business, operating results and financial condition and hinder our ability to provide interactive features in our services or cause one or more of our services not to be economically viable. Based on management's estimates and forecasts for the next two fiscal years, we currently believe that the proposed rates will not materially impact our 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 Slacker's 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 our business, operating results and financial condition and hinder its ability to provide interactive features in its services, or cause one or more of our 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, the American Society of Composers, Authors and Publishers (“ASCAP”) and Broadcast Music, Inc. (“BMI”), cover the majority of the music we stream and are governed by consent decrees relating to decades old litigations. In 2019, the U.S. Department of Justice indicated that it was formally reviewing the relevance and need of these consent decrees. Changes to the terms of or interpretation of these consent decrees up to and including the dissolution of the consent decrees, could affect our ability to obtain licenses from these PROs on reasonable terms, which could harm its business, operating results, and financial condition. In addition, an increase in the number of compositions that must be licensed from PROs that are not subject to the consent decrees, or from copyright owners that have withdrawn public performance rights from the PROs, could likewise impede Slacker’s ability to license public performance rights on favorable terms. As of March 31, 2023, we owed $16.6 million in aggregate royalty payments to such PROs.

In other parts of the world, including Europe, Asia, and Latin America, we obtain mechanical and performance licenses for musical compositions either through local collecting societies representing publishers or from publishers directly, or a combination thereof. We 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 our 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 our 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 us to significant liability for copyright infringement.

With respect to podcasts and other non-music content, we produce or commission the content itself or obtain distribution rights directly from rights holders. In the former scenario, we employ various business models to create original content. In the latter scenario, we and/or PodcastOne negotiates license directly with individuals that enable creators to post content directly to our service after agreeing to comply with the applicable terms and conditions. We are dependent on those who provide content through our service complying with the terms and conditions of our license agreements as well as the PodcastOne Terms and Conditions of Use. However, we cannot guarantee that rights holders or content providers will comply with their obligations, and such failure to do so may materially impact our business, operating results, and financial condition.

There also is no guarantee that we have all of the licenses we require 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 rights holders, creators, performers, writers and their agents, or societies, unions, guilds, or legislative or regulatory bodies will create or attempt to create new rights that could require us 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 we can enter into license agreements with rights holders, we cannot guarantee that such agreements will continue to be renewed indefinitely. For example, from time to time, our license agreements with certain rights holders and/or their agents may expire while we negotiate their renewals and, per industry custom and practice, we may enter into brief (for example, month-, week-, or even days-long) extensions of those agreements or provisional licenses and/or continue to operate on an at will basis as if the license agreement had been extended, including by our continuing to make music available. During these periods, we 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 our 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.

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 Acquisition Strategy

We can give no assurances as to when we will consummate any 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 recently completed CPS 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, may 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 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 acquisitions of Slacker, PodcastOne, CPS and Gramophone, 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.

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. 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 on our Content Management System ("CMS"). The failure of any 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 our Slacker Radio app, which offers a digital spin on the classic radio listening experience through free and membership-based access. Our business is also substantially dependent on our LiveOne App, which includes live video streaming, live digital events, PPV events, 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, and our PodcastOne App which offers users access to our podcasts on their favorite device. PodcastOne relies heavily on its CMS. It utilizes a combination of its proprietary CMS technology and third-party technology. Its business substantially depends on its CMS which allows it to manage its podcasts and content offer listeners access to their favorite podcasts. We cannot be sure that the Slacker Radio app will continue to, or that the LiveOne App and/or the PodcastOne App or our CMS technology or any enhancements or other modifications we make in the future to such technology or accompanying third-party technology or integration of such third-party technology will perform as intended. 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.

We currently own the www.liveone.com, www.livexlive.com, www.slacker.com, www.podcastone.com, www.personalizedplanet.com, www.limogesjewelry.com, and various other 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 member 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 listener 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 member 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, which 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 members would be harmed if our member 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 members, 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 members 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 Our Intended Spin-Out of PodcastOne as a Separate Public Company and Special Dividend of PodcastOne's Common Stock and the Proposed Merger of Slacker with Roth CH Acquisition V Co. (the "Slacker Proposed Business Combination").

The Distribution pursuant to the Spin-Out could result in significant tax liability to our Company and our stockholders.

The planned distribution at a future date (the "Distribution") by us, as a special dividend to our stockholders of up to 4,320,000 shares of PodcastOne's common stock (the "Distribution Shares") out of the 20,000,000 shares of PodcastOne's common stock held by us immediately prior to the Distribution, will be determined not to qualify for non-recognition of gain and loss, and therefore, beneficial owners of our common stock that that are subject to U.S. federal income taxes (the "U.S. Holders") will be subject to tax. Each U.S. Holder who receives shares of PodcastOne's common stock in the Distribution would generally be treated as receiving a distribution in an amount equal to the fair market value of our common stock received, which would generally result in a gain to be recognized, as applicable, by, or be includible in the income of, such U.S. Holder as a result of the Distribution, and the aggregate tax basis of our common stock and PodcastOne's common stock held by each U.S. Holder immediately after the Distribution will be the same as the aggregate tax basis of our common stock held by the U.S. Holder immediately before the Distribution, allocated between our common stock and PodcastOne's common stock in proportion to their relative fair market values on the date of the Distribution.

We may also recognize gain in an amount up to the fair market value of PodcastOne's common stock held by us immediately before the Distribution.

We may be unable to complete the spin-out of PodcastOne as a separate public company and related special dividend(s) and/or the proposed Slacker Proposed Business Combination, and we may be unable to achieve some or all of the benefits that we expect to achieve from such transactions.

We believe that as a result of the intended spin-out of PodcastOne as an independent publicly-traded company (the "Spin-Out") and Slacker Proposed Business Combination, each of PodcastOne and Slacker will be able to, among other things, better focus on their respective financial and operational resources on their respective specific business, implement and maintain a capital structure designed to meet on their respective specific needs, design and implement corporate strategies and policies that are targeted to on their respective business, more effectively respond to industry dynamics and create effective incentives for on their respective management and employees that are more closely tied to on their respective business performance. We also believe that each of the Spin-Out and the Slacker Proposed Business Combination will result in significant benefits to our Company and our stockholders as a result of unlocking the value we believe that each of PodcastOne and Slacker has as a standalone publicly traded company. In connection with the Spin-Out, we plan to complete a special dividend of approximately 19% of PodcastOne's common stock to our stockholders of record as of May 11, 2023 that are eligible to receive the special dividend (the "Special Dividend"). Other criteria to determine our stockholders eligible for the Special Dividend shall be determined and announced by us at a later date. We cannot assure you that we will be able to complete the Spin-Out due to many factors outside of our control.

We also announced the proposed Slacker Proposed Business Combination for similar reasons as set forth above. However, we cannot assure you that we will be able to complete the Slacker Proposed Business Combination due to many factors outside of our control.

In addition, by separating from LiveOne, PodcastOne and/or Slacker may be more susceptible to market fluctuations and have less leverage with their respective talent, customers, vendors and other service providers, and PodcastOne and/or Slacker may experience other adverse events. In addition, we may be unable to achieve some or all of the benefits that we expect PodcastOne and/or Slacker to achieve as an independent company in the time we expect, if at all. The completion of the spin-out PodcastOne and the Special Dividend and/or the Slacker Proposed Business Combination will also require significant amounts of our management's time and effort, which may divert management's attention from operating and growing our business.

PodcastOne's and/or Slacker's common stock may not be eligible for listing on any national securities exchange.

PodcastOne's and/or Slacker's common stock is not currently quoted or listed on any national securities exchange, marketplace or any other over-the-counter market, and may never be quoted or listed in the future. We intend to apply to have PodcastOne's and/or Slacker's common stock on a national securities exchange as soon as we are eligible to do so following the preparation, filing and consummation of applicable steps and documents related to the Spin-Out and the proposed Slacker Proposed Business Combination, as applicable. However, we cannot assure you that PodcastOne and/or Slacker will meet the initial listing standards of any other national securities exchange at any time in the future. In addition, even if PodcastOne and/or Slacker does obtain such a listing, there can be no assurance that they will be able to maintain such listing in the future. As a result, PodcastOne's and/or Slacker's investors may find it difficult to buy or sell or obtain accurate quotations for their common stock, and their shares may be less attractive for margin loans and for investment by larger financial institutions. These factors may have an adverse impact on the trading and price of our common stock.

Our Company's, PodcastOne's and Slacker's debt agreements contain certain provisions requiring the consent of our senior lender and certain conditions to be satisfied in order for us to complete each of the spin-out of PodcastOne and the Special Dividend and/or the Slacker Proposed Business Combination. If these consents are not obtained or such conditions are not satisfied, we may be in breach of such agreements, and we may not be able to consummate such spin-out and the Special Dividend and the Slacker Proposed Business Combination.

Our Company's, PodcastOne's and Slacker's debt agreements contain certain provisions that require the consent of our senior lenders and for certain conditions to be satisfied in order for us to complete each of the spin-out of PodcastOne and the Special Dividend and/or the Slacker Proposed Business Combination, and to determine the amount of the Special Dividend and our stockholders Special Dividend eligibility. In addition, we will be required to comply with applicable rules and regulations to consummate such spin-out and the Special Dividend and/or the Slacker Proposed Business Combination. For example, our senior lender will need to specifically consent to the Special Dividend and the amount thereof and the Slacker Proposed Business Combination. Furthermore, we agreed not to effect any Qualified Financing or Qualified Event (each as defined in PodcastOne's offering documents with respect to its completed private placement of its unsecured convertible notes), as applicable, and/or any other transaction unless (i) PodcastOne's post-money valuation at the time of the Qualified Event is at least $150 million (with respect to the PodcastOne's offering documents with respect to its completed private placement of its unsecured convertible notes), and (ii) immediately following such event we own no less than 66% of PodcastOne's and Slacker's equity, as applicable, unless in either case otherwise permitted by the written consent of the holders of the majority in principal of such notes (excluding our Company), our senior lender and the holders of our Series A Preferred Stock, as applicable. Failure to obtain such consents on commercially reasonable and satisfactory terms, or at all, may cause us to be in breach of such agreements and we may not be able to consummate such spin-out and the Special Dividend and the Slacker Proposed Business Combination.

The implications of Pirani v. Slack Technologies, Inc. (No. 20-16419 (9th Cir. 2021) lawsuit may expose us to potential litigation and any adverse outcome in such litigation may have a material adverse impact on our business and/or financial condition.

Slack Technologies, Inc. ("Slack"), a technology company that offers a popular instant messaging platform for businesses and organizations, opted to go public through a direct listing on the New York Stock Exchange in June 2019. A direct listing allows a company to go public without going through the traditional route of issuing new shares in an underwritten initial public offering. Beginning in September 2019, seven purported class action lawsuits were filed against Slack, its directors, certain of its officers and certain investment funds associated with certain of its directors, each alleging violations of securities laws in connection with Slack's registration statement on Form S-1 related to such direct listing (the "Slack Registration Statement") filed with the SEC. In 2021, the U.S. Ninth Circuit Court of Appeals in Pirani v. Slack Technologies, Inc. (No. 20-16419 (9th Cir. 2021) litigation affirmed the conclusion of the U.S. District Court for the Northern District of California in 2021 that Pirani, who bought Slack stock in its direct listing, had standing to bring claims under Sections 11 and 12(a)(2) of the Securities Act, despite the fact that he was unable to prove that the shares he bought were registered under the allegedly misleading registration statement that he was challenging. The Ninth Circuit's ruling has resulted in some uncertainty as to one of the longest standing precedents in federal securities case law by eliminating the requirement under Section 11 of the Securities Act that a claimant "trace" his shares to a registration statement, threatening not only the viability of direct listings, but also of the entire initial public offering ecosystem.

The Supreme Court has agreed to hear oral arguments in Slack v. Pirani litigation, as the case presents novel questions about standing under the Securities Act and could have significant ramifications for investors who purchase securities through direct listings and other alternative forms of public offerings. If the Ninth Circuit's decision is left intact, the ruling may carve out a special, more expansive rule of potential liability under Securities Act for issuers that go public via a direct listing and impose Section 11 liability on exempt transactions that do not require registration statements.

There can be no assurances as to the outcome of the Supreme Court's review of the Slack v. Pirani litigation and whether the Supreme Court limits its decision to claims brought where shares are acquired in a direct listing, and whether the court would choose to alter the well-established and largely uniform case law across the circuits that requires tracing of shares to a specific registration statement under Section 11 of the Securities Act (that Section 11 claims may only be brought by plaintiffs whose shares were issued pursuant to the faulty registration statement). If the Supreme Court elects to expand the grounds on which a plaintiff would have standing to sue under Section 11 of the Securities Act and if we successfully complete the Direct Listing and are subsequently potentially sued for violations of Section 11, any adverse outcome in such litigation may have a material adverse impact on our business and/or financial condition. In addition, even if the Supreme Court does not elect to expand the grounds on which a plaintiff would have standing to sue under Section 11 and if we successfully complete the Direct Listing, we may be subject to future litigation for alleged other violations of the Securities Act, any adverse outcome in such litigation may have a material adverse impact on our business and/or financial condition.

PodcastOne may be required to redeem a portion of its bridge notes if it is unable to consummate the Direct Listing by certain dates.

If PodcastOne does not consummate its proposed direct listing on a national stock exchange (the "Direct Listing") by February 15, 2023, March 15, 2023 or April 15, 2023, as applicable, unless in either case permitted by the written consent of the holders holding the majority of the Bridge Notes, PodcastOne shall be required to redeem $1,000,000 of the then outstanding Bridge Notes (other than the Bridge Notes issued to LiveOne) by the tenth calendar day of each month immediately following such respective date above (subject to any cure period), up to an aggregate redemption of $3,000,000 over the course of such three months, each of which shall be distributed to the holders of the Bridge Notes (other than LiveOne) on a prorated basis. As of June 29, 2023, PodcastOne has not yet consummated the Direct Listing and accordingly, it has redeemed $3,000,000 of the outstanding Bridge Notes (other than the Bridge Notes issued to LiveOne). PodcastOne is not required to redeem any more of the principal amount of the bridge notes; however, PodcastOne will be required to repay the notes at maturity if the Direct Listing is not consummated by then. Any such repayment could adversely affect PodcastOne's and/or our liquidity, business and operations, and/or may require PodcastOne and/or us to raise additional capital via the issuance of equity and/or debt.

The risks described above do not necessarily comprise of all those associated with the intended Spin-Out and the Slacker Proposed Business Combination.

Risks Related to the Ownership 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 or financing 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 17,600,000 shares of our common stock reserved for future issuance to our employees, directors and consultants. 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 our Series A Preferred 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.

As of March 31, 2023, the shares of our Series A Preferred Stock are convertible into approximately 10.1 million shares of our common stock. The conversion of some or all of the shares of our Series A Preferred Stock into shares of our common stock will dilute the ownership interests of our existing stockholders. In addition, any sales in the public market of the shares of our common stock issuable upon such conversion and/or any anticipated conversion of the Series A Preferred Stock into shares of our common stock could adversely affect prevailing market prices of our common stock.

Risks Related to Our PodcastOne Business

We generate a substantial portion of our revenues from PodcastOne's podcast and advertising sales. If PodcastOne fails to maintain or grow podcasting and advertising and e-commerce merchandise revenue, our financial results may be adversely affected.

We generate revenue primarily from PodcastOne's podcasting and advertising services. Our financial results could be adversely affected if we fail to maintain or grow PodcastOne's podcasting and advertising and e-commerce merchandise revenue in the future. In addition, if PodcastOne fails to collect its receivable balance from its key customers in its podcasting and advertising and e-commerce merchandise businesses, our financial results may be adversely affected.

PodcastOne faces and will continue to face competition for listeners and listener listening time.

PodcastOne competes with providers of podcasts that offer an on-demand catalog of podcast content that is similar to ours. PodcastOne faces increasing competition from a growing variety of podcast providers that seek to differentiate their service by content offering and product features, and they may be more successful than PodcastOne in predicting listener preferences, providing popular content, and innovating new features.

PodcastOne's competitors include providers of internet radio, terrestrial radio, and satellite radio. Internet radio providers may offer more extensive content libraries than we offer and some may be offered internationally more broadly than PodcastOne's service. In addition, internet radio providers may leverage their existing infrastructure and content libraries, as well as their brand recognition and listener base, to augment their services by offering competing on-demand podcast features to provide listeners with more comprehensive podcast service delivery choices. Terrestrial radio providers often offer their content for free, are well-established and accessible to consumers, and offer media content that we currently do not offer. In addition, many terrestrial radio stations have begun broadcasting digital signals, which provide high-quality audio transmission. Satellite radio providers, such as SiriusXM and iHeartRadio, may offer extensive and exclusive news, comedy, sports and talk content, and national signal coverage.

We believe that companies with a combination of technical expertise, brand recognition, financial resources, and digital media experience also pose a significant threat of developing competing on-demand audio distribution technologies. In particular, if known incumbents in the digital media space such as Facebook choose to offer competing services, they may devote greater resources than we have available, have a more accelerated time frame for deployment, and leverage their existing listener base and proprietary technologies to provide services that our listeners and advertisers may view as superior. Furthermore, Amazon Music, Apple Music, Apple Podcasts, Spotify, iHeartMusic and others have competing podcast services, which may negatively impact our business, operating results, and financial condition. Our current and future competitors may have higher brand recognition, more established relationships with content licensors and mobile device manufacturers, greater financial, technical, and other resources, more sophisticated technologies, and/or more experience in the markets in which we compete. Our current and future competitors may also engage in mergers or acquisitions with each other, as SiriusXM and Pandora have done, or to acquire smaller podcasting services, such as Spotify has done, to combine and leverage their audiences. Our current and future competitors may innovate new features or introduce new ways of consuming or engaging with content that cause our listeners, especially the younger demographic, to switch to another product, which would negatively affect our listener retention, growth, and engagement. In addition, Apple and Google also own application store platforms and are charging in-application purchase fees, which are not being levied on their own applications, thus creating a competitive advantage for themselves against us. If other competitors that own application store platforms and competitive services adopt similar practices, we may be similarly impacted. As the market for on-demand audio on the internet and mobile and connected devices increases, new competitors, business models, and solutions are likely to emerge.

PodcastOne also competes for listeners based on its presence and visibility as compared with other businesses and platforms that deliver audio content through the internet and connected devices. PodcastOne faces significant competition for listeners from companies promoting their own digital audio content online or through application stores, including several large, well-funded, and seasoned participants in the digital media market. Device application stores often offer listeners the ability to browse applications by various criteria, such as the number of downloads in a given time period, the length of time since an application was released or updated, or the category in which the application is placed. The websites and applications of PodcastOne's competitors may rank higher than its website and our application, and our application may be difficult to locate in device application stores, which could draw potential listeners away from our service and toward those of our competitors. If we are unable to compete successfully for listeners against other digital media providers by maintaining and increasing our presence, ease of use, and visibility online, on devices, and in application stores, our number of paid members, free ad-supported users, and the amount of content streamed on our service may fail to increase or may decline and our membership fees and advertising sales may suffer.

We compete for a share of advertisers' overall marketing budgets with other content providers on a variety of factors, including perceived return on investment, effectiveness and relevance of our advertising products, pricing structure, and ability to deliver large volumes or precise types of advertisements to targeted listener demographic pools. We also compete for advertisers with a range of internet companies, including major internet portals, search engine companies, social media sites, and mobile applications, as well as traditional advertising channels such as terrestrial radio and television.

Large internet companies with strong brand recognition, such as Facebook, Google, Amazon, and Twitter, have significant numbers of sales personnel, substantial advertising inventory, proprietary advertising technology solutions, and traffic across web, mobile, and connected devices that provide a significant competitive advantage and have a significant impact on pricing for reaching these listener bases. Failure to compete successfully against our current or future competitors could result in the loss of current or potential advertisers, a reduced share of our advertisers' overall marketing budget, the loss of existing or potential listeners, or diminished brand strength, which could adversely affect our pricing and margins, lower our revenue, increase our research and development and marketing expenses, and prevent us from achieving or maintaining profitability.

PodcastOne's business is dependent upon the performance of its podcasts and their talent.

PodcastOne independently contracts with podcasts and talent with significant loyal audiences in their respective markets. Although PodcastOne has entered into long-term agreements with some of its key podcast hosts to protect its interests in those relationships, we can give no assurance that all or any of these persons will remain with us, will be able to continue to provide podcasting services, will retain their audiences or will continue to be profitable. Competition for these podcasts and talent is intense and certain of these talent and podcasts are under no legal obligation to remain with us after the expiration of their podcast license agreements. PodcastOne's competitors may choose to extend offers to any of these podcasts and/or talent on terms which we may be unwilling to meet. Furthermore, the popularity and audience loyalty of its key podcasts is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could have a material adverse effect on PodcastOne's ability to attract local and/or national advertisers and on our revenue and/or ratings, and could result in increased expenses.

If PodcastOne fails to increase the number of listeners consuming its podcast content, our business, financial condition and results of operations may be adversely affected.

The size of PodcastOne's listener base consuming its podcast content is critical to its success, and PodcastOne will need to develop and grow our listener base to be successful. We currently generate substantially all of our revenue from advertising and sponsorship, which is dependent on the number of listeners consuming its podcast content that we attract. For example, if PodcastOne is unable to retain and attract listeners consuming its podcast content, it may be unable to maintain or increase the frequency of listeners' engagement with its platform and its podcasts. In addition, if listeners do not perceive PodcastOne's content as original, entertaining or engaging, it may not be able to attract advertising and sponsorship opportunities and/or increase the resulting frequency of listeners' engagement with our platform and content. If PodcastOne is unable to retain and attract listeners, its network and services could also be less attractive to potential new advertisers, sponsors and listeners, as well as to podcasts and podcasting talent, which could have a material and adverse impact on our business, financial condition and results of operations.

Significant up-front and/or minimum guarantees required under certain of PodcastOne's podcast license agreements may limit its operating flexibility and may adversely affect our business, operating results, and financial condition.

Certain of PodcastOne's podcast license agreements contain significant up-front and/or require that PodcastOne makes minimum guarantee payments ("MGs"). In addition, in order to secure top podcasts and/or renew top performing podcasts, PodcastOne may be required to fund significant MGs payment requirements. While some MGs are recoupable by PodcastOne as a direct cost before it shares any revenue with the underlying partners/talent, some MGs related to PodcastOne's content acquisition costs are not always tied to its revenue and/or audience growth forecasts (e.g., number of listeners, downloads, YouTube viewers, social media followers), or the number of podcasts distributed its service. PodcastOne may also be subject to MGs to rights holders with respect to certain strategic partnerships we enter into that may not produce all of the expected benefits. Accordingly, PodcastOne's ability to achieve and sustain profitability and operating leverage on its service in part depends on its ability to increase its revenue through increased advertising sales on terms that maintain an adequate gross margin. The duration of its license agreements for podcast content that contain MGs is frequently between one and two years. If its forecasts of user acquisition or retention do not meet its expectations or advertising sales decline significantly during the term of our license agreements, PodcastOne's margins may be materially and adversely affected. To the extent PodcastOne's advertising sales do not meet its expectations, our business, operating results, and financial condition could also be adversely affected 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.

PodcastOne relies on estimates of the market share of streamed and/or downloaded content by the provider, as well as its own user growth and forecasted advertising revenue, to forecast whether such MGs could be recouped against its actual content acquisition costs incurred over the duration of the license agreement. To the extent that this revenue and/or market share estimates underperform relative to its expectations, leading to content acquisition costs that do not exceed such minimum guarantees, its margins may be materially and adversely affected.

PodcastOne's podcasting revenue and operating results are highly dependent on the overall demand for advertising. Factors that affect the amount of advertising spending, such as economic downturns, can make it difficult to predict our revenue and could adversely affect its business.

PodcastOne's business depends on the overall demand for advertising and on the economic health of its current and prospective advertisers. If advertisers reduce their overall advertising spending, PodcastOne's revenue and results of operations are directly affected. Many advertisers devote a disproportionate amount of their advertising budgets to the fourth quarter of the calendar year to coincide with increased holiday purchasing, and buyers may spend more in the fourth quarter for budget reasons. As a result, if any events occur to reduce the amount of advertising spending during the fourth quarter, or reduce the amount of inventory available to advertisers during that period, it could have a disproportionate adverse effect on its podcasting revenue and our operating results for that fiscal year. Economic downturns or instability in political or market conditions generally may cause current or new advertisers to reduce their advertising budgets. Adverse economic conditions and general uncertainty about economic prospects in the future are likely to affect PodcastOne's business prospects. In particular, uncertainty regarding the general business conditions in the United States and globally and if such economies deteriorate or become volatile could cause advertisers to delay, decrease or cancel ad purchases. Moreover, any changes in the favorable tax treatment of advertising expenses and the deductibility thereof would likely cause a reduction in advertising demand. In addition, continued geopolitical turmoil in many parts of the world have and may continue to put pressure on global economic conditions, which could lead to reduced spending on advertising.

Expansion of PodcastOne's operations to deliver podcasts subjects it to increased business, legal, financial, reputational, and competitive risks.

Expansion of PodcastOne's operations to deliver podcasts and other non-music content involves numerous risks and challenges, including increased capital requirements, new competitors, and the need to develop new strategic relationships. Growth in these areas may require additional changes to PodcastOne's existing business model and cost structure, modifications to is infrastructure, and exposure to new regulatory, legal and reputational risks, including infringement liability, any of which may require additional expertise that it currently does not have. There is no guarantee that PodcastOne will be able to generate sufficient revenue from podcasts or other non-music content to offset the costs of creating or acquiring this content. Further, we have initially established a reputation as a music streaming service and our ability to gain acceptance and listenership for podcasts or other non-music content, and thus our ability to attract users and advertisers to this content, is not certain. Failure to successfully monetize and generate revenues from such content, including failure to obtain or retain rights to podcasts or other non-music content on acceptable terms, or at all, or to effectively manage the numerous risks and challenges associated with such expansion could adversely affect our business, operating results, and financial condition.

In addition, we enter into multi-year commitments for original content that we produce or commission. Given the multiple-year duration and largely fixed cost nature of such commitments, if our user growth and retention do not meet our expectations, our margins may be adversely impacted. Payment terms for certain content that we produce or commission will typically require more upfront cash payments than other content licenses or arrangements whereby we do not pay for the production of such content. To the extent our user and/or revenue growth do not meet our expectations, our liquidity and results of operations could be adversely affected as a result of such content commitments. The long-term and fixed cost nature of certain content commitments may also limit our flexibility in planning for or reacting to changes in our business, as well as our ability to adjust our content offering if our users do not react favorably to the content we produce. Any such event could adversely impact our business, operating results, and financial condition.

Increases in the costs in relation to podcast content creators, such as higher hosts' compensation and costs of discovering and cultivating a top podcast content creator, may have an adverse effect on our business, financial condition and results of operations.

PodcastOne depends upon podcast content creators to continuously provide a large variety of high-quality content on its platform, which is a key factor of engaging and providing a satisfactory user experience that ensures long-term user stickiness. PodcastOne competes with other audio platforms for active, popular or celebrity content creators. To attract and retain top content creators and maintain the high level of content quality, PodcastOne enters into contracts with its podcast content creators under which such creators are usually paid a certain percentage of the ad sales and other revenue that it generates related to their podcast. The compensation to a top podcast content creator may increase as the competition intensifies. If PodcastOne's content creators become too costly, it will not be able to produce high quality content at commercially acceptable costs. If PodcastOne's competitors' platforms offer higher revenue sharing percentage with an intent to attract our popular podcast content creators, costs to retain such content creators may increase. Furthermore, as PodcastOne's business and user base further expand, it may have to devote more resources in encouraging its podcast content creators to produce content that meets the evolving interests of a diverse user base, which would increase the costs of content on PodcastOne's platform. If PodcastOne is unable to generate sufficient revenues that outpace its increased costs in relation to content creators, our business, financial condition and results of operations may be materially and adversely affected.

PodcastOne uses third-party services and technologies in connection with is business, and any disruption to the provision of these services and technologies to PodcastOne could result in adverse publicity and a slowdown in the growth of is users, which could materially and adversely affect our business, financial condition and results of operations.

Our PodcastOne business depends upon services provided by, and relationships with, third parties. PodcastOne currently engages third-party service providers in certain areas of its operations such as monitoring of its podcasts. If such third-party service providers fail to detect the illegal or inappropriate activities or content in our podcasts, we may be subject to regulator's disapproval or penalties as well as adverse media exposure which could materially and adversely affect our business, financial condition and results of operations. In addition, some third-party software we use in our operations is currently publicly available without charge. If the owner of any such software decides to make claims against us, charge users, or no longer makes the software publicly available, we may need to enter into settlement with such owners, incur significant cost to license the software, find replacement software or develop it on our own. If PodcastOne is unable to find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

PodcastOne's overall network relies on bandwidth connections provided by third-party operators and it expects this dependence on third parties to continue. The networks maintained and services provided by such third parties are vulnerable to damage or interruption, which could impact our business, financial condition and results of operations.

PodcastOne also depends on the third-party online payment systems for sales of its products and services. If any of these third-party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual gifts online, in which case our results of operations would be negatively impacted.

PodcastOne exercises no control over the third parties with whom it has business arrangements. For some of our services and technologies such as online payment systems, PodcastOne relies on a limited number of third-party providers with limited access to alternative networks or services in the event of disruptions, failures or other problems. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with PodcastOne, it could suffer service interruptions, reduced revenues or increased costs, any of which may have a material adverse effect on our business, financial condition and results of operations.

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

PodcastOne's 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, PodcastOne's services must work well with a range of technologies, systems, networks, regulations and standards that it does 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 PodcastOne's services and increase is 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 LiveOne and PodcastOne. 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 LiveOne and PodcastOne, 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.

PodcastOne relies on a variety of operating systems, online platforms, hardware, and networks to reach its 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 its interests and may restrict its access to them or place conditions on access that would materially affect its ability to access those platforms. In particular, where the owner of a platform also is PodcastOne's direct competitor, the platform may attempt to use this position to affect PodcastOne's access to customers and ability to compete. For example, an online platform might arbitrarily remove PodcastOne's services from its platform, deprive PodcastOne 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 PodcastOne to access the platform, and such changes may adversely affect the success or desirability of our services. Online platforms may limit PodcastOne's 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.

PodcastOne relies on integrations with advertising platforms, demand-side platforms ("DSPs"), proprietary platforms and ad servers, over which it exercises very little control.

PodcastOne's business depends on its ability to integrate its content with a variety of third-party advertising platforms, DSPs, proprietary platforms and ad services. PodcastOne is able to make its podcasts available on other popular podcasting platforms such as Apple, Amazon, Spotify and wherever podcasts are heard, allowing our listeners to utilize such platforms to listen to our podcasts. PodcastOne has also formed partnerships with advertising platforms to integrate its podcasts with their software and product offerings, allowing PodcastOne's advertisers to utilize its solutions wherever they purchase or place an ad. For example, PodcastOne relies on integration with Apple and Spotify in order to provide its podcasts through their platforms. Apple or Spotify may determine to only host shows that are proprietary to them, which would have a significant effect on PodcastOne's ability to offer its podcasts to larger group of listeners and would materially adversely affect our business, results of operations and financial condition. Some of these integration partners have significant market share in the segment in which they operate. To date, PodcastOne has relied on written contracts and other arrangements to govern its relationships with these partners. However, these are subject to change by such providers from time to time and in many instances the provider may choose to terminate these contracts without cause and with short notice periods. Many of these agreements are short term with automatic renewal provisions, and there can be no assurances that such providers will agree to renew their agreements with PodcastOne. Moreover, such providers may choose to stop integrating with PodcastOne's podcasts and may unilaterally stop providing us with data necessary to its business if they acquire a competitor which provides podcasting services similar to ours or if they begin to deliver podcasts similar to PodcastOne's on their own. We cannot assure you that PodcastOne's existing podcast partners and integration partners will continue to, or that potential new podcast partners or integration partners will agree to, integrate PodcastOne's podcasts into their podcast offerings or services. Such integrations may not be replaceable, and so loss of any such integrations could materially impact our business and our results of operations and we and/or PodcastOne may lose listeners.

Our business and revenues could also be affected by social issues or disruptions. For example, if there is public disapproval or boycotting of a specific podcasting platform, such as Spotify or other podcasting platform, PodcastOne's ability to optimize ad placement or to forecast listener metrics may be impacted based on unforeseen trends or events.

PodcastOne's revenue model also depends in part on high impression volumes, the growth of which may not be sustained.

PodcastOne generates revenue by charging a cost per thousand impressions ("CPM") based on the volume of purchased digital ads that we measure on behalf of these customers. If the volume of impressions it measures does not continue to grow or decreases for any reason, PodcastOne's business will suffer. For example, if digital ad spending remains constant and PodcastOne's advertiser customers transition to higher CPM ad inventory, overall impression volumes may decrease, which may result in fewer impressions for PodcastOne to verify and a corresponding decline in its revenues. We cannot assure you that growth in volume of impressions will be sustained. If PodcastOne's customers adjust their buying patterns or alter their preference to higher CPM ad inventory, our business, financial condition, and results of operations may be harmed.

PodcastOne's advertising sales depend on how its listener data is collected and how advertisers select their ad listener targeting in the future.

PodcastOne's advertising sales depend on how its listener data is collected and how advertisers select their ad listener targeting in the future. Advertiser spending varies based on their desire to target certain categories of listeners and supporting listener data. If PodcastOne's advertisers determine to target different listeners or shift their ad spending towards different listener categories, our business, financial condition, and results of operations may be harmed.

The third-party services and software that PodcastOne uses are highly technical and may contain undetected software bugs or vulnerabilities, which could manifest in ways that could seriously harm its reputation and business.

The third-party services and software that PodcastOne uses are highly technical and complex. The tech solutions that it uses or 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 PodcastOne's products, including through diminished performance, security vulnerabilities, malfunctions, or even permanently disabled products. PodcastOne's tech providers have a practice of updating their tech solutions and software and some errors in their technology and software may be discovered only after a product has been used by listeners, and may in some cases be detected only under certain circumstances or after extended use. Any errors, bugs or other vulnerabilities discovered in the underlying code or backend after release could damage our reputation, drive away listeners, allow third parties to manipulate or exploit our software, lower revenue and expose us to claims for damages, any of which could seriously harm PodcastOne's business. Additionally, errors, bugs, or other vulnerabilities may—either directly or if exploited by third parties—affect PodcastOne's ability to make accurate royalty payments.

PodcastOne also could face claims for infringement of intellectual property, among other things. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention and seriously harm PodcastOne's reputation and business. In addition, if PodcastOne's liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, its business could be seriously harmed.

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

We and PodcastOne 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 services. 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 listener, 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.

PodcastOne's listener 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 PodcastOne's reputation and business.

PodcastOne regularly reviews key metrics related to the operation of its business 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 it believes to be reasonable estimates of PodcastOne's listener base for the applicable period of measurement, there are inherent challenges in measuring how our services are used across large populations globally. Errors or inaccuracies in PodcastOne's metrics or data could result in incorrect business decisions and inefficiencies.

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 listeners self-report their names and dates of birth. Consequently, the personal data PodcastOne has may differ from its listeners' actual names and ages. If advertisers, partners, or investors do not perceive our listener, geographic or other demographic metrics to be accurate representations of our listener base, or if PodcastOne discovers material inaccuracies in its listener, 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.

PodcastOne's podcasting 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.

PodcastOne is 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 PodcastOne's operations, it is 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 PodcastOne's business grows and evolves and our solutions are used more globally, it will become subject to laws and regulations in additional jurisdictions. It is difficult to predict how existing laws will be applied to PodcastOne's business and the new laws to which we may become subject.

PodcastOne is 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 membership renewals, credit card processing procedures, consumer protections, broadband Internet access and content restrictions. We cannot guarantee that PodcastOne's has been or will be fully compliant in every jurisdiction in which it is 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 PodcastOne's 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 listener 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.

PodcastOne's corporate culture has contributed to its success, and if it cannot successfully maintain its culture as it assimilates new employees, it could lose the innovation, creativity and teamwork fostered by its culture.

PodcastOne is undergoing growth in its business, including in its employee headcount. A significant portion of its management team has been with the company since inception. PodcastOne expects that significant additional hiring will be necessary to support its strategic plans. This rapid influx of new team members from different business backgrounds may make it difficult for it to maintain our corporate culture. PodcastOne believes its culture has contributed significantly to its ability to attract and retain talent, to acquire podcast content and to innovate and grow successfully. If its culture is negatively affected, its ability to support its growth and innovation may diminish.

Risks Related to Our E-commerce Merchandising Business

We generate a substantial portion of our revenues from our ecommerce merchandise sales. If we fail to maintain or grow our ecommerce merchandise sales revenue, our financial results may be adversely affected.

We generate revenue primarily from our ecommerce merchandise sales. Our financial results could be adversely affected if we fail to maintain or grow our ecommerce merchandise revenue in the future. In addition, if we fail to collect our receivables balance from our customers in our ecommerce merchandising business, our financial results may be adversely affected.

Our business is affected by seasonality, which could result in fluctuations in our operating results.

Our CPS merchandising business is affected by seasonality. Historically, we generated higher sales revenues in the third fiscal quarter ending December 31. However, the mix of product sales may vary considerably from time to time as a result of changes in seasonal demand and change in preferences or popularity of certain of our merchandise. As a result, we may not be able to accurately predict our quarterly sales. Accordingly, our results of operations are likely to fluctuate materially from period to period. This seasonality, along with other factors that are beyond our control, including general economic conditions, changes in consumer preferences, weather conditions, availability of inventory and transportation disruptions, could adversely affect our business and cause our results of operations to fluctuate. Our operating margins are also sensitive to a number of additional factors that are beyond our control, including manufacturing and transportation costs, shifts in product sales mix and geographic sales trends, all of which we expect to continue. Results of operations in any period should not be considered indicative of the results to be expected for any future period.

Failure to accurately forecast consumer demand could lead to excess inventories or inventory shortages, which could result in decreased operating margins, reduced cash flows and harm to our business.

To meet anticipated demand for our products, we purchase certain materials, which we hold in inventory. There is a risk we may be unable to sell excess products ordered from manufacturers. Inventory levels in excess of customer demand may result in inventory write-downs, and the sale of excess inventory at discounted prices could significantly impair CPS' image and have an adverse effect on our operating results, financial condition and cash flows. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply products that we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to customers, negatively impact retailer and consumer relationships and negatively impact our reputation. The difficulty in forecasting demand also makes it difficult to estimate our future results of operations, financial condition and cash flows from period to period. A failure to accurately predict the level of demand for our products could adversely affect our net revenues and net income, and we are unlikely to forecast such effects with any certainty in advance.

We are subject to data security and privacy risks that could negatively affect our results, operations or reputation.

In addition to our own sensitive and proprietary business information, we collect transactional and personal information about our customers, which include online distribution channels. Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks. Any breach of our network, or other vendor systems, may result in the loss of confidential business and financial data, misappropriation of our consumers' or employees' personal information or a disruption of our business. Any of these outcomes could have a material adverse effect on our business, including unwanted media attention, impairment of our consumer and customer relationships, damage to our reputation; resulting in lost sales and consumers, fines, lawsuits, or significant legal and remediation expenses. We also may need to expend significant resources to protect against, respond to and/or redress problems caused by any breach.

In addition, we must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S and elsewhere. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility and could have a negative impact on our results of operations, financial condition and cash flows from period to period.

The success of our business depends, in part, on high-quality employees, including key personnel.

Our success depends in part on the continued service of high-quality employees, including key executive officers and personnel. The loss of the services of key individuals, or any negative perception with respect to these individuals, could harm our business. Our success also depends on our ability to recruit, retain and engage our personnel sufficiently, both to maintain our current business and to execute our strategic initiatives. We may not be successful in attracting and retaining such personnel.

Our business may be adversely affected if we are unable to provide our customers a cost-effective shopping platform that is able to respond and adapt to rapid changes in technology.

The number of people who access the Internet through devices other than personal computers, including mobile phones, smartphones, handheld computers such as notebooks and tablets, video game consoles, and television set-top devices, has increased dramatically in the past few years. We continually upgrade existing technologies and business applications to keep pace with these rapidly changing and continuously evolving technologies, and we may be required to implement new technologies or business applications in the future. The implementation of these upgrades and changes requires significant investments and as new devices and platforms are released, it is difficult to predict the problems we may encounter in developing applications for these alternative devices and platforms. Additionally, we may need to devote significant resources to the support and maintenance of such applications once created. Our results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to our systems and infrastructure to accommodate such alternative devices and platforms. Further, in the event that it is more difficult or less compelling for our customers to buy products from us on their mobile or other devices, or if our customers choose not to buy products from us on such devices or to use mobile or other products that do not offer access to our sites, our customer growth could be harmed and our business, financial condition and operating results may be materially adversely affected.

Significant merchandise returns could harm our business.

We allow our customers to return products, subject to our return policy. If merchandise returns are significant, our business, prospects, financial condition and results of operations could be harmed. Further, we modify our policies relating to returns from time to time, which may result in customer dissatisfaction or an increase in the number of product returns. Some of our products require special handling and delivery. From time to time our products are damaged in transit, which can increase return rates and harm our brand.

Our business relies heavily on email and other messaging services, and any restrictions on the sending of emails or messages or an inability to timely deliver such communications could materially adversely affect our net revenue and business.

Our business is highly dependent upon email and other messaging services for promoting our sites and products. Daily promotions offered through emails and other messages sent by us generate a significant portion of our net revenue. We provide daily emails and "push" communications to customers and other visitors informing them of what is available for purchase on our sites, and we believe these messages are an important part of our customer experience and help generate a substantial portion of our net revenue. If we are unable to successfully deliver emails or other messages to our email members, or if our email members decline to open our emails or other messages, our net revenue and profitability would be materially adversely affected. Changes in how webmail applications organize and prioritize email may also reduce the number of members opening our emails. For example, in 2013 Google Inc.'s Gmail service began offering a feature that organizes incoming emails into categories (for example, primary, social and promotions). Such categorization or similar inbox organizational features may result in our emails being delivered in a less prominent location in a member's inbox or viewed as "spam" by our members and may reduce the likelihood of that member opening our emails. Actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages could also adversely impact our business. From time to time, Internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to third parties. Changes in the laws or regulations that limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications would also materially adversely impact our business. Our use of email and other messaging services to send communications about our products and site or other matters may also result in legal claims against us, which may cause us increased expenses, and if successful might result in fines and orders with costly reporting and compliance obligations or might limit or prohibit our ability to send emails or other messages. We also rely on social networking messaging services to send communications and to encourage customers to send communications. Changes to the terms of these social networking services to limit promotional communications, any restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by customers and potential customers could materially adversely affect our business, financial condition and operating results.

We are subject to risks related to online payment methods.

We accept payments using a variety of methods, including credit card, debit card, PayPal, credit accounts and gift cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. As our business changes, we may also be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card and debit card payments from consumers or to facilitate other types of online payments. If any of these events were to occur, our business, financial condition and operating results could be materially adversely affected. We occasionally receive orders placed with fraudulent credit card data. We may suffer losses as a result of orders placed with fraudulent credit card data even if the associated financial institution approved payment of the orders. Under current credit card practices, we may be liable for fraudulent credit card transactions. If we are unable to detect or control credit card fraud, our liability for these transactions could harm our business, financial condition and results of operations.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future regulations and laws could impede the growth of the Internet, e- commerce or mobile commerce. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection, Internet neutrality and gift cards. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet or e-commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our sites by consumers and suppliers and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our sites or may even attempt to completely block access to our sites. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected, and we may not be able to maintain or grow our net revenue and expand our business as anticipated. Further, as we enter into new market segments or geographical areas and expand the products and services we offer, we may be subject to additional laws and regulatory requirements or prohibited from conducting our business, or certain aspects of it, in certain jurisdictions. We will incur additional costs complying with these additional obligations and any failure or perceived failure to comply would adversely affect our business and reputation.

Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our sites and our financial results.

Due to the global nature of the Internet, it is possible that various states might attempt to impose additional or new regulation on our business or levy additional or new sales, income or other taxes relating to our activities. Tax authorities at the federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce. New or revised international, federal, state or local tax regulations or court decisions may subject us or our customers to additional sales, income and other taxes. For example, on June 21, 2018, the U.S. Supreme Court rendered a 5-4 majority decision in South Dakota v. Wayfair Inc., 17-494 where the Court held, among other things, that a state may require an out-of-state seller with no physical presence in the state to collect and remit sales taxes on goods the seller ships to consumers in the state, overturning existing court precedent. While we do not expect the Court's decision to have a significant impact on our business, other new or revised taxes and, in particular, sales taxes and similar taxes could increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes and rulings could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have a material adverse effect on our business, financial condition and operating results.

We face intense competition and may not be able to compete successfully against existing or future competitors.

The e-commerce merchandise market is evolving rapidly and intensely competitive. Barriers to entry are minimal, and current and new competitors can launch new websites at a relatively low cost. We currently compete with numerous competitors, including:

- large merchandise retailers with or without discount departments, including Amazon.com, AliExpress (part of the Alibaba Group), eBay, and Rakuten.com;
- online specialty retailers; and
- traditional general merchandise and specialty retailers.

We expect that existing and future traditional manufacturers and retailers will continue to add or improve their e-commerce offerings, and that our existing and future e-commerce competitors, including Amazon, will continue to increase their offerings and the ways in which they enable shoppers to purchase merchandise, including their mobile technology and the voice-activated shopping services offered by Amazon. Further, large marketplace websites and sites which aggregate marketplace sellers with a large product selection are becoming increasingly popular, and we may not be able to place our products on these sites to take advantage of their internal search platforms and some shoppers may begin their searches at these websites rather than utilize traditional search engines at all. Many of our competitors specialize in one or more of the areas in which we offer products. Competition from Amazon and from other competitors, many of whom have longer operating histories, larger customer bases, greater brand recognition, greater access to capital and significantly greater financial, marketing and other resources than we do, affect us and have had and could continue to have a material adverse effect on our financial results, business and prospects.

We depend on our relationships with third parties, and changes in our relationships with these parties could adversely impact our net revenue and profits.

We rely on third parties to operate certain elements of our business. For example, carriers such as FedEx, UPS, DHL and the U.S. Postal Service deliver many of our small parcel products, and third party national, regional and local transportation companies deliver a portion of our large parcel products. As a result, we may be subject to shipping delays or disruptions caused by inclement weather, natural disasters, system interruptions and technology failures, labor activism, health epidemics (including the COVID-19 outbreak) or bioterrorism. We are also subject to risks of breakage or other damage during delivery by any of these third parties. We also use and rely on other services from third parties, such as cloud computing services, telecommunications services, customs, consolidation and shipping services, as well as warranty, installation, assembly and design services. We may be unable to maintain these relationships, and these services may also be subject to outages and interruptions that are not within our control. For example, failures by our telecommunications providers have in the past and may in the future interrupt our ability to provide phone support to our customers. Third parties may in the future determine they no longer wish to do business with us or may decide to take other actions that could harm our business. We may also determine that we no longer want to do business with them. If products are not delivered in a timely fashion or are damaged during the delivery process, or if we are not able to provide adequate customer support or other services or offerings, our customers could become dissatisfied and cease buying products through our sites, which would adversely affect our operating results.

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

The e-commerce industry is characterized by vigorous protection and pursuit of intellectual property rights, which has resulted in protracted and expensive litigation for many companies. We may become subject to claims and litigation by third parties that we infringe their intellectual property rights. The costs of supporting such litigation and disputes are considerable, and there can be no assurances that favorable outcomes will be obtained. As our business expands and the number of competitors in our market increases and overlaps occur, we expect that infringement claims may increase in number and significance. Any claims or proceedings against us, whether meritorious or not, could be time-consuming, result in considerable litigation costs, require significant amounts of management time or result in the diversion of significant operational resources, any of which could materially adversely affect our business, financial condition and operating results.

Legal claims regarding intellectual property rights are subject to inherent uncertainties due to the oftentimes complex issues involved, and we cannot be certain that we will be successful in defending ourselves against such claims. In addition, some of our larger competitors have extensive portfolios of issued patents. Many potential litigants, including patent holding companies, have the ability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Furthermore, a successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from conducting our business as we have historically done or may desire to do in the future. We might also be required to seek a license and pay royalties for the use of such intellectual property, which may not be available on commercially acceptable terms, or at all. Alternatively, we may be required to develop non-infringing technology or intellectual property, which could require significant effort and expense and may ultimately not be successful.

We may receive in the future communications alleging that certain items posted on or sold through our sites violate third-party copyrights, designs, marks and trade names or other intellectual property rights or other proprietary rights. Brand and content owners and other proprietary rights owners have actively asserted their purported rights against online companies. In addition to litigation from rights owners, we may be subject to regulatory, civil or criminal proceedings and penalties if governmental authorities believe we have aided and abetted in the sale of counterfeit or infringing products.

Such claims, whether or not meritorious, may result in the expenditure of significant financial, managerial and operational resources, injunctions against us or the payment of damages by us. We may need to obtain licenses from third parties who allege that we have violated their rights, but such licenses may not be available on terms acceptable to us, or at all. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

Risks Related to our Festival and Events Business

Our success relies, in part, on the strength of our in person live 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 acquisition of React Presents in February 2020, we 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 annual digital festival, Music Lives, and digital streaming series and events, Music Lives ON and LiveOne 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 e-commerce. 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, the Mamby on the Beach festival was canceled due to circumstances beyond then owner's control. In 2020, due to the global COVID-19 pandemic and various government actions taken as a result, we postponed React Presents' flagship annual Spring Awakening festival and to date have canceled all of the events and festivals that React was scheduled to produce during such period.

In addition, due to the global COVID-19 pandemic and various government actions taken as a result continuing, we postponed React Presents' flagship annual Spring Awakening festival and canceled most of the 2022 events and festivals that React produces. While we hope to hold our Spring Awakening festival in the 2024 calendar year, there can be no assurances that we will be able to hold such festival or any other in-person festival or events in 2023 or thereafter. 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.

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, which 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, which 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.

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 the Ownership of Our Common Stock

The market price of our common stock may be highly volatile.

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.

We cannot guarantee that our stock repurchase program will be consummated, fully or all, or that it will enhance long-term shareholder value. Stock repurchases could also increase the volatility of the trading price of our stock and could diminish our cash reserves.

In December 2020, we announced that our board of directors has authorized the repurchase up to two million shares of our outstanding common stock from time to time. The timing, price, and quantity of purchases under the program will be at the discretion of our management and will depend upon a variety of factors including share price, general and business market conditions, compliance with applicable laws and regulations, corporate and regulatory requirements, and alternative uses of capital. The program may be expanded, suspended, or discontinued by our board of directors at any time. Although our board of directors has authorized this stock repurchase program, there is no guarantee as to the exact number of shares, if any, that will be repurchased by us, and we may discontinue purchases at any time that management determines additional purchases are not warranted. We cannot guarantee that the program will be consummated, fully or all, or that it will enhance long-term stockholder value. The program could affect the trading price of our common stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our common stock. In addition, this program could diminish our cash reserves.

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 22.4% of shares of our common stock issued and outstanding as of June 29, 2023 (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. Furthermore, the holders of Series A Preferred Stock may elect to convert their shares of Series A Preferred Stock into shares of our common stock, in addition to any dividends thereunder. Sales of stock by these stockholders and/or holders 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/or 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 17,600,000 shares of our common stock reserved for future issuance to our employees, directors and consultants. 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 Series A Preferred 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.

The conversion of some or all of the Series A Preferred Stock into 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 and/or any anticipated conversion of the Series A Preferred Stock 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, 2022, 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 January 1, 2021, our principal executive offices are located at 269 S. Beverly Drive, Suite #1450, Beverly Hills, CA 90212. We intend to combine all of our Los Angeles-based operations under one address. PodcastOne leases its Los Angeles premises located at 335 North Maple Drive, Suite 127, Beverly Hills, CA 90210, under an operating lease which expired on December 31, 2020 and is currently month to month. On December 22, 2020, the Company acquired CPS which included the assumption of an operating lease for a 55,120 square foot light manufacturing facility located in Addison Illinois, expiring June 30, 2024. We believe that each of these properties are in good condition and 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 16 - 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 shares of common stock were trading publicly on The NASDAQ Capital Market (“Nasdaq”) under the symbol LIVX from February 2018 until October 5, 2021 and have been trading on the Nasdaq under the symbol of LVO since October 6, 2021.

Number of Holders

As of May 31, 2023, there were 407 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, 2020 were not registered under the Securities Act of 1933, as amended (the “Securities Act”).

Issuances of Shares, Options and Restricted Stock Units to Consultants, Employees, and Vendors

Fiscal Year 2023

During the fiscal year ended March 31, 2023, we issued an aggregate of 2,676,611 shares of our common stock to our consultants, employees, and vendors.

Fiscal Year 2022

During the fiscal year ended March 31, 2022, we issued an aggregate of 3,618,731 shares of our common stock to our consultants, employees, and vendors.

Fiscal Year 2021

During the fiscal year ended March 31, 2021, we issued an aggregate of 10,428,085 shares of our common stock to our consultants, employees, and vendors.

Issuance of Securities in Private Offerings for Cash

Fiscal Years 2023, 2022 and 2021

None.

Except as otherwise noted, the securities in the transactions describe above were sold in reliance on the exemption from registration provided in Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D as offers and sales of securities not involving any public offering. Each of the persons acquiring the foregoing securities pursuant to Rule 506 of Regulation D was an accredited investor (as defined in Rule 501(a) of Regulation D) and confirmed the foregoing and acknowledged, in writing, that the securities must be acquired and held for investment. All certificates evidencing the shares sold bore a restrictive legend. No underwriter participated in the offer and sale of these securities, and no commission or other remuneration was paid or given directly or indirectly in connection therewith. The proceeds from these sales were used for general corporate purposes.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

As of May 31, 2023, our board of directors has authorized in November 2022 and April 2023 the repurchase up to an aggregate of $3.5 million worth of shares of our outstanding common stock from time to time. This is in addition to our board of directors' prior authorization of a repurchase program of up to 2 million shares of our common stock, which has been completed. The timing, price, and quantity of purchases under the program will be at the discretion of our management and will depend upon a variety of factors including share price, general and business market conditions, compliance with applicable laws and regulations, corporate and regulatory requirements, and alternative uses of capital. The program may be expanded, suspended, or discontinued by our board of directors at any time. Although our board of directors has authorized this stock repurchase program, there is no guarantee as to the exact number of shares, if any, that will be repurchased by us, and we may discontinue purchases at any time that management determines additional purchases are not warranted. We cannot guarantee that the program will be consummated, fully or all, or that it will enhance long-term stockholder value. The program could affect the trading price of our common stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our common stock. In addition, this program could diminish our cash reserves.

The following table summarizes our purchases of securities for each month during the period of April 1, 2022 to March 31, 2023:

Period	(a) Total number of shares (or units) purchased		(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
April 1, 2022 – April 30, 2022	82,899	$	0.7388	82,899	1,917,101 shares
May 1, 2022 – May 31, 2022	542,314	$	0.6866	625,213	1,374,787 shares
June 1, 2022 – June 30, 2022	561,008	$	0.9549	1,186,221	813,779 shares
July 1, 2022 – July 31, 2022	617,501	$	1.1101	1,803,722	196,278 shares
August 1, 2022 – August 31, 2022	196,278	$	1.3021	2,000,000	0 shares
September 1, 2022 – September 30, 2022	-	$	-	-	-
October 1, 2022 – October 31, 2022	-	$	-	-	-
November 1, 2022 – November 31, 2022	-	$	-	-	-
December 1, 2022 – December 31, 2022	-	$	-	-	-
January 1, 2023 – January 31, 2023	-	$	-	-	-
February 1, 2023 – February 28, 2023	-	$	-	-	-
March 1, 2023 – March 31, 2023	220,914	$	1.01	2,220,914	-
Total (April 1, 2022 - March 31, 2023)	2,220,914	$	1.01	2,220,914	-

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. [Reserved]

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 any proposed financing, acquisition, spin-out, distribution or transaction, the timing of the closing of such proposed event, including the risks that a condition to closing would not be satisfied within the expected timeframe or at all, or that the closing of any proposed financing, acquisition, spin-out, distribution or transaction will not occur or whether any such event will enhance shareholder value; our ability to continue as a going concern; our ability to attract, maintain and increase the number of its users and paid members; our identifying, acquiring, securing and developing content; our intent to repurchase shares of our common stock from time to time under our announced stock repurchase program and the timing, price, and quantity of repurchases, if any, under the program; our ability to maintain compliance with certain financial and other covenants; successfully implementing our growth strategy, including relating to our technology platforms and applications; management's relationships with industry stakeholders; the effects of the global Covid-19 pandemic; changes in economic conditions; competition; risks and uncertainties applicable to the businesses of our subsidiaries; and other risks, uncertainties and factors 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, 2023, 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, "LiveOne," the "Company," "we," "our" or "us" and similar terms refer collectively to LiveOne, Inc. (formerly known as 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 senior management regularly reviews our operating results, principally to make decisions about how we allocate our resources and to measure our segment and consolidated operating performance. In prior fiscal years we generated a majority of our revenue primarily through membership services from our streaming radio and music services, and to a lesser extent through advertising and licensing across our music platform. 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. In May 2020, we launched a new pay-per-view ("PPV") offering enabling new forms of artist revenue including digital tickets, tipping, digital meet and greets, merchandise sales and sponsorship. In July 2020, we entered the podcasting business with the acquisition of PodcastOne and in December 2020, we entered the merchandising business with the acquisition of CPS. In October 2021, we entered artist and brand development and music-related press relations business through our acquisition of Gramophone.

For the fiscal years ended March 31, 2023 and 2022, we reported revenue of $99.6 million and $117.0 million, respectively. For the years ended March 31, 2023 and 2022, one customer accounted for 44% and 28% of our consolidated revenues, respectively.

Fiscal 2023 Significant Transactions

Extinguishment of Debt

We entered into an exchange agreement (collectively, the "Exchange Agreements") with (i) Harvest Small Cap Partners Master, Ltd. ("HSCPM") in regard to that certain 8.5% Senior Secured Convertible Note in the aggregate amount of $10,503,965 issued by the Company on September 15, 2020, as amended on June 3, 2021 and July 6, 2022, to HSCPM (the "HSCPM Note"), (ii) Harvest Small Cap Partners, L.P. ("HSCP") in regard to that certain 8.5% Senior Secured Convertible Note in the aggregate amount of $4,496,035 issued by the Company on September 15, 2020, as amended on June 3, 2021 and July 6, 2022, to HSCP (the "HSCP Note"); and (iii) Trinad Capital Master Fund Ltd., a fund controlled by Mr. Ellin, the Company's Chief Executive Officer, Chairman, director and principal stockholder ("Trinad Capital" and collectively with HSCPM and HSCP, the "Holders") in regard to all promissory notes in the aggregate principal and interest amount of $6,177,218 issued by the Company to Trinad Capital (the "Trinad Notes" and collectively with the HSCPM Note and the HSCP Note, the "Notes"). Pursuant to the Exchange Agreements, the Holders exchanged the Notes, and with respect to Trinad Capital, together with interest, due and payable thereon, and relinquished any and all rights thereunder, for 21,177 shares of the Company's newly designated and issued Series A Perpetual Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock"), with a stated value of $1,000 per share (the "Stated Value"), having the terms as set forth in the Company's Certificate of Designation of Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock (the "Certificate of Designation") filed by the Company on February 2, 2023 with the Secretary of State of the State of Delaware.

Legal Settlement

On February 3, 2023, we entered into an agreement with SX to settle the dispute between the parties with respect to SX's complaint filed in the U.S. District Court, Central District of California, against the Company and Slacker, and related court judgement entered against the defendants on October 13, 2022, pursuant to which agreement the Company agreed to make certain monthly payments to SX for a period of 24 months and certain other payments in the event the Company obtains additional financing(s), unless the Company repays the judgment amount earlier pursuant to the terms of the agreement, and SX agreed not to take any action to enforce such judgment, so long as the defendants are not in default under the agreement.

CEO Salary

In calendar 2022, our Chief Executive Officer, Chairman, director and significant stockholder, Robert S. Ellin, desiring to continue to demonstrate confidence in our Company and to assist our objective to achieve annual cost and expense reductions, agreed to forego his monthly cash base salary through at least December 31, 2022 in exchange for shares of our common stock that are anticipated to vest in full in calendar year 2023, and will vest, be calculated and issued subject to our board of directors' approval.

Basis of Presentation

Our consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the fiscal year ended March 31, 2022, and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of our consolidated financial statements for the year ended March 31, 2023. The presented financial information for the fiscal year ended March 31, 2023 includes the financial information and activities of LiveOne, Gramophone, PodcastOne and CPS for the full year.

Opportunities, Challenges and Risks

For our fiscal year ended March 31, 2023, we derived 53% of our revenue from paid memberships and the remainder from advertising, ticketing, sponsorship, merchandising and licensing. During fiscal year ended March 31, 2023, we (i) delivered live events digitally live streamed across our platform, (ii) increased our sponsorship revenue from live events when compared to prior fiscal years and (iii) had revenue from our PPV platform for an entire year, allowing us to charge customers directly to access and watch certain live events digitally on our music platform. As a result of these actions, our revenue for the fiscal year ended March 31, 2023 was comprised of 53% from paid members, 35% from advertising, 9% from merchandise and 1% from ticketing.

We believe there is substantial near and long-term value in our live music content. We believe the monetary value of broadcasting live music will follow a similar evolution to live 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 a 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. 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.

With the acceleration of our live events, we have also begun to package, produce and broadcast our live music content on a 24/7/365 basis across our music platform and grow our paid members. Recently, we have entered into distribution relationships with a variety of platforms, including Roku, AppleTV, Amazon Fire, linear OTT platforms such as STIRR and XUMO. As we continue to have more distribution channels, rights and viewership and expand our original programming capabilities, we believe there is a substantial opportunity to increase our brand, advertising, viewership and membership capabilities and corresponding revenue, domestically and globally.

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 2023, the future revenue and operating growth across our music platform will rely heavily on our ability to grow our member base in a cost effective manner, continue to develop and deploy quality and innovative new music services, provide unique and attractive content to our customers, continue to grow the number of listeners on our platform and live music festivals we stream, grow and retain customers and secure sponsorships to facilitate future revenue growth from advertising and e-commerce across our platform.

As our music platform continues to evolve, we believe 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, OTT and social channels, deploying new services for our members, artist merchandise and live music event ticket sales, and licensing user data across our platform. Our acquisitions of PodcastOne, CPS and Gramophone are reflective of our flywheel operating model. 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, 2024, 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*, adjusted earnings before income tax, depreciation and amortization (“Adjusted EBITDA”)* and Adjusted EBITDA Margins* to improve in the near and long term, which are non-GAAP measures as defined in section following below titled, “Non-GAAP Measures”. 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*, Adjusted EBITDA*, Adjusted EBITDA Margins* and operating losses. Historically, we produced and digitally distributed the live music performances of many of these large global music events to fans all around the world. Beginning in late March 2020, the COVID-19 pandemic had an adverse impact on on-premise live music events and festivals. 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 distribution).

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 consumers who use our services. Growth in our margins is heavily dependent on our ability to grow the membership base in a cost-efficient manner, coupled with the managing the costs associated with implementing and operating our services, including the costs of licensing music with the music labels, producing, streaming and distributing video and audio content and sourcing and distributing personalized products and gifts. 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 where applicable, future rights to VR and AR. For the Year ended March 31, 2023 and 2022, all material amounts of our revenue were derived from customers located in the United States and moreover, one of our customers accounted for 43% and 28% of our consolidated revenue. This significant concentration of revenue from one customer poses risks to our operating results, and any change in the means this customer utilizes our services beyond March 31, 2023 could cause our revenue to fluctuate significantly.

Moreover, and with the addition of PodcastOne and CPS in July and December 2020, respectively, the percentage of this customer revenue concentration increased and is expected to continue in the future. In the long term, we plan to expand our business 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.

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, 2023	Year Ended March 31, 2022
Revenue:	$ 99,611	$ 117,019
Operating expenses:		
Cost of sales	66,782	92,980
Sales and marketing	8,302	14,114
Product development	5,136	8,092
General and administrative	15,877	33,681
Impairment of intangible assets	1,356	-
Amortization of intangible assets	4,342	6,005
Total operating expenses	101,795	154,872
Loss from operations	(2,184)	(37,853)
Other income (expense):		
Interest expense, net	(7,341)	(4,123)
Loss on extinguishment of debt	(1,034)	(4,321)
Forgiveness of PPP loans	-	3,110
Other expense	605	(542)
Total other expense, net	(7,770)	(5,876)
Loss before income taxes	(9,954)	(43,729)
Income tax provision	65	183
Net loss	$ (10,019)	$ (43,912)
Net loss per share – basic and diluted	$ (0.12)	$ (0.56)
Weighted average common shares – basic and diluted	84,772,708	79,084,930

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

	Year Ended March 31, 2023	Year Ended March 31, 2022	% Change 2023 vs. 2022
Depreciation expense			
Cost of sales	$ 115	$ 65	78%
Sales and marketing	188	164	15%
Product development	2,405	2,770	-13%
General and administrative	920	620	48%
Total depreciation expense	$ 3,628	$ 3,619	-%

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

	Year Ended March 31, 2023	Year Ended March 31, 2022	% Change 2023 vs. 2022
Stock-based compensation expense:			
Cost of sales	$ 1,090	$ 708	54%
Sales and marketing	23	2,022	-99%
Product development	292	417	-30%
General and administrative	2,551	9,556	-73%
Total stock-based compensation expense	$ 3,956	$ 12,703	-69%

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

	Year Ended March 31, 2023	Year Ended March 31, 2022
Revenue	100%	100%
Operating expenses		
Cost of sales	67%	80%
Sales and marketing	8%	12%
Product development	5%	7%
General and administrative	16%	29%
Impairment of intangible assets	1%	-%
Amortization of intangible assets	5%	5%
Total operating expenses	102%	133%
Loss from operations	-2%	-33%
Other expense	-8%	-5%
Loss before income taxes	-10%	-38%
Income tax provision (benefit)	-%	-%
Net loss	-10%	-38%

Revenue

Revenue was as follows (in thousands):

	Year Ended March 31, 2023	Year Ended March 31, 2022	% Change 2023 vs. 2022
Membership services	$ 52,388	$ 41,264	27%
Advertising	35,143	33,739	4%
Merchandising	10,830	15,447	-30%
Sponsorship and licensing	430	7,051	-94%
Ticket/Event	820	19,518	-96%
Total Revenue	$ 99,611	$ 117,019	-15%

Membership Revenue

Membership revenue increased by $11.1 million, or 27%, to $52.4 million for the year ended March 31, 2023, as compared to $41.3 million for the year ended March 31, 2022. The increase was primarily as a result of member growth with our largest OEM customer.

Advertising Revenue

Advertising revenue increased by $1.4 million, or 4%, to $35.1 million during the year ended March 31, 2023, as compared to $33.7 million the year ended March 31, 2022, which is primarily due to growth in advertising at PodcastOne year-over-year.

Merchandising

Merchandising revenue decreased by $4.6 million, or 30% to $10.8 million for the year ended March 31, 2023, as compared to $15.4 million for the year ended March 31, 2022 due to a reduction in demand from both retail partners and our direct to consumer merchandising business.

Sponsorship and Licensing

Sponsorship and licensing revenue decreased by $6.6 million, or 94%, to $0.5 million from $7.1 million for the year ended March 31, 2023 as compared to the year ended March 31, 2022. The decrease was primarily driven by the sponsorship and licensing revenues earned related to the Social Gloves event held during the fiscal year ended March 31, 2022, with no comparable event held during the year ended March 31, 2023.

Ticket/Event

Ticket/Event revenue decreased by $18.7 million, or 96%, to $0.8 million for the year ended March 31, 2023, as compared to $19.5 million for the year ended March 31, 2022. The decrease was due to PPV ticket fees and production revenues earned related to the Social Gloves event held during the fiscal year ended March 31, 2022, in addition to ticket sales from the Spring Awakening music festival in October 2021, with no comparable events held during the year ended March 31, 2023.

Cost of Sales

Cost of sales was as follows (in thousands):

	Year Ended March 31,		% Change 2023 vs.
	2023	2022	2022
Membership	$ 29,556	$ 26,200	13%
Advertising	30,149	30,579	-1%
Production	(438)	24,928	-102%
Merchandising	7,515	11,273	-33%
Total Cost of Sales	$ 66,782	$ 92,980	-28%

Membership

Membership cost of sales increased by $3.4 million, or 13%, to $29.6 million for the year ended March 31, 2023, as compared to $26.2 million for the year ended March 31, 2022. The increase was in line with the higher membership revenues noted above.

Advertising

Advertising cost of sales decreased by $0.5 million, or 1%, to $30.1 million for the year ended March 31, 2023, as compared to $30.6 million for the year ended March 31, 2022. The decrease was primarily due to a reduction in revenue share expense paid to partners compared to the prior year.

Production

Production cost of sales decreased by $25.5 million, or 102%, to a credit of $0.4 million for the year ended March 31, 2023, as compared to $24.9 million for the year ended March 31, 2022. The decrease was primarily due to production costs related to the Social Gloves event held in June 2021 in addition to production and ticketing costs related to the Spring Awakening music festival held in October 2021, with no comparable events in the year ended March 31, 2023. In addition, during the current year we settled past due payables at a discount with certain vendors.

Merchandising

Merchandising cost of sales decreased by $3.7 million, or 33% from $11.3 million for the year ended March 31, 2022, as compared to $7.5 million for the year ended March 31, 2023. The decrease was due to the corresponding decrease in revenue noted above as less live events took place in the current year.

Other Operating Expenses

Other operating expenses were as follows (in thousands):

	Year Ended March 31,		% Change 2023 vs.
	2023	2022	2022
Sales and marketing expenses	$ 8,302	$ 14,114	-41%
Product development	5,136	8,092	-37%
General and administrative	15,877	33,681	-53%
Amortization of intangible assets	4,342	6,005	-28%
Impairment of intangible assets	1,356	-	100%
Total Other Operating Expenses	$ 35,013	$ 61,892	-43%

Sales and Marketing Expenses

Sales and marketing expenses decreased by $5.8 million, or 41%, to $8.3 million for the year ended March 31, 2023, as compared to $14.1 million for the year ended March 31, 2022. The decrease was largely due to lower salaries and wages of $2.8 million and stock-based compensation of $1.1 million along with reduced marketing spend of $1.9 million driven by less events in the year ended March 31, 2023.

Product Development

Product development expenses decreased by $3.0 million, or 37%, to $5.1 million for the year ended March 31, 2023, as compared to $8.1 million for the year ended March 31, 2022. The decrease was primarily due to headcount reductions in the year ended March 31, 2023.

General and Administrative

General and administrative expenses decreased by $17.8 million, or 53%, to $15.9 million for the year ended March 31, 2023, as compared to $33.7 million for the year ended March 31, 2022. The decrease was largely due to a decrease in share-based compensation of $8.0 million and salaries and benefits of $9.8 million, primarily driven by the reduction of corporate personnel in the year ended March 31, 2023.

Amortization of Intangible Assets

Amortization of intangible assets decreased by $1.6 million, or 28%, to $4.3 million for the year ended March 31, 2023, as compared to $6.0 million for the year ended March 31, 2022. The decrease was due to no new intangible assets acquired in the year ended March 31, 2023, while some were fully amortized in such period.

Impairment of Intangible Assets

Impairment of intangible assets increased $1.4 million, or 100%, to $1.4 million for the year ended March 31, 2023, as compared to none for the year ended March 31, 2022, which is attributed to the impairment of intangible assets of React Presents acquisition (see Note 6 – Goodwill and Intangible Assets).

Total Other Expense, Net

	Year Ended March 31,		% Change 2023 vs.
	2023	2022	2022
Total other expense, net	$ (7,770)	$ (5,876)	32%

Total other expense, net increased by $1.9 million, or 32%, to $7.8 million for the year ended March 31, 2023, as compared to $5.9 million for the year ended March 31, 2022. The decrease was due to an increase in other income of $3.8 million from the prior year period as a result of the settlement of an acquisition earnout in the current period, partially offset by increased interest expense primarily attributable to accretion of interest on our debt discounts related to the PC1 Bridge loan in the year ended March 31, 2023 and loss on extinguishment of debt in the amount of $1.0 million during such period.

Business Segment Results

Year Ended March 31, 2023, as compared to Year Ended March 31, 2022

Audio Group Operations

Our Audio Group Operations, which include our PodcastOne and Slacker operating results were, and discussions of significant variances are, as follows (in thousands):

	Year Ended March 31,		
	2023	2022	% Change
Revenue	$ 86,848	$ 74,545	17%
Cost of Sales	59,705	54,750	9%
Sales & Marketing, Product Development and G&A	15,209	16,507	-8%
Intangible Asset Amortization	3,751	5,247	-28%
Operating Income (Loss)	$ 8,183	$ (1,959)	-518%
Operating Margin	9%	-3%	12%
Adjusted EBITDA*	$ 18,235	$ 8,882	105%
Adjusted EBITDA Margin*	21%	12%	10%

* See "—Non-GAAP Measures" below for the definition and reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin.

Revenue

Revenue increased $12.3 million, or 17%, during the year ended March 31, 2023, primarily due to increased membership revenue as a result of increased membership growth with our largest OEM customer.

Operating Income

Operating income increased by $10.1 million or 518%, for the year ended March 31, 2023, as the decrease in revenue was lower than the decrease in operating expenses due to lower headcount and cost efficiencies.

Adjusted EBITDA

Adjusted EBITDA increased by $9.4 million, or 105%, to $18.2 million for the year ended March 31, 2023, as compared to $8.9 million for the year ended March 31, 2022. This was largely due to an increase in revenue and decrease in operating expenses.

Media Group Operations

Our Media Group Operations which consist of all of our other operating subsidiaries outside of PodcastOne and Slacker operating results were, and discussions of significant variances are, as follows (in thousands):

	Year Ended March 31,		
	2023	**2022**	**% Change**
Revenue	$ 12,763	$ 42,474	-70%
Cost of Sales	7,068	38,258	-82%
Sales & Marketing, Product Development and G&A	7,636	16,581	-54%
Intangible Asset Amortization	1,947	758	157%
Operating Income (Loss)	$ (3,888)	$ (13,123)	-70%
Operating Margin	-30%	-31%	1%
Adjusted EBITDA*	$ (1,484)	$ (9,737)	-85%
Adjusted EBITDA Margin*	-12%	-23%	11%

* See “—Non-GAAP Measures” below for the definition and reconciliation of Adjusted EBITDA and Adjusted EBITDA Margin.

Revenue

Revenue decreased $29.7 million, or 70%, to $12.8 million during the year ended March 31, 2023, as compared to $42.5 million for the year ended March 31, 2022, primarily due to decrease in events which took place in the prior year including Social Gloves and the Spring Awakening Music Festival.

Operating Loss

Operating loss decreased by $9.4 million or 70% to a loss of $3.9 million for the year ended March 31, 2023 from a loss of $13.1 million for the year ended March 31, 2022, as a result of an increase in contribution margin coupled with the decrease in expenses due to a reduction in staff and credits due to settlements of payables made during the year ended March 31, 2023.

Adjusted EBITDA

Adjusted EBITDA loss increased by $8.3 million, or 85%, to $(1.5) million loss for the year ended March 31, 2023, as compared to a $(9.7) million loss for the year ended March 31, 2022. This was largely due to the increased contribution margin and lower operating expenses, described above.

Corporate expense

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

	Year Ended March 31,		% Change 2023 vs.
	2023	2022	2022
Sales & Marketing, Product Development, and G&A	$ 6,480	$ 22,800	72%
Operating Loss	$ (6,480)	$ (22,800)	72%
Operating Margin	N/A	N/A	-%
Adjusted EBITDA*	$ (5,822)	$ (12,563)	54%

* See "—Non-GAAP Measures" below for the definition and reconciliation of Adjusted EBITDA

Operating Loss

Operating loss decreased by $16.3 million, or 72%, to $6.5 million for the year ended March 31, 2023, as compared to $22.8 million for the year ended March 31, 2022, largely due to the reduction of corporate personnel.

Adjusted EBITDA

Corporate Adjusted EBITDA decreased $6.7 million, or 54%, to $(5.8) million for the year ended March 31, 2023 as compared to $(12.6) million for the year ended March 31, 2022. The decrease was largely due to the reduction of corporate personnel as mentioned above.

Non-GAAP Measures

Contribution margin

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

Adjusted EBITDA

Adjusted earnings before interest, taxes, depreciation, and amortization ("Adjusted EBITDA") is a non-GAAP financial measure that we define as net 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) depreciation and amortization (including goodwill impairment, if any), and (f) certain stock-based compensation expense. We use Adjusted EBITDA to evaluate the performance of our operating segment. We believe that information about Adjusted EBITDA 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. Adjusted EBITDA is not calculated or presented in accordance with GAAP. A limitation of the use of Adjusted EBITDA 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, Adjusted EBITDA 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, Adjusted EBITDA as presented herein may not be comparable to similarly titled measures of other companies.

Adjusted EBITDA Margin

Adjusted EBITDA Margin is a non-GAAP financial measure that we define as the ratio of Adjusted EBITDA to Revenue.

The following table sets forth the reconciliation of Adjusted EBITDA to net loss, the most comparable GAAP financial measure for the year ended March 31 (in thousands):

	Net Income (Loss)	Depreciation and Amortization	Stock-Based Compensation	Non-Recurring Acquisition and Realignment Costs	Other (Income) Expense	Provision for Taxes	Adjusted EBITDA
Year Ended March 31, 2023							
Operations - Audio	$ 4,277	$ 7,112	$ 1,804	$ 1,136	$ 3,906	$ -	$ 18,235
Operations - Other	(2,800)	2,348	319	(262)	(1,115)	27	(1,483)
Corporate	(11,496)	22	1,833	(1,198)	4,979	38	(5,822)
Total	$ (10,019)	$ 9,482	$ 3,956	$ (324)	$ 7,770	$ 65	$ 10,930
Year Ended March 31, 2022							
Operations - Audio	$ (2,266)	$ 8,617	$ 2,070	$ 153	$ 307	$ -	$ 8,881
Operations - Other	(12,754)	970	2,097	290	(340)	-	(9,737)
Corporate	(28,892)	37	8,536	1,664	5,909	183	(12,563)
Total	$ (43,912)	$ 9,624	$ 12,703	$ 2,107	$ 5,876	$ 183	$ (13,419)

The following table sets forth the reconciliation of gross profit, the most comparable GAAP financial measure to Contribution Margin for the years ended March 31, 2023 and 2022 (in thousands):

	Year Ended March 31, 2023	2022
Revenue:	$ 99,611	$ 117,019
Less:		
Cost of sales	(66,782)	(92,980)
Amortization of developed technology	(3,300)	(3,856)
Gross Profit	**29,529**	**20,183**
Add back amortization of developed technology:	3,300	3,856
Contribution Margin	**$ 32,829**	**$ 24,039**

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

We account 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 we satisfy our obligation by transferring control of the goods or services to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We use 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 membership services are rendered as the amounts reflect the consideration we are entitled to and relate specifically to our efforts to satisfy our 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.

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 its membership service streams and may act as principal or agent for our advertising and licensing revenue streams.

Our revenue is principally derived from the following services:

Memberships Services

Membership services revenue substantially consist of monthly to annual recurring membership fees, which are primarily paid in advance by credit card or through direct billings arrangements. We defer the portion of monthly to annual recurring membership fees collected in advance and recognize them in the period earned. Membership revenue is recognized in the period of services rendered. Our membership 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 membership 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, we have concluded that the best measure of progress toward the complete satisfaction of the performance obligation over time is a time-based measure. We recognize membership revenue straight-line through the membership period.

Membership Services consist of:

Direct members, mobile service provider and mobile app services

We generate revenue for membership services on both a direct basis and through memberships sold through certain third-party mobile service providers and mobile app services (collectively the "Mobile Providers"). For memberships sold through the Mobile Providers, the member executes an on-line agreement with Slacker outlining the terms and conditions between Slacker and the member upon purchase of the membership. The Mobile Providers promote the Slacker app through their e-store, process payments for memberships, and retain a percentage of revenue as a fee. We report this revenue gross of the fee retained by the Mobile Providers, as the member is Slacker's customer in the contract and Slacker controls the service prior to the transfer to the member. Membership revenues from monthly memberships 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. Our payment terms vary based on whether the membership is sold on a direct basis or through Mobile Providers. Memberships sold on a direct basis require payment before the services are delivered to the customer. The payment terms for memberships sold through Mobile Providers vary, but are generally payable within 30 days.

Third-Party Original Equipment Manufacturers

We generate revenue for membership services through memberships sold through a third-party OEM. For memberships 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 membership. 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. Our 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.

Merchandise Revenue

Revenue is recognized upon the transfer of control to the customer. We recognize revenue and measure the transaction price net of taxes collected from customers and remitted to governmental authorities. Sales commissions are expensed as incurred and are recorded in sales and marketing expenses in the consolidated statements of operations. Our customer contracts do not have a significant financing component due to their short durations, which are typically effective for one year or less and have payment terms that are generally 30-60 days. Wholesale revenue is generally recognized when products are shipped, depending on the applicable contract terms. We record a refund liability for expected returns based on prior returns history, recent trends, and projections for returns on sales in the current period. The refund liability at March 31, 2023 and 2022, was less than $0.1 million, respectively.

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 we satisfy our performance obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which we expect 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. We report our licensing revenue on a gross basis as we act 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. We use the Black-Scholes-Merton option pricing model to determine the grant date fair value of stock options. This model requires us 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. We use a predicted volatility of its stock price during the expected life of the options that is based on the historical performance of our 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. We have 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 and restricted stock units ("RSUs"). 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. We record the fair value of these equity-based awards and expense at their cost ratably over related vesting periods.

Business Combinations

We account for 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.

Debt with Warrants

In accordance with ASC Topic 470-20-25, when the Company issues debt with warrants, the Company treats the warrants as a debt discount, recorded as a contra-liability against the debt, and amortizes the balance over the life of the underlying debt as interest expense in the consolidated statements of operations. The offset to the contra-liability is recorded as either a liability or within equity in the Company's consolidated balance sheets depending on the accounting treatment of the warrants. The Company determines the value of the warrants using an appropriate valuation method, including a Black-Scholes or Monte-Carlo Simulation. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated statements of operations. The debt is treated as conventional debt.

Convertible Debt – Derivative Treatment

When the Company issues debt with a conversion feature, we must first assess whether the conversion feature meets the requirements to be treated as a derivative, as follows: (a) one or more underlyings, typically the price of our common stock; (b) one or more notional amounts or payment provisions or both, generally the number of shares upon conversion; (c) no initial net investment, which typically excludes the amount borrowed; and (d) net settlement provisions, which in the case of convertible debt generally means the stock received upon conversion can be readily sold for cash. An embedded equity-linked component that meets the definition of a derivative does not have to be separated from the host instrument if the component qualifies for the scope exception for certain contracts involving an issuer's own equity. The scope exception applies if the contract is both (a) indexed to its own stock; and (b) classified in stockholders' equity in its balance sheet.

If the conversion feature within convertible debt meets the requirements to be treated as a derivative, we estimate the fair value of the convertible debt derivative using the appropriate valuation model upon the date of issuance. If the fair value of the convertible debt derivative is higher than the face value of the convertible debt, the excess is immediately recognized as interest expense. Otherwise, the fair value of the convertible debt derivative is recorded as a liability with an offsetting amount recorded as a debt discount, which offsets the carrying amount of the debt. The convertible debt derivative is revalued at the end of each reporting period and any change in fair value is recorded as a gain or loss in the statement of operations. The debt discount is amortized through interest expense over the life of the debt.

Debt Modifications and Extinguishments

When the Company modifies or extinguishes debt, it first evaluates whether the modification qualifies as a troubled debt restructuring (TDR) under ASC Topic 470-60, which requires debt modifications to be evaluated if (1) the borrower is experiencing financial difficulty, and (2) the lender grants the borrower a concession. If a TDR is determined not to have occurred, the Company evaluates the modification in accordance with ASC Topic 470-50-40, which requires modification to debt instruments to be evaluated to assess whether the modifications are considered "substantial modifications". A substantial modification of terms is accounted for like an extinguishment.

If there is a conversion feature within the debt instrument, the Company evaluates whether the conversion feature should be bifurcated under ASC 815 as a derivative. If the Company believes the embedded conversion feature has no fair value on the date of issuance (measurement date) and the embedded conversion feature has no beneficial conversion feature, the embedded conversion feature does not meet the criteria in ASC 470-50-40-10 or 470-20-25 and the issuance of the convertible debt is considered a modification, and not an extinguishment that would require the recognition of a gain or loss. If the Company determines the change in fair value of the derivative meets the criteria for substantial modification under ASC 470 it will treat the modification as extinguishment and recognize a loss from debt extinguishment.

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.

Liquidity and Capital Resources

Current Financial Condition

As of March 31, 2023, our principal sources of liquidity were our cash and cash equivalents, including restricted cash balances in the amount of $8.6 million, which primarily are invested in cash in banking institutions in the U.S. The vast majority of our cash proceeds were received as a result of operations, the issuance of convertible notes, public offerings of our common shares, and PPP loans. As of March 31, 2023, we have a senior secured line of credit of $7.0 million, Bridge Loan of $5.5 million (not including interest and debt discount) and a notes payable balance of $0.2 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 $10.0 million and utilized cash of $3.8 million in operating activities for the year ended March 31, 2023 and had a working capital deficiency of $16.8 million as of March 31, 2023. 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.

Sources of Liquidity

In July 2022, PodcastOne completed a private placement offering (the "PC1 Bridge Loan") of its unsecured convertible notes with an original issue discount of 10% (the "OID") in the aggregate principal amount of $8.8 million (the "PC1 Notes") to certain accredited investors and institutional investors (collectively, the "Purchasers"), for gross proceeds of $8,035,000 pursuant to the Subscription Agreements entered into with the Purchasers. In connection with the sale of the PC1 Notes, the Purchasers received warrants (the "PC1 Warrants") to purchase a number of shares of PodcastOne's common stock, par value $0.00001 per share (See Note 9 – PodcastOne Bridge Loan). As part of the PC1 Bridge Loan, we purchased $3,000,000 (excluding the OID) worth of PC1 Notes.

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, and 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 members that we add to our businesses.

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

In the future, we may utilize additional commercial financings, bonds, notes, 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 unsecured convertible notes, and pay down our debt, in part or in full, subject to repayment limitation set forth in the credit agreement. Management plans to fund its operations over the next twelve months through the combination of improved operating results, spending rationalization, and the ability to access sources of capital such as through the issuance of equity and/or debt securities. 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 us. We filed a new universal shelf Registration Statement on Form S-3 (the "New Shelf S-3") with the SEC, which was declared effective by the SEC on February 17, 2022. Under the New Shelf S-3, we have the ability to raise up to $150.0 million in cash from the sale of our equity, debt and/or other financial instruments.

Credit Agreement and Other Debt

For additional information regarding our credit agreement and other debt, see "Contractual Obligations" in this Item 7 below and in the footnotes to the Consolidated Financial Statements (Notes 8, 9, 10, and 11 to our financial statements included elsewhere in this Annual Report).

Sources and Uses of Cash

The following table provides information regarding our cash flows for the fiscal years ended March 31, 2023 and 2022 (in thousands):

	Year Ended March 31, 2023	Year Ended March 31, 2022
Net cash used in operating activities	$ (3,843)	$ (9,123)
Net cash used in investing activities	(2,450)	(3,979)
Net cash provided by financing activities	1,788	7,486
Net change in cash and cash equivalents and restricted cash	$ (4,505)	$ (5,616)

Cash Used In Operating Activities

Net cash used in our operating activities for the year ended March 31, 2023 of $3.8 million primarily resulted from our net loss during the period of $10.0 million, which included non-cash charges of $9.6 million largely comprised of depreciation and amortization, stock-based compensation and loss of extinguishment of debt. This was offset by $2.2 million attributed to a write off of contingent consideration and $7.6 million attributed to the write off of accrued expenses. The remainder of our sources of cash used in operating activities of $3.4 million was from changes in our working capital, including $2.5 million from timing of prepaid expenses and other assets.

Cash Flows Used In Investing Activities

Net cash used in investing activities for the year ended March 31, 2023 of $2.5 million was principally due to the $2.4 million cash used for the purchase of property and equipment during such period.

Cash Flows Provided By Financing Activities

Net cash provided by financing activities for the year ended March 31, 2023 of $1.8 million was primarily due to proceeds from our PC1 Bridge Loan of $4.4 million, offset by a $2.2 million payment for treasury stock and a $0.4 million payment of a contingent consideration.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
LiveOne, Inc. (formerly LiveXLive Media, Inc.)
Beverly Hills, CA

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of LiveOne, Inc. and its subsidiaries (the "Company") as of March 31, 2023, the related consolidated statement of operations, stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

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

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

PodcastOne's Private Placement

As described in Note 9 to the financial statements, on July 15, 2022, the Company's subsidiary, PodcastOne, completed a private placement offering of its unsecured convertible notes for gross proceeds of $8.0 million. The lenders also received warrants to purchase a number of shares of PodcastOne's common stock. In addition, each holder of the PodcastOne notes may at the holder's option require the Company to redeem up to 45% of the principal amount of the holder's PodcastOne notes. In accounting for the private placement, the Company concluded that the warrants and the redemption feature were required to be accounted ASC 820 "Fair Value Measurements" as the warrants represent an obligation to deliver a variable number of shares of common stock in the future and must therefore be classified as a liability and the redemption feature met the accounting definition of an embedded derivative that must be separated from the note and reported as a liability.

We have identified the accounting evaluation of the convertible notes, the warrants and the redemption feature and the related estimation of the fair values of the warrants and the redemption feature as a critical audit matter. Accounting for the warrants and the redemption feature required significant management judgment in evaluating the key contract terms and the application of the relevant accounting guidance as well as the estimation of the inputs used in the valuation of the warrants and the redemption feature. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills and knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Utilizing professionals with specialized knowledge and experience in technical accounting to assist in: (i) evaluating the relevant contract terms and features of the warrants and the redemption feature and (ii) assessing the reasonableness of conclusions reached by management with respect to the accounting for the warrants and the redemption feature.
- Utilizing professionals with specialized knowledge and skill in valuation to assist in assessing the reasonableness of the valuation models utilized by management to determine the fair value of the warrants and the redemption feature and assessing the reasonableness of the assumptions incorporated into the valuation model.

Series A Convertible Preferred Stock

As described in Note 18 to the financial statements, on February 3, 2023, the Company issued 21,177 shares of Series A Convertible Preferred Stock with a stated value of $1,000 per share that are convertible into shares of the Company's common stock at $2.10 per share. Upon the occurrence of certain events within 18 months of the issuance date of the Series A Convertible Preferred Stock, the Company shall be required to redeem $5,000,000 of the outstanding shares of Series A Convertible Preferred Stock held by the unrelated investor. In accounting for the issuance, the Company concluded that as a result of the mandatory redemption feature the Series A Convertible Preferred Stock was required to be accounted for in accordance with ASC 820 "Fair Value Measurements" and be classified as mezzanine equity and recorded at its redemption value.

We have identified the accounting evaluation of the Series A Convertible Preferred Stock and the related estimation of the redemption value as a critical audit matter. Accounting for the Series A Convertible Preferred Stock and the mandatory redemption feature required significant management judgment in evaluating the key contract terms and the application of the relevant accounting guidance as well as the estimation of the inputs used in the valuation of the mandatory redemption feature. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills and knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Utilizing professionals with specialized knowledge and experience in technical accounting to assist in: (i) evaluating the relevant contract terms and features of the Series A Convertible Preferred Stock and (ii) assessing the reasonableness of conclusions reached by management with respect to the accounting for the Series A Convertible Preferred Stock.
- Utilizing professionals with specialized knowledge and skill in valuation to assist in assessing the reasonableness of the valuation model utilized by management to determine the redemption value of the Series A Convertible Preferred Stock and assessing the reasonableness of the assumptions incorporated into the valuation model.

/s/ Macias Gini & O'Connell LLP

We have served as the Company's auditor since 2022.

Los Angeles, CA
June 29, 2023
PCAOB ID No. 324

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
LiveOne, Inc. (formerly LiveXLive Media, Inc.)
Beverly Hills, CA

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of LiveOne, Inc. (formerly LiveXLive Media, Inc.) (the "Company") as of March 31, 2022, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

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

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our 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 29, 2022, except for Note 20, Business Segments and Geographic Reporting, which is dated June 29, 2023. In 2022 we became the predecessor auditor.

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

	March 31, 2023	March 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	$ 8,409	$ 12,894
Restricted cash	240	260
Accounts receivable, net	13,658	13,687
Inventories	2,596	2,599
Prepaid expense and other current assets	2,823	1,868
Total Current Assets	27,726	31,308
Property and equipment, net	3,325	4,688
Goodwill	23,379	23,379
Intangible assets, net	11,035	16,720
Other assets	423	728
Total Assets	$ 65,888	$ 76,823
Liabilities, Mezzanine Equity and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	$ 22,772	$ 45,418
Accrued royalties	12,826	13,530
Notes payable, current portion	15	12
Bridge loan	4,726	-
Deferred revenue	992	1,157
Derivative liabilities	3,148	-
Total Current Liabilities	44,479	60,117
Senior secured convertible notes, net	-	13,650
Unsecured convertible notes, net - related party	-	5,879
Senior secured revolving line of credit, net	7,000	6,965
Notes payable, net	148	148
Lease liabilities, noncurrent	161	468
Derivative liabilities, noncurrent	376	-
Other long-term liabilities	9,578	174
Deferred income taxes	332	338
Total Liabilities	62,074	87,739
Commitments and Contingencies	-	-
Mezzanine Equity		
Redeemable convertible preferred stock, $0.001 par value; 10,000,000 shares authorized; 5,000 and no shares issued and outstanding as of March 31, 2023 and 2022, respectively	4,827	-
Stockholders' Equity (Deficit)		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; 16,177 and no shares issued and outstanding as of March 31, 2023 and 2022, respectively	16,177	-
Common stock, $0.001 par value; 500,000,000 shares authorized; 89,632,161 issued and 87,441,247 outstanding at March 31, 2023; 82,546,189 shares issued and outstanding at March 31, 2022	90	83
Additional paid in capital	209,151	202,854
Treasury stock	(2,162)	-
Accumulated deficit	(224,269)	(213,853)
Total stockholders' deficit	(1,013)	(10,916)
Total Liabilities, Mezzanine Equity and Stockholders' Deficit	$ 65,888	$ 76,823

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

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

	Year Ended March 31, 2023	Year Ended March 31, 2022
Revenue:	$ 99,611	$ 117,019
Operating expenses:		
Cost of sales	66,782	92,980
Sales and marketing	8,302	14,114
Product development	5,136	8,092
General and administrative	15,877	33,681
Amortization of intangible assets	4,342	6,005
Impairment of intangible assets	1,356	-
Total operating expenses	101,795	154,872
Loss from operations	(2,184)	(37,853)
Other income (expense):		
Interest expense, net	(7,341)	(4,123)
Loss on extinguishment of debt	(1,034)	(4,321)
Forgiveness of PPP loans	-	3,110
Other income (expense)	605	(542)
Total other expense, net	(7,770)	(5,876)
Loss before income taxes	(9,954)	(43,729)
Income tax provision	65	183
Net loss	$ (10,019)	$ (43,912)
Net loss per share – basic and diluted	$ (0.12)	$ (0.56)
Weighted average common shares – basic and diluted	84,772,708	79,084,930

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

LiveOne, Inc.
(formerly LiveXLive Media, Inc.)
Consolidated Statements of Stockholders' Equity (Deficit)
For the Years Ended March 31, 2023 and 2022
(In thousands, except share and per share amounts)

	Preferred stock		Common stock		Additional Paid in	Accumulated	Common stock in treasury		Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Deficit	Shares	Amount	Deficit
Balance as of April 1, 2021	**-**	**$ -**	**76,807,898**	**$ 77**	**$ 178,000**	**$ (169,941)**	**-**	**$ -**	**$ 8,136**
Stock-based compensation	-	-	699,480	1	13,782	-	-	-	**13,783**
Vested employee restricted stock units	-	-	2,518,791	3	267	-	-	-	**270**
Interest paid in kind	-	-	-	-	35	-	-	-	**35**
Shares issued for Gramophone acquisition	-	-	79,365	-	89	-	-	-	**89**
Shares issued in connection with CPS acquisition	-	-	791,398	1	1,825	-	-	-	**1,826**
Purchase price adjustment in connection with CPS acquisition	-	-	-	-	301	-	-	-	**301**
Shares issued on amendment of secured convertible notes	-	-	93,654	-	2,728	-	-	-	**2,728**
Shares issued on conversion of unsecured convertible notes	-	-	1,155,143	1	756	-	-	-	**757**
Unsecured convertible note premium	-	-	-	-	4,199	-	-	-	**4,199**
Exercise of employee stock options	-	-	400,460	-	872	-	-	-	**872**
Net loss	-	-	-	-	-	(43,912)	-	-	**(43,912)**
Balance as of March 31, 2022	**-**	**$ -**	**82,546,189**	**$ 83**	**$ 202,854**	**$ (213,853)**	**-**	**$ -**	**$ (10,916)**
Stock-based compensation	-	-	-	1	3,048	-	-	-	3,049
Vested employee restricted stock units	-	-	2,136,769	2	-	-	-	-	2
Issuance of shares for modification of debt instruments	-	-	1,250,000	1	1,300	-	-	-	1,301
Extinguishment of debt – related party	-	-	-	-	(488)	-	-	-	(488)
Issuance of shares for settlement of earnout	-	-	414,137	-	493	-	-	-	493
Issuance of shares for settlement of accrued expenses	-	-	1,259,188	1	944	-	-	-	945
Common stock issued as part of debt extinguishment	-	-	825,000	1	652	-	-	-	653
Issuance of preferred stock in exchange of debt	16,177	16,177	-	-	-	-	-	-	16,177
Dividends on series A preferred stock	-	-	-	-	-	(397)	-	-	(397)
Common stock issued for services	-	-	1,200,878	1	348	-	-	-	349
Treasury stock purchases	-	-	-	-	-	-	(2,220,914)	(2,162)	(2,162)
Net loss	-	-	-	-	-	(10,019)	-	-	(10,019)
Balance as of March 31, 2023	**16,177**	**$ 16,177**	**89,632,161**	**$ 90**	**$ 209,151**	**$ (224,269)**	**(2,220,914)**	**$ (2,162)**	**$ (1,013)**

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

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

	Year Ended March 31, 2023	Year Ended March 31, 2022
Cash Flows from Operating Activities:		
Net loss	$ (10,019)	$ (43,912)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,969	9,624
Interest paid in kind	322	35
Stock-based compensation	3,048	12,703
Change in fair value of bifurcated embedded derivatives	523	(113)
Amortization of debt discount	4,179	1,244
Deferred income taxes	(6)	160
Change in fair value of contingent consideration liability	(2,220)	(145)
Debt conversion expense	-	756
Loss on extinguishment of debt	1,034	4,321
Settlement of accrued expenses	(7,649)	-
Impairment of fixed assets	146	-
Impairment of intangibles	1,356	-
Forgiveness of PPP loans	-	(3,110)
Changes in operating assets and liabilities:		
Accounts receivable	29	(3,116)
Prepaid expenses and other current assets	(1,660)	1,161
Inventories	3	(31)
Other assets	351	328
Deferred revenue	(165)	(155)
Accounts payable and accrued liabilities	(380)	10,826
Other liabilities	(704)	301
Net cash used in operating activities	(3,843)	(9,123)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(2,437)	(3,744)
Purchase of intangible assets	(13)	(85)
Acquisition of Gramophone	-	(150)
Net cash used in investing activities	(2,450)	(3,979)
Cash Flows from Financing Activities:		
Payment of contingent consideration	(426)	-
Proceeds on notes payable – related party	300	-
Repayment on notes payable – related party	(300)	-
(Repayment) proceeds from notes payable	-	(351)
Proceeds from Bridge Loan	4,376	-
Purchase of treasury stock	(2,162)	-
Proceeds from exercise of stock options	-	872
Proceeds from line of credit	-	6,965
Net cash provided by financing activities	1,788	7,486
Net change in cash, cash equivalents and restricted cash	(4,505)	(5,616)
Cash, cash equivalents and restricted cash, beginning of year	13,154	18,770
Cash, cash equivalents and restricted cash, end of year	$ 8,649	$ 13,154
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ 25
Cash paid for interest	$ 1,931	$ 1,468
Supplemental disclosure of non-cash investing and financing activities:		
Fair value of 60,000 shares of common stock issued in connection with secured convertible notes	$ -	$ 320
Fair value of 33,654 shares of common stock issued in connection with related party unsecured convertible notes	$ -	$ 122
Fair value of 1,155,143 shares of common stock issued upon conversion of unsecured convertible notes	$ -	$ 3,045
Fair value of 21,177 shares of Series A-1 preferred stock issued upon conversion of unsecured convertible notes	$ 21,177	$ -
Fair value of 2,075,000 and 1,248,797 shares issued in connection with Senior Secured Convertible Notes and Unsecured Convertible Notes modification and extinguishment	$ 1,954	$ 3,484
Fair value of options issued to employees, capitalized as internally-developed software	$ 26	$ 196
Fair value of 1,200,878 shares of common stock issued for services	$ 349	$ -
Fair value of 791,398 shares of common stock issued in connection with CPS acquisition	$ -	$ 2,127
Non-cash settlement of contingent consideration in exchange for 414,137 shares of common stock	$ 493	$ -
1,259,188 shares of common stock issued to consultant and vendors to settle accounts payable	$ 945	-
Fair value of warrant and derivative liabilities issued with debt and equity instruments	3,280	-
Fair value of unsecured convertible note premium	$ -	$ 4,199
Fair value of 79,365 shares of common stock issued in connection with the Gramophone acquisition	$ -	$ 89

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

Note 1 — Organization and Basis of Presentation

Organization

LiveOne, Inc. (formerly LiveXLive Media, Inc.) together with its subsidiaries ("we," "us," "our", the "Company" or "LiveOne") is a Delaware corporation headquartered in Beverly Hills, California. The Company is a creator-first, music, entertainment and technology platform focused on delivering premium experiences and content worldwide through memberships, live and virtual events.

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. On December 29, 2017, the Company 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 LiveOne. On February 5, 2020, the Company acquired (i) React Presents, LLC a Delaware limited liability company ("React Presents"), and it became a wholly owned subsidiary of LiveXLive Events, LLC, a wholly owned subsidiary of the Company 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 July 1, 2020, the Company through its wholly owned subsidiary, LiveXLive PodcastOne, Inc., acquired 100% of the issued and outstanding equity interests of Courtside Group, Inc. (dba PodcastOne) ("PodcastOne"). On December 22, 2020, the Company through its wholly owned subsidiary LiveXLive Merchandising, Inc., acquired 100% of the issued and outstanding equity interests of Custom Personalization Solutions, Inc. ("CPS"). On October 17, 2021, the Company through its wholly owned subsidiary LiveXLive PR, Inc., acquired 100% of the issued and outstanding equity interests of Gramophone Media, Inc. ("Gramophone") (see Note 4 – Business Combinations).

Basis of Presentation

The presented financial information for the fiscal year ended March 31, 2023 includes the financial information and activities of LiveOne, React Presents, PodcastOne and CPS for the full year and Gramophone from the effective date of its acquisition.

Certain reclassifications have been made to prior-year amounts to conform to the current period presentation.

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 the Company's accounting policy "*Business Combinations*" within Note 2 – Summary of Significant Accounting Policies. 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 $8.6 million as of March 31, 2023). As reflected in its consolidated financial statements included elsewhere herein, the Company has a history of losses, incurred a net loss of $10.0 million, and utilized cash of $3.8 million in operating activities for the year ended March 31, 2023, and had a working capital deficiency of $16.8 million as of March 31, 2023. 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 Company filed a new universal shelf Registration Statement on Form S-3 (the "New Shelf S-3") with the SEC, which was declared effective by the SEC on February 17, 2022. Under the New Shelf S-3, the Company has the ability to raise up to $150.0 million in cash from the sale of its equity, debt and/or other financial instruments. The 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 may seek 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 be on terms that are satisfactory to the Company. 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. If the Company is unable to obtain sufficient financing when needed, 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 became more adverse throughout the fiscal year ended March 31, 2021 and up to the third quarter of fiscal year ended March 31, 2022. Although the impact has subsided, the Company expects to continue experiencing modest adverse impacts throughout the fiscal year ending March 31, 2024. The Company's event and programmatic advertising revenues were directly impacted throughout the 2022 and 2021 fiscal years with all on-premise in-person live music festivals and events postponed in 2021 fiscal year and mixed demand from historical advertising partners in 2022 fiscal year. Further, one of the Company's larger customers also experienced a temporary halt to its production as a result of COVID-19, which negatively impacted the Company's near-term membership growth in the 2021 fiscal year. During the fiscal year ended March 31, 2021, the Company enacted several initiatives to counteract these near-term challenges, including salary reductions, obtaining a Paycheck Protection Program ("PPP") loan (see Note 8 - Notes Payable) and pivoting its live music 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. The Company also launched a new pay-per-view ("PPV") offering in May 2020, enabling new forms of artist revenue including digital tickets, tipping, digital meet and greet and merchandise sales. 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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (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 determined it is eligible for Employee Retention Credits related to payroll taxes paid during the quarter ended December 31, 2021. In accordance with ASC 105-10-05-02, the Company analogized to International Financial Reporting Standards ("IFRS"), specifically International Accounting Standards ("IAS") 20, *Accounting for Government Grants and Disclosures of Government Assistance,* and determined that the payroll tax credit will be recognized as a reduction to the payroll tax expense when it is reasonably assured that the credit will be received. As of March 31, 2023, the Company received confirmation the credit would be approved and recognized the credit of $0.8 million as a reduction of payroll tax expense for the year ended March 31, 2023. The Company does not anticipate the associated impacts of the other provisions, if any, will have a material effect on its provision for income taxes.

<u>Use of Estimates</u>

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, inventory calculations and reserves, 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.

<u>Revenue Recognition Policy</u>

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 membership 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 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 and is evaluated on a transaction by transaction basis. 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 membership service, sponsorship, and merchandising 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:

Membership Services

Membership services revenue substantially consist of monthly to annual recurring membership 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 membership fees collected in advance and recognizes them in the period earned. Membership revenue is recognized in the period of services rendered. The Company's membership 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 membership 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 membership revenue straight-line through the membership period.

Membership Services consist of:

Direct member, mobile service provider and mobile app services

The Company generates revenue for membership services on both a direct basis and through memberships sold through certain third-party mobile service providers and mobile app services (collectively the "Mobile Providers"). For memberships sold through the Mobile Providers, the member executes an on-line agreement with Slacker outlining the terms and conditions between Slacker and the member upon purchase of the membership. The Mobile Providers promote the Slacker app through their e-store, process payments for memberships, 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 member is Slacker's customer in the contract and Slacker controls the service prior to the transfer to the member. Membership revenues from monthly memberships 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 membership is sold on a direct basis or through Mobile Providers. Memberships sold on a direct basis require payment before the services are delivered to the customer. The payment terms for memberships sold through Mobile Providers vary, but are generally payable within 30 days.

Third-Party Original Equipment Manufacturers

The Company generates revenue for membership services through memberships sold through a third-party Original Equipment Manufacturer (the "OEM"). For memberships 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 membership. 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 signed up for a paid membership. 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. Additionally, following the acquisition of PodcastOne, the Company began deriving revenue from podcast advertising. PodcastOne earns advertising revenues primarily for fees earned from advertisement placement purchased by the customer during the time the podcast is delivered to the viewing audience, under the terms and conditions as set forth in the applicable podcasting agreement calculated using impressions.

From time to time we enter into barter transactions involving advertising provided in exchange for goods and services. Revenue from barter transactions is recognized based on delivery of impressions and in the same manner as described above. Services received are charged to expense when received or utilized. If services are received prior to the delivery of impressions, a liability is recorded. If delivery of impressions have occurred before the receipt of goods or services, a receivable is recorded. Total revenues related to barter transactions were $8.4 million and $4.3 million for the years ended March 31, 2023 and March 31, 2022, respectively.

Licensing Revenue

Licensing revenue primarily consists of sales of licensing rights to digitally stream its live music services. 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.

Sponsorship Revenue

Sponsorship revenue primarily consists of sales of sponsorship programs that provide sponsors with opportunities to reach our customers. Sponsorship revenue is recognized as the event airs. Any sponsorship fees collected in advance of the contract term (typically an event) are deferred until the event airs. The Company reports sponsorship revenue on a gross basis as the Company acts as the principal in the underlying transactions.

Merchandising Revenue

Revenue is recognized upon the transfer of control to the customer. The Company recognizes revenue and measures the transaction price net of taxes collected from customers and remitted to governmental authorities. Sales also include shipping and handling charges billed to customers, with the related freight costs included in cost of goods sold. Sales commissions are expensed as incurred and are recorded in sales and marketing expenses in the consolidated statements of operations. The Company's customer contracts do not have a significant financing component due to their short durations, which are typically effective for one year or less and have payment terms that are generally 30 to 60 days. Wholesale revenue is generally recognized when products are shipped, depending on the applicable contract terms. The Company records a refund liability for expected returns based on prior returns history, recent trends, and projections for returns on sales in the current period. The refund liability at March 31, 2023 and 2022 was less than $0.1 million, respectively.

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, including both online pay-per-view (“PPV”) tickets as well as ticket physically purchased through a ticket sale vendor. For primary tickets sold to the Company’s PPV and 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. For PPV arrangements that include multiple performance obligations, i.e. delivery of the online stream, sponsorships, digital meet and greet, or physical merchandise, we allocate the total contract consideration to each performance obligation using the standalone selling price. If the standalone selling price is not readily determinable, it is estimated using observable inputs including an adjusted market based approach, expected cost plus margin, or the residual approach.

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, 2023, and 2022, the Company accrued $16.6 million and $13.5 million of royalties, respectively, due to artists from use of Slacker's radio services.

Cost of sales for the Company's advertising revenue primarily includes PodcastOne direct costs comprised of revenue sharing and commissions. Cost of sales for the Company's merchandising revenue includes purchase costs and related direct costs. Direct costs include all costs for personalization, production, planning, quality control, fulfillment and inbound freight.

Sales and Marketing

Sales and Marketing include the direct and indirect costs related to the Company's product and event advertising and marketing. Additionally, sales and marketing include merchandising advertising and royalty costs. Advertising expenses to promote the Company's services are expensed as incurred. Advertising expenses included in sales and marketing expense were $0.3 million and $0.3 million for the years ended March 31, 2023 and 2022, respectively.

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. Compensation expense resulting from granted restricted stock units and restricted stock awards is measured at fair value on the date of grant and is recognized as share-based compensation expense over the applicable vesting period. Stock-based awards are comprised principally of stock options, restricted stock, restricted stock units ("RSUs"), and restricted stock awards ("RSAs"). 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 consolidated 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.

Basic and diluted net income (loss) per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities such as our preferred stock. Under the two-class method, basic and diluted net income (loss) per share attributable to common stockholders is computed by dividing the basic and diluted net income (loss) attributable to common stockholders by the basic and diluted weighted-average number of shares of common stock outstanding during the period. Diluted net income per share attributable to common stockholders adjusts basic net income per share for the potentially dilutive impact of stock options and restricted stock units (RSUs).

The treasury stock method is used to calculate the potentially dilutive effect of stock options and RSUs. The if-converted method is used to calculate the potentially dilutive effect of the Preferred Stock. In both methods, diluted net income (loss) attributable to common stockholders and diluted weighted-average shares outstanding are adjusted to account for the impact of the assumed issuance of potential common shares that are dilutive, subject to dilution sequencing rules.

At March 31, 2023 and 2022, the Company had 2,416,667 and 3,565,191 options outstanding, respectively, 1,670,975 and 3,064,375 restricted stock units outstanding, respectively, and none and 5,403,693 shares of common stock issuable underlying the Company's convertible notes, 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, estimates of terminal values, and royalty rates.

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):

	2023	2022
Cash and cash equivalents	$ 8,409	$ 12,894
Restricted cash	240	260
Total cash and cash equivalents and restricted cash	$ 8,649	$ 13,154

Restricted Cash and Cash Equivalents

The Company maintains certain letters of credit agreements with its banking provider, which are secured by the Company's cash for periods of less than one year. As of March 31, 2023 and 2022, the Company had restricted cash of $0.2 million and $0.3 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 membership receivables. At March 31, 2023 and 2022, the Company had one customer that made up 32% and 24% 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):

	2023	2022
Accounts receivable	$ 14,228	$ 14,404
Less: Allowance for doubtful accounts	570	717
Accounts receivable, net	$ 13,658	$ 13,687

Inventories

Inventories, principally raw materials awaiting final customization process, are stated at the lower of cost or net realizable value. Inventories are relieved on a first-in, first-out basis.

The carrying value of inventories is reduced for any excess and obsolete inventory. Excess and obsolete reductions are determined based on currently available information, including the likely method of disposition, such as through sales to individual customers and liquidations, and the age of inventory.

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

Capitalized Internal-Use Software

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

Capitalized internal-use software costs are amortized on a straight-line basis over their three- to five-year estimated useful lives. The Company evaluates the useful lives of these assets and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. During the years ended March 31, 2023 and 2022, the Company capitalized $2.4 million and $3.4 million of internal use software, respectively.

Goodwill and Indefinite-Lived Assets

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 and is carried at cost. Acquired trademarks and trade names are assessed as indefinite lived assets if there are no foreseeable limits on the periods of time over which they are expected to contribute cash flows. Goodwill and indefinite-lived assets are not amortized, but are subject to an annual impairment testing, as well as between annual tests when events or circumstances indicate that the carrying value may not be recoverable. We perform our annual impairment testing at January 1 of each year.

Our annual goodwill impairment test is performed at the reporting unit level. As of March 31, 2023 and 2022, our reporting unit is the same as our two operating segments, as described in Note 20. We generally test goodwill for possible impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If a qualitative assessment is not used, or if the qualitative assessment is not conclusive, a quantitative impairment test is performed. If a quantitative test is performed, we determine the fair value of the related reporting unit and compare this value to the recorded net assets of the reporting unit, including goodwill. The fair value of our reporting unit is determined using a market approach based on quoted prices in active markets. In the event the recorded net assets of the reporting unit exceed the estimated fair value of such assets, an impairment charge is recorded. Based on our annual impairment assessment, no impairments of goodwill were identified in the fiscal years ended March 31, 2023 and 2022.

Estimations and assumptions regarding, future performance, results of the Company's operations and comparability of its market capitalization and net book value will be used.

We test our acquired trademarks and trade names for possible impairment by applying the same process as for goodwill. In the instance when a qualitative test is not performed or is inconclusive, a quantitative test is performed by using a discounted cash flow model to estimate fair value of our acquired trademarks and trade names. Based on our annual impairment assessment, no impairments of acquired trademarks and trade names were identified in the fiscal years ended March 31, 2023 and 2022.

Intangible Assets with Finite Useful Lives

The Company has certain finite-lived intangible assets that were initially recorded at their fair value at the time of acquisition. These intangible assets consist of Intellectual Property, Customer Relationships, Content Creator Relationships, Wholesale Relationships, Domain Names, Customer List, Capitalized Software Development Costs, and Non-compete Agreements resulting from business combinations. Intangible assets with finite useful lives are amortized using the straight-line method over their respective estimated useful lives, which are generally as follows: Intellectual Property (15 years), Customer, Content Creator and Wholesale Relationships (1-6 years), Domain Names, Customer Lists, and Software (5 years), Patents (15 years), and Non-Compete Agreements (3 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. The Company recorded impairment losses of $1.4 million and none in the fiscal years ended March 31, 2023 and 2022.

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. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. The derivative liabilities are recognized at fair value on a recurring basis at March 31, 2023 and 2022, respectively, and are Level 3 measurements. There have been no transfers between levels.

Paycheck Protection Program Loans

In response to the COVID-19 pandemic, the PPP was established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans provided by local lenders, which supports payroll, rent and utility expenses ("qualified expenses"). If the loan proceeds are fully utilized to pay qualified expenses over the covered period, as further defined by the PPP, the full principal amount of the PPP loan may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization during the covered period as compared to a baseline period. During the year ended March 31, 2022, the Company received confirmation from the SBA that $3.1 million in PPP loans (see Note 8 – Notes Payable) were forgiven.

As the loans were forgiven and we were released from being the primary obligor, the Company recognized income in the amount forgiven in accordance with ASC 470-20. The Company recognized a gain on forgiveness of the PPP loans during the fiscal year ended March 31, 2022 and is included in total other expense, net in the accompanying consolidated statement of operations for the year ended March 31, 2022.

Debt with Warrants

In accordance with ASC Topic 470-20-25, when the Company issues debt with warrants, the Company treats the warrants as a debt discount, recorded as a contra-liability against the debt, and amortizes the balance over the life of the underlying debt as interest expense in the consolidated statements of operations. The offset to the contra-liability is recorded as either a liability or within equity in the Company's consolidated balance sheets depending on the accounting treatment of the warrants. The Company determines the value of the warrants using an appropriate valuation method, including a Black-Scholes or Monte-Carlo Simulation. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated statements of operations. The debt is treated as conventional debt.

Convertible Debt – Derivative Treatment

When the Company issues debt with a conversion feature, we must first assess whether the conversion feature meets the requirements to be treated as a derivative, as follows: (a) one or more underlyings, typically the price of our common stock; (b) one or more notional amounts or payment provisions or both, generally the number of shares upon conversion; (c) no initial net investment, which typically excludes the amount borrowed; and (d) net settlement provisions, which in the case of convertible debt generally means the stock received upon conversion can be readily sold for cash. An embedded equity-linked component that meets the definition of a derivative does not have to be separated from the host instrument if the component qualifies for the scope exception for certain contracts involving an issuer's own equity. The scope exception applies if the contract is both (a) indexed to its own stock; and (b) classified in stockholders' equity in its balance sheet.

If the conversion feature within convertible debt meets the requirements to be treated as a derivative, we estimate the fair value of the convertible debt derivative using the appropriate valuation model upon the date of issuance. If the fair value of the convertible debt derivative is higher than the face value of the convertible debt, the excess is immediately recognized as interest expense. Otherwise, the fair value of the convertible debt derivative is recorded as a liability with an offsetting amount recorded as a debt discount, which offsets the carrying amount of the debt. The convertible debt derivative is revalued at the end of each reporting period and any change in fair value is recorded as a gain or loss in the statement of operations. The debt discount is amortized through interest expense over the life of the debt.

Debt Modifications and Extinguishments

When the Company modifies or extinguishes debt, it first evaluates whether the modification qualifies as a troubled debt restructuring (TDR) under ASC Topic 470-60, which requires debt modifications to be evaluated if (1) the borrower is experiencing financial difficulty, and (2) the lender grants the borrower a concession. If a TDR is determined not to have occurred, the Company evaluates the modification in accordance with ASC Topic 470-50-40, which requires modification to debt instruments to be evaluated to assess whether the modifications are considered "substantial modifications". A substantial modification of terms is accounted for like an extinguishment.

If there is a conversion feature within the debt instrument, the Company evaluates whether the conversion feature should be bifurcated under ASC 815 as a derivative. If the Company believes the embedded conversion feature has no fair value on the date of issuance (measurement date) and the embedded conversion feature has no beneficial conversion feature, the embedded conversion feature does not meet the criteria in ASC 470-50-40-10 or 470-20-25 and the issuance of the convertible debt is considered a modification, and not an extinguishment that would require the recognition of a gain or loss. If the Company determines the change in fair value of the derivative meets the criteria for substantial modification under ASC 470 it will treat the modification as extinguishment and recognize a loss from debt extinguishment.

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.

Seasonality

Our CPS merchandising business is affected by seasonality, which typically results in higher sales volume during our third quarter, which ends December 31.

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*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in more timely recognition of credit losses. The guidance is effective for fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, and interim periods within those fiscal years. The Company is currently evaluating the impact this guidance will have on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 requires the recognition and measurement of contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers. Considerations to determine the amount of contract assets and contract liabilities to record at the acquisition date include the terms of the acquired contract, such as timing of payment, identification of each performance obligation in the contract and allocation of the contract transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception. ASU 2021-08 is effective for the Company beginning in the first quarter of 2023. ASU 2021-08 should be applied prospectively for acquisitions occurring on or after the effective date of the amendments. Early adoption of the proposed amendments would be permitted, including adoption in an interim period. The Company is currently assessing the impact this standard will have on the Company's consolidated financial statements.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40).* The FASB issued this ASU to address issues identified as a result of the complexity associated with GAAP for certain financial instruments with characteristics of liabilities and equity. Complexity associated with the accounting is a significant contributing factor to numerous financial statement restatements and results in complexity for users attempting to understand the results of applying the current guidance. In addressing the complexity, the FASB focused on amending the guidance on convertible instruments and the guidance on the derivatives scope exception for contracts in an entity's own equity. For convertible instruments, the FASB decided to reduce the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. The FASB concluded that eliminating certain accounting models simplifies the accounting for convertible instruments, reduces complexity for preparers and practitioners, and improves the decision usefulness and relevance of the information provided to financial statement users. In addition to eliminating certain accounting models, the FASB also decided to enhance information transparency by making targeted improvements to the disclosures for convertible instruments and earnings-per-share (EPS) guidance on the basis of feedback from financial statement users. The FASB decided to amend the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. The FASB observed that the application of the derivatives scope exception guidance results in accounting for some contracts as derivatives while accounting for economically similar contracts as equity. The FASB also decided to improve and amend the related EPS guidance. The amendments in this ASU are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The FASB specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The FASB decided to allow entities to adopt the guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Company adopted ASU 2020-06 on April 1, 2022 on a prospective basis. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. ASU 2021-04 requires accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. The recognition of the modification depends on the nature of the transaction in which the equity-classified written call option is modified. If there is more than one element in a transaction (for example, if the modification involves both a debt modification and an equity issuance), then the guidance requires allocating the effect of the option modification to each element. ASU 2021-04 is effective for the Company beginning in the first quarter of 2022. ASU 2021-04 should be applied prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Company adopted ASU 2021-04 on April 1, 2022 on a prospective basis. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832)*, to increase the transparency of government assistance for accounting for transactions with governments by applying a grant or contribution model by analogy to other accounting guidance (for example, a grant model within IAS 20, Accounting for Government Grants and Disclosure of Government Assistance), including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. Diversity currently exists in the recognition, measurement, presentation, and disclosure of government assistance received by business entities because of the lack of specific authoritative guidance in GAAP. The amendments in this ASU will provide comparable and transparent information to financial statement users. The amendments in this ASU are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. The Company adopted ASU 2021-10 on April 1, 2022 on a prospective basis. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

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, 2023 and 2022 (in thousands):

	Year Ended March 31,	
	2023	2022
Revenue		
Membership services	$ 52,388	$ 41,264
Advertising	35,143	33,739
Merchandising	10,830	15,447
Sponsorship and Licensing	429	7,051
Ticket/Event	821	19,518
Total Revenue	$ 99,611	$ 117,019

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 practical expedient 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.

For the years ended March 31, 2023 and 2022, one customer accounted for 44% and 28% of our consolidated revenues, respectively.

The following table summarizes the significant changes in contract liabilities (deferred revenue) balances during the years ended March 31, 2023 and 2022 (in thousands):

	Contract Liabilities
Balance as of April 1, 2021	$ 1,262
Revenue recognized that was included in the contract liability at beginning of the year	(1,262)
Increase due to cash received, excluding amounts recognized as revenue during the year	1,157
Balance as of March 31, 2022	1,157
Revenue recognized that was included in the contract liability at beginning of the year	(506)
Increase due to cash received, excluding amounts recognized as revenue during the year	341
Balance as of March 31, 2023	$ 992

Note 4 — Business Combinations

Gramophone

On October 17, 2021, the Company's wholly owned subsidiary, LiveXLive PR, Inc., acquired 100% of the equity interests of Gramophone for net consideration of $0.4 million consisting of 79,365 shares of the Company's common stock with a fair value of $0.1 million net of a 25% discount for lack of marketability described below, contingent consideration with a fair value of $0.2 million comprised of shares held in escrow and a cash earnout, and cash of $0.2 million. The shares of the Company's common stock were subject to a twelve-month lock-up period and remain subject to sales volume restrictions.

Fair Value of Consideration Transferred:		
Cash	$	150
Common stock		89
Contingent consideration		174
Total	$	413

Contingent consideration in the form of a cash earnout of $0.3 million will be paid to the seller of Gramophone if, during the period commencing June 1, 2021 and ending on May 31, 2022 ("First Year Target"), Gramophone reports GAAP revenues of $1.4 million and EBITDA (as defined in the purchase agreement) of $0.3 million. If the First Year Target is not met, the cash earnout will be paid to the seller of Gramophone if, during the period commencing June 1, 2022 and ending on May 31, 2023 ("Second Year Target"), Gramophone reports GAAP revenues of $2 million and EBITDA of $0.5 million. Based on their likelihood of achievement management's current estimate of the value of the contingent consideration related to the cash earnout was valued at $0.2 million. The contingent consideration liability of $0.2 million is classified within Other Long-Term Liabilities in the accompanying consolidated balance sheets at March 31, 2023 (see Note 14 – Other Long-Term Liabilities). The remaining contingent consideration included in the purchase price was not material and is included in Other Long-Term Liabilities in the accompanying consolidated balance sheet at March 31, 2023.

Goodwill resulted from acquisition as it is intended to augment and diversify the Company's reportable segments. The Company accounted for the acquisition as a business combination. As a result of the acquisition of the stock of Gramophone, the goodwill is not deductible for tax purposes.

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

Asset Type	**Amortization Period (Years)**		**Fair Value**
Cash and cash equivalents		$	4
Accounts receivable			4
Trade name	5		73
Customer list	2		94
Goodwill			459
Deferred revenue			(51)
Deferred tax liability			(41)
Accrued liabilities			(129)
Net assets acquired		$	413

Revenue of $0.4 million and net loss of $0.1 million was included in the Company's consolidated statements of operations from the date of acquisition for the fiscal year ended March 31, 2022 for Gramophone.

The Company incurred less than $0.1 million in transaction costs associated with the Gramophone acquisition, which were expensed and included in General and Administrative in the consolidated statement of operations for fiscal year ended March 31, 2022.

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 years ended March 31, 2022.

The following table presents the revenues, net loss and earnings per share of the combined company for the years ended March 31, 2022 as if the acquisition of Gramophone had been completed on April 1, 2021 (in thousands, except per share data).

	2022
	(unaudited)
Revenues	$ 117,623
Net loss	(43,592)
Net loss per share – basic and diluted	$ (0.55)

The Company's unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflect amortization of intangible assets as a result of the acquisition. The pro forma results are not necessarily indicative of the results that would have been realized had the acquisitions been consummated as of the beginning of the periods presented. The pro forma amounts include the historical operating results of the Company, with adjustments directly attributable to the acquisition which included amortization of acquired intangible assets of $0.1 million in the year ended March 31, 2022, and transaction costs of $0.1 million included in the year ended March 31, 2022.

Note 5 — Property and Equipment

The Company's property and equipment at March 31, 2023 and 2022 was as follows (in thousands):

	As of March 31,	
	2023	2022
Property and equipment, net		
Computer, machinery, and software equipment	$ 6,501	$ 5,508
Furniture and fixtures	556	141
Leasehold improvements	531	531
Capitalized internally developed software	14,662	13,860
Total property and equipment	22,250	20,040
Less accumulated depreciation and amortization	(18,925)	(15,352)
Total property and equipment, net	$ 3,325	$ 4,688

Depreciation and amortization expense was $3.6 million and $3.6 million for the years ended March 31, 2023 and 2022, respectively.

Note 6 — Goodwill and Intangible Assets

Goodwill

The Company currently has two reporting units. The following table presents the changes in the carrying amount of goodwill for the years ended March 31, 2023 and 2022 (in thousands):

	Goodwill
Balance as of April 1, 2021	$ 22,619
Acquisitions	459
Purchase price adjustment (See Note 4 – Business Combinations)	301
Balance as of March 31, 2022	$ 23,379
Acquisitions	-
Balance as of March 31, 2023	$ 23,379

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, 2023 (in thousands):

	Tradenames
Balance as of April 1, 2021	$ 4,637
Acquisitions	-
Impairment losses	-
Balance as of March 31, 2022	$ 4,637
Acquisitions	-
Impairment losses	-
Balance as of March 31, 2023	$ 4,637

Finite-Lived Intangible Assets

The Company's finite-lived intangible assets were as follows as of March 31, 2023 (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 19,281	$ 19,281	$ -
Intellectual property (patents)	5,366	1,878	3,488
Customer relationships	6,570	6,570	-
Content creator relationships	772	772	-
Domain names	523	137	386
Brand and trade names	1,143	347	796
Customer list	2,767	1,039	1,728
Total	$ 36,422	$ 30,024	$ 6,398

The Company's finite-lived intangible assets were as follows as of March 31, 2022 (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 19,281	$ 16,389	$ 2,892
Intellectual property (patents)	5,366	1,520	3,846
Customer relationships	6,570	6,177	393
Content creator relationships	772	772	-
Domain names	514	83	431
Brand and trade names	2,643	454	2,189
Non-compete agreement	250	181	69
Customer list	2,998	735	2,263
Total	$ 38,394	$ 26,311	$ 12,083

The Company's amortization expense on its finite-lived intangible assets was $6.0 million and $6.0 million for the years ended March 31, 2023 and 2022, respectively. The Company recorded an impairment charge of $1.4 million for the year ended March 31, 2023, which is classified under impairment of intangible assets within the statement of operations. The impairment was the result of a reduction in the events held within React Presents, therefore the Company has stopped marketing the brand name.

The Company estimated future amortization expense on its finite-lived intangible assets as of March 31, 2023 to be as follows (in thousands):

For Years Ended March 31,

2024	$ 985
2025	985
2026	985
2027	977
2028	842
Thereafter	1,624
	$ 6,398

Note 7 — Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2023 and 2022 were as follows (in thousands):

	March 31, 2023	March 31, 2022
Accounts payable	$ 10,960	$ 29,640
Accrued liabilities	11,539	15,505
Lease liabilities, current	273	273
Total	$ 22,772	$ 45,418

Note 8 — Notes Payable

The Company's notes payable at March 31, 2023 and 2022 were as follows (in thousands):

	March 31, 2023	March 31, 2022
SBA loan	$ 163	$ 160
	163	160
Less: Current portion of Notes payable	(15)	(12)
Notes payable	$ 148	$ 148

Promissory Note – Related Party

Effective as of September 2022, the Company's subsidiary issued a promissory note in the amount of $0.3 million in consideration of a loan in the same amount made to such subsidiary, which loan matured on October 17, 2022. The loan was made by an affiliate of Robert Ellin, the Company's Chief Executive Officer, Chairman, director and principal stockholder. The note was paid off in October 2022 in full.

SBA Loan

On June 17, 2020, the Company received the proceeds from a loan in the amount of less than $0.2 million from the SBA. Installment payments, including principal and interest, begin 12-months from the date of the promissory note. The balance is payable 30-years from the date of the promissory note, and bears interest at a rate of 3.75% per annum. The Company was in compliance with all debt covenants associated with the SBA loan as of March 31, 2023.

PPP Loans

In April 2020, the Company received proceeds of $2.0 million from a PPP loan. In April 2021, the Company received confirmation from the SBA that the entire balance of such PPP loan was forgiven as a result of the Company's application and acceptance under the terms of the CARES Act. On July 1, 2020, the Company acquired PodcastOne that had previously obtained a PPP loan, which had a balance of $0.5 million as of March 31, 2021. On May 11, 2021, the Company received confirmation from the SBA that the entire balance of such PPP loans was forgiven as a result of the Company's application and acceptance under the terms of the CARES Act.

On March 20, 2021, the Company received proceeds of $0.6 million from a second loan (the "Second PPP Loan") under the PPP of the CARES Act, which the Company used to retain employees and for other qualifying expenses. The Second PPP Loan matures on March 20, 2026 and bears annual interest at a rate of 1.0%. In March 2022, the Company received confirmation from the SBA that the entire balance of the Second PPP Loan was forgiven as a result of the Company's application and acceptance under the terms of the CARES Act.

The Company recognized a $3.1 million gain on forgiveness of PPP loans, included in total other expense, net in the accompanying consolidated statement of operations as a result of the balance of PPP loans forgiven during the year ended March 31, 2022.

Note 9 — PodcastOne Bridge Loan

PodcastOne's Private Placement

On July 15, 2022 (the "Closing Date"), PodcastOne completed a private placement offering (the "PC1 Bridge Loan") of PodcastOne's unsecured convertible notes with an original issue discount of 10% (the "OID") in the aggregate principal amount of $8.8 million (the "PC1 Notes") to certain accredited investors and institutional investors (collectively, the "Purchasers"), for gross proceeds of $8.0 million pursuant to the Subscription Agreements entered into with the Purchasers (the "Subscription Agreements"). In connection with the sale of the PC1 Notes, the Purchasers received warrants (the "PC1 Warrants") to purchase a number of shares (the "PC1 Warrant Shares") of PodcastOne's common stock, par value $0.00001 per share. The PC1 Notes mature one year from the Closing Date, subject to a one-time three-month extension at PodcastOne's election (the "Maturity Date"). The PC1 Notes bear interest at a rate of 10% per annum payable on maturity. The PC1 Notes shall automatically convert into the securities of PodcastOne sold in a Qualified Financing (an initial public offering of PodcastOne's securities from which PodcastOne's trading market at the closing of such offering is a national securities exchange) or Qualified Event (a direct listing of PodcastOne's securities on a national securities exchange), as applicable, upon the closing of a Qualified Financing or Qualified Event, as applicable, at a price per share equal to the lesser of (i) the price equal to $60.0 million divided by the aggregate number of shares of PodcastOne's common stock outstanding immediately prior to the closing of a Qualified Financing or Qualified Event, as applicable (assuming full conversion or exercise of all convertible and exercisable securities of PodcastOne then outstanding, subject to certain exceptions), and (ii) 70% of the offering price of the shares (or whole units, as applicable) in the Qualified Financing or 70% of the initial listing price of the shares on a national securities exchange in the Qualified Event, as applicable. Each holder of the PC1 Notes (other than the Company) may at such holder's option require the Company to redeem up to 45% of the principal amount of such holder's PC1 Notes (together with accrued interest thereon, but excluding the OID), in aggregate up to $3,000,000 for all of the PC1 Notes (other than those held by the Company), immediately prior to the completion of a Qualified Financing or a Qualified Event, as applicable, with such redemption to be made pro rata to the redeeming holders of the PC1 Notes (the "Optional Redemption").

The Company also agreed (i) not to effect a Qualified Financing or a Qualified Event, as applicable, unless immediately following such event the Company owns no less than 66% of PodcastOne's equity, unless in either case otherwise permitted by the written consent of the holders of the majority of the PC1 Notes (excluding the Company) (the "Majority Noteholders") and the senior lender, as applicable, (ii) that until a Qualified Financing or a Qualified Event, as applicable, is consummated, the Company guaranteed the repayment of the PC1 Notes when due (other than the Bridge Notes issued to LiveOne) and any interest or other fees due thereunder, and (iii) that if the Company has not consummated a Qualified Financing or a Qualified Event, as applicable, by February 15, 2023, March 15, 2023 or April 15, 2023, unless in either case permitted by the written consent of the Majority Noteholders, the Company shall be required to redeem $1,000,000 of the then outstanding PC1 Notes (other than the PC1 Notes issued to the Company) by the tenth calendar day of each month immediately following such respective date, up to an aggregate redemption of $3,000,000 over the course of such three months, each of which shall be distributed to the holders of the Bridge Notes (other than LiveOne) on a prorated basis (the "Early Redemption").

The Company further agreed to register the shares of its common stock issuable upon conversion of the PC1 Notes and exercise of the PC1 Warrants in connection with a Qualified Financing or a Qualified Event. If the Company does not file such registration statement on or prior to April 15, 2023, the Company shall be required to prepay $1,000,000 of the PC1 Notes pro rata to the PC1 Notes holders (other than the Company), and if the Company does not file such registration statement on or prior to July 15, 2023, the Company shall be required to prepay $2,000,000 of the PC1 Notes pro rata to the PC1 Notes holders (other than the Company) (the "Reg St Redemption"). The Company shall not be required to redeem or repay more than a total of $3,000,000 of the principal amount of the PC1 Notes as a result of the Optional Redemption, the Early Redemption and/or the Reg St Redemption.

As part of the PC1 Bridge Loan, the Company purchased $3.0 million (excluding the OID) worth of PC1 Notes which have been eliminated in the consolidation presentation, but otherwise remain issued and outstanding.

Warrants

The PC1 Warrants are classified as liabilities as they represent an obligation to deliver a variable number of shares of common stock in the future and are therefore required to be initially and subsequently measured at fair value each reporting period. The Company recorded a warrant liability in the amount of $1.7 million (and reduced the proceeds allocated to the PC1 Notes accordingly). The fair value of the PC1 Warrant liability is remeasured each reporting period using a Monte Carlo simulation model, and the change in fair value is recorded as an adjustment to the PC1 Warrant liability with the unrealized gains or losses reflected in other income (expense).

The fair value of the PC1 Warrants is measured in accordance with ASC 820 "Fair Value Measurement", using "Monte Carlo simulation" modeling, incorporating the following inputs at issuance:

		July 15, 2022
Expected dividend yield		-%
Expected stock-price volatility		88.88%
Risk-free interest rate		3.02%
Simulated share price	$	5.33
Exercise price	$	5.22

The fair value of the PC1 Warrants is measured in accordance with ASC 820 "Fair Value Measurement", using "Monte Carlo simulation" modeling, incorporating the following inputs:

		March 31, 2023
Expected dividend yield		-%
Expected stock-price volatility		71.50%
Risk-free interest rate		4.86%
Simulated share price	$	2.64
Exercise price	$	2.64

Total unrealized gains of $1.1 million for warrant liabilities accounted for as derivatives have been recorded in other expense for the year ended March 31, 2023 in the accompanying statements of operations. The fair value of the warrant liability as of March 31, 2023 was $1.9 million.

Redemption Features

The Company determined that the redemption features associated with the PC1 Bridge Loan meet the accounting definition of an embedded derivative that must be separated from the PC1 Bridge Loan and initially and subsequently be reported as a liability ("the Redemption Liability") and measured at fair value. The fair value of the Redemption Liability was determined using a Monte Carlo simulation model using three scenarios (1) redemption prior to the initial maturity date (65% weighted), (2) redemption at the initial maturity date (25% weighted) and (3) redemption after the initial maturity date (10% weighted).

The fair value of the redemption features are measured in accordance with ASC 820 "Fair Value Measurement", using "Monte Carlo simulation" modeling, incorporating the following inputs:

		July 15, 2022
Simulations		100,000
Expected stock-price volatility		64.10%
Risk-free interest rate		3.10%
Conversion price	$	5.22
Stock price	$	3.73

The fair value of the redemption features are measured in accordance with ASC 820 "Fair Value Measurement", using "Monte Carlo simulation" modeling, incorporating the following inputs:

		March 31, 2023
Simulations		100,000
Expected stock-price volatility		71.50%
Risk-free interest rate		4.86%
Conversion price	$	2.54
Stock price	$	2.64

The fair value of the Redemption Liability of $1.1 million at July 15, 2022 was recorded as a derivative liability and included in other liabilities in the consolidated balance sheet. The fair value of the Redemption Liability at March 31, 2023 is $1.2 million. The $0.1 million change in the fair value of the Redemption Liability derivative is recorded as an unrealized gain and included in other income in the accompanying consolidated statements of operations at March 31, 2023. The derivative liability fair value as of March 31, 2023 was $1.3 million.

The resulting discount from the OID, underwriting fees, PC1 Warrants, and embedded Redemption Liability derivative of $2.8 million is being amortized to interest expense through July 15, 2023, the expected term of the Bridge Loan, using the effective interest method. Interest expense resulting from the amortization of the discount for the year ended March 31, 2023 was $1.7 million.

In connection with the Financing, the Company announced that it intends to spin-out PodcastOne as a separate public company before the end of its current fiscal year and plans to dividend a portion of PodcastOne's common equity to the Company's stockholders as of a future to be determined record date, in each case subject to obtaining applicable approvals and consents, complying with applicable rules and regulations and satisfying applicable public market trading and listing requirements. Among other things, the Company agreed not to effect any Qualified Financing or Qualified Event (each as defined below), as applicable, unless PodcastOne's post-money valuation at the time of the Qualified Event is at least $150 million.

Interest expense with respect to the PC1 Bridge Loan for the year ended March 31, 2023 was $0.4 million. There are no restrictive operational covenants associated with the PC1 Bridge Loan.

At March 31, 2023, the outstanding principal balance was $5.8 million and unamortized discount was $1.1 million, with net balance of $4.7 million.

Subsequent to March 31, 2023 the Company repaid $3.0 million of the PC1 Bridge Loan to debtholders (not including LiveOne), refer to Note 22 – Subsequent Events.

Note 10 — Unsecured Convertible Notes

The Company's unsecured convertible notes payable at March 31, 2023 and 2022 were as follows (in thousands):

	March 31, 2023	March 31, 2022
Unsecured Convertible Notes - Related Party		
8.5% Unsecured Convertible Note - Due July 1, 2024	$ -	$ 4,702
8.5% Unsecured Convertible Notes - Due July 1, 2024	-	1,177
Less: Discount	-	-
Net	-	5,879
Less: Unsecured Convertible Notes, Current	-	-
Unsecured Convertible Notes, Net, Long-term	$ -	$ 5,879

The Company incurred interest expense of $0.6 million and $0.5 million attributed to its unsecured convertible notes for the year ended March 31, 2023 and 2022, respectively.

As of March 31, 2022, the Company had outstanding 8.5% 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 discussed below. The Trinad Notes are convertible into shares of the Company's common stock at a fixed conversion price of $3.00 per share.

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 March 31, 2014 and April 8, 2015, respectively. The first Trinad Note was due on March 31, 2018 and was extended to May 31, 2023 (as discussed below). At March 31, 2023, the balance due of $5.9 million, which included $1.4 million of accrued interest, was outstanding under the first Trinad Note. At March 31, 2022, the balance due of $5.9 million, which included $1.4 million of accrued interest, was outstanding under the first Trinad Note.

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 $1.1 million. The notes were due on various dates through March 31, 2018 and were extended to May 31, 2023 (as discussed below). As of March 31, 2023 and 2022, $0.3 million and $0.3 million of accrued interest was included in the principal balance, respectively.

On August 11, 2021, 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 Trinad Notes was extended to May 31, 2023, and in consideration of such extension, the Company issued to Trinad Capital 33,654 shares of its common stock. The Company evaluated the Amendment Agreement and the amendment was required to be accounted for as an extinguishment under ASC 470-50, Debt – Modifications and Extinguishment. As a result, we determined that the amendment should be accounted for as an extinguishment and we recorded the amended debt instrument at fair value which included the consideration in common stock transferred. The resulting loss on extinguishment recorded of $4.3 million is included in loss on extinguishment of debt in the accompanying consolidated statement of operations for the year ended March 31, 2023. In addition, the Company recorded a $4.2 million benefit to additional paid in capital as a result of the excess of the deemed fair value of the Trinad Notes over the principal and accrued interest outstanding at the time of extinguishment.

In July 2022, the Company entered into an amendment with Trinad Capital pursuant to which the maturity date of all of the Trinad Notes was extended to July 1, 2024, and in consideration of such extension, the Company issued to Trinad Capital 500,000 shares of the Company's restricted common stock. The Company evaluated the Amendment Agreement and the amendment was not required to be accounted for as a TDR under ASC 470-60 as no concession was granted to the Company. The Company then evaluated the Amendment Agreement and the amendment was not required to be accounted for as an extinguishment under ASC 470-50, Debt – Modifications and Extinguishment. The Company recorded the debt as a modification and recorded the derivative associated with the conversion feature as a debt discount. The Company determined the value of the derivative to be $0.2 million using the Black-Scholes option pricing model based on the following assumptions: common share price of $0.71 per share; expected exercise price of $3.00 per share; volatility of 84.8%; expected dividend yield of zero; and annual risk-free interest rate of 4.09%. The derivative has been recorded within other long-term liabilities on the consolidated balance sheet.

The Company may not redeem any of the Trinad Notes prior to maturity without Trinad Capital's consent.

On February 3, 2023 (the "Effective Date"), the "Company entered into an exchange agreement (collectively, the "Exchange Agreements") with (i) Harvest Small Cap Partners Master, Ltd. ("HSCPM") in regard to that certain 8.5% Senior Secured Convertible Note in the aggregate amount of $10,503,965 issued by the Company on September 15, 2020, as amended on June 3, 2021 and July 6, 2022, to HSCPM (the "HSCPM Note"), (ii) Harvest Small Cap Partners, L.P. ("HSCP") in regard to that certain 8.5% Senior Secured Convertible Note in the aggregate amount of $4,496,035 issued by the Company on September 15, 2020, as amended on June 3, 2021 and July 6, 2022, to HSCP (the "HSCP Note"); and (iii) Trinad Capital (and collectively with HSCPM and HSCP, the "Holders") in regard to all promissory notes in the aggregate principal and interest amount of $6,177,218 issued by the Company to Trinad Capital (the "Trinad Notes" and collectively with the HSCPM Note and the HSCP Note, the "Notes"). Pursuant to the Exchange Agreements, the Holders exchanged the Notes, and with respect to Trinad Capital, together with interest, due and payable thereon, and relinquished any and all rights thereunder, for 21,177 shares of the Company's newly designated and issued Series A Perpetual Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock"), with a stated value of $1,000 per share (the "Stated Value"), having the terms as set forth in the Company's Certificate of Designation of Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock (the "Certificate of Designation") filed by the Company on February 2, 2023 with the Secretary of State of the State of Delaware.

In consideration for entry into the Exchange Agreements and the Holders' willingness to forego certain rights to common stock of the Company previously agreed by the parties, the Company issued to the Harvest Funds an aggregate of 625,000 shares of its common stock (the "Harvest Shares") and to Trinad Capital 200,000 shares of its common stock. In connection with the entry of the Exchange Agreements, unless otherwise agreed to by the Harvest Funds, Mr. Ellin agreed to (i) to serve as the Company's Chief Executive Officer and (ii) extend the period during which he cannot dispose of any equity or convertible securities of the Company owned by him or any entity of which he is the beneficial owner and not to cease to be the beneficial owner of any other equity or convertible securities of the Company of which Mr. Ellin is the beneficial owner (subject to certain exceptions), in each case until the time that the Harvest Funds no longer own any shares of the Series A Preferred Stock.

The Company further agreed, on or prior to the date that is 45 days after the consummation of any Qualified Offering and in any event no later than July 15, 2023, to prepare and file with the SEC a Registration Statement on Form S-3 (or such other form as applicable) covering the resale under the Securities Act of all the shares of the Company's common stock underlying the Series A Preferred Stock (including any dividends paid in kind) issued to the Harvest Funds and the Harvest Shares. The Company shall use its commercially reasonable best efforts to cause such registration statement to be declared effective promptly thereafter on or before 60 days after the filing of such registration statement (or if the SEC issues any comments with respect to such registration statement, on or before 120 days after the filing of such registration statement).

The Company evaluated the Amendment Agreement and the settlement was required to be accounted for as an extinguishment under ASC 470-50, Debt – Modifications and Extinguishment, with loss on extinguishment recognized for the difference in the fair value of the equity securities issued and the carrying value of the debt. As the Trinad Notes were with a related party, the Company recorded the loss on extinguishment as a capital transaction and recorded $0.5 million within additional paid in capital in the Statement of Stockholder's Equity.

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 was due on February 5, 2022. At issuance, the Note was 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.

Effective December 31, 2021, the Note holder converted the Note in whole pursuant to an exchange agreement entered into during the year ended March 31, 2022, which provided for an exchange of the Note into shares of the Company's common stock at a price of $2.10 per share, resulting in 1,155,143 shares issued upon the exchange. As a result of the effective exchange incentives offered to the Note holder, the Company recorded a $0.8 million expense to Other Income (expense) in the consolidated statement of operations for the year ended March 31, 2022.

Note 11 — Senior Secured Convertible Notes

The Company's senior secured convertible notes at March 31, 2023 and 2022 were as follows (in thousands):

	March 31, 2023	March 31, 2022
Senior Secured Convertible Notes	$ -	$ 15,000
Fair value of embedded derivative	-	18
Less: Discount	-	(1,368)
Net	-	13,650
Less: Current Portion, accrued interest	-	-
Senior Secured Convertible Notes, long-term	$ -	$ 13,650

On September 15, 2020 (the "Closing Date"), the Company issued two-year secured convertible notes in the aggregate principal amount of $15.0 million (the "Harvest Notes") to Harvest Small Cap Partners, L.P. and Harvest Small Cap Partners, Ltd. (collectively, the "Purchaser"). The Purchaser are funds affiliated with No Street Capital, a San Francisco-based investment firm.

The Harvest Notes, as amended, mature on June 3, 2024, accrue interest at 8.5% per year with interest payable quarterly in cash in arrears, and are convertible into shares of the Company's common stock at a conversion price of $4.50 per share at the applicable Purchaser's option, subject to certain customary adjustments such as stock splits, stock dividends and stock combinations (the "Conversion Price"). The Company does not have the right to prepay any or all of the Harvest Notes prior to their maturity.

The current portion of accrued interest related to the Harvest Notes is included in Accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

The Company's obligations under the Harvest Notes may be accelerated upon the occurrence of certain customary events of default (as defined in the Harvest Notes) and are guaranteed under a Subsidiary Guarantee, dated as of the Closing Date (the "Subsidiary Guarantee"), entered into by all of the Company's subsidiaries (the "Guarantors") in favor of the Purchaser. The Company's obligations under the Harvest Notes and the Guarantors' obligations under the Subsidiary Guarantee are secured under a Security Agreement, dated as of the Closing Date (the "Security Agreement"), and an Intellectual Property Security Agreement, dated as of the Closing Date (the "IP Security Agreement"), by a lien on all of the Company's and the Guarantors' assets and intellectual property, subject to certain exceptions. The Harvest Notes require the Company to maintain aggregate cash deposits of $7.0 million until the Harvest Notes are paid in full. In May 2021 and in connection with the Company entering into a $7 million secured revolving credit facility, the holders of the Harvest Notes subordinated their security interest and extended the maturity date of the notes to June 3, 2023. In consideration of the above, the Company issued 60,000 shares of its common stock valued at $0.3 million to the Purchaser.

The Company evaluated the May 2021 agreement and determined that it was required to be accounted for as troubled debt restructuring under ASC 470-60, Troubled Debt Restructurings by Debtors. As a result, the Company recorded the shares of common stock issued to the Purchaser as an increase to Additional Paid In Capital and a corresponding debt discount included in Secured Convertible Notes, net in the accompanying consolidated balance sheets.

The Company and the Purchaser also entered into a Registration Rights Agreement, dated as of the Closing Date (the "RRA"), which granted the Assignees "demand" and "piggyback" registration rights to register the shares of Common Stock issuable upon the conversion of the Notes and the Shares (collectively, the "Registrable Securities") with the SEC for resale or other disposition. Pursuant to the RRA, the Company filed a resale Registration Statement on Form S-3 on October 14, 2020, and it was declared effective by the SEC on October 21, 2020. The Company also agreed to keep the initial Registration Statement continuously effective until the earliest to occur of (i) the date on which all of the Registrable Securities registered thereunder have been sold and (ii) the date on which all of the Registrable Securities covered by such Registration Statement may be sold without volume restriction pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act").

In connection with the SPA, and the Harvest Notes subsequent extension, Robert S. Ellin, the Company's CEO, Chairman, director and principal stockholder, agreed not to dispose of any equity securities of the Company owned by Mr. Ellin or any entity of which he is the beneficial owner and not to cease to be the beneficial owner of any other equity securities of the Company of which Mr. Ellin was the beneficial owner as of June 3, 2021 until the Harvest Notes are paid in full (subject to certain customary exceptions), without the Purchaser's prior written consent.

The Harvest Notes and the Shares were issued in private placement transaction that was not registered under the Securities Act, in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder.

In July 2022, the Company entered into an amendment of notes agreement (collectively, the "Amendments") with each of the holders of the Harvest Notes (the "Noteholders") pursuant to which the parties agreed to (i) extend the maturity date of the Harvest Notes to June 3, 2024, (ii) defer the June 30, 2022 quarterly cash interest payment to July 18, 2022, and defer the quarterly cash interest payment for the fiscal quarter ending September 30, 2022 to be due and payable at the same time as the quarterly cash interest payment due and payable to the Noteholders for the fiscal quarter ending December 31, 2022, (iii) reduce the amount of Free Cash (as defined in the Harvest Notes) as follows (x) $7,000,000 from the Effective Date through December 31, 2022 (inclusive), (y) $8,000,000 from January 1, 2023 and until June 30, 2023 (inclusive), and (z) $10,000,000 from July 1, 2023 and until the Harvest Notes are repaid in full at their new maturity date of June 3, 2024; provided, that in the event that the Harvest Notes are repaid or prepaid by the Company, the amount of required Free Cash shall be then permanently reduced to the amount equal to the product of the aggregate principal amount of the Harvest Notes then outstanding multiplied by 2/3, and (iv) permit the Company to prepay the Harvest Notes at any time without any repayment/prepayment penalties and without the written consent of the Noteholders, subject to approval from the Company's senior secured lender, which approval was subsequently obtained; provided, that the Company shall give the Noteholders at least five days prior written notice of any such prepayment or repayment (collectively, "Loan Modification").

The Company and the Noteholders also agreed that if (i) at least $5,000,000 of the original principal amount of the Harvest Notes is not repaid by the Company on or prior to January 1, 2023, the conversion price of the Harvest Notes shall be amended to $3.00 per share, and the Company shall issue to the Noteholders in aggregate an additional 250,000 shares of the Company's restricted common stock; (ii) at least $7,500,000 of the original principal amount of the Harvest Notes is not repaid by the Company on or prior to June 30, 2023, the conversion price of the Harvest Notes shall be further amended to $2.50 per share, and the Company shall then issue to the Noteholders in aggregate an additional 500,000 shares of the Company's common stock; and (iii) the entire principal amount of the Harvest Notes then outstanding is not repaid by the Company on or prior to January 1, 2024, the conversion price of the Harvest Notes shall be further amended to $2.25 per share, and the Company shall then issue to the Noteholders in aggregate an additional 750,000 shares of the Company's restricted common stock. In addition, in consideration of the Loan Modification, the Company issued to the Noteholders in aggregate 500,000 shares of the Company's restricted common stock. During the year ended March 31, 2023, pursuant to terms of the Amendments, the Company issued 250,000 shares valued a $0.2 million to Noteholders which was recorded as interest expense at the time of issuance.

The Company and the Noteholders further agreed to certain Harvest Note repayment conditions as provided in the Amendments in the event that the Company or any of its subsidiaries completes an equity or debt financing in the future or if Mr. Ellin ceases to be the Company's Chief Executive Officer and unless an equally or better qualified CEO, as determined by the majority of the Company's then-independent directors is appointed within the time provided by the Amendments, in each case prior to the full repayment of the Harvest Notes.

The Company evaluated the July 2022 Amendments and determined that it was not required to be accounted for as troubled debt restructuring under ASC 470-60, Troubled Debt Restructurings by Debtors. The Company also determined that the Amendments were not required to be accounted for as an extinguishment under ASC 470-50, Debt – Modifications and Extinguishment. The Company recorded the debt as a modification and recorded the derivative associated with the conversion feature as a derivative. The Company determined the value of the derivative to be $0.1 million.

The Company recorded $2.4 million and $2.3 million in interest expense associated with the Harvest Notes for the year ended March 31, 2023 and 2022, respectively, of which $1.2 million and $1.0 million, respectively, was attributed to the accretion of the debt discount associated with the senior secured convertible notes.

On February 3, 2023, the "Company entered into an exchange agreement (collectively, the "Exchange Agreements") with (i) Harvest Small Cap Partners Master, Ltd. ("HSCPM") in regard to that certain 8.5% Senior Secured Convertible Note in the aggregate amount of $10,503,965 issued by the Company on September 15, 2020, as amended on June 3, 2021 and July 6, 2022, to HSCPM (the "HSCPM Note"), (ii) Harvest Small Cap Partners, L.P. ("HSCP") in regard to that certain 8.5% Senior Secured Convertible Note in the aggregate amount of $4,496,035 issued by the Company on September 15, 2020, as amended on June 3, 2021 and July 6, 2022, to HSCP (the "HSCP Note"); and (iii) Trinad Capital (and collectively with HSCPM and HSCP, the "Holders") in regard to all promissory notes in the aggregate principal and interest amount of $6,177,218 issued by the Company to Trinad Capital (the "Trinad Notes" and collectively with the HSCPM Note and the HSCP Note, the "Notes"). Pursuant to the Exchange Agreements, the Holders exchanged the Notes, and with respect to Trinad Capital, together with interest, due and payable thereon, and relinquished any and all rights thereunder, for 21,177 shares of the Company's newly designated and issued Series A Perpetual Convertible Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock"), with a stated value of $1,000 per share (the "Stated Value"), having the terms as set forth in the Company's Certificate of Designation of Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock (the "Certificate of Designation") filed by the Company on February 2, 2023 with the Secretary of State of the State of Delaware.

Pursuant to the Exchange Agreements, the Company agreed that at any time that any of the shares of Series A Preferred Stock issued to the Harvest Funds are outstanding, (i) to directly or through its 100% owned subsidiaries (as applicable), to own on a fully diluted basis at least 66% of the total equity and voting rights of any and all classes of securities of each of PodcastOne, Slacker, PPV One, Inc., and LiveXLive Events, LLC subsidiaries of the Company, (ii) not to issue shares of its common stock or convertible equity securities at a price less than $2.10 per share (subject to certain exceptions), provided, that such consent shall not be required in connection with any merger, acquisition or other business combinations of the Company and/or any of its subsidiaries with any unaffiliated third party, (iii) not to raise more than an aggregate of $20,000,000 of capital in one or more offerings, including without limitation, one or more equity or debt offerings or a combination thereof, on an accumulated basis commencing after the Effective Date (the "Qualified Offering"); provided, that such consent shall not be required for any equity financing of the Company at a price of $2.25 per share or above, and (iv) if after the Effective Date the Company distributes any of its assets or any shares of its common stock or Common Stock Equivalents (as defined in the Exchange agreements) of any of its subsidiaries pro rata to the record holders of any class of shares of its common stock, the Company shall distribute to the Holders its pro rata portion of any such distribution (calculated on an as-converted basis with respect to the then outstanding Series A Preferred Stock) concurrently with the distribution to the then record holders of any class of its common stock (including an applicable distribution of shares of PodcastOne's common stock to the Harvest Funds in connection with the Company's recently announced spin-out and special dividend of PodcastOne's common stock to the Company's stockholders of record), in each case without the Majority Holders' prior written consent. Any breach of the aforementioned covenants shall constitute a material breach, which if uncured, shall result in the issuance of an aggregate of 56,473 shares of the Company's restricted common stock (the "Default Shares") to the Holders for each five trading days (or pro rata thereof) after the date of the breach; provided, that if such breach is cured within the applicable cure period, no Default Shares shall be issued.

In consideration for entry into the Exchange Agreements and the Holders' willingness to forego certain rights to common stock of the Company previously agreed by the parties, the Company issued to the Harvest Funds an aggregate of 625,000 shares of its common stock (the "Harvest Shares") and to Trinad Capital 200,000 shares of its common stock. In connection with the entry of the Exchange Agreements, unless otherwise agreed to by the Harvest Funds, Mr. Ellin agreed to (i) to serve as the Company's Chief Executive Officer and (ii) extend the period during which he cannot dispose of any equity or convertible securities of the Company owned by him or any entity of which he is the beneficial owner and not to cease to be the beneficial owner of any other equity or convertible securities of the Company of which Mr. Ellin is the beneficial owner (subject to certain exceptions), in each case until the time that the Harvest Funds no longer own any shares of the Series A Preferred Stock.

The Company evaluated the Exchange Agreement and the settlement was required to be accounted for as an extinguishment under ASC 470-50, Debt – Modifications and Extinguishment. As a result, we determined that the exchange should be accounted for as an extinguishment and we recorded the resulting loss on extinguishment of $1.0 million as "Loss on extinguishment of debt" in the accompanying consolidated statement of operations.

Note 12 — Senior Secured Revolving Line of Credit

On June 2, 2021, the Company entered into a Business Loan Agreement with East West Bank (the "Senior Lender"), which provides for a revolving credit facility collateralized by all the assets of the Company and its subsidiaries. In connection with the Business Loan Agreement, the Company entered into a Promissory Note with the Senior Lender and established the revolving line of credit in the amount of $7.0 million (the "Revolving Credit Facility"), maturing on June 2, 2023.

In July 2022, the Company extended the maturity date of its revolving credit facility to June 2024 and its variable interest rate was increased to 2.5%. The Revolving Credit Facility bears interest at a variable rate equal to the Wall Street Journal Prime Rate, plus 2.5%. The interest rate for the period ended March 31, 2023 was 10.00%.

The principal balance under the Revolving Credit Facility as of March 31, 2023 and 2022 was $7.0 million, respectively. The Company recorded interest expense of $0.6 million and $0.2 million for the year ended March 31, 2023 and 2022, respectively. The Company was in compliance with all debt covenants associated with the senior secured revolving line of credit as of March 31, 2023.

Note 13 — Related Party Transactions

As of March 31, 2022, the Company had unsecured convertible Trinad Notes outstanding which were issued to Trinad Capital as described in Note 10 – Unsecured Convertible Notes. In February 2023, the Trinad Notes along with accrued interest were converted into 6,177 shares of Series A Preferred Stock in addition to 200,000 shares of common stock.

During the year ended March 31, 2023, a subsidiary of the Company issued a promissory note in the amount of $300,000 in consideration of a loan in the same amount made to such subsidiary by an affiliate of Robert Ellin, the Company's Chief Executive Officer, Chairman, director and principal stockholder, which loan matured on October 17, 2022. The loan was repaid in October 2022.

Note 14 — Leases

The Company leases a space at a location under a non-cancellable operating lease with a remaining lease term of 1 year, which originally expired in fiscal year 2022 and was renewed for an additional year. On December 22, 2020, the Company acquired CPS which included the assumption of an operating lease for a 55,120 square foot light manufacturing facility located in Addison Illinois, expiring June 30, 2024.

The Company leases several office locations with lease terms that are less than 12 months or are on month to month terms. Rent expense is recognized over the term of the lease on a straight-line basis. Rent expense for these leases totaled $0.2 million for the year ended March 31, 2023. Operating leases with lease terms of greater than 12 months are capitalized in Operating lease right-of-use assets and Operating lease liabilities in the consolidated balance sheet. Rent expense for these operating leases totaled $0.4 million and $0.8 million the years ended March 31, 2023 and 2022, respectively, which is included in general and administrative expenses in the consolidated statement of operations.

Operating lease costs for the years ended March 31, 2023 and 2022 consisted of the following (in thousands):

	Year Ended March 31, 2023	Year Ended March 31, 2022
Fixed rent cost	$ 490	752
Short term lease cost	141	210
Total operating lease cost	$ 631	962

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

Operating leases	**March 31, 2023**	**March 31, 2022**
Operating lease right-of-use assets	$ 423	728
Operating lease liability, current	$ 273	273
Operating lease liability, noncurrent	161	468
Total operating lease liabilities	$ 434	741

The operating lease right-of-use assets are included in other assets in the March 31, 2023 and 2022 consolidated balance sheets, and operating lease liabilities are included in accounts payable and accrued liabilities and lease liabilities non-current in the March 31, 2023 and 2022 consolidated balance sheets.

Future maturities of operating lease liabilities as of March 31, 2023 were as follows (in thousands):

For Years Ending March 31,		
2024	$	320
2025		154
Total lease payments		474
Less: imputed interest		(40)
Present value of operating lease liabilities	$	434

Significant judgments

Discount rate – the Company's lease is discounted using the Company's incremental borrowing rate of 8.5% 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.

Month to month arrangements

React Presents leased its Chicago, Illinois premises under a month-to-month lease that was terminated in April 2022. Rent expense for the operating leases totaled less than $0.1 million and $0.1 million for the years ended March 31, 2023 and March 31, 2022, respectively.

PodcastOne leases its Los Angeles premises under a month-to-month operating lease. Rent expense for the operating leases totaled $0.3 million and $0.3 million for the year ended March 31, 2023 and March 31, 2022, respectively.

Note 15 — Other Long-Term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	March 31, 2023	March 31, 2022
Contingent consideration from Gramophone acquisition	$ 174	$ 174
Accrued royalties	3,788	-
Accrued legal	5,616	-
Total other long-term liabilities	$ 9,578	$ 174

The Company classified $3.8 million of accrued royalties into long term based on contractual arrangements with the royalty holders. In addition, the Company accrued $5.6 million into long term liabilities as a result of the Sound Exchange settlement, (Note 16 – Commitment and Contingencies). The amount included in Other long-term liabilities is comprised of a contingent consideration liability resulting from the business combination of Gramophone (see Note 21 - Fair Value Measurements).

Note 16 — Commitments and Contingencies

Contractual Obligations

As of March 31, 2023, the Company is obligated under agreements with Content Providers and other contractual obligations to make guaranteed payments as follows: $8.6 million for the fiscal year ending March 31, 2024, $0.6 million for the fiscal year ending March 31, 2025 and, $0.3 million for the fiscal year ending March 31, 2026.

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 of time is the period 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, members, 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, which included payments to be made in common stock. 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, 2023, 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.

On August 4, 2022, the Company entered into a settlement agreement with a certain music partner attributed to past royalties owed. The Company issued 800,000 shares of its common stock to the music partner and settled $0.4 million of accounts payable with the remaining value of the shares attributed to prepayment for future royalties. The fair value of the shares was determined to be $1.0 million based on the Company's share price at the date the shares were issued. As of March 31, 2023, $0.1 million was recorded as a prepaid asset related to this transaction in order to fund future amounts owed for royalties. If the agreement is not terminated by the music partner after one year, the Company will issue an additional 200,000 shares as prepayment of future royalties.

In addition, the Company entered into additional arrangements with vendors to settle outstanding amounts owed in exchange for a cumulative amount of 597,918 shares of common stock with a fair value of $0.4 million. The fair value of the shares was determined to be $0.4 million based on the Company's share price at the date the shares were issued.

Employment Agreements

As of March 31, 2023, the Company has employment agreements with three named executive officers ("Section 16 Officers") that provide salary payments of $0.5 million and target bonus compensation of up to $0.5 million on an annual basis. Furthermore, such employment agreements contain severance clauses that could require severance payments in the aggregate amount of $10.5 million (excluding the value of potential payouts of discretionary bonuses, pro-rata bonuses, and potential accelerated vesting of equity awards granted to such executive officers).

The Company's CEO has agreed to forgive his salary of $0.5 million per annum in exchange for shares of the Company's common stock and/or restricted stock units to be issued in the future. As of March 31, 2023, the Company's board of directors has not yet determined the number of shares of the Company's common stock and/or restricted stock units to be issued to the CEO as such compensation.

Legal Proceedings

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 the Company, LiveXLive Tickets, Inc. ("LXL Tickets"), Robert S. Ellin and certain other defendants. Plaintiffs subsequently voluntarily dismissed all claims against the other defendants. The complaint alleged multiple causes of action arising out of Schnaier's investment (through Danco) into the Company in 2016, LXL Tickets' 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. Based on the remaining claims, plaintiffs are seeking damages of approximately $10.0 million as shall be determined at trial, if any, plus interest, attorneys' fees and costs and other such relief as the court may award. The Company has denied and continues to deny 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 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. In October 2018, pursuant to the terms of the APA, the Company submitted a formal demand to Wantickets, Mr. Schnaier and Danco to indemnify the Company, among other things, for its costs and expenses incurred in connection with this matter. In November 2021, the court denied the Company's summary judgment motion to dismiss plaintiffs' fraudulent inducement claim and dismissed plaintiff's breach of the employment agreement claim with respect to the Company. On October 6, 2022, New York Appellate Division reversed the trial court's decision and ordered that defendants' motion for summary judgment dismissing the first and second causes of action should be granted. As of December 31, 2022, all of plaintiffs' claims were dismissed or addressed by the parties or the court other than plaintiffs' claims for fraudulent inducement related to payment of Wantickets' audit costs, breach of contract based on Mr. Schnaier's employment agreement with LXL Tickets, and fraudulent inducement due to plaintiffs alleged inability to sell their shares of Company's common stock acquired pursuant to the APA. The trial was held in late April and early May 2023. In May 2023, the Company achieved a favorable outcome in this lawsuit, as the jury awarded damages to LXL Tickets in the amount of $0.23 million, together with costs and disbursements as taxed by the clerk and with statutory interest at 9% per annum from November 22, 2018, versus damages in the amount of $0.15 million, together with costs and disbursements as taxed by the clerk and with statutory interest at 9% per annum from June 29, 2018 awarded to the plaintiffs. Neither amount is material to the Company. The plaintiffs have indicated their intent to appeal certain rulings in this matter. As of June 29, 2023, the plaintiffs have yet to file the appeal. The Company intends to continue to vigorously defend all remaining defendants, if necessary, against any liability to the plaintiffs with respect to the remaining claims, and the Company believes that the allegations are without merit and that it has strong defenses. As of March 31, 2023, while the Company has assessed that 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.

On June 28, 2022, SoundExchange, Inc. ("SX") filed a complaint in the U.S. District Court, Central District of California, against the Company and Slacker. The complaint alleged that the defendants have failed to make the necessary music royalty payments and corresponding late fees required under the Digital Millennium Copyright Act late allegedly due to SX. On October 13, 2022, the court entered a judgment against the defendants for the amount of $9.8 million. On February 3, 2023, the Company entered into an agreement to settle the dispute with SX and related court judgement entered against the defendants, pursuant to which the Company agreed to make certain monthly payments to SX for a period of 24 months and certain other payments in the event the Company obtains additional financing(s), unless the Company repays the judgment amount earlier pursuant to the terms of the agreement, and SX agreed not to take any action to enforce such judgment, so long as the defendants are not in default under the agreement.

During each of the quarters ended March 31, 2023 and 2022, the Company recorded legal settlement expenses relating to potential claims arising in connection with litigation brought against the Company by certain third parties were not material and were included in general and administrative expenses in the accompanying consolidated statement of operations.

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. In the opinion of management, after consultation with legal counsel, such routine claims and lawsuits are not significant and we do not currently expect them to have a material adverse effect on our business, financial condition, results of operations, or liquidity.

The CARES Act, passed in March 2020 and subsequently amended in 2021, allowed eligible employers to take credit up to 70% of qualified wages if the Company experienced either a full or partial suspension of the operation due to COVID related government orders. During the year ended March 31, 2022, the Company, with the guidance from a third-party specialist, determined it was entitled to $2.0 in employee retention credits for the previous business interruption related to COVID. The Company received $0.8 million and $1.2 million for the years ended March 31, 2023 and 2022, respectively, and reduced operating expense within its statements of operations.

Note 17 — Employee Benefit Plan

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 provided a contribution of $0.1 million and $0.1 million, to its employees for the years ended March 31, 2023 and 2022, respectively.

Note 18 — Stockholders' Equity

Authorized Common Stock and Authority to Create Preferred Stock

The Company has the authority to issue up to 510,000,000 shares, consisting of 500,000,000 shares of the Company's common stock, $0.001 par value per share, and 10,000,000 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.

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.

Stock Repurchase Program

In December 2020, the Company announced that its board of directors has authorized the repurchase up to two million shares of its outstanding common stock from time to time. In November 2022, the Company announced that its board of directors has authorized it to expand its stock repurchase program by up to an additional $2,000,000 worth of shares of its common stock to be repurchased from time to time. The timing, price, and quantity of purchases under the program will be at the discretion of our management and will depend upon a variety of factors including share price, general and business market conditions, compliance with applicable laws and regulations, corporate and regulatory requirements, and alternative uses of capital. The program may be expanded, suspended, or discontinued by our board of directors at any time. Although our board of directors has authorized this stock repurchase program, there is no guarantee as to the exact number of shares, if any, that will be repurchased by us, and we may discontinue purchases at any time that management determines additional purchases are not warranted. We cannot guarantee that the program will be consummated, fully or all, or that it will enhance long-term stockholder value. The program could affect the trading price of our common stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our common stock. In addition, this program could diminish our cash reserves. The Company purchased 2,220,914 and no shares of its common stock under the stock repurchase program for the year ended March 31, 2023 and 2022, for a total of $2.2 million and none, respectively.

Series A Preferred Stock

The Series A Preferred Stock is convertible at any time at a Holder's option into shares of the Company's common stock, at a price of $2.10 per share of common stock, bears a dividend of 12% per annum, is perpetual and has no maturity date. At the option of the Company, the dividend may be paid in-kind for the first 12 months after the Effective Date, and thereafter, the Holders shall have the option to select whether subsequent dividend payments shall be paid in kind or in cash; provided, that as long as any Series A Preferred Stock is held by the "Harvest Funds", Trinad Capital shall receive the dividend solely in kind. The Series A Preferred Stock shall have no voting rights, except as set forth in the Certificate of Designation or as otherwise required by law.

The Company may, at its option (the "Optional Redemption Right"), on or before the Mandatory Redemption Date (as defined herein), purchase up to $5,000,000 in aggregate of the then outstanding shares of Series A Preferred Stock held by the Harvest Funds at a cash redemption price per share of Series A Preferred Stock equal to the Stated Value (the "Redemption Price"). The Company shall be required on or before the 18-month anniversary of the Effective Date (the "Mandatory Redemption Date"), and in any event if prior to the Mandatory Redemption Date the Company consummates any financing transaction in which the Company, directly or indirectly, raises, in aggregate, gross proceeds of more than $20,000,000 of new capital, to purchase $5,000,000 in aggregate of the then outstanding shares of Series A Preferred Stock held by the Harvest Funds (the "Mandatory Redemption Amount") at the Redemption Price (the "Mandatory Redemption"). If the Optional Redemption Right is exercised up to the full $5,000,000 amount, the Mandatory Redemption requirement shall be terminated; provided, that if the Optional Redemption Right is exercised in any amount less than $5,000,000, the Mandatory Redemption Amount shall be reduced by the amount that the Optional Redemption Right has been elected and exercised. Without the prior express consent of the majority of the votes entitled to be cast by the holders of Series A Preferred Stock outstanding at the time of such vote (the "Majority Holders"), the Company shall not authorize or issue any additional or other shares of its capital stock that are (i) of senior rank to the Series A Preferred Stock or (ii) of pari passu rank to the Series A Preferred Stock, in each case in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Corporation.

Pursuant to the Exchange Agreements, the Company agreed that at any time that any of the shares of Series A Preferred Stock issued to the Harvest Funds are outstanding, (i) to directly or through its 100% owned subsidiaries (as applicable), to own on a fully diluted basis at least 66% of the total equity and voting rights of any and all classes of securities of each of PodcastOne, Slacker, PPV One, Inc., and LiveXLive Events, LLC subsidiaries of the Company, (ii) not to issue shares of its common stock or convertible equity securities at a price less than $2.10 per share (subject to certain exceptions), provided, that such consent shall not be required in connection with any merger, acquisition or other business combinations of the Company and/or any of its subsidiaries with any unaffiliated third party, (iii) not to raise more than an aggregate of $20,000,000 of capital in one or more offerings, including without limitation, one or more equity or debt offerings or a combination thereof, on an accumulated basis commencing after the Effective Date (the "Qualified Offering"); provided, that such consent shall not be required for any equity financing of the Company at a price of $2.25 per share or above, and (iv) if after the Effective Date the Company distributes any of its assets or any shares of its common stock or Common Stock Equivalents (as defined in the Exchange agreements) of any of its subsidiaries pro rata to the record holders of any class of shares of its common stock, the Company shall distribute to the Holders its pro rata portion of any such distribution (calculated on an as-converted basis with respect to the then outstanding Series A Preferred Stock) concurrently with the distribution to the then record holders of any class of its common stock (including an applicable distribution of shares of PodcastOne's common stock to the Harvest Funds in connection with the Company's recently announced spin-out and special dividend of PodcastOne's common stock to the Company's stockholders of record), in each case without the Majority Holders' prior written consent. Any breach of the aforementioned covenants shall constitute a material breach, which if uncured, shall result in the issuance of an aggregate of 56,473 shares of the Company's restricted common stock (the "Default Shares") to the Holders for each five trading days (or pro rata thereof) after the date of the breach; provided, that if such breach is cured within the applicable cure period, no Default Shares shall be issued.

In accordance with ASC 480, the Company classified $5.0 million of its Series A Preferred Stock as temporary equity due to the Company's obligation to redeem $5.0 million of the Series A Preferred Stock on or before 18 months after issuance for cash, which also contains a substantive conversion feature. The redemption feature was not deemed to be closely and clearly related to the equity-type host instrument. Accordingly, it was accounted for as a liability at inception based on its fair value of $0.2 million with subsequent changes in fair value included in earnings. The change in fair value of the embedded derivative included in the statement of earnings was $0.2 million for the year ended March 31, 2023.

In accordance with ASC 480, the Company classified $16.2 million of the Series A Preferred Stock as permanent equity in the financial statements as it was not subject to mandatory redemption at the option of the holder. The Company concluded that the Series A Preferred Stock is more akin to an equity-type instrument than a debt-type instrument, therefore the conversion features associated with the Series A preferred stock classified as permanent equity were deemed to be clearly and closely related to the host instrument and not a derivative under ASC 815. Accordingly the Series A Preferred Stock was not accreted to the redemption amount in effect on the balance sheet date.

Each share of Series A Preferred Stock is entitled to receive cumulative dividends payable at a rate per annum of 12% of the Series A Stated Value.

Issuance of Restricted Shares of Common Stock for Services to Consultants and Vendors

During the year ended March 31, 2023, the Company incurred $0.7 million in accounts payable and accrued liabilities for stock earned by its consultants, but not yet issued. The remaining unrecognized compensation cost of less than $0.1 million is expected to be recorded over the next year as the shares vest.

2016 Equity Incentive Plan

The Company's board of directors and stockholders approved the Company's 2016 Equity Incentive Plan, as amended (the "2016 Plan") which reserved a total of 12,600,000 shares of the Company's common stock for issuance. On September 17, 2020, our stockholders approved the amendment to the 2016 Plan to increase the number of shares available for issuance under the plan by 5,000,000 shares increasing the total up to 17,600,000 shares which the Company formally increased on June 30, 2021. 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 Company recognized share-based compensation expense of $3.0 million and $12.7 million during the years ended March 31, 2023 and 2022, respectively. The total tax benefit recognized related to share-based compensation expense was $0 for the years ended March 31, 2023 and 2022.

Share-based compensation expense during the year ended March 31, 2023 and 2022 includes the impact from differences in the timing of expense recognized in the statement of operations and the share issuances recorded in additional paid in capital, capitalization of internally developed software costs, and the benefit from the reversal of a previously accrued discretionary share-based award bonus of $1.1 million during the year ended March 31, 2022.

The maximum contractual term for awards is 10 years. As of March 31, 2023, there were 5,155,666 shares of common stock available for future issuance under the 2016 Plan.

Options Grants to Employees

Stock option awards are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant based on the closing market price of its common stock as reported on The Nasdaq Capital Market. The option awards generally vest over four years and are exercisable any time after vesting. The stock options expire ten years after the date of grant.

As of March 31, 2023, unrecognized compensation costs for unvested awards to employees was $0.4 million, which is expected to be recognized over a weighted-average service period of 1.3 years.

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

	Year Ended March 31,	
	2023	**2022**
Number of options granted	43,000	205,000
Weighted-average exercise price per share	$ 1.10	$ 1.19
Weighted-average grant date fair value per share	$ 1.10	$ 1.74

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,	
	2023	**2022**
Expected volatility	78.20% – 83.10%	77.36% - 84.98%
Dividend yield	-%	-%
Risk-free rate	3.11% - 3.14%	0.75% - 2.17%
Expected term (in years)	5.36 – 6.94	5.09 - 6.87

The following table summarizes the activity of our options issued to employees during the years ended March 31, 2023 and 2022:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of April 1, 2021	3,921,584	$ 3.74
Granted	205,000	1.74
Exercised	(400,460)	2.18
Forfeited or expired	(160,933)	4.10
Outstanding as of March 31, 2022	3,565,191	3.78
Granted	43,000	1.10
Exercised	-	-
Forfeited or expired	(1,191,524)	3.71
Outstanding as of March 31, 2023	2,416,667	3.75
Exercisable as of March 31, 2023	2,202,917	3.84

The weighted-average remaining contractual term for options to employees outstanding and options to employees exercisable as of March 31, 2023 was 5.14 years and 4.93 years, respectively. The intrinsic value of options to employees outstanding and options to employees exercisable was none and none, respectively, at March 31, 2023. The intrinsic value of options exercised was none and $0.3 million, respectively, at March 31, 2023 and 2022.

The fair value of stock options that were exercised during the year ended March 31, 2023 and 2022 was $0 million and $0.9 million, respectively. The fair value of stock options that were forfeited during the year ended March 31, 2023 and 2022 was $4.0 million and $0.7 million, respectively. The fair value of stock options outstanding and exercisable at March 31, 2023 was $9.1 million and $8.6 million, respectively. The fair value of stock options outstanding and exercisable at March 31, 2022 was $13.5 million and $12.7 million, respectively.

On April 11, 2018, the Company granted options to purchase 1,326,667 shares of its common stock to 4 key executives. In fiscal 2021, the Board of Directors approved an amendment to the key executive's employment agreement which modified the exercise periods associated with these options. The modified terms approved by the Board of Directors, which extended the original exercise period from 3 to 12 months, resulted in incremental fair value which was recognized as incremental share-based compensation expense of $0.9 million during the year ended March 31, 2022.

Options Grants to Non-Employees

As of March 31, 2023, 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, 2023 and 2022:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of April 1, 2021	25,000	$ 4.00
Granted	-	-
Exercised	-	-
Forfeited or expired	-	-
Outstanding as of March 31, 2022	25,000	4.00
Granted	-	-
Exercised	-	-
Forfeited or expired	-	-
Outstanding as of March 31, 2023	25,000	4.00
Exercisable as of March 31, 2023	25,000	4.00

The weighted average remaining contractual term for options to non-employees outstanding as of March 31, 2023 was 4.9 years. The intrinsic value of options to non-employees outstanding and options to non-employees exercisable was none at March 31, 2023.

Restricted Stock Units Grants

As of March 31, 2023, unrecognized compensation costs for unvested awards to employees was $1.2 million, which is expected to be recognized over a weighted-average service period of 0.70 years.

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

	Year Ended March 31,	
	2023	2022
Number of units granted	1,172,380	2,555,767
Weighted-average grant date fair value per share	$ 1.73	$ 3.77

The following table summarizes the activity of our restricted stock units issued to employees during the years ended March 31, 2023 and 2022:

	Number of Shares
Outstanding as of April 1, 2021	4,512,916
Granted	2,555,767
Vested	(2,518,791)
Cancelled	(1,485,517)
Outstanding as of March 31, 2022	3,064,375
Granted	1,172,380
Vested	(2,136,679)
Cancelled	(429,011)
Outstanding as of March 31, 2023	1,670,975

The fair value of restricted stock units that vested during the year ended March 31, 2023 and 2022 was $2.3 million and $10.7 million, respectively. The fair value of restricted stock units that were forfeited during the year ended March 31, 2023 and 2022 was $1.1 million and $5.0 million, respectively.

Note 19 — Income Tax Provision

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,	
	2023	2022
Loss before income taxes:		
Domestic	$ (9,954)	$ (43,729)
Foreign	-	-
Total loss before income taxes	$ (9,954)	$ (43,729)
The provision for income taxes consisted of the following:		
Current		
U.S. Federal	$ -	$ -
State	70	22
Foreign	-	-
Total Current	70	22
Deferred:		
U.S. Federal	2	86
State	(7)	75
Foreign	-	-
Total Deferred	(5)	161
Total provision for income taxes	$ 65	$ 183

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,	
	2023	2022
Income taxes computed at Federal statutory rate	$ (2,056)	$ (9,183)
State tax — net of federal benefit	(9)	(1,343)
Nondeductible expenses	1,292	-
Change in tax rates	86	(51)
Change in valuation allowance	228	10,175
Stock compensation	371	-
Other	153	585
Total provision for income taxes	$ 65	$ 183

At March 31, 2023,the Company had available federal and state net operating loss carryforwards to reduce future taxable income of approximately $143.6 million and $91.7 million, respectively. The federal and state net operating loss carryforwards begin to expire on various dates beginning in 2028. Of the $143.6 million of federal net operating loss carryforwards, $54.1 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 $89.5 million ("post-Tax Act losses") can be carried forward indefinitely but is subject to the 80% taxable income limitation.

The Company obtained $136.0 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 $22.0 million and $0, respectively. It is possible that the utilization of these NOL carryforwards and tax credits may be further limited. The Company will undertake 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 2017 and forward are subject to examination by the federal tax authorities and tax years for 2016 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, 2023 and 2022, 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, 2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 35,760	$ 36,368
Property and equipment	64	258
Accruals and reserves	1,393	1,718
Stock compensation	3,187	3,868
163 (j) interest expense carryforwards	2,000	1,125
Charitable contribution carryforward	18	69
Gross deferred tax assets	42,422	43,406
Deferred tax liabilities:		
Right of use asset	(107)	(185)
Intangible assets	(2,627)	(3,767)
Net deferred tax assets	39,688	39,454
Valuation allowance	(40,020)	(39,792)
Net deferred tax liability	$ (332)	$ (338)

As the ultimate realization of the potential benefits of a portion 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 against deferred tax assets is $40.0 million and $39.8 million for the years ended March 31, 2023 and 2022, respectively. The valuation allowance increased by $0.2 million for the year ended March 31, 2023.

Note 20 — Business Segments and Geographic Reporting

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

Beginning in the second quarter of fiscal 2023, management has determined that the Company has two operating segments (Audio Group and Media Group). The Audio Group consist of our PodcastOne and Slacker subsidiaries and the Media Group consist of our remaining subsidiaries. As a result of the PC1 Bridge Loan and the potential for a spin-off of PodcastOne the Company's chief operating decision maker ("CODM") began to make decisions and allocate resources based on two operating segments of the business (Audio and Media). The Company's reporting segments reflects the manner in which its CODM reviews results and allocates resources. The CODM reviews operating segment performance exclusive of share-based compensation expense, amortization of intangible assets, depreciation, and other expenses (including legal fees, expenses, and accruals) related to acquisitions, associated integration activities, and certain other non-cash charges. As a result, the segment information for the prior periods has been recast to confirm with the current period presentation.

The Company's two operating segments are also consistent with its internal organizational structure, which is the way the Company assesses operating performance and allocates resources.

Customers

The Company has one external customer that accounts for more than 10% of its revenue and accounts receivable. Such original equipment manufacturer (the "OEM") provides premium Slacker service in its new vehicles. Total revenues from the OEM were $44.3 million and $32.3 million for the years ended March 31, 2023 and 2022, respectively. Total receivables from the OEM were 24% and 24% of total accounts receivable as of March 31, 2023 and 2022, respectively.

Segment and Geographic Information

The Company's operations are 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, of which $2.6 million resides in the Audio Group and $0.7 million is attributed to our Media Operations.

We manage our working capital on a consolidated basis. Accordingly, segment assets are not reported to, or used by, our management to allocate resources to or assess performance of our segments, and therefore, total segment assets and related depreciation and amortization have not been presented.

The following table presents the results of operations for our reportable segments for the years ended March 31, 2023 and 2022:

	Year Ended March 31, 2023			
	Audio	**Media**	**Corporate expenses**	**Total**
Revenue	$ 86,848	$ 12,763	$ -	$ 99,611
Net income (loss)	$ 4,277	$ (2,800)	$ (11,496)	$ (10,019)

	Year Ended March 31, 2022			
	Audio	**Media**	**Corporate expenses**	**Total**
Revenue	$ 74,545	$ 42,474	$ -	$ 117,019
Net loss	$ (2,266)	$ (12,754)	$ (28,892)	$ (43,912)

Note 21 — 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, 2023			
	Fair Value	Hierarchy Level Level 1	Level 2	Level 3
Assets:				
Prepaid expenses - common stock issued subject to market adjustment at settlement	$ 140	$ 140	$ -	$ -
Total	$ 140	$ 140	$ -	$ -
Liabilities:				
Contingent consideration liability from Gramophone acquisition	$ 174	$ -	$ -	$ 174
Warrant liability on PodcastOne bridge loan	1,860	-	-	1,860
Bifurcated embedded derivative on PodcastOne bridge loan	1,288	-	-	1,288
Bifurcated embedded derivative on Series A Preferred Stock	376	-	-	376
	$ 3,698	$ -	$ -	$ 3,698

	March 31, 2022			
	Fair Value	Hierarchy Level Level 1	Level 2	Level 3
Liabilities:				
Contingent consideration liability from PodcastOne acquisition	$ 2,965	$ -	$ -	$ 2,965
Contingent consideration liability from CPS acquisition	174	-	-	174
Bifurcated embedded derivative on senior secured convertible notes payable	18	-	-	18
	$ 3,157	$ -	$ -	$ 3,157

The following table presents a reconciliation of the Company's financial liabilities that are measured at Level 3 within the fair value hierarchy (in thousands):

	Amount
Balance as of April 1, 2021	$ 5,067
Change in fair value of bifurcated embedded derivatives, reported in earnings	(113)
Change in fair value of contingent consideration liabilities, reported in earnings	(145)
Common stock settlement of contingent consideration liability from CPS acquisition	(1,826)
Initial measurement of contingent consideration for Gramophone acquisition	174
Balance as of March 31, 2022	3,157
Embedded derivative and warrant issued in connection with PodcastOne bridge loan	2,845
Embedded derivative and warrant issued in connection with Series A Preferred Stock	173
Settlement of PodcastOne contingent consideration	(3,000)
Change in fair value of bifurcated embedded derivatives, reported in earnings	523
Balance as of March 31, 2023	$ 3,698

The settlement of the PodcastOne contingent consideration of $3.0 million consisted of 414,137 shares of our common stock issued with a fair value of $0.5 million, cash payment of $0.3 million and a gain of $2.2 million attributed to the former owners of PodcastOne forgiving the remaining balance of $2.2 million.

Bifurcated embedded derivative on secured convertible notes payable and unsecured convertible notes payable

The fair value of the bifurcated embedded derivatives on secured convertible notes payable and unsecured convertible notes payable was determined using the following significant unobservable inputs:

	March 31, 2023	March 31, 2022
Bifurcated embedded derivative on secured convertible notes payable:		
Market yield	-%	4.7%

Significant increases or decreases in the inputs noted above 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 of the bifurcated embedded derivatives is less than $0.2 million. The change in fair value of $0.2 million is recorded in other income (expense) on the Company's consolidated statements of operations for the year ended March 31, 2022. The related notes payable were fully settled during the year ended March 31, 2023. nine month period ended March 31, 2022.

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

	March 31, 2023			
	Carrying	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Liabilities:				
PodcastOne bridge loan	$ 4,726	$ -	$ -	$ 9,152

	March 31, 2022			
	Carrying	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Liabilities:				
Secured convertible notes payable, net	$ 13,650	$ -	$ -	$ 15,448
Unsecured convertible notes payable related party, net	5,879	-	-	6,084

The fair values of financial instruments not included in these tables are estimated to be equal to their carrying values as of March 31, 2023 and March 31, 2022. 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.

The fair value of the financial assets and liabilities, where the Company did not elect the fair value measurement option, were determined using the following significant unobservable inputs:

	March 31, 2023	March 31, 2022
Secured convertible notes payable, net (binomial lattice model):		
Market yield	-%	6.3%
Unsecured convertible notes payable related party, net (yield model with a Black-Scholes-Merton option pricing model):		
Market yield	-%	6.6%

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

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 as of March 31, 2023 and March 31, 2022.

The Company's note payable is not publicly traded and fair value is estimated to equal carrying value. The Company's senior secured line of credit, senior secured convertible notes 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 above. The convertible notes payable and unsecured convertible notes are valued using a binomial lattice model and a yield model with a Black-Scholes-Merton option pricing model, respectively.

Note 22 — Subsequent Events

Subsequent to March 31, 2023 and as of June 28, 2023, the Company repurchased 694,315 shares of its common stock at an average price of $1.46 per share.

As of June 29, 2023, PodcastOne has not yet consummated the Direct Listing and accordingly, it has redeemed $3,000,000 of the outstanding Bridge Notes (other than the Bridge Notes issued to LiveOne).

In May 2023, the Company achieved a favorable outcome in the Wantickets lawsuit described in Note 16 — Commitments and Contingencies, as the jury awarded damages to LXL Tickets in the amount greater than the amount of damages awarded to the plaintiffs. Neither amount is material to the Company. The plaintiffs have indicated their intent to appeal certain rulings in this matter. As of June 29, 2023, the plaintiffs have yet to file the appeal.

On June 20, 2023 the Company entered into a binding letter of intent to acquire 100% of the equity interest in Guru Fantasy Reports, Inc. ("Guru Reports") for $3.5 million to be paid out in shares of common stock of PodcastOne when it's listing goes effective. The number of shares of common stock will be based on a value of $8.00 per share. The purchase price is contingent on Guru Reports having $2.2 million of GAAP revenue for the trialing twelve months from the purchase date verified by an independent auditor.

On June 7, 2023, PodcastOne received a written notice from District 2 Capital Fund LP, in its capacity as a noteholder and noteholder agent for the Noteholders (as defined below) (the "Noteholders Agent"), that the Noteholder Agent alleges that an event of default has occurred with respect to those certain Subscription Agreements, dated as of July 15, 2022 (the "Subscription Agreements"), by and among PodcastOne, the Company, in its capacity as guarantor of certain PodcastOne obligations thereunder, and the respective noteholders party thereto (the "Noteholders"), and the related 10% Original Issue Discount Convertible Promissory Notes, dated as of July 15, 2022 (the "Notes"), made by PodcastOne in favor of the Noteholders (the "Notice"). The Notice indicates that an event of default has occurred as a result of PodcastOne not timely making the third redemption payment by June 3, 2023 under the terms of the Notes and the Subscription Agreements (the "Payment"), which payment the Notice states the Noteholders received on June 5, 2023, and provides that as a result the Noteholders Agent has declared all outstanding indebtedness represented by the Notes (other than the Company) to be immediately due and payable at the Mandatory Default Amount (as defined in the Notes), together with all reasonable out-of-pocket expenses of collection thereof, and that beginning from June 4, 2023, the outstanding principal amount of the Notes began accruing interest at a rate per annum equal to 16%, and demands for such payments to be immediately made in full to each Noteholder (other than the Company). As of June 29, 2023, the outstanding principal amount of the Notes, plus accrued interest (at the normal rate provided by the Notes), held by the Noteholders (other than LiveOne) is approximately $3.1 million. A description of the Subscription Agreements, the Notes and related agreements are contained elsewhere in this Annual Report and copies of such agreements are filed as exhibits to this Annual Report.

The Company and PodcastOne strongly disagree with the claims in the Notice that an event of default has occurred and in good faith believe that an event of default has not occurred and assert that the Payment was timely made on June 3, 2023, that no event of default has occurred or is continuing, and consequently the demand for payment in the Notice is invalid. Accordingly the Company and PodcastOne believe that no further payments are required to the Noteholders until the maturity of the Notes, subject to their earlier automatic conversion upon the closing of a Qualified Financing or Qualified Event. The Company and PodcastOne have invited the Noteholders Agent to immediately reconsider and to rescind its Notice and request for payment.

On June 20, 2023, the Company entered into a binding letter of intent to acquire Guru Fantasy Reports, Inc. ("Guru Reports") for $3.5 million to be paid out in shares of common stock of PodcastOne, subject to standard and other closing conditions as set forth therein. If completed, the number of shares of common stock of PodcastOne will be based on a value of $8.00 per share.

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, 2023, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Interim 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, 2023 because of material weaknesses in internal control over financial reporting, described in Management's Annual Report on Internal Control Over Financial Reporting below.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, 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 Interim CFO, assessed the effectiveness of our internal control over financial reporting as of March 31, 2023, 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, 2023 due to material weaknesses that existed in our internal controls. Our management communicated the results of its assessment to the Audit Committee of our Board of Directors.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on management's assessment of our internal control over financial reporting as of March 31, 2023, the following material weaknesses existed as of that date, specifically relating to the following control activities:

We did not maintain appropriately designed entity-level controls impacting the control environment, risk assessment procedures, and monitoring activities to prevent or detect material misstatements to the consolidated financial statements. These deficiencies were attributed to: (i) lack of structure and responsibility, insufficient number of qualified resources and inadequate oversight and accountability over the performance of controls, (ii) ineffective identification and assessment of risks impacting internal control over financial reporting, and (iii) ineffective evaluation and determination as to whether the components of internal control were present and functioning.

In addition, as previously reported, material weaknesses specifically relating to the following control activities existed as of March 31, 2023:

(i) our controls relating to proper evaluation and accounting of certain features embedded in complex debt and equity instruments. Specifically, we did not have sufficient technical resources to appropriately identify and evaluate certain features that require instruments or features to be accounted for as liabilities remeasured at fair value;

(ii) our controls were not adequately designed to allow management to identify errors in the accounting for business combinations.; and

(iii) our controls relating to the calculation of our inventory obsolesce reserve were not adequately designed at a sufficient level of precision, which could have resulted in a material misstatement.

Notwithstanding the material weaknesses discussed above, our management, including our CEO and Interim CFO, concluded that the consolidated financial statements in this Annual Report fairly present, in all material respects, our 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 weaknesses described in this Item 9A and to enhance our overall control environment. During our fiscal year ending March 31, 2024, our management is committed to remediating such material weaknesses through continuing training and hiring of personnel, improving the timeliness of our accounting close process, and continuing to enhance our financial review controls. We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively.

Although we intend to complete the remediation process as promptly as possible, we cannot at this time estimate how long it will take to remediate these material weaknesses. In addition, we may discover additional material weaknesses that require additional time and resources to remediate and we may decide to take additional measures to address the material weaknesses or modify the remediation steps described above. Until theses material weaknesses are remediated, we plan to continue to perform additional analyses and other procedures to ensure that our consolidated financial statements are prepared in accordance with GAAP.

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

During the fourth quarter of the fiscal year ended March 31, 2023, we continued the processes of evaluating the design and operating effectiveness of controls in place around new transaction cycles and will implement any remediations if necessary. Other than this, there have been no changes in our internal control over financial reporting, during the fourth quarter of the fiscal year ended March 31, 2023 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 Interim CFO, respectively. These certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act (the "Section 302 Certifications"). This Item 9A. of this Annual Report, which you are currently reading, is the information concerning the Evaluation referred to above and in the Section 302 Certifications, and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection

Not applicable.

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 2023 Annual Meeting of Stockholders (our “2023 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 2023 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 2023 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to our 2023 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to our 2023 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 LiveOne, Inc. (formerly LiveXLive Media, Inc.) included in this Annual Report include:

- Consolidated Balance Sheets as of March 31, 2023 and 2022
- Consolidated Statements of Operations for the years ended March 31, 2023 and 2022
- Consolidated Statement of Changes in Stockholders' (Deficit) Equity for the years ended March 31, 2023 and 2022
- Consolidated Statements of Cash Flows for the years ended March 31, 2023 and 2022
- 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).
3.4	Amendment No. 1 to the Bylaws 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 January 14, 2021).
3.5	Certificate of Merger, dated as of September 30, 2021, between the Company and LiveOne, Inc. ((Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on October 12, 2021).
4.1	Promissory Note, dated as of June 2, 2021, issued by the Company to East West Bank (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2021).
4.2	Form of 10% Original Issue Discount Convertible Promissory Note, dated July 15, 2022, issued by PodcastOne to the purchasers thereof (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2022).
4.3	Form of Warrants, dated July 15, 2022, issued by PodcastOne to the purchasers of PodcastOne's 10% Original Issue Discount Convertible Promissory Notes, dated July 15, 2022 (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2022).
4.4	Certificate of Designation of Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock of the Company, dated as of February 2, 2023 (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC February 7, 2023).
4.5*	Description of Securities.
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 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 February 13, 2019).
10.4†	Amendment No. 2 to the Company's 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 6, 2021).
10.5†	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).
10.6†	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).
10.7†	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).
10.8†	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).
10.9†	Amendment No. 2 to Employment Agreement, dated as of December 14, 2017, between the Company and Robert Ellin. (Incorporated by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 14, 2023).
10.10†£	Employment Offer Letter, dated as of March 6, 2019, between the Company and Aaron Sullivan (Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K, filed with the SEC on June 29, 2022).
10.11†	Amendment No. 1 to Employment Offer Agreement, dated as of dated as of October 26, 2020 and effective as of October 1, 2020, between the Company and Aaron Sullivan (Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K, filed with the SEC on June 29, 2022).
10.12	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).
10.13£	Securities Purchase Agreement, dated as of July 2, 2020, between the Company and the Purchaser (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 6, 2020).

10.14£	Amendment No. 1 to Securities Purchase Agreement, dated as of July 30, 2020, between the Company and the Purchaser (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A, filed with the SEC on August 5, 2020).
10.15	Stock Purchase Agreement, dated as of December 22, 2020, among the Company, Custom Personalization Solutions, Inc., LiveXLive Merchandising, Inc., the persons identified as "Sellers" on the signature pages thereto, and Scott R. Norman, 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 December 30, 2020).
10.16	Business Loan Agreement, dated as of June 2, 2021, between the Company and East West Bank (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2021).
10.17	Commercial Security Agreement, dated as of June 2, 2021, between the Company and East West Bank (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2021).
10.18	Placement Agency Agreement, dated July 15, 2022, between PodcastOne and Joseph Gunnar & Co., LLC (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on July 20, 2022).
10.19	Exchange Agreement, dated as of February 3, 2023, between the Company and Harvest Small Cap Partners, L.P. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC February 7, 2023).
10.20	Exchange Agreement, dated as of February 3, 2023, between the Company and Harvest Small Cap Partners, Ltd. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC February 7, 2023).
10.21	Exchange Agreement, dated as of February 3, 2023, between the Company and Trinad Capital Master Fund Ltd. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC February 7, 2023).
21.1*	List of subsidiaries of the Company.
23.1	Consent of Macias Gini & O'Connell LLP, independent registered public accounting firm.
23.2*	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. Section1350, 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. Section1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL 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.

Item 16. Form 10-K Summary

We have elected not to include summary information.

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.

LIVEONE, INC.

Date: June 29, 2023

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

Date: June 29, 2023

By: /s/ *Aaron Sullivan*
Name: Aaron Sullivan
Title: Interim Chief Financial Officer and
Executive Vice President
(Interim Principal Financial Officer and
Interim 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 29, 2023
/s/ Jay Krigsman Jay Krigsman	Director	June 29, 2023
/s/ *Craig Foster* Craig Foster	Director	June 29, 2023
/s/ Ramin Arani Ramin Arani	Director	June 29, 2023
/s/ *Patrick Wachsberger* Patrick Wachsberger	Director	June 29, 2023
/s/ *Kenneth Solomon* Kenneth Solomon	Director	June 29, 2023
/s/ *Bridget Baker* Bridget Baker	Director	June 29, 2023
/s/ *Kristopher Wright* Kristopher Wright	Director	June 29, 2023

Exhibit 4.5

DESCRIPTION OF CAPITAL STOCK

As of the end of the period covered by the most recent Annual Report on Form 10-K of LiveOne, Inc., its common stock, $0.001 par value per share (the "common stock"), was registered under Section 12 of the Securities Exchange Act of 1934, as amended. Unless the context otherwise requires, all references herein to "we", "our" and "us" refer to LiveOne, Inc.

The following description of the common stock is a summary and does not purport to be complete. A copy of our Certificate of Incorporation, as amended (the "Certificate of Incorporation"), our Bylaws, as amended (the "Bylaws"), and our Certificate of Designation of Preferences, Rights and Limitations of Series A Perpetual Convertible Preferred Stock of the Company, dated as of February 2, 2023 (the "Certificate of Designation"), have been filed as Exhibits 3.1, 3.3 and 4.4, respectively, to our Annual Report on Form 10-K for the year ended March 31, 2023 (the "Annual Report"). Our common stock and the rights of the holders of our common stock are subject to the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL"), the Certificate of Incorporation, the Bylaws and the Certificate of Designation, as well as some of the terms of our outstanding indebtedness. The description below of our common stock and provisions of the Certificate of Incorporation, the Bylaws and the Certificate of Designation are summaries and are qualified by reference to the Certificate of Incorporation, the Bylaws and the Certificate of Designation, and by the applicable provisions of the DGCL. We encourage you to read that law and those documents carefully.

General

Our Certificate of Incorporation authorizes us to issue up to 10,000,000 shares of preferred stock, $0.001 par value per share, and 500,000,000 shares of our common stock, $0.001 par value per share.

As of June 28, 2023, there were 21,573 and 90,179,756 shares of our preferred stock and common stock outstanding, respectively.

As of June 28, 2023, we had 409 holders of record of our common stock, which excludes stockholders whose shares were held in nominee or street name by brokers. The actual number of common stockholders is greater than the number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Common Stock

Voting

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights. Accordingly, the holders of a majority of the shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election.

Dividends

Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Fully Paid and Nonassessable

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering will be, fully paid and nonassessable.

Preferred Stock

Our board of directors has the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of our common stock and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. As of March 31, 2022, there were no shares of our preferred stock outstanding, and we have no current plans to issue any shares of our preferred stock.

Series A Perpetual Convertible Preferred Stock

General

As of June 28, 2023, there were 21,573 shares of our Series A Perpetual Convertible Preferred Stock outstanding that, as of such date, were convertible into approximately 10,358,571 shares of common stock.

The Series A Perpetual Convertible Preferred Stock was issued effective as of February 3, 2023 and April 1, 2023 to Harvest Small Cap Partners Master, Ltd., Harvest Small Cap Partners, L.P. ("HSCP") and Trinad Capital Master Fund Ltd. ("Trinad Capital"), a fund controlled by Robert Ellin, our Chief Executive Officer, Chairman, director and principal stockholder, in exchange for certain indebtedness exchanged for such Series A Perpetual Convertible Preferred Stock. An amendment to, or waiver of rights of, the Series A Perpetual Convertible Preferred Stock requires the approval of the majority of the votes entitled to be cast by the holders of Series A Preferred Stock outstanding at the time of such vote.

Voting and Dividends

The holders of the shares of the Series A Perpetual Convertible Preferred Stock have certain voting rights as described in the Certificate of Designation equal to 1,000 votes per share of Series A Preferred Stock. The holders of Series A Preferred Stock are not entitled to vote separately as a class or series on any amendment, modification or restatement of the Certificate of Incorporation, except as would be unlawful under the laws of the State of Delaware or except as required by Section 4 of the Certificate of Designation.

The holders of the Series A Perpetual Convertible Preferred Stock are entitled to receive, and the Corporation shall pay, by issuing shares of Series A Preferred Stock or paying in cash to such holders, subject to and as provided in Section 3 of the Certificate of Designation, dividends on each share of Series A Preferred Stock, based on a stated value per share equal to $1,000 (the "Stated Value"), at a rate of 12% per annum (the "Interest"), commencing on February 3, 2023 (the "Original Issue Date") until the date that such share of Series A Preferred Stock is converted to common stock (the "Interest Termination Date"). So long as a holder's shares of Series A Preferred Stock are outstanding, Interest payments shall accrue and be compounded daily on the basis of a 360-day day year and twelve (12) 30-day months and shall be paid in arrears to such holder on the earlier of the following dates (i) the Interest Termination Date and (ii) quarterly on April 1st, July 1st, October 1st and January 1st of each year (each such date, an "Interest Payment Date"). At our option, the Interest payments may be made in shares of Series A Preferred Stock valued at a price per share equal to the Stated Value (the "Interest Shares") for the Interest Payment Dates occurring during the first 12 months after the Original Issue Date, and thereafter in Interest Shares or in cash at the sole option of the Holder; provided, that Trinad Capital shall receive Interest payments solely in Interest Shares. The holders of the Series A Perpetual Convertible Preferred Stock other than Trinad Capital shall receive the Interest payments in cash on the Interest Payment Date unless such holder provides written notice to us (email notice will suffice) at least ten days prior to the applicable Interest Payment Date indicating such holder's election to receive Interest Shares in lieu of a cash payment for the applicable Interest Payment Date; provided, that during such notice period a holder may provide Conversion Notice to us as provided in the Certificate of Designation. In addition, in the event we declare any distribution or dividend of any of our assets or any shares of capital stock of any of our subsidiaries pro rata to the record holders of any class of shares of common stock, we shall calculate and distribute to each holder its pro rata portion of any such distribution (calculated on an as-converted basis with respect to the shares of Series A Preferred Stock then outstanding as of the record date set by us for such distribution or dividend) concurrently with the distribution to the then record holders of any class of common stock. Except as provided in this Section 3, Section 5 and Section 7 of the Certificate of Designation, no other dividends shall be paid on shares of Series A Preferred Stock.

As provided in the Certificate of Designation, Interest in shares of Series A Preferred Stock were paid effective as of April 1, 2023 on the terms summarized above.

Liquidation

In the event of any liquidation, dissolution or winding up of our Company, either voluntarily or involuntarily, the holders of the Series A Perpetual Convertible Preferred Stock are entitled to receive, prior and in preference to the holders of the Common Stock, a per share amount equal to the Stated Value plus any accrued but unpaid Interest thereon, or the amount the holder would be entitled to receive if the Series A Preferred Stock were fully converted (disregarding for such purposes any conversion limitations hereunder) to common stock which amounts shall be paid pari passu with all holders of common stock.

If upon the liquidation, dissolution or winding up of the Company, the assets of our Company that are legally available for distribution to the holders of the Series A Perpetual Convertible Preferred Stock are insufficient to permit the payment to such holders of the full amounts above, then the entire assets of our Company that are legally available for distribution shall be distributed with equal priority and pro rata among the holders of the Series A Perpetual Convertible Preferred Stock in proportion to what they would otherwise be entitled to receive.

Conversion

Each share of Series A Perpetual Convertible Preferred Stock is convertible, at the option of the holder, at any time after the date of issuance of such share, into such number of fully paid and non-assessable shares of common stock determined by multiply the number of Series A Perpetual Convertible Preferred Stock by the Stated Value and dividing the product thereof by the conversion price for such series in effect at the time of conversion for the Series A Perpetual Convertible Preferred Stock. The conversion price for the Series A Perpetual Convertible Preferred Stock is subject to adjustment in accordance with conversion provisions contained in the Certificate of Designations. As of June 28, 2023, the conversion price of the Series A Perpetual Convertible Preferred Stock is $2.10 per share.

We will not effect the conversion of any portion of the shares of Series A Perpetual Convertible Preferred Stock, and the holder will not have the right to convert any shares of Series A Perpetual Convertible Preferred Stock, and any such conversion shall be null and void and treated as if never made, to the extent that after giving effect to such exercise, the holder together with its affiliates collectively would own beneficially in excess of 4.99% (or, upon election by a holder prior to the issuance of any shares of Series A Perpetual Convertible Preferred Stock, such beneficial ownership limitation may increase or decrease) of the shares of common stock outstanding immediately after giving effect to such exercise.

Authorized and Unissued Capital Stock

DGCL does not require stockholder approval for any issuance of authorized shares. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares at prices higher than prevailing market prices.

Warrants

As of March 31, 2023, there were 0 warrants outstanding.

Options

As of March 31, 2023, we had entered into agreements to grant options to our employees to purchase 2,218,667 shares of common stock under the 2016 Equity Incentive Plan, as amended (the “Plan”), at a weighted average exercise price of $3.75 per share. As of March 31, 2023, we had entered into agreements to grant options to our non-employees to purchase 25,000 shares of common stock under the Plan at a weighted average exercise price of $4.00 per share.

For a description of our other equity grants and awards, see Note 18 – Stockholders’ Equity to our consolidated financial statements included in the Annual Report.

Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions

Delaware Anti-Takeover Statute

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, Section 203 prohibits a publicly held Delaware corporation from engaging, under certain circumstances, in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

- prior to the date of the transaction, our board of directors 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 our board of directors 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.

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

The provisions of Delaware law and the provisions of our Certificate of Incorporation and Bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions might also have the effect of preventing changes in our management. It is also possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Bylaws

Provisions of our Bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our Bylaws:

- permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate (including the right to approve an acquisition or other change in our control);

- provide that the authorized number of directors may be changed only by resolution of the board of directors;

- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum; and

- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose).

The amendment of any of these provisions, with the exception of the ability of our board of directors to issue shares of preferred stock and designate any rights, preferences and privileges thereto, would require approval by the holders of a majority of our then outstanding common stock.

Special Meetings

Our Certificate of Incorporation and Bylaws provide that, except as otherwise required by law, special meetings of the stockholders may only be called by the chairperson of our board of directors, our Chief Executive Officer or our President (in the absence of a Chief Executive Officer), or by our board of directors acting pursuant to a resolution approved by the affirmative vote of a majority of the whole board. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders.

Requirements for Notice of Stockholder Director Nominations and Stockholder Business

If a stockholder wishes to bring any business before an annual or special meeting or nominate a person for election to our board of directors, our Bylaws contain certain procedures that must be followed for the advance timing required for delivery of stockholder notice of such nomination or other business and the information that such notice must contain.

Listing

Our common stock is listed for quotation on The NASDAQ Capital Market under the symbol "LVO."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Vstock Transfer, LLC. The transfer agent and registrar's address is 18 Lafayette Place, Woodmere, NY 11598.

Exhibit 21.1

LIST OF SUBSIDIARIES OF THE REGISTRANT

LiveOne, Inc.,
a Delaware corporation

Subsidiaries	Jurisdiction
LiveXLive, Corp.	Delaware
Slacker, Inc.	Delaware
LiveXLive PodcastOne, Inc.	Delaware
Courtside Group, Inc.	Delaware
Courtside, LLC	Delaware
PodcastOne Sales, LLC	California
LiveXLive Merchandising, Inc.	Delaware
Custom Personalization Solutions, Inc.	Delaware
LiveXLive Music, Inc.	Delaware
DayOne Music Publishing, Inc.	Delaware
LiveXLive PR, Inc.	Delaware
Gramophone Media, Inc.	New York

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

LiveOne, Inc.
Beverly Hills, CA

We consent to the incorporation by reference in the Registration Statements on Form S-3 (333-262549) and Form S-8 (Nos. 333-234619 and 333-259026) of LiveOne, Inc. of our report dated June 29, 2023, relating to the consolidated financial statements of LiveOne, Inc. appearing in this Annual Report on Form 10-K for the year ended March 31, 2023. Our report on the consolidated financial statements contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ Macias Gini & O'Connell, LLP

Los Angeles, California
June 29, 2023

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

LiveOne, Inc.
Beverly Hills, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-262549) and Form S-8 (No. 333-234619 and 333-259026) of LiveOne, Inc. (the "Company") of our report dated June 29, 2022, except for Note 20, Business Segments and Geographic Reporting, which is dated June 29, 2023 relating to the consolidated financial statements, which appear in this Form 10-K. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO USA, LLP

Los Angeles, California
June 29, 2023

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 LiveOne, 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 29, 2023

/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, Aaron Sullivan, certify that:

1. I have reviewed this Annual Report on Form 10-K of LiveOne, 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 29, 2023

/s/ *Aaron Sullivan*
Aaron Sullivan
Interim 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 LiveOne, Inc. (the "Company") on Form 10-K for the year ended March 31, 2023 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 29, 2023

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 LiveOne, Inc. (the "Company") on Form 10-K for the year ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Aaron Sullivan, as the Interim 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/ *Aaron Sullivan*
Aaron Sullivan
Interim Chief Financial Officer

June 29, 2023

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.