UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

OR

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

FOR THE TRANSITION PERIOD FROM ________________ TO ________________

COMMISSION FILE NUMBER: 001-37916

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

Delaware	**45-2925231**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

2629 Townsgate Road #215,
Westlake Village, CA 91361
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(323) 694-9800**

Securities registered under Section 12(b) of the Act:

Title of Class	Trading Symbol	Name of Each Exchange on Which Registered
Class A Common Stock, $0.001 par value	SRAX	Nasdaq Capital Market

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

None
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [X]	Smaller reporting company [X]
Emerging Growth Company [ ]	

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. [ ]

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $32,811,898 based on the closing price of $2.54 on June 30, 2020

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 23,185,765 shares of Class A common stock are outstanding as of March 31, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2021 annual meeting of shareholders (the "2021 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2021 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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PART I

We urge you to read this entire Annual Report on Form 10-K, including the "Risk Factors" section, the financial statements and the related notes included therein. As used in this Annual Report, unless context otherwise requires, the words "we," "us," "our," "the Company," "SRAX," "Registrant" refer to SRAX, Inc. and its subsidiaries. Additionally, any reference to "LD Micro" refers to the Company's wholly owned subsidiary, LD Micro, Inc. and the assets used in its operations. Any reference to *"BIGToken" and "BIGToken, Inc.", or the "BIGToken Project" refer to the Company's previously wholly owned subsidiary, BIGToken, Inc. and the assets used in its operations. BIGToken was divested pursuant to a share exchange agreement that closed on February 4, 2021. Also, any reference to "common share" or "common stock," refers to our $0.001 par value Class A common stock.*

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not purely historical are considered to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements include, but are not limited to: any projections of revenues, earnings, or other financial items; any statements of the strategies, plans and objectives of management for future operations; any statements concerning proposed new products or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect" or "anticipate" and any other similar words. These statements represent our expectations, beliefs, anticipations, commitments, intentions, and strategies regarding the future and include, but are not limited to, the risks and uncertainties outlined in Item 1.A Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and those discussed in other documents we file with the Securities and Exchange Commission (SEC). Readers are cautioned that actual results could differ materially from the anticipated results or other expectations that are expressed in forward-looking statements within this report. The forward-looking statements included in this report speak only as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

ITEM 1. BUSINESS.

We are a technology firm focused on enhancing communications between public companies and their shareholders and investors. We currently have two distinct business units:

- Our unique SaaS platform, Sequire provides users many features which allow issuers to track their shareholders' behaviors and trends, then use data-driven insights to engage with shareholders across marketing channels.
- Through LD Micro, we organize and host investor conferences within the micro and small- cap space, and plan to create several more niche events for the investor community.

Our endeavor provides our clients an integrated investor and shareholder analytics platform drove us to develop this platform, acquire LD Micro, and begin cultivating the Sequire Community. Each SRAX business unit delivers valuable insights that assist our clients with their investor relations and communications initiatives.

Sequire

In May of 2020 we rebranded our SaaS offering SRAX IR, as *Sequire*, emphasizing the platform's strength to secure and acquire investors. The Sequire platform is a central hub where companies reach out and engage with shareholders, manage warrants, and identify potential investors.

This powerful software utilizes machine learning and advanced analytics to bring our clients actionable information that we believe can be used to maximize ROI through better investor and stockholder communications. Clients then have the ability to engage with targeted shareholder groups across marketing channels including email, social media, programmatic, and hyperlocal.

When interpreting data, clients can see gains and losses over time, buying/selling trends, total outstanding shares, new shareholders, and shareholders broken out by percentage. Based on this data, we can then build companies a customized communications campaign in which we use targeted ads and crafted messaging to reach the desired outcome for a client.

An important part of monitoring shareholders is the greater context of the investment landscape. Sequire features real-time level-two trading data, the ability to monitor competition, news alerts, and more. Additionally, Sequire's functionality includes a custom survey feature that allows issuers to ask questions to all their shareholders at once or to specified groups.

The Sequire platform also allows users to manage warrants, attaining high-level insight by year and month, including a list of expiring and outstanding warrants. They can then calculate what their proceeds could be if those warrants were issued before they expire. Clients can also keep tabs on investor relations programs and corporate communication firms, all in one place.

We expanded the functionality of Sequire to include the hosting of virtual events, as more and more networking functions are being held in the digital space. Clients can attend an event held by industry guests or hold a conference themselves. They then have the ability to import contacts from those events directly into their own list for later use and targeting.

Virtual Events and LD Micro

LD Micro was originally founded in 2006 as an independent resource for the microcap world. It quickly grew into a premier event platform in the space, successfully connecting investors and promoting small cap businesses. In September of 2020, we acquired LD Micro, and hosted the 2020 Main Event on our Sequire Virtual Events platform. We are proud to say we had over 50K attendees and hosted webinars with 250 companies.

The LD Micro Main Event is one of the most influential conferences in the small-cap space, and our acquisition has been able to provide LD access to our growing database of 5M+ investors.

We are currently expanding our slate of events to include specialty conferences for individual industries such as: EdTech, FinTech, Minerals, Pharma, etc. Our retail investor community of 5M+ investors, and the ability to help educate investors with these events, is valuable to our investor community. Through the events platform, we have the ability to host a variety of virtual events and conferences including investor conferences, earnings calls, shareholder meetings, annual, investor/analyst days, corporate town halls, roadshows, and more. We see the Sequire Virtual Events platform growing into the premier investor event tool. Although the Covid-19 Pandemic certainly created growth in this space, we believe that virtual events are the future of targeted investor communication.

We are offering users a seamless, centrally managed virtual events solution that can be customized to any industry. Sequire Virtual Events has already demonstrated success with the LD Micro Main Event, and we will continue to devote resources to the growth of this area of our business.

Sequire Community

Building a thriving community is often an overlooked aspect of business. With a significant number of investors aware of the LDMicro brand, we are moving to ensure that those people become passionate advocates, engaging with each other on a wide range of topics.

We have plans to develop investor education tools, host professional investment events, and cultivate a mature, educated community. Our vision for the Sequire Community is that it becomes a place where people can communicate and network, to learn and grow as investors, and ultimately become brand advocates.

Marketing and sales

We market our services through our in-house sales and marketing team. Our team focuses on social media, including Facebook, LinkedIn and Twitter, public relations (PR), industry events and the creation of white papers which assist in our marketing efforts and are used as lead generation tools.

Intellectual property

We currently rely on a combination of trade secret laws and restrictions on disclosure to protect our intellectual property rights. Our success depends on the protection of the proprietary aspects of our technology as well as our ability to operate without infringing on the proprietary rights of others. We also enter into proprietary information and confidentiality agreements with our employees, consultants and commercial partners and control access to, and distribution of, our software documentation and other proprietary information.

Government regulation

We are subject to a variety of laws and regulations in the United States that involve matters central to our business. Many of these laws and regulations are still evolving and being tested in courts and could be interpreted in ways that could harm our business. We are also subject to many of the laws that cover the securities industry and are regulated by the Securities and Exchange Commission.

These laws may involve privacy, data protection and personal information, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, electronic contracts and other communications, competition, protection of minors, consumer protection, product liability, taxation, economic or other trade prohibitions or sanctions, anti-corruption law compliance, securities law compliance, and online payment services. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. Foreign data protection, privacy, content, competition, and other laws and regulations can impose different obligations or be more restrictive than those in the United States. U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices.

Proposed or new legislation and regulations could also significantly affect our business. For example, the European General Data Protection Regulation (GDPR) took effect in May 2018 and applies to all of our products and services used by people in Europe. The GDPR includes operational requirements for companies that receive or process personal data of residents of the European Union that are different from those previously in place in the European Union and includes significant penalties for non-compliance. The California Consumer Privacy Act, which took effect in January 2020, also establishes certain transparency rules and creates new data privacy rights for users. Similarly, there are a number of legislative proposals in the European Union, the United States, at both the federal and state level, as well as other jurisdictions that could impose new obligations or limitations in areas affecting our business, such as liability for copyright infringement. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

We may become the subject of investigations, inquiries, data requests, requests for information, actions, and audits by government authorities and regulators in the United States, Europe, and around the world, particularly in the areas of privacy, data protection, law enforcement, consumer protection, and competition, as we continue to grow and expand our operations. We are currently, and may in the future be, subject to regulatory orders or consent decrees, including the modified consent order we entered into in July 2019 with the U.S. Federal Trade Commission (FTC) which is pending federal court approval and which, among other matters, will require us to implement a comprehensive expansion of our privacy program. Orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary remedies), interrupt or require us to change our business practices in a manner materially adverse to our business, divert resources and the attention of management from our business, or subject us to other remedies that adversely affect our business.

Employees

As of March 29, 2021, we had 153 full-time employees. We also employ services of certain consultants on an as needed basis. There are no collective bargaining agreements covering any of our employees.

Our history

We were originally organized in August 2009 as a California limited liability company under the name Social Reality, LLC, and we converted to a Delaware corporation effective January 1, 2012. Social Reality, LLC began business in May 2010. Upon the conversion, we changed our name to Social Reality, Inc. On August 15, 2019 we formally changed our Name to SRAX, Inc. During the second half of 2018, we sold our SRAXmd product line. In September of 2020, we acquired LD Micro as a wholly owned subsidiary. In February of 2021 we completed the divestiture of our BIGToken subsidiary and related product lines.

Additional information

We file annual and quarterly reports on Forms 10-K and 10-Q, current reports on Form 8-K and other information with the Securities and Exchange Commission ("SEC" or the "Commission"). The public may read and copy any materials that we file with the Commission at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10:00 a.m. to 3:00 p.m. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission also maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

Other information about SRAX can be found on our website www.srax.com. Reference in this document to that website address does not constitute incorporation by reference of the information contained on the website.

ITEM 1A. RISK FACTORS.

Please consider the following risk factors carefully. If any one or more of the following risks were to occur, it could have a material adverse effect on our business, prospects, financial condition and results of operations, and the market price of our securities could decrease significantly. Statements below to the effect that an event could or would harm our business (or have an adverse effect on our business or similar statements) mean that the event could or would have a material adverse effect on our business, prospects, financial condition and results of operations, which in turn could or would have a material adverse effect on the market price of our securities. Although we have organized the risk factors below under headings to make them easier to read, many of the risks we face involve more than one type of risk. Consequently, you should read all of the risk factors below carefully before making any decision to acquire or hold our securities.

Risks Related to our Business

We have a history of operating losses and there are no assurances we will report profitable operations in the foreseeable future.

For the year-ended December 31, 2020 we reported losses from operations and an accumulated deficit of $11,597,000 and $50,342,000, respectively. Our future success depends upon our ability to continue to grow our revenues, contain our operating expenses and generate profits. We do not have any long-term agreements with our customers. There are no assurances that we will be able to increase our revenues and cash flow to a level which supports profitable operations. We may continue to incur losses in future periods until such time, if ever, as we are successful in significantly increasing our revenues and cash flow beyond what is necessary to fund our ongoing operations and pay our obligations as they become due. If we are able to significantly increase our revenues in future periods, the rapid growth which we are pursuing will strain our organization and we may encounter difficulties in maintaining the quality of our operations. If we are not able to grow successfully, it is unlikely we will be able to generate sufficient cash from operations to pay our operating expenses and service our debt obligations or report profitable operations in future periods.

A pandemic, epidemic or outbreak of an infectious disease in the markets in which we operate or that otherwise impacts our facilities or advisors could adversely impact our business.

If a pandemic, epidemic, or outbreak of an infectious disease including the recent outbreak of respiratory illness caused by a novel coronavirus (COVID-19) or other public health crisis were to affect our operations, facilities or those of our customers or suppliers, our business could be adversely affected. A pandemic typically results in social distancing, travel bans and quarantine, and this may limit access to our facilities, customers, management, support staff and professional advisors. These factors, in turn, may not only materially impact our operations, financial condition and demand for our services but our overall ability to react timely to mitigate the impact of this event. Also, it may hamper our efforts to comply with our filing obligations with the Securities and Exchange Commission.

Our auditors have expressed substantial doubt about our ability to continue as a going concern.

Our auditors' report on our December 31, 2020 consolidated financial statements expresses an opinion that our capital resources as of the date of their audit report were not sufficient to sustain operations or complete our planned activities for the upcoming year unless we raised additional funds. Based upon our cash position on December 31, 2020, there is substantial doubt about our ability to continue as a going concern past the third quarter of 2021. Our ability to continue as a going concern is based on several factors; (i) our ability to sustain our current operating performance, and (ii) our ability to raise additional capital. If we are not successful with either of these, we may no longer be able to continue as a going concern and may cease operation or seek bankruptcy protection.

We may need to raise additional capital to pay our indebtedness as it comes due.

In June 2020, we entered into a securities purchase agreement with institutional investors for the issuance of approximately $16.1 million in principal of debentures. Pursuant to the terms of the debentures (subject to three (3) separate deferrals of six (6) months each in exchange for increased principal added to the Debentures), we will be required to begin making amortization payments on the debentures beginning on December 31, 2020. Payment of the debentures is secured by substantially all the assets and the intellectual property of the Company. Although we have recently achieved profitability, we may not be able to generate sufficient cash flow to repay the debentures as they come due. As of December 31, 2020, the outstanding balance of the debentures was approximately 9,386,000. Although a number of debentures have been converted, as of March 28, 2021, the outstanding balance of debentures is $3,800,000. If we are not able to generate enough cashflow through the operation of our business, we will need to raise additional capital through the sale of debt or equity or the sale of assets, in order to make the required amortization payments. If we are unable to make the required payments, or if we fail to comply with the various requirements and covenants of the debentures, we would be in default, which would permit the holders of the debentures to accelerate the maturity and require immediate repayment and lead to potential foreclosure on the assets securing the debt. If we are unable to refinance or repay our indebtedness as it becomes due, including upon an event of default, we may become insolvent and be unable to continue operations.

Our failure to maintain an effective system of internal control over financial reporting, has resulted in the need for us to restate previously issued financial statements. As a result, current and potential stockholders may lose confidence in our financial reporting, which could harm our business and value of our stock.

Or management has determined that, as of December 31, 2020 and 2019, we did not maintain effective internal controls over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework as a result of identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Natural disasters, epidemic or pandemic disease outbreaks, trade wars, political unrest or other events could disrupt our business or operations or those of our development partners, manufacturers, regulators or other third parties with whom we conduct business now or in the future.

A wide variety of events beyond our control, including natural disasters, epidemic or pandemic disease outbreaks (such as the recent novel coronavirus outbreak), trade wars, political unrest or other events could disrupt our business or operations or those of our manufacturers, regulatory authorities, or other third parties with whom we conduct business. These events may cause businesses and government agencies to be shut down, supply chains to be interrupted, slowed, or rendered inoperable, and individuals to become ill, quarantined, or otherwise unable to work and/or travel due to health reasons or governmental restrictions. For example, California recently ordered most businesses closed, mandating work-from-home arrangements, where feasible, in response to the coronavirus pandemic. These limitations could negatively affect our business operations and continuity, and could negatively impact ability to timely perform basic business functions, including making SEC filings and preparing financial reports. If our operations or those of third parties with whom we have business are impaired or curtailed as a result of these events, the development and commercialization of our products and product candidates could be impaired or halted, which could have a material adverse impact on our business.

If we are unable to manage our marketing and advertising expenses, it could materially harm our results of operations and growth.

We plan to rely in part on our marketing and advertising efforts to attract new members. Our future growth and profitability, as well as the maintenance and enhancement of our brand, will depend in large part on the effectiveness and efficiency of our marketing and advertising strategies and expenditures. If we are unable to maintain our marketing and advertising channels on cost-effective terms, our marketing and advertising expenses could increase substantially, and our business, financial condition and results of operations may suffer. In addition, we may be required to incur significantly higher marketing and advertising expenses than we currently anticipate if excessive numbers of members withdraw their member data from our Database.

If we are unable to satisfy data privacy, protection, security, and other government- and industry-specific requirements, our growth could be harmed.

We need or may in the future need to comply with a number of data protection, security, privacy and other government- and industry-specific requirements, including those that require companies to notify individuals of data security incidents involving certain types of personal data. Security compromises could harm our reputation, erode user confidence in the effectiveness of our security measures, negatively impact our ability to attract new members, or cause existing users to withdraw their data from BIGToken.

Regulatory, legislative or self-regulatory developments regarding internet privacy matters could adversely affect our ability to conduct our business.

The United States and foreign governments have enacted, considered or are considering legislation or regulations that could significantly restrict our ability to collect, process, use, transfer and pool data collected from and about consumers and devices. Trade associations and industry self-regulatory groups have also promulgated best practices and other industry standards relating to targeted advertising. Various U.S. and foreign governments, self-regulatory bodies and public advocacy groups have called for new regulations specifically directed at the digital advertising industry, and we expect to see an increase in legislation, regulation and self-regulation in this area. The legal, regulatory and judicial environment we face around privacy and other matters is constantly evolving and can be subject to significant change. For example, the General Data Protection Regulation, or GDPR, which was agreed by E.U. institutions in 2016 and came into effect after a two year transition period on May 25, 2018, updated and modernized the principles of the 1995 Data Protection Directive and significantly increases the level of sanctions for non-compliance. Data Protection Authorities will have the power to impose administrative fines of up to a maximum of €20 million or 4% of the data controller's or data processor's total worldwide turnover of the preceding financial year. Similarly, the E-Privacy Regulation, which was launched by the European Parliament in October 2016, could result in, once enacted, new rules and mechanisms for "cookie" consent. In addition, the interpretation and application of data protection laws in the U.S., Europe and elsewhere are often uncertain and in flux. Legislative and regulatory authorities around the world may decide to enact additional legislation or regulations, which could reduce the amount of data we can collect or process and, as a result, significantly impact our business. Similarly, clarifications of and changes to these existing and proposed laws, regulations, judicial interpretations and industry standards can be costly to comply with, and we may be unable to pass along those costs to our clients in the form of increased fees, which may negatively affect our operating results. Such changes can also delay or impede the development of new solutions, result in negative publicity and reputational harm, require significant incremental management time and attention, increase our risk of non-compliance and subject us to claims or other remedies, including fines or demands that we modify or cease existing business practices, including our ability to charge per click or the scope of clicks for which we charge. Additionally, any perception of our practices or solutions as an invasion of privacy, whether or not such practices or solutions are consistent with current or future regulations and industry practices, may subject us to public criticism, private class actions, reputational harm or claims by regulators, which could disrupt our business and expose us to increased liability. Finally, our legal and financial exposure often depends in part on our clients' or other third parties' adherence to privacy laws and regulations and their use of our services in ways consistent with visitors' expectations. We rely on representations made to us by clients that they will comply with all applicable laws, including all relevant privacy and data protection regulations. We make reasonable efforts to enforce such representations and contractual requirements, but we do not fully audit our clients' compliance with our recommended disclosures or their adherence to privacy laws and regulations. If our clients fail to adhere to our contracts in this regard, or a court or governmental agency determines that we have not adequately, accurately or completely described our own solutions, services and data collection, use and sharing practices in our own disclosures to consumers, then we and our clients may be subject to potentially adverse publicity, damages and related possible investigation or other regulatory activity in connection with our privacy practices or those of our clients.

Unfavorable media coverage could negatively affect our business.

Unfavorable publicity regarding, for example, our privacy practices, terms of service, regulatory activity, the actions of third parties, the use of our products or services for illicit, objectionable, or illegal ends or the actions of other companies that provide similar services to us, could 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 user attrition which could adversely affect our business and financial results.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, content, competition, consumer protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, such as privacy, data protection and personal information, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation and securities law compliance. Expansion of our activities in certain jurisdictions, or other actions that we may take, may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign data protection, privacy, content, competition, and other laws and regulations can impose different obligations or be more restrictive than those in the United States.

Additionally, as we allow European users, we are subject to the European General Data Protection Regulation (GDPR), effective as of May 2018. The GDPR increases privacy rights for individuals in Europe, extends the scope of responsibilities for data controllers and data processors and imposes increased requirements and potential penalties on companies offering goods or services to individuals who are located in Europe or monitoring the behavior of such individuals (including by companies based outside of Europe). Noncompliance can result in penalties of up to the greater of €20 million, or 4% of global company revenues.

These U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government authorities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the newer industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices.

These laws and regulations, as well as any associated inquiries or investigations or any other government actions, may be costly to comply with and may delay or impede our international growth, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business.

Security breaches and improper access to or disclosure of our data or user data, or other hacking and phishing attacks on our systems, could harm our reputation and adversely affect our business.

Our industry is prone to cyber-attacks by third parties seeking unauthorized access to our data or users' data or to disrupt our ability to provide service. Any failure to prevent or mitigate security breaches and improper access to or disclosure of our data or user data, including personal information, content, or payment information from or to users, or information from marketers, could result in the loss or misuse of such data, which could harm our business and reputation and diminish our competitive position. In addition, computer malware, viruses, social engineering (predominantly spear phishing attacks), and general hacking have become more prevalent in our industry. As a result of recent attention and growth of, the size of our user base, and the types and volume of personal data on our systems, we believe that we are a particularly attractive target for such breaches and attacks. Our efforts to address undesirable activity may also increase the risk of retaliatory attacks. Such attacks may cause interruptions to the services we provide, degrade the user experience, cause users or marketers to lose confidence and trust in our products, impair our internal systems, or result in financial harm to us. Our efforts to protect our company data or the information we receive may also be unsuccessful due to software bugs or other technical malfunctions; employee, contractor, or vendor error or malfeasance; government surveillance; or other threats that evolve. In addition, third parties may attempt to fraudulently induce employees or users to disclose information in order to gain access to our data or our users' data. Cyber-attacks continue to evolve in sophistication and volume, and inherently may be difficult to detect for long periods of time. Although we are currently in the process of developing systems and processes that are designed to protect our data and user data, to prevent data loss and to prevent or detect security breaches, we cannot assure you that such measures will ultimately become operational or provide absolute security, and we may incur significant costs in protecting against or remediating cyber-attacks.

Affected users or government authorities could initiate legal or regulatory actions against us in connection with any actual or perceived security breaches or improper disclosure of data, which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices. Such incidents or our efforts to remediate such incidents may also result in a decline in our active user base or engagement levels. Any of these events could have a material and adverse effect on our business, reputation, or financial results.

If we were to lose or have limited access to certain platforms or data sources, we will lose our existing revenue from these platform and sources.

The loss of access to any platforms or data sources could limit our ability to effectively grow a portion of our operations. Our business would be harmed if these platforms:

- discontinues or limits access to its platform by us and other application developers;
- modify terms of service or other policies, including fees charged to, or other restrictions on, us or other application developers, or changes how the personal information of its users is made available to application developers;
- establishes more favorable relationships with one or more of our competitors; or
- develops its own competitive offerings.

We have benefited from Facebook's strong brand recognition and large user base. Facebook has broad discretion to change its terms of service and other policies with respect to us and other developers, and any changes to those terms of service may be unfavorable to us. Facebook may also change its fee structure, add fees associated with access to and use of the Facebook platform, change how the personal information of its users is made available to application developers on the Facebook platform or restrict how Facebook users can share information with friends on their platform. In the event Facebook makes any changes in the future, we may have to modify the structure of our campaigns which could impact the effectiveness of our campaigns and adversely impact our results of operations in future periods.

We depend on the services of our executive officers and the loss of any of their services could harm our ability to operate our business in future periods.

Our success largely depends on the efforts and abilities of our executive officers, including Christopher Miglino, Michael Malone, and Christopher Lahiji, the president of our wholly owned subsidiary, LD Micro. We are a party to an employment agreement with each of Mr. Miglino, Mr. Malone and Mr. Lahiji. Although we do not expect to lose their services in the foreseeable future, the loss of any of them could materially harm our business and operations in future periods until such time as we were able to engage a suitable replacement.

If advertising on the Internet loses its appeal, our revenue could decline.

Our business model may not continue to be effective in the future for a number of reasons, including:

- our ability to create applications for our customers;
- internet advertisements and promotions are, by their nature, limited in content relative to other media;
- companies may prefer other forms of Internet advertising and promotions that we do not offer; and
- regulatory actions may negatively impact our business practices.

Weak economic conditions may reduce consumer demand for products and services.

A weak economy in the United States could adversely affect demand for advertising products, and services. A substantial portion of our revenue is derived from businesses that are highly dependent on discretionary spending by individuals, which typically falls during times of economic instability. Accordingly, the ability of our advertisers to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments remain weak or decline further. We currently are unable to predict the extent of any of these potential adverse effects.

Certain of our subsidiaries and business affiliates have operations outside of the United States that are subject to numerous operational risks.

Certain of our subsidiaries and business affiliates have operations in countries other than the United States. In many foreign countries, it is not uncommon to encounter business practices that are prohibited by certain regulations, such as the Foreign Corrupt Practices Act and similar laws. Although certain of our subsidiaries and business affiliates have undertaken compliance efforts with respect to these laws, their respective employees, contractors and agents, as well as those companies to which they outsource certain of their business operations, may take actions in violation of their policies and procedures. Any such violation, even if prohibited by the policies and procedures of these subsidiaries and business affiliates or the law, could have certain adverse effects on the financial condition of these subsidiaries and business affiliates. Any failure by these subsidiaries and business affiliates to effectively manage the challenges associated with the international operation of their businesses could materially adversely affect their, and hence our, financial condition.

In the event that we are unable to conduct business with certain third-party providers of data and information integral to our operations, our revenue and business prospects may suffer.

We rely on access to certain third-party providers of data in the investment sector in order for Sequire's platform to function and provide meaningful data and insights for our customers. We have benefited from the data that these third-parties have provided to us on behalf of their customers. In the event that we lose access to these third-party providers, it would limit our ability to effectively market the Sequire platform and sell our services to our customers. In the event that these third-party providers change their terms or our ability to access their data on a cost-effective basis to us, our business may be materially harmed.

Competitors may create products that compete with Sequire platform and there can be no assurances that we'll be able to protect our intellectual property related to Sequire.

The Sequire platform's success depends heavily on our intellectual property and the continued development and innovation of the platform. Notwithstanding, there may be competitors seeking to compete by creating similar platforms with more aggressive pricing or lower cost structures, greater functionality, and by emulating the services provided by the Sequire platform. Furthermore, certain of the information that we implement in our Sequire platform is either publicly available or ascertained through third-party service providers for which no barrier to entry exists. Companies with significantly more resources than us may attempt to create competing products at lower prices. Furthermore, there can be no assurances that we are able to adequately defend our trade secrets or intellectual property rights with respect to competitors.

Risks Related to receipt of Securities for Services

We are not, and do not intend to become, regulated as an investment company under the U.S. Investment Company Act of 1940 (and similar legislation in other jurisdictions) and if we are deemed an "investment company" under the U.S. Investment Company Act of 1940, applicable restrictions would make it impractical for us to operate as contemplated.

The U.S. Investment Company Act of 1940 and the rules thereunder (and similar legislation in other jurisdictions) provide certain protections to investors and impose certain restrictions on companies that are registered as investment companies. Among other things, such rules limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities and impose certain governance requirements. We have not been and do not intend to become regulated as an investment company and we intend to conduct its activities so it will not be deemed to be an investment company under the U.S. Investment Company Act of 1940 (and similar legislation in other jurisdictions). In order to ensure that we are not deemed to be an investment company, we may be required to materially restrict or limit the scope of our operations or plans related to Sequire, we will be limited in the types of acquisitions that we may make and we may need to modify our organizational structure or dispose of assets that we would not otherwise dispose of. Moreover, if anything were to happen which would potentially cause us to be deemed an investment company under the U.S. Investment Company Act of 1940, it would be impractical for us to operate as intended pursuant to the Sequire platform and our business, financial condition and results of operations would be materially adversely affected. Accordingly, we would be required to take extraordinary steps to address the situation, such as the modification and restructuring of our Sequire platform, which would materially adversely affect our ability to derive revenue.

Sequire's services are primarily paid for in restricted shares of stock of its customers, which are often smaller publicly traded companies with volatile stock prices, limited liquidity, and risker operations.

The Sequire platform provides SaaS, and payment is often made through equity securities of customers instead of cash. The securities issued are often those of smaller size public companies that often have limited operating cash and negative cash flows. Additionally, these securities are primarily restricted, and are subject to legal holding periods pursuant to Rule 144. The value of such securities on the date of receipt compared to the date when we are able to legally sell the securities may decrease, and the stock price of such issuers is often volatile, unpredictable and has limited liquidity. As a result, the value of the equity received on the date of payment may be significantly greater than the actual revenue derived by us upon a sale of the securities. Furthermore, there is no guarantee that the companies we receive securities from pursuant to our Sequire services will remain solvent during the legally required holding period under Rule 144, which would result in the loss of some or all of our anticipated revenue. As we are not experienced stock traders, there can be no assurances that our personnel responsible for selling the securities will do so at opportune times, or be able to maximize revenue.

Sequire's receipt of securities in lieu of cash may be affected negatively by a downturn in the U.S. and/or global securities markets and could significantly reduce our revenue.

General political and economic conditions and events such as U.S. fiscal and monetary policy, economic recession, governmental shutdown, trade tensions and disputes, global economic slowdown, widespread health epidemics or pandemics, natural disasters, terrorist attacks, war, changes in local and national economic and political conditions, regulatory changes or changes in the law, or interest rate or currency rate fluctuations could create a downturn in the U.S. and/or global securities markets. As we receive restricted securities of companies, a downturn in the U.S. or global markets may impact such companies and the value of our securities.

Recently, the spread of COVID-19 has adversely affected global business activities and has resulted in significant uncertainty in the global economy and volatility in financial markets. The impact of the coronavirus continues to evolve and has been marked by rapid changes and developments. Accordingly, we cannot reliably predict the ultimate impact on financial markets and value of our securities held.

Risks Related to LD Micro

A pandemic, epidemic or outbreak of an infectious disease in the markets in which we operate or that otherwise impacts our facilities or advisors could adversely impact our business.

If a pandemic, epidemic, or outbreak of an infectious disease including the recent outbreak of respiratory illness caused by a novel coronavirus (COVID-19) or other public health crisis were to affect our operations, facilities or those of our customers or suppliers, our business could be adversely affected. A pandemic typically results in social distancing, travel bans and quarantine, and this may limit access to our facilities, customers, management, support staff and professional advisors. These factors, in turn, may not only materially impact our operations, financial condition and demand for our services but our overall ability to react timely to mitigate the impact of this event. Also, it may hamper our efforts to comply with our filing obligations with the Securities and Exchange Commission.

In the event that we are unable to integrate LD Micro, our newly acquired wholly owned subsidiary with our current assets or continue to develop LD Micro, it could materially affect our business, financial condition and results of operations.

In September 2020, we acquired LD Micro as a wholly owned subsidiary. Management is currently integrating operational aspects of LD Micro into SRAX. There can be no assurances that LD Micro is profitable, that we successfully integrate LD Micro's business with that of SRAX, or that we are able to successfully operate LD Micro's operations profitably. The failure to do any of the foregoing could materially affect our business, financial condition, and results of operations.

LD Micro, our newly acquired subsidiary operates in a business segment that has been negatively affected by the COVID-19 pandemic.

Our recently acquired subsidiary, LD Micro, hosts online and in-person investor conferences for publicly traded companies. While we believe we will be able to transition a majority of the events and conferences into an online format during the COVID-19 pandemic, there can be no assurances that we will be able to do so successfully, or that investors and other attendees will find such virtual conferences as compelling.

Risks Related to Ownership of our Securities

The market price of our common stock may be adversely affected by sales of substantial amounts of our common stock pursuant to our at the market sales agreement.

We are a party to an at-the-market sales agreement pursuant to which we are able to sell our Class A common shares directly into the market. Currently, we would be required to use the proceeds to pay for the redemption of our outstanding Debentures, subject to certain amounts as more fully set forth in the Debentures. If we are required to sell a substantial number of shares, or the public perceives that these sales may occur, it could cause the market price of our Class A Common Stock to decline. In addition, the sale of these shares in the public market, or the possibility of such sales, could impair our ability to raise capital through the sale of additional equity securities.

Our management will have broad discretion over the use of proceeds from sales under our at-the-market sales agreement, and may not use the proceeds effectively.

As a result of sales made under our at-the-market sales agreement in excess of those required to be paid pursuant to our outstanding Debentures, our management will have broad discretion in the application of such net proceeds, if any, and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our Class A Common Stock. You will be relying on the judgment of our management concerning these uses and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The failure of our management to apply these funds effectively could result in unfavorable returns and uncertainty about our prospects, each of which could cause the price of our Class A Common Stock to decline.

The actual number of shares we will issue under the at-the-market sales agreement, at any one time or in total, is uncertain.

Subject to certain limitations in the at-the-market sales agreement and compliance with applicable law, we and our Sales Agent may mutually agree to sell shares of our Class A Common Stock at any time throughout the term of the ATM. The number of shares that are sold by the Sales Agent after agreement on the terms of the transaction acceptance will fluctuate based on the market price of the shares of our Class A Common Stock during the sales period and limits we set with our Sales Agent. Because the price per share of each share sold will fluctuate based on the market price of our shares of Class A Common Stock during the sales period, it is not possible to predict the number of shares that will ultimately be issued.

The market price of our Class A common stock may be volatile.

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than those of a seasoned issuer. The volatility in our share price is attributable to a number of factors. Mainly however, we are a speculative or "risky" investment due to our limited operating history, lack of significant revenues to date, our continued operating losses and missed guidance. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Additionally, in the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention and resources.

The trading price of the shares of our Class A common stock is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this quarterly report, these factors include:

- the success of competitive products;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- regulatory or legal developments in the United States and other countries;
- the recruitment or departure of key personnel;
- the level of expenses;

- actual or anticipated changes in estimates to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;
- sales of our Class A common stock by us, our insiders or our other stockholders;
- additional issuances of securities upon the exercise of outstanding options and warrants;
- market conditions in the technology sectors; and
- general economic, industry and market conditions.

In addition, the stock market in general, and advertising technology companies in particular, have 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 Class A common stock, regardless of our actual operating performance. The realization of any of these risks could have a dramatic and material adverse impact on the market price of the shares of our Class A common stock.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of the shares of our Class A common stock may be volatile, and in the past companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business. To the extent that any claims or suits are brought against us and successfully concluded, we could be materially adversely affected, jeopardizing our ability to operate successfully. Furthermore, our human and capital resources could be adversely affected by the need to defend any such actions, even if we are ultimately successful in our defense.

Failure to meet the financial performance guidance or other forward-looking statements we have provided to the public could result in a decline in our stock price.

We have previously provided, and may provide in the future, public guidance on our expected financial results for future periods. Although we believe that this guidance provides investors with a better understanding of management's expectations for the future and is useful to our stockholders and potential stockholders, such guidance is comprised of forward-looking statements subject to the risks and uncertainties. Our actual results may not always be in line with or exceed the guidance we have provided. For example, in the past, we have missed guidance a number of times. If our financial results for a particular period do not meet our guidance or if we reduce our guidance for future periods, the market price of our Class A common stock may decline.

Delaware law contains anti-takeover provisions that could deter takeover attempts that could be beneficial to our stockholders.

Provisions of Delaware law could make it more difficult for a third-party to acquire us, even if doing so would be beneficial to our stockholders. Section 203 of the Delaware General Corporation Law may make the acquisition of our company and the removal of incumbent officers and directors more difficult by prohibiting stockholders holding 15% or more of our outstanding voting stock from acquiring us, without our board of directors' consent, for at least three years from the date they first hold 15% or more of the voting stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the trading price of our Class A common stock and trading volume could decline.

The trading market for our shares of our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. A small number of securities and industry analysts currently publish research regarding our Company on a limited basis. In the event that one or more of the securities or industry analysts who have initiated coverage downgrade our securities or publish inaccurate or unfavorable research about our business, the price of our shares of Class A common stock would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the trading price of our shares of Class A common stock and trading volume to decline.

The elimination of monetary liability against our directors and officers under Delaware law and the existence of indemnification rights held by our directors and officers may result in substantial expenditures by us and may discourage lawsuits against our directors and officers.

Our certificate of incorporation eliminates the personal liability of our directors and officers to our company and our stockholders for damages for breach of fiduciary duty as a director or officer to the extent permissible under Delaware law. Further, our bylaws provide that we are obligated to indemnify any of our directors or officers to the fullest extent authorized by Delaware law. We are also parties to separate indemnification agreements with certain of our directors and our officers which, subject to certain conditions, require us to advance the expenses incurred by any director or officer in defending any action, suit or proceeding prior to its final disposition. Those indemnification obligations could result in our company incurring substantial expenditures to cover the cost of settlement or damage awards against our directors or officers, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against any of our current or former directors or officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even if such actions, if successful, might otherwise benefit us or our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable to a smaller reporting company.

ITEM 2. DESCRIPTION OF PROPERTY.

As a result of COVID-19, we our currently operating as a virtually distributed operation. We lease our principal executive offices, located in Westlake Village, California and consisting of approximately 500 square feet on a month-to-month basis at a rate of $1,000 per month. We also maintain offices in Mexicali, Mexico where we lease approximately 3,400 square feet of office space from an unrelated third party under a lease agreement terminating in September 2021 at an initial annual rental of $77,580 plus a value-added tax (VAT) or its equivalent in the Mexican national currency and a 10% VAT for maintenance and certain overhead expenses. We believe both locations are suitable and adequate for our current levels of operations and anticipated growth.

ITEM 3. LEGAL PROCEEDINGS.

As of the date of this Annual Report, there are no material pending legal or governmental proceedings relating to our company or properties to which we are a party, and to our knowledge there are no material proceedings to which any of our directors, executive officers or affiliates are a party adverse to us or which have a material interest adverse to us.

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 for Our Common Equity

Our Class A common stock is listed on the Nasdaq Capital Market under the symbol "SRAX."

As of March 25, 2021, there were approximately 48 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial holders represented by these record holders, but it is well in excess of the number of record holders.

Dividend policy

We have never paid cash dividends on either our Class A common stock or our Class B common stock. Under Delaware law, we may declare and pay dividends on our capital stock either out of our surplus, as defined in the relevant Delaware statutes, or if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. If, however, the capital of our company, computed in accordance with the relevant Delaware statutes, has been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, we are prohibited from declaring and paying out of such net profits and dividends upon any shares of our capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

Securities Authorized for Issuance under Equity Compensation Plans

See information contained in Part III Item 12 of Annual Report entitled "Equity Compensation Plan Information."

Recent sales of unregistered securities

The following information is given with regard to unregistered securities sold since January 1, 2020. The following securities were issued in private offerings pursuant to the exemption from registration contained in the Securities Act of 1933, as amended (the "Securities Act") and the rules promulgated thereunder in reliance on Section 4(2) thereof, relating to offers of securities by an issuer not involving any public offering:

- In January 2020, we sold non-performing receivables in the aggregate amount of $529,000 for a purchase price of $510,000 whereby in the event of payment on the receivables being received, we agreed to provide a true-up to the purchaser of the receivable of between 10% and 36% depending on the payment date. In the event of nonpayment of the receivables by March 24, 2020 and March 30, 2020, as applicable to the receivables, the purchaser may require us to purchase any outstanding portion of the receivables for 136% of its outstanding balance ("Payment Date"). In order to secure our performance to repurchase the receivables, we pledged 239,029 shares of our Class A common stock. The purchaser and Company agreed to extend the Payment Date until June 23 and June 30, 2020, as applicable, in exchange for an aggregate of 36,700 Class A common shares If we fail to repay the receivable, the purchaser may sell the pledged shares and we are liable for the any deficiency on amounts owed thereunder. On June 30, 2020, the holder exchanged all of the outstanding value in the receivables for securities sold in the June 2020 Offering (as described below).

- On February 28, 2020, we entered into a term loan and security agreement with BRF Finance Co., LLC to borrow up to $5,000,000 subject to certain restrictions. We initially drew down gross proceeds of $2,500,000 less fees and expenses and we can access the remaining $2,500,000 within thirty (30) days of entering into an at the market sales agreement with the Lender. The loan bears interest at 10% annually and had a maturity date of March 1, 2022. We were required to make monthly payments of principal and interest on an eighteen (18) month straight line amortization schedule beginning July 31, 2020. The loan was secured by substantially all of the assets of the company. On June 30, 2020 pursuant to proceeds received from our June 2020 Offering (as described below), we repaid the full amount of the loan.

- On April 9, 2020 the Company entered into an agreement to amend the January 22 and 30 Accounts receivable agreements. The Purchaser agreed to amend the payment of the Put Price to June 23, 2020 and June 30, 2020 for the receivable sale originating on January 22, 2020 and January 30, 2020, respectively. As consideration for the extension the Company agreed to issue the purchaser 32,668 and 4,032 shares of Class A common stock for the receivable sale originating on January 22, 2020 and January 30, 2020, respectively.

- On June 30, 2020, in a private placement, we issued (i) $16,101,388 in principal of Debentures consisting of an original issue discount on (a) $13,000,000 in cash and (b) $1,169,264 in debt cancellation, and (ii) an aggregate of 6,440,561 common stock purchase warrants (the "June 2020 Offering"). The Debentures (i) have a maturity date of December 31, 2021 (subject to three (3) extensions of six (6) months each by the holder, (ii) have a conversion price of $2.69, (iii) accrue interest at twelve percent (12%) per annum beginning six (6) months after issuance, and (iv) are secured by substantially all of the assets of the Company. The warrants (i) have an exercise price of $2.50 per share, and (ii) expire on October 30, 2022. In connection with the offering, we issued the Special Equities Group 478,854 placement agent warrants, which (i) have an exercise price of $3.3625 per share, and (ii) expire on October 30, 2022. Pursuant to the June 2020 Offering, we entered into a registration rights agreement whereby we are required to register the shares underlying the Debentures and warrants within ninety (90) days of the closing of the June 2020 Offering, or by September 23, 2020. As of the date hereof, the registration statement registering the shares underlying the Debentures and warrants was declared effective.

- On September 4, 2020, pursuant to an agreement and plan of merger ("Merger Agreement"), we acquired LD Micro, Inc. as a wholly owned subsidiary in exchange for the following compensation paid to LD Micro's stockholders: (i) four million dollars ($4,000,000) payable as follows (collectively, the "Cash Payment"): (a) $1,000,000 at the closing, (b) one million dollars ($1,000,000) on January 1, 2021, (c) one million dollars ($1,000,000) on April 1, 2021, and (d) one million dollars ($1,000,000) on July 1, 2021; and (ii) one million six hundred thousand (1,600,000) shares of Class A common stock issued at the closing

- On November 13, 2020, we issued Christopher Miglino, our CEO, options to purchase 300,000 shares of Class A Common Stock. The Options have an exercise price of $2.97 per share, a term of 5 years, and are vested fully on the grant date. The options were issued pursuant to the Company's 2012 Equity Compensation Plan and have a Black Scholes value of $ $649,000.

- On March 15, 2021, we issued Brock Pierce, our newly appointed Board member, an option to purchase 803 shares of Class A common Stock for joining the Board. The Grant covers the period from March 10, 2021 (his appointment date), through April 15, 2021. The options have an exercise price of $4.48 per share, a term of seven (7) years, and will vest fully on April 15, 2021. The options were issued as payment for services on the Board from March 10, 2021 through April 15, 2021 and is valued at $2,958. The options were issued from our 2014 equity compensation plan.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable to a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements regarding our business development plans, timing, strategies, expectations, anticipated expenses levels, business prospects and positioning with respect to market, demographic and pricing trends, business outlook, technology spending and various other matters (including contingent liabilities and obligations and changes in accounting policies, standards and interpretations) and express our current intentions, beliefs, expectations, strategies or predictions. These forward-looking statements are based on a number of assumptions and currently available information and are subject to a number of risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Special Note Regarding Forward-Looking Statements" and under "Risk Factors" and elsewhere in this annual report. The following discussion should be read in conjunction with our financial statements and related notes thereto included elsewhere in this annual report.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

The consolidated financial statements of SRAX, Inc. combine the Sequire business with the consumer-based data platform BIGToken and are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

In the accompanying analysis of financial information, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with GAAP. Certain of these data are considered "non-GAAP financial measures" under SEC rules. See the Non-GAAP Financial Measures section for the reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures.

Recent Developments

On February 4, 2021, we announced the completion of the separation of our consumer-based data privacy business "BIGToken" from SRAX, Inc. (the Separation), effected by way of a share exchange. On February 21, 2021 we sold warrants to purchase up to 4,545,440 shares of our Class A common stock, $0.001 par value per share, at an exercise price of $7.50 per share (the "Warrants"). Each Warrant to purchase one share of our Class A common stock was sold pursuant to a prospectus supplement (File no. 333-235298) at purchase price of $0.125 per share to certain investors that entered into a letter agreement on February 21, 2021, to exercise all of their outstanding warrants issued on June 30, 2020 ("Old Warrants"). Each investor received one Warrant that expires on January 31, 2022 for every Old Warrant exercised plus the purchase price of $0.125 per Warrant.

Executive Overview of Full Year 2020 Results

Our key operating metrics and financial results for 2020 are as follows:

Sequire platform growth:

- Sequire subscribers of 183 as of March 25, 2021, up from 95 as of November 15, 2020
- Over of 3 million investors within Sequire platform.

Financial results:

- Revenue was $4.5 million and $8.6 million, up 316% and 141% year-over-year for the fourth quarter and year, respectively.
- Full year Net loss of $14.7 million as compared to Net Loss of $16.9 million.
- Cash and cash equivalents and marketable securities were $9 million as of December 31, 2020.

Reportable Segments

Our current operating business is Sequire, which consists of two components: Sequire and LD Micro. We report our financial performance inclusive of the BIGtoken business as we currently hold a majority interest. Our financials include the following segments: Sequire and BIGtoken. The segment amounts included in MD&A are presented on a basis consistent with our internal management reporting. All differences between our internal management reporting basis and accounting principles generally accepted in the United States of America ("GAAP"), along with certain corporate-level and other activity, are included in Corporate and Other.

Metrics

We use metrics in assessing the performance of our business and to make informed decisions regarding the allocation of resources. We disclose metrics to enable investors to evaluate progress against our ambitions, provide transparency into performance trends, and reflect the continued evolution of our products and services.

In 2020, we also continued to focus on our main revenue growth priorities: (i) The continued growth of our Sequire platform user base (ii) the expansion of the LD micro events and offerings.

Our business has been impacted by the COVID-19 pandemic, which has resulted in authorities implementing numerous preventative measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines, and shelter-in-place orders. These measures have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas, both regionally and worldwide, which have significantly impacted our business and results of operations. We are unable to predict the impact of the pandemic on user growth and engagement with any certainty, and we expect these trends to continue to be subject to volatility.

More recently, we believe the pandemic has contributed to an acceleration in the shift of commerce from offline to online, as well as increasing consumer demand for purchasing products as opposed to services, and we experienced increasing demand for our products as a result of these trends. The impact of the pandemic on our overall results of operations, remains highly uncertain for the foreseeable future.

We intend to continue to invest in our business based on our company priorities, and we anticipate that additional investments in our network infrastructure, as well as scaling our headcount to support our growth, will continue to drive expense growth in 2021.

Company Overview

About

We are a technology firm focused on enhancing communications between public companies and their investors. Our unique SaaS platform, Sequire is an operating system for public companies. Among many features it allows issuers to track their shareholders' behaviors and trends, then use data-driven insights to engage with investors across marketing channels.

Our endeavor to unlock the value of data for our clients drove us to develop this platform, acquire LD Micro, and begin cultivating the Sequire Community. Each piece of the SRAX puzzle delivers valuable insights that assist our clients with their marketing and advertising efforts.

Through Sequire, we offer tools and related data and insight services to allow issuers of publicly traded securities to better understand their position in the market.

Through the acquisition of LD Micro, we organize and host investor conferences within the micro and small- cap space, and plan to create several more niche events for the investor community.

Sequire

In May of 2020 we rebranded our SaaS offering SRAX IR, as *Sequire*, emphasizing the platform's strength to secure and acquire investors. The Sequire platform is a central hub where companies reach out and engage with shareholders, manage warrants, and identify potential investors.

This powerful software utilizes machine learning and advanced analytics to bring our clients actionable information that can be used to maximize ROI, as an innovative investor communication tool.

We built the Sequire platform to help our customers understand shareholder behavior, including the ability to identify buyers and sellers. Clients then have the ability to engage with targeted shareholder groups across marketing channels including; email, social media, programmatic, and hyperlocal.

When interpreting data, clients can see gains and losses over time, buying/selling trends, total outstanding shares, new shareholders, and shareholders broken out by percentage. Every bit of this data helps how we target ads and craft messaging to leverage the desired outcome for a client.

An important part of monitoring shareholders is the greater context of the investment landscape. Sequire features real-time level-two trading data, the ability to monitor competition, news alerts, and more.

We are always seeking ways to improve our clients' communications with their shareholders, and we built a custom survey feature so that they could ask questions to all their shareholders at once or to specified groups.

The Sequire platform also allows users to manage warrants, attaining high-level insight by year and month, including a list of expiring and outstanding warrants. They can then calculate what their proceeds could be if those warrants were issued before they expire. Clients can also keep tabs on investor relations programs and corporate communication firms, all in one place.

We expanded the functionality of Sequire to include the hosting of virtual events, as more and more networking functions are being held in the digital space. Clients can attend an event held by industry guests, or hold a conference themselves. They then have the ability to import contacts from those events directly into their own list for later use and targeting.

Data Targeting

We help our clients build an investor base through targeted advertising and marketing campaigns, tailored to their needs. When our clients succeed, we succeed. Using data-driven insights, we help clients meet their unique marketing objectives, whether they're messaging existing investors, new investors, or consumers.

Our team of experts takes a deep dive into each company, building out unique messaging to suit their target investors. Once media campaigns are built, they are run through the Sequire platform across multiple target segments. We then track performance and modify the campaign for the best possible results. Our clients have needs to target particular sectors and exchanges, and the value we deliver lies in the hyper-specific investor insights necessary for that kind of focused outreach.

We are maximizing the efficacy of our media campaigns by providing our clients with custom-built landing pages that are crafted to educate, engage, and convert new investors. When a new investor clicks through an ad, they will land on a story-driven page with data-tracking software embedded to collect analytics for later use.

Virtual Events and LD Micro

LD Micro was originally founded in 2006 as an independent resource for the microcap world. It quickly grew into a premier event platform in the space, successfully connecting investors and promoting small cap businesses. In September of 2020, we acquired LD Micro, and hosted the 2020 Main Event on our Sequire Virtual Events platform. We are proud to say we had over 50K attendees and hosted webinars with 250 companies.

The LD Micro Main Event is one of the most influential conferences in the small-cap space, and our acquisition has been able to provide LD access to our growing database of 5M+ investors.

At our core, we are in the business of helping companies connect to their audience, and creating events where companies are presenting to investors is a great way to execute on our mission. The LD Micro Main Event is just the start.

We are currently expanding our slate of events to include specialty conferences for individual industries such as: EdTech, FinTech, Minerals, Pharma, etc. We have built up a retail investor community of 5M+, and the ability to help educate investors with these events is valuable to our investor community.

We see the Sequire Virtual Events platform growing into the premier investor event tool. With the help of our events team, companies have the ability to create and organize their own webinars at scale. The Covid-19 Pandemic certainly created growth in this space, but we believe that virtual events are the future of targeted investor communication.

Through the events platform, we have the ability to host a variety of virtual events and conferences including: investor conferences, earnings calls, shareholder meetings, annual, investor/analyst days, corporate town halls, roadshows, and more.

We believe functionality is key, and some of the features we offer include multi-presenter capabilities, integrated graphic presentation options, tech support, real-time analytics, audience polling, downloadable resource offerings, and more. Each presentation, when concluded, delivers an analytics report to the client for data-driven review.

We are offering users a seamless, centrally-managed virtual events solution that can be customized to any industry. Sequire Virtual Events has already demonstrated success with the LD Micro Main Event, and we will continue to devote resources to the growth of this area of our business.

Sequire Community

Building a thriving community is often an overlooked aspect of business. With a significant number of investors aware of the LDMicro brand, we are moving to ensure that those people become passionate advocates, engaging with each other on a wide range of topics.

We have plans to develop investor education tools, host professional investment events, and cultivate a mature, educated community. Our vision for the Sequire Community is that it becomes a place where people can communicate and network, to learn and grow as investors, and ultimately become brand advocates.

We derive our revenues from the:

- Sale and licensing of our proprietary SaaS platform; and
- Sales of proprietary consumer data; and
- Attendance and sponsorship fees from investor conferences and events; and
- Sales of digital advertising campaigns.

FINANCIAL CONDITION

Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and marketable securities totaled approximately $9,000,000 and $100,000 as of December 31, 2020 and 2019. Our marketable securities have been obtained through our Sequire business as payment for our services. They consist predominantly of debt and equity securities, diversified among industries and individual issuers. The investments are all U.S. dollar-denominated securities, but also include foreign issuer securities to diversify risk.

Valuation

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine the fair value of our financial instruments. This pricing methodology applies to our Level 1 investments, such as U.S. government securities, common and preferred stock, and mutual funds. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable either directly or indirectly. Level 3 investments are valued using internally-developed models with unobservable inputs. Assets and liabilities measured at fair value on a recurring basis using unobservable inputs are an immaterial portion of our portfolio.

Going Concern

Cash on hand and marketable securities at December 31, 2020 was approximately $451,000 and $8,447,000. Based upon our cash flow projections taking into account cash, our recent capital raise, marketable securities and the projected cash flows from operations we believe we have enough liquidity, taking into account the uncertainty related to the ongoing pandemic and general economic uncertainty, to continue to fund operations at their currently level through the remainder of the year.

The Company has incurred significant losses since its inception and has not demonstrated an ability to generate sufficient revenues from the sales of its services to achieved profitable operations on a consolidated basis. There can be no assurance that profitable operations will ever be achieved, or if achieved, could be sustained on a continuing basis. In addition, the Company's operations and specifically, the continued consolidation of BIGToken may require additional financial support or additional financing. These factors create uncertainty or doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Liquidity

During 2020, our principal sources of liquidity have been proceeds from various debt and equity offerings as well as the sale of our receivables. Cash consists of cash on deposit with banks.

Historically, we have financed our operations primarily from the sale of debt and equity securities. There can be no assurance that profitable operations will ever be achieved, or if achieved, could be sustained on a continuing basis. Based upon our current revenues, expenses and liabilities, we anticipate having to raise additional capital through the private and public sales of our equity or debt securities, or a combination thereof. Although management believes that such capital sources will be available, there can be no assurance that financing will be available to us when needed in order to allow us to continue our operations, or if available, on terms acceptable to us. If we do not raise enough capital in a timely manner, among other things, we may be forced scale back our operations or cease operations all together.

We monitor our cash flow, assess our business plan, and make expenditure adjustments accordingly. If appropriate, we may pursue limited financing including issuing additional equity and/or incurring additional debt. Although we have successfully funded our past operations through additional issuances of equity, there is no assurance that our capital raising efforts will be able to attract additional necessary capital at prices attractive to the Company. If we are unable to obtain additional funding for operations at any time in the future, we may not be able to continue operations as proposed. This would require us to modify our business plan, which could curtail various aspects of our operations.

We expect existing cash, cash equivalents, marketable securities, cash flows from operations, and access to capital markets to continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities, such as debt maturities, for at least the next 12 months and thereafter for the foreseeable future. Additionally, we entered into an "At the Market" sales agreement with B. Riley, Inc. ("Sales Agent") for the sale of up to $3,125,000 of shares of our Class A Common Stock. The at-the-market agreement was entered into pursuant to a takedown from our shelf registration statement declared effective on December 11, 2019 (Registration No. 333-235298). From January 1, 2021 through March 25, 2021, we have sold 53,626 shares under such agreement at an average per share price of $5.47 resulting in gross proceeds of $293,000 and net proceeds of $284,000 after deducting Sales Agent commissions and other costs and expenses associated with such sales. Future sales under our at-the-market sales agreement are limited to $2,832,000, the remaining amount left pursuant to the takedown from our shelf registration statement.

Additionally, on October 30, 2020, we sold our remaining position in TI Health (f/k/a SRAXmd) for a total of $8,000,000 of which $7,000,000 was received upon closing. The remaining $1 million is to be paid the earlier of three years after closing or upon a future sale of the TI-Health business. Substantially, all of these proceeds were used to redeem a portion of Convertible Debentures issued on June 30, 2020.

Goodwill

We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. We evaluate our reporting units on an annual basis and, if necessary, reassign goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (December 31 for us) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated primarily through the use of a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital.

The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit.

Components of Results of Operations

Sequire Revenues

Sequire Platform: We recognize revenue from the licensing of our Sequire platform, data, marketing and insight services performed in conjunction with the Sequire platform.

Conference Revenue. We recognize revenue from hosting conferences.

Cost of Revenue and Operating Expenses

Cost of revenue. Our cost of revenue consists primarily of expenses associated with the cost of media and data.

Employee Related Costs. These are the costs we incur to employ our staff.

Platform costs. Consist of the technology and content hosting of our BIGToken platform.

Marketing and sales. These are the costs we incur to market our products and services and third-party selling costs.

Depreciation and Amortization. Depreciation and Amortization cost represent an allocation of the costs incurred to acquire the long-lived assets used in our business over their estimated useful lives. Our long-lived assets consist of property and equipment and internally developed software.

General and administrative. General and administrative expense consists primarily of human resources, information technology, professional fees, IT and facility overhead, and other general corporate expense. We expect our general and administrative expense to increase in absolute dollars primarily as a result of the increased costs associated with being a stand-alone public company. However, we also expect our general and administrative expense to fluctuate as a percentage of our revenue in future periods based on fluctuations in our revenue and the timing of such expense.

Results of operations

Year ended December 31, 2020 compared to year ended December 31, 2019 (in 1,000s)

Selected Segment Financial Data

	Year ended December 31,							
	Sequire		BIGToken		Corporate and Other		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Sequire platform revenue	$ 5,781,000	$ 87,000	$ -	$ -	$ -	$ -	$ 5,781,000	$ 87,000
Conference revenue	503,000	-	-	-	-	-	503,000	-
BIGtoken revenue	-	-	2,168,000	3,228,000	-	-	2,168,000	3,228,000
Other	-	-	-	-	195,000	269,000	195,000	269,000
Total Revenue	6,284,000	87,000	2,168,000	3,228,000	195,000	269,000	8,647,000	3,584,000
Cost of Revenue	1,783,000	7,000	800,000	1,613,000	6,000	60,000	2,589,000	1,680,000
Gross profit	4,501,000	80,000	1,368,000	1,615,000	189,000	209,000	6,058,000	1,904,000
margin %	72%	92%	63%	50%	98%	78%	70%	53%
Operating expenses	3,412,000	462,000	5,933,000	10,751,000	8,310,000	8,549,000	17,655,000	19,762,000
Operating Income	$ 1,089,000	$ (382,000)	$ (4,565,000)	$ (9,136,000)	$ (8,121,000)	$ (8,340,000)	$ (11,597,000)	$ (17,858,000)

Full year 2020 compared to 2019

2020 was the first full year of operations for our Sequire business. During the year-ended December 31, 2020 our customer base grew from approximately 37 subscribing companies to approximately 125 subscribing companies as of year-end. We charge a base monthly license fee for a Sequire subscription, which ranges from $1,000 per month up to $5,000 per month.

Due to a sales initiative, we launched in 2Q 2020 whereby we allow our customers to pay for our services with their securities, mainly common stock, we estimated that there was a greater likelihood we'd be successful with pricing adjustments and our ability to sell additional ancillary services.

During the third quarter, we acquired LD Micro, Inc. LD Micro's primary line of business was the hosting of investor related conferences. Historically, LD Micro's investor conferences have been in-person, however, during the fourth-quarter of 2020 we successfully hosted a virtual conference leveraging Sequire's platform technology to execute the event.

For the first year of operations, we generated revenues of $6,284,000. This compares to $87,000 from the limited operations during the year ended December 31, 2019. During the year ended December 31, 2020 the Company had closed sales with total contract value approximating $14,800,000.

Sequire revenues

Sequire revenues for the year ended December 31, 2020 increased to $6,284,000 or by 7,123% compared to $87,000 during the prior year. Sequire's continued growth was primarily driven by the growth of the services provided to issuers through the Sequire platform. During the year ended December 31, 2020 the Company had closed sales with total contract value approximating $14,800,000.

Sequire Profit Margin

Sequire's costs of revenue consist of data and media acquired from third parties to fulfill the data, media and advertising components of our revenues. Sequire's profit margin for the year ended was 72% and 92% respectively.

Sequire Operating Expenses

Sequire Operating Expenses

Sequire's operating expenses for the year-ended December 31, 2020 were $3,412,000 this is compared to $462,000 for the year-ended December 31, 2019. Operating expenses consisted of the following:

Employee Related Costs. These are the costs we incur to employ our staff. Employee related costs increased to $1,854,000 or by 739% from $221,000. The increase is primarily the result of an increase in staffing expenses due to an increase in the number of employees in all departments of the business to support the growth in operations during the year. We expect these expenses to continue to increase in absolute dollars as revenue increases.

Platform costs. Consist of the technology and content hosting. Platform costs for the full year ending December 31, 2020 were $40,000 a 25% increase compared to $32,000 for the year ended December 31, 2019. We expect these costs to continue to increase in absolute dollars as we continue to grow but expect that they continue to decrease as a percentage of our revenues.

Marketing, data services and sales. These are the costs we incur to market our products and third-party services and selling costs. Marketing, data services and sales for the full year ending December 31, 2020 were $1,216,000 a 1,348% increase compared to $84,000 for the year ended December 31, 2019. We expect these costs to continue to grow in nominal dollars as we continue to grow but expect that they continue to decrease as a percentage of our revenues.

Depreciation and Amortization. Depreciation and Amortization cost represent an allocation of the costs incurred to acquire the long-lived assets used in our business over their estimated useful lives. Our long-lived assets primarily consist of internally developed software. For the year ended December 31, 2020 depreciation and amortization expense was $136,000 which represents an increase of $84,000 or 159%. We expect these expenses to continue to increase as we anticipate further investment in long-lived assets to support our business growth.

General and administrative. General and administrative expense consists primarily of, information technology, professional fees, IT and facility overhead. We expect our general and administrative expense to increase in absolute dollars primarily as a result of the increased costs associated with being a stand-alone public company. However, we also expect our general and administrative expense to fluctuate as a percentage of our revenue in future periods based on fluctuations in our revenue and the timing of such expense.

BIGToken revenues

BIGToken revenues for the year-ended December 31, 2020 decreased to $2,168,000 or 33% compared to $3,228,000 during the year ended December 31, 2019. This decrease is primarily driven by the loss of core customers from our legacy sales verticals.

BIGToken Profit Margin

BIGToken's costs of revenue consist of media acquired from third parties to fulfill the media and advertising components of our revenues. Profit margin for the year-ended December 31, 2020 increased to 63% as compared to 50% in 2019. The increase is driven by the increase in revenues and enhanced operational execution.

BIGtoken Operating Expenses

Our operating costs for the year-ended December 31, 2020 declined to $5,933,000 or by 45% as compared to $10,751,000 for the year-ended December 31, 2019. The decrease in operating expenses were attributable to the following: to the reductions in staffing related and other general administrative expenses attributable to our legacy media verticals, and the reduction of our BIGToken point liability.

Employee Related Costs. These are the costs we incur to employ our staff. For the year-ended December 31, 2020 employee related costs decreased to $3,211,000 from $6,281,000 for the full year period ending December 31, 2019, representing a decrease of $3,070,000 or approximately 49%. The decrease is primarily due to a reduction in employees in our sales and operations departments.

Platform costs. Consist of the technology and content hosting. Platform costs for the full year ending December 31, 2020 were $707,000 as compared to $580,000 for the year ended December 31, 2019, representing an increase of $127,000 or 22%. The increase in expenses here is driven by the continued increase in our user database. We expect these costs to continue to increase in absolute dollars as we continue to grow our user database but expect that they continue to decrease as a percentage of our revenues.

Marketing, data services and sales. These are the costs we incur to market our products including the expenses we incur through BIGtoken point redemptions. For the year-ended December 31, 2019 the company incurred $960,000 in expenses related to payments to users for point redemptions and accruals for future redemptions. For the year ended December 31, 2020, BIGtoken user payment and accruals for future payments for point redemptions decreased to $721,000 . Marketing, data services and sales for the full year ending December 31, 2020 were $958,000 as compared to $1,751,000 for the year ended December 31, 2019. We expect these costs to continue to grow in nominal dollars as we continue to grow but expect that they continue to decrease as a percentage of our revenues.

Depreciation and Amortization. Depreciation and Amortization cost represent an allocation of the costs incurred to acquire the long-lived assets used in our business over their estimated useful lives. Our long-lived assets primarily consist of internally developed software. For the year ended December 31, 2020 depreciation and amortization expense was $531,000 which represents an increase of $182,000 or 52%. We expect these expenses to continue to increase as we anticipate further investment in long-lived assets to support our business growth.

General and administrative. General and administrative expense consists primarily of, information technology, professional fees, IT and facility overhead. General and Administrative expenses were $526,000 for the full year ended December 31, 2020, which represents a decrease of $1,264,000. The decrease in expense in driven by a decrease in the following: bad-debt expenses of $394,000, consulting expenses of $175,000, stock based compensation of $230,000.

We expect our general and administrative expense to increase in absolute dollars primarily as a result of the increased costs associated with moving to an independent stand-alone Company. However, we also expect our general and administrative expense to fluctuate as a percentage of our revenue in future periods based on fluctuations in our revenue and the timing of such expense.

Corporate and Other Operating Expenses

Corporate and Other Operating expense consists primarily of human resources, information technology, professional fees, IT and facility overhead, and other general corporate expense. General and Administrative expenses were $8,310,000 for the full year ended December 31, 2020, which represents a decrease of $239,000 or 3%. The decrease in expense in driven by a decrease in lower staffing costs.

We expect our general and administrative expense to increase in absolute dollars as we continue to grow our business. However, we also expect our general and administrative expense to decrease as a percentage of our revenues as revenues increase.

The following table presents working capital as of December 31, 2020 and 2019:

	2020	2019
Current assets	$ 11,873,000	$ 1,941,000
Current liabilities	19,035,000	7,376,000
Working capital	$ (7,162,000)	$ (5,435,000)

Cash flows from operating activities

The primary use of operating cash is to pay our media, data and platform vendors, employees and our users through point redemptions, others for a wide range of services. Cash flows used in operating activities decreased by $1,861,000 or 12% in 2020 primarily driven by a reduction in operating expenses.

Cash flows from investing activities

Our principal recurring investing activities are the funding of our internal software development and the sale of marketable securities. Expenditures for software development were $1,205,000 and $1,292,000 for the years ended 2020 and 2019, respectively. During the year-ended 2020, the Company generated $916,000 from the sale of marketable securities and $7,000,000 of proceeds from the sale of our investment of TI Health (formerly SRAXMd). Also, we used $697,000 for the acquisition of LD Micro.

Cash flows from financing activities

During the years ended December 31, 2020 net cash provided by financing activities decreased by 41% to $7,862,000 primarily consisting of proceeds, less redemptions, from our OID convertible notes. Also, we received $1,084,000 from the Payroll Protection Program.

During the years ended December 31, 2019, net cash provided from financing activities was $13,393,000 consisting of proceeds from the sales of common stock in the amount totaling $12,197,000 and the proceeds from the exercise of warrants in the amount of $1,196,000.

Employees and Human Capital Resources

As of March 26, 2021, we had 145 full-time employees. 9 are engaged in executive management such as our Chief Executive Officer, 90 in information technology including those participating in our research and development efforts, 22 in sales and marketing, 16 in integration and customer support and 8 in administration. All employees are employed “at will.” We believe our relations with our employees are generally positive and we have no collective bargaining agreements with any labor unions.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees. The principal purposes of our equity and cash incentive plans are to attract, retain and reward personnel, whether existing employees or new hires, through the granting of stock-based and cash-based compensation awards. We believe that this increases value to our stockholders and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

As the success of our business is fundamentally connected to the well-being of our employees, we are committed to their health, safety and wellness. We provide our employees and their families with access to convenient health and wellness programs, including benefits that provide protection and security giving them peace of mind concerning events that may require time away from work or that impact their financial well-being; and that offer choice where possible so they can customize their benefits to meet their needs and the needs of their families. In response to the COVID-19 pandemic, we implemented significant changes that we determined were in the best interest of our employees, as well as the community in which we operate, and which comply with government regulations, including working in a remote environment where appropriate or required.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount in our consolidated financial statements and related notes. On an ongoing basis, we evaluate estimates which are subject to significant judgment. The more critical accounting estimates include estimates related to revenue recognition and accounts receivable allowances. We also have other key accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results, which are described in Note 1 to our consolidated financial statements for the years ended December 31, 2020 and 2019 appearing elsewhere in this report.

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. In addition, you should refer to our accompanying consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of operations, changes in stockholders’ equity and cash flows for the fiscal years ended December 31, 2020 and 2019, and the related notes thereto, for further discussion of our accounting policies.

On an ongoing basis, we evaluate our estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. To the extent that there are material differences between our estimates and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe the assumptions and estimates associated with the following have the greatest potential impact on our consolidated financial statements.

Going concern assessment

With the implementation of Financial Accounting Standards Board’s (“FASB”) standard on going concern, Accounting Standards Update (“ASU”) No. 2014-15, we assess going concern uncertainty in our consolidated financial statements to determine if we have sufficient cash and cash equivalents on hand and working capital, including available loans or lines of credit, if any, to operate for a period of at least one year from the date our consolidated financial statements are issued, which is referred to as the “look-forward period” as defined by ASU No. 2014-15. As part of this assessment, based on conditions that are known and reasonably knowable to us, we consider various scenarios, forecasts, projections, and estimates, and we make certain key assumptions, including the timing and nature of projected cash expenditures or programs, and our ability to delay or curtail those expenditures or programs, if necessary, among other factors. Based on this assessment, as necessary or applicable, we make certain assumptions around implementing curtailments or delays in the nature and timing of programs and expenditures to the extent we deem probable those implementations can be achieved and we have the proper authority to execute them within the look-forward period in accordance with ASU No. 2014-15.

Business Combinations

For all business combinations (whether partial, full or step acquisitions), the Company records 100% of all assets and liabilities of the acquired business, including goodwill, generally at their fair values; contingent consideration, if any, is recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value are recognized in earnings until settlement and acquisition-related transaction and restructuring costs are expensed rather than treated as part of the cost of the acquisition.

Accounts receivable and allowance for doubtful accounts

Accounts receivable represent customer accounts receivables. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience, general economic environment trends, and a review of the current status of trade accounts receivable. Management reviews its accounts receivable each reporting period to determine if the allowance for doubtful accounts is adequate. Such allowances, if any, would be recorded in the period the impairment is identified. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. Uncollectible accounts receivables are charged against the allowance for doubtful accounts when all reasonable efforts to collect the amounts due have been exhausted.

Impairment of long-lived assets

We assess the impairment of long-lived assets, which consists primarily of long-lived intangible assets and office equipment, whenever events or changes in circumstances indicate that such assets might be impaired and the carrying value may not be recoverable. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the expected undiscounted future cash flows attributable to the asset are less than the carrying amount of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Goodwill and other indefinite-lived intangible assets

We account for goodwill and other indefinite-lived intangible assets in accordance with FASB Accounting Standards Codification ("ASC") Topic 350 "Intangibles—Goodwill and Other." Approximately 61% of our total assets as of December 31, 2020, consist of indefinite-lived intangible assets, such goodwill, the value of which depends significantly upon the operating results of our businesses. We believe that our estimate of the value of our goodwill is a critical accounting estimate as the value is significant in relation to our total assets, and our estimates incorporate variables and assumptions that are based on experiences and judgment about future operating performance of our markets and product offerings.

We do not amortize goodwill or other indefinite-lived intangible assets, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We complete our annual impairment tests in the fourth quarter of each year. The fair value measurements for our indefinite-lived intangible assets use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. The unobservable inputs are defined in FASB ASC Topic 820 "Fair Value Measurements and Disclosures" as Level 3 inputs.

We have the option to assess whether it is more likely than not that an indefinite-lived intangible asset is impaired. If it is more likely than not that impairment exists, we are required to perform a quantitative analysis to estimate the fair value of the assets. The qualitative assessment requires significant judgment in considering events and circumstances that may affect the estimated fair value of our indefinite-lived intangible assets and to weigh these events and circumstances by what we believe to be the strongest to weakest indicator of potential impairment. Our annual test is conducted on December 31st.

The FASB guidance provides examples of events and circumstances that could affect the estimated fair value of indefinite-lived intangible assets; however, the examples are not all-inclusive and are not by themselves indicators of impairment. We considered these events and circumstances, as well as other external and internal considerations. Our analysis, in order of what we consider to be the strongest to weakest indicators of impairment include: (1) the difference between any recent fair value calculations and the carrying value; (2) financial performance, such as operating revenue, including performance as compared to projected results used in prior estimates of fair value; (3) macroeconomic economic conditions, including limitations on accessing capital that could affect the discount rates used in prior estimates of fair value; (4) industry and market considerations such as a declines in market-dependent multiples or metrics, a change in demand, competition, or other economic factors; (5) operating cost factors, such as increases in labor, that could have a negative effect on future expected earnings and cash flows; (6) legal, regulatory, contractual, political, business, or other factors; (7) other relevant entity-specific events such as changes in management or customers; and (8) any changes to the carrying amount of the indefinite-lived intangible asset.

We engage an independent third-party appraisal and valuation firm to assist us with determining the enterprise value. Noble Financial Capital Markets prepared the valuations for the testing period ending December 31, 2020 and 2019.

We performed a sensitivity analysis of certain key assumptions including reducing the long-term revenue growth rate to determine that such changes would have no incremental impact to the carrying value of goodwill associated with our Company.

Debt Issuance Costs, Debt Discount and Detachable Debt-Related Warrants

Costs incurred to issue debt are deferred and recorded as a reduction to the debt balance in our consolidated balance sheets. We amortize debt issuance costs over the expected term of the related debt using the effective interest method. Debt discounts relate to the relative fair value of warrants issued in conjunction with the debt and are also recorded as a reduction to the debt balance and accreted over the expected term of the debt to interest expense using the effective interest method.

Revenue Recognition

On January 1, 2018, the Company adopted ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606") using the modified retrospective method. The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The following five steps are applied to achieve that core principle:

- <u>Step 1:</u> Identify the contract with the customer;
- <u>Step 2:</u> Identify the performance obligations in the contract;
- <u>Step 3:</u> Determine the transaction price;
- <u>Step 4:</u> Allocate the transaction price to the performance obligations in the contract; and
- <u>Step 5:</u> Recognize revenue when the company satisfies a performance obligation.

Results for reporting periods beginning after January 1, 2018 are presented in accordance with ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historic accounting under *ASC 605 - Revenue Recognition ("ASC 605")*. Under current and prior revenue guidance, revenues are recognized when control of the promised goods or services are transferred to the customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those good or services.

The Company's current payment terms on credits to its customers are ranging from 60 days to 9 months, depending on the creditworthiness of its customers.

Stock-Based Compensation

The Company accounts for all stock-based payment awards made to employees and directors based on their fair values and recognizes such awards as compensation expense over the vesting period using the straight-line method over the requisite service period for each award as required by FASB ASC Topic No. 718, *Compensation-Stock Compensation*. If there are any modifications or cancellations of the underlying vested or unvested stock-based awards, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense, or record additional expense for vested stock-based awards. Future stock-based compensation expense and unearned stock- based compensation may increase to the extent we grant additional stock options or other stock-based awards.

Income Taxes

The Company accounts for income taxes under the provisions of FASB ASC Topic 740, “Income Tax,” which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are measured using the enacted tax rate 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 income in the period that includes the enactment date. The Company establishes a valuation when it is more likely than not that the assets will not be recovered.

ASC Topic 740-10, “Accounting for Uncertainty in Income Taxes,” defines uncertainty in income taxes and the evaluation of a tax position as a two-step process. The first step is to determine whether it is more likely than not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likelihood of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred.

Recently Issued Accounting Pronouncements

For further information on recently issued accounting pronouncements, see Note 1—Summary of Significant Accounting Policies in the accompanying notes to consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.

Off balance sheet arrangements

As of the date of this report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term “off-balance sheet arrangement” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable for a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Please see our consolidated financial statements beginning on page F-1 of this annual report.

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

Our management, consisting of our Principal Executive Officer and Chief Financial Officer has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2020. This evaluation included consideration of the controls, processes and procedures that are designed to ensure that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and to provide reasonable assurance that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management has identified material weaknesses in the Company’s internal control over financial reporting. Based on that evaluation, management concluded that our disclosure controls and procedures as of December 31, 2020 were ineffective.

Inherent Limitations over Internal Controls

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's 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 Company's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

(iv) Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of the Chief Executive Officer and Chief Financial Officer 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. Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013).

Based on the Company's assessment, management has concluded that, our internal control over financial reporting was ineffective as of December 31, 2020 because of the following material weaknesses in internal controls over financial reporting:

- a lack of sufficient in-house qualified accounting staff;
- inadequate controls and segregation of duties due to limited resources and number of employees;
- limited checks and balances in processing cash transactions;
- substantial reliance on manual reporting processes and spreadsheets external to the accounting system for financial reporting;
- lack of adequate controls in the accounting for internally developed software costs.,
- products and services; and the recording of sophisticated, material financing transactions which are heavily dependent upon the use of estimates and assumptions and require us using consultants;
- and our lack of experience in monitoring and administering, the Company's internal control over financial reporting

To mitigate the items identified in the assessment, we rely heavily on direct management oversight of transactions, along with the use of legal and accounting professionals/consultants. As we grow, we expect to increase the number of employees, which would enable us to implement adequate segregation of duties within the internal control framework.

Remediation

We are continuing to seek ways to remediate these weaknesses, which stem from our small workforce and limited resources.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended December 31, 2020 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is set forth under the heading "Directors, Executive Officers and Corporate Governance" in our 2021 Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for our 2021 Annual Meeting of Shareholders ("2021 Proxy Statement") and is incorporated herein by reference. Such Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year to which this report relates. The information required by this item regarding delinquent filers pursuant to Item 405 of Regulation S-K will be included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2021 Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth under the headings "Director Compensation" and "Executive Compensation" of our 2021 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is set forth under the headings "Beneficial Owners of Shares of Common Stock" and "Equity Compensation Plan Information" of our 2021 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is set forth under the heading "Certain Relationships and Related Transactions" of our 2021 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is set forth under the heading "Independent Registered Public Accounting Firm" of our 2021 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Documents filed as part of this report:

(1) Financial Statements. See Index to Consolidated Financial Statements appearing on page F-1.

(2) Exhibits

Exhibit No.	Description	Filed/ Furnished Herewith	Incorporated by Reference Form	Exhibit No.	File No.	Filing Date
3.01(i)	Certificate of Incorporation, filed on 8/3/11		S-1	3.01(i)	333-179151	1/24/12
3.02(i)	Certificate of Correction to Certificate of Incorporation, filed on 8/31/11		S-1	3.01(ii)	333-179151	1/24/12
3.03(i)	Certificate of Amendment to Certificate of Incorporation authorizing 1:5 reverse stock split		8-K	3.5	000-54996	9/19/16
3.04(i)	Certificate of Designation of Series 1 Preferred Stock		8-K	3.4	000-54996	8/22/13
3.05(i)	Certificate of Amendment to Certificate of Incorporation as Amended, effective 8/25/19		8-K	3.01(i)	001-37916	8/15/19
3.06(i)	Certificate of Designation of BIGToken Preferred Tracking Stock		S-1/A	3.05(i)	333-229606	10/16/19
3.07(ii)	Amended and Restated Bylaws of Social Reality, Inc. adopted March 27, 2019		8-K	3.01(ii)	001-37916	4/2/19
4.01	Specimen of Class A Common Stock Certificate		8-A12B	4.1	001-37916	10/12/16
4.02	Class A Common Stock Purchase Warrant Issued to Investors in October 2014		8-K	4.7	000-54996	11/4/14
4.03	Class A Common Stock Purchase Warrant issued in Steel Media Transaction dated October 30, 2014		8-K	4.8	000-54996	11/4/14
4.04	Class A Common Stock Warrant issued in September 2016 Offering		8-K	4.6	000-54996	10/6/16

4.05	Class A Common Stock Warrant issued to October 2013 Offering	8-K	4.7	000-54996	10/24/13
4.06	Class A Common Stock Warrant issued to T.R. Winston & Company issued 8/22/13	10-Q	4.5	000-54996	11/13/13
4.07	Class A Common Stock Warrant issued to Investors in January 2014 Offering	8-K	4.6	000-54966	1/27/14
4.08	Class A Common Stock Warrant issued to Investors in September 2016	8-K	4.6	000-54966	10/6/16
4.09	Class A Common Stock Warrant issued to Investors in January 2017 Offering	8-K	4.1	001-37916	1/4/17

4.10	Class A Common Stock Warrant issued to Investors in January 2017 Offering (2nd Warrant)	8-K	4.2	001-37916	1/4/17
4.11	Class A Common Stock Placement Agent Warrant issued in January 2017 Offering	8-K	4.3	001-37916	1/4/17
4.12	Class A Common Stock Placement Agent Warrant issued in October 2016 Offering	10-K	4.12	001-37916	3/31/17
4.13	Class A Common Stock Warrant issued in Leapfrog Media Trading Acquisition	10-K	4.13	001-37916	4/2/18
4.14	Form of 12.5% Secured Convertible Debenture issued in April 2017 Offering	8-K	4.2	001-33672	4/21/17
4.15	Class A Common Stock Warrant issued in April 2017 Offering	8-K	4.1	001-33672	4/21/17
4.16	Form of Class A Common Stock Placement Agent Warrant issued in April 2017 Offering	8-K	4.3	001-33672	4/21/17
4.17**	2016 Equity Compensation Plan	1/20/17	A-1	001-37916	1/20/17
4.18**	2014 Equity Compensation Plan	8-K	10.33	000-54996	11/10/14
4.19	2012 Equity Compensation Plan	S-1	4.02	333-179151	1/24/12
4.20	Form of Stock Option Agreement for 2012, 2014 and 2016 Equity Compensation Plan	S-1	4.03	333-179151	1/24/12
4.21	Form of Restricted Stock Unit Agreement for 2012, 2014 and 2016 Equity Compensation Plan	S-1	4.04	333-179151	1/24/12
4.22	Form of Restricted Stock Award Agreement for 2012, 2014 and 2016 Equity Compensation Plan	S-1	4.05	333-179151	1/24/12
4.23	Form of 12.5% Secured Convertible Debenture issued in October 2017 Offering	8-K	4.01	001-37916	10/27/17
4.24	Class A Common Stock Warrant Issued to Investors and Placement Agents in October 2017 Offering	8-K	4.02	001-37916	10/27/17
4.25	Form of Placement Agent Warrant from April 2019 Offering	8-K	4.01	001-37916	4/10/19
4.26	Form of Series A Common Stock Warrant from August 2019 Offering	8-K	4.01	001-37916	8/14/19

4.27	Form of Series B and Series C Common Stock Warrant from August 2019 Offering	8-K	4.02	001-37916	8/14/19
4.28	Form of Placement Agent Warrant from August 2019 Offering	8-K	4.03	001-37916	8/14/19
4.29	Form of Class A common stock purchase warrant issued in February 2020 Offering	8-K	4.01	001-37916	3/5/20
4.30	Form of Original Issue Discount Senior Secured Convertible Debenture from June 2020 Offering	8-K	4.01	001-37916	6/30/20
4.31	Form of Warrant from June 2020 Offering	8-K	4.02	001-37916	6/30/20
4.32	Form of Placement Agent Warrant from June 2020 Offering	S-1	4.06	333-240270	7/31/20
4.33	Form of New Warrant issued February 22, 2021	8-K	4.01	001-37916	2/22/21
10.01	Purchase Agreement among Richard Steel, Steel Media, and Social Reality, dated 10/30/14	8-K	2.1	000-54996	11/4/14
10.02	Asset Purchase Agreement with LeapFrog Media Trading dated 4/20/17	10-K	10.02	001-37916	4/2/18
10.03	Amendment to Asset Purchase Agreement with Leapfrog Media Trading dated 8/17/17	10-K	10.03	001-37916	4/2/18
10.04	Transition Services Agreement in Leapfrog Media Trading Transaction	10-K	10.04	001-37916	4/2/18
10.05	Sample Leakout Agreement in Leapfrog Media Trading Transaction	10-K	10.05	001-37916	4/2/18
10.06	Form of Securities Purchase Agreement for April 2017 Offering	8-K	10.1	001-37916	4/21/17
10.07	Form of Security Agreement for April 2017 Offering	8-K	10.2	001-37916	4/21/17
10.08	Form of Registration Rights Agreement for April 2017 Offering	8-K	10.3	001-37916	4/21/17
10.09	Form of Securities Purchase Agreement for October 2017 Offering	8-K	10.01	001-37916	10/27/17
10.10	Form of Registration Rights Agreement for October 2017 Offering	8-K	10.02	001-37916	10/27/17
10.11**	Employment Agreement with Christopher Miglino dated 1/1/12	S-1	10.01	333-179151	1/24/12

10.12**	Employment Agreement with Erin DeRuggiero dated 10/19/15	10-K	10.3	000-54996	2/26/16
10.13**	Employment Agreement with Joseph P. Hannan dated 10/17/16	10-Q	10.48	001-37916	11/14/16
10.14**	Employment Agreement with Richard Steel dated 10/30/14	8-K	10.27	000-54996	11/4/14
10.15**	Employment Agreement with Chad Holsinger dated 10/30/14	8-K	10.28	000-54996	11/4/14
10.16	Employment Agreement with Adam Bigelow dated 10/30/14	8-K	10.29	000-54996	11/4/14
10.17**	Separation Agreement and Release with Richard Steel dated 1/25/17	8-K	10.1	333-215791	1/27/17
10.18**	Employment Agreement with Dustin Suchter dated 12/19/14	8-K	10.36	000-54996	12/22/14
10.19**	Form of Proprietary Information, Inventions and Confidentiality Agreement	S-1	10.03	333-179151	1/25/12
10.20**	Form of Indemnification Agreement with Officers and Directors	S-1	10.04	333-179151	1/25/12
10.21	Indemnification Agreement with Richard Steel dated 10/30/14	8-K	10.30	333-215791	11/4/14
10.22	Sublease for principal executive offices dated 8/12/12 with TrueCar, Inc.	S-1	10.16	333-193611	1/28/14
10.23	Services Agreement with Servicios y Asesorias Planic, S.A. de cv dated 1/25/13	10-K	10.9	000-54996	3/31/15
10.24	Sublease Agreement with Amarcore, LLC dated 1/1/15	S-1	10.17	333-206791	9/4/15
10.25	Advisory Agreement with Kathy Ireland Worldwide, LLC dated 11/14/16	10-Q	10.49	001-37916	11/14/16
10.26	Financing and Security Agreement with FastPay Partners, LLC	8-K	10.41	000-54996	9/23/16
10.27	Share Acquisition and Exchange Agreement with Five Delta, Inc.	8-K	10.34	000-54996	12/22/14
10.28	Secured Subordinated Promissory Note to Richard Steel dated 10/30/14	8-K	10.18	000-54996	11/4/14
10.29	Subordination Agreement with Richard Steel and Victory Park Management, LLC dated 10/30/14	8-K	10.22	000-54996	11/4/14
10.30	Securities Purchase Agreement for January 2017 Offering	8-K	10.1	001-37916	1/4/17

10.31	Placement Agent Agreement for January 2017 Offering with Chardan Capital Markets	8-K	10.2	001-37916	1/4/17
10.32	Financing Agreement with certain Lenders and Victory Park Management, LLC	8-K	10.23	000-54996	11/4/14
10.33	First Amendment to Financing Agreement dated 5/14/15	10-Q	10.38	000-54996	5/15/15
10.34	Pledge and Security Agreement with Steel Media and Victory Park Management, LLC dated 10/30/14	8-K	10.25	000-54996	11/4/14
10.35	Registration Rights Agreement dated 10/30/14	8-K	10.26	000-54996	11/4/14
10.36	Forbearance Agreement with Steel Media, Five Delta, Inc, Lenders and Victory Park Management, LLC dated 8/22/16	8-K	10.46	000-54996	8/24/16
10.37	Letter Agreement dated 1/5/17	10-K	10.35	001-37916	3/31/17
10.38	Insider Trading Policy adopted as of 2/23/16	10-K	10.36	001-37916	3/31/17
10.39	Form of Securities Purchase Agreement for April 2019 Offering	8-K	10.01	001-37916	4/10/19
10.40	Form of Placement Agent Agreement from April 2019 Offering	8-K	10.02	001-37916	4/10/19
10.41	Form of Securities Purchase Agreement from August 2019 Offering	8-K	10.01	001-37916	8/14/19
10.42	Form of First Placement Agent Agreement from August 2019 Offering	8-K	10.02	001-37916	8/14/19
10.43	Form of Second Placement Agent Agreement from August 2019 Offering	8-K	10.03	001-37916	8/14/19
10.44	Form of Term Loan and Security Agreement from February 2020 Offering	8-K	10.01	001-37916	3/5/20
10.45	Form of Intellectual Property Security Agreement from February 2020 Offering	8-K	10.01	001-37916	3/5/20
10.46	Form of Securities Purchase Agreement from June 2020 Offering	8-K	10.01	001-37916	6/30/20
10.47	Form of Registration Rights Agreement from June 2020 Offering	8-K	10.02	001-37916	6/30/20
10.48	Form of Security Agreement from June 2020 Offering	8-K	10.03	001-37916	6/30/20

10.49	Agreement and Plan of Merger dated September 4, 2020 between SRAX, Inc., Townsgate Merger Sub 1, and LD Micro, Inc.		8-K	10.01	001-37916	9/11/20
10.50	Lock-up agreement dated September 4, 2020 between SRAX and Christopher Lahiji		8-K	10.02	001-37916	9/11/20
10.51	Voting Proxy Agreement dated September 4, 2020 between SRAX and Christopher Lahiji		8-K	10.03	001-37916	9/11/20
10.52	Employment Agreement between SRAX and Christopher Lahiji Dated September 4, 2020		8-K	10.04	001-37916	9/11/20
10.53	Unit Redemption Agreement dated October 30, 2020 between SRAX and Halyard MD, LLC		8-K	10.01	001-37916	11/3/20
10.54	Unit Redemption Agreement dated October 30, 2020 between SRAX and MD CoInvest, LLC		8-K	10.02	001-37916	11/3/20
10.55	Share Exchange Agreement between SRAX, Force Protection Video Equipment Corp, and Paul Feldman, dated September 30, 2020		8-K	10.01	001-37916	10/4/20
10.56	Form of Letter Agreement dated February 21, 2021		8-K	10.01	001-37916	2/22/21
14.01	Code of Conduct and Ethics		S-1/A	99.1	333-179151	6/4/12
18.01	Preference Letter regarding Change in Accounting Principle		10-Q	18.1	001-37916	11/14/16
21.01	Subsidiaries of Registrant	*				
23.01	Consent of RBSM LLP	*				
31.1 / 31.2	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*				
32.1 / 32.2	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. § 1350	*				
101.INS	XBRL Instance Document	*				
101.SCH	XBRL Taxonomy Extension Schema	*				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	*				
101.DEF	XBRL Taxonomy Extension Definition Linkbase	*				
101.LAB	XBRL Taxonomy Extension Label Linkbase	*				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	*				

** Filed herein*
*** Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.*

ITEM 16. FORM 10-K SUMMARY.

None.

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.

SRAX, Inc.

March 31, 2021

By: */s/ Chris Miglino*
Chris Miglino, Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Christopher Miglino his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) and supplements to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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 in the capacities and on the dates indicated.

Name	Positions	Date
/s/ Christopher Miglino Christopher Miglino	Chairman of the Board of Directors, Chief Executive Officer; principal executive officer	March 31, 2021
/s/ Michael Malone Michael Malone	Chief Financial Officer, principal financial and accounting officer	March 31, 2021
/s/ Chris Lahiji Chris Lahiji	President LD Micro, Director	March 31, 2021
/s/ Marc Savas Marc Savas	Director	March 31, 2021
/s/ Brock Pierce Brock Pierce	Director	March 31, 2021
/s/ Colleen DiClaudio Colleen DiClaudio	Director	March 31, 2021
/s/ Robert Jordan Robert Jordan	Director	March 31, 2021

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
SRAX, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SRAX, Inc. (the "Company"), as of December 31, 2020 and 2019, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2020 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

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 recurring losses from operations, limited cash flow, and an accumulated deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the Company's internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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 audits 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 audits provide 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 consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessments– Sequire and BigToken Reporting Units

The Company's consolidated goodwill balance was $23.3 million as of December 31, 2020, including $17.9 million related to the Sequire Segment/reporting unit and $5.4 million related to the BigToken Segment/reporting unit. Management tests goodwill annually for impairment of value or more frequently when potential impairment triggering events are present. Goodwill is tested for impairment by comparing the estimated fair value of a reporting unit to its carrying value.

Auditing management's annual and interim goodwill impairment tests was complex as valuation of the reporting unit involves considerable management judgment and estimation. For goodwill, the Company estimated the fair value of the reporting unit using a combination of the discounted cash flow method, a form of the income approach, and the market multiple of revenue, a form of the market approach. The discounted cash flow method is largely dependent upon estimates made by management with respect to significant assumptions, including projected net sales, projected earnings before interest, tax, depreciation and amortization ("EBITDA"), terminal growth rates, and the cost of capital. For the market multiple method, the significant assumptions related to the selection of the appropriate guideline companies and related valuation multiples used in the analysis. These assumptions are forward-looking. Changes in market, industry and company-specific conditions could materially impact the determination of the fair value.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments of the Sequire and BigToken reporting units is a critical audit matter are (i) the significant judgment by management when determining the fair value estimates of the reporting units; (ii) the high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the significant assumptions used in management's fair value estimates related to market multiples, discount rates, and future levels of revenue growth and operating margins; and (iii) the audit effort involved in the use of professionals with specialized skill and knowledge.

As part of our audit, we assessed the methodologies and significant assumptions used for the purposes of performing the impairment tests, among other procedures. We tested the significant assumptions discussed above, as well as the completeness and accuracy of the underlying data used in the valuations. The primary procedures we performed to address this critical audit matter included:

- We engaged our valuation specialists to assess the reasonableness of the cost of capital, the valuation models and significant assumptions used in the valuation of the operating segments

- Recalculating the mathematical accuracy of the discounted cash flow analysis and the assessment of fair value.

- Evaluating the Company's estimated cash flow forecasts and long-term revenue growth rates by comparing to historical data, current market conditions, and our knowledge of the Company's operations and the industry.

- Obtaining and evaluating the fair value report used to estimate fair value of goodwill which was prepared by management's third-party valuation specialist and was evaluated and approved by the Company's management team. This evaluation incorporated the use of the expertise of our fair value specialists. The work of our fair value specialist included reviews and analysis of the model and related assumptions used for the valuation of the goodwill and the appropriateness of such modeling for the type of valuation being performed.

Valuation of intangible assets acquired in a business combination

As described in Note 2, on September 15, 2020, the Company completed its acquisition of LD Micro, Inc. ("LD Micro") for $7.6 million in cash, debt and equity consideration. The transaction was accounted for as a business combination using the acquisition method of accounting. The acquisition date fair values of acquired finite-lived intangible assets, comprised of customer list and non-compete agreement, and significant indefinite-lived intangible assets, comprised of trademark, non-compete agreements and goodwill using a relief from royalty method for trademark, a multi-period excess earnings method for customer list and the discounted expected future cash flows method (with and without method) for non-compete agreements. Auditing the acquisition date fair values of the intangible assets acquired from LD Micro was complex due to the significant judgment required in estimating the fair values of each asset. In particular, the fair value estimates required the use of valuation methodologies that were sensitive to significant assumptions (e.g., discount rate), which were affected by expected future market or economic conditions.

Addressing the matter involved testing the estimated fair value of the Company's intangible assets acquired from LD Micro. Our audit procedures, among others, included evaluating the Company's use of appropriate valuation methodologies with the assistance of a valuation specialist, and testing the accuracy of the underlying data used to develop the assumptions. Our audit procedures over the significant assumptions included comparing the most significant assumptions to current industry, market and economic trends, and to other relevant factors.

/s/ RBSM LLP

We have served as the Company's auditor since 2011

New York, New York
March 31, 2021

SRAX, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31,

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 451,000	$ 32,000
Accounts receivable, net	2,608,000	805,000
Prepaid expenses	367,000	715,000
Marketable securities	8,447,000	83,000
Other current assets	-	306,000
Total current assets	11,873,000	1,941,000
Notes receivable	893,000	-
Property and equipment, net	118,000	191,000
Goodwill	23,351,000	15,645,000
Intangible assets, net	2,409,000	1,966,000
Right of use assets	366,000	456,000
Other assets	3,000	35,000
Total assets	$ 39,013,000	$ 20,234,000
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 3,561,000	$ 2,442,000
Derivative liability	-	4,397,000
Other current liabilities	8,711,000	537,000
Payroll protection loan - current portion	747,000	-
OID notes payable - current portion	6,016,000	-
Total current liabilities	19,035,000	7,376,000
Right of use liability - long term	243,000	352,000
Payroll protection loan - long term	379,000	-
Deferred Tax Liability	131,000	-
Total liabilities	19,788,000	7,728,000
Commitments and contingencies (Note 16)	-	-
Stockholders' equity		
Preferred stock, authorized 50,000,000 shares, $0.001 par value, no shares issued and outstanding	-	-
Class A common stock, authorized 250,000,000 shares, $0.001 par value, 16,145,778 and 13,997,452 shares issued and outstanding, respectively	16,000	14,000
Additional paid in capital	69,551,000	48,129,000
Accumulated deficit	(50,342,000)	(35,637,000)
Total stockholders' equity	19,225,000	12,506,000
Total liabilities and stockholders' equity	$ 39,013,000	$ 20,234,000

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

SRAX, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31,

		2020		2019
Revenues	$	8,647,000	$	3,584,000
Cost of revenue		2,589,000		1,680,000
Gross profit		6,058,000		1,904,000
Operating expense				
Employee related costs		7,895,000		8,656,000
Marketing and selling expenses		2,675,000		2,454,000
Platform costs		1,667,000		1,738,000
Depreciation and amortization		1,303,000		1,164,000
General and administrative expenses		4,115,000		5,750,000
Total operating expense		17,655,000		19,762,000
Loss from operations		(11,597,000)		(17,858,000)
Other income (expense)				
Financing costs		(12,150,000)		(725,000)
Interest income		-		9,000
Gain on sale of SRAXmd, net		7,873,000		658,000
Exchange gain		-		12,000
Gains from marketable securities		874,000		-
Change in fair value of derivative liabilities		321,000		1,045,000
Total other income (expense)		(3,082,000)		999,000
Loss before provision for income taxes		(14,679,000)		(16,859,000)
Provision for income taxes		(26,000)		-
Net loss	$	(14,705,000)	$	(16,859,000)
Net loss per share, basic and diluted	$	(1.00)	$	(1.36)
Weighted average shares outstanding, basic and diluted		14,649,788		12,377,851

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

SRAX, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2020 AND 2019

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2019	-	$ -	13,997,452	$ 14,000	$48,129,000	$ (35,637,000)	$ 12,506,000
Share based compensation	-	-	-	-	1,710,000	-	1,710,000
Relative fair value of warrants issued with notes payable	-	-	-	-	4,331,000	-	4,331,000
Shares issued for extension agreement	-	-	36,700	-	71,000	-	71,000
Shares issued for debt extinguishment	-	-	100,000	-	181,000	-	181,000
Conversion of debt to equity	-	-	411,626	-	434,000	-	434,000
Common stock issued for the acquisition of subsidiary	-	-	1,600,000	2,000	4,262,000	-	4,264,000
Reclassification of warrants from liability to equity	-	-	-	-	4,076,000	-	4,076,000
Premium on debt extinguishment	-	-	-	-	46,000	-	46,000
Beneficial conversion feature	-	-	-	-	6,311,000	-	6,311,000
Net loss	-	-	-	-	-	(14,705,000)	(14,705,000)
Balance, December 31, 2020	-	$ -	16,145,778	$ 16,000	$69,551,000	$ (50,342,000)	$ 19,225,000

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

SRAX, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2020 AND 2019

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Stockholders'
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Deficit**	**Equity**
Balance, December 31, 2018	-	$ -	**10,109,530**	**$ 10,000**	**$32,870,000**	**$ (18,778,000)**	**$ 14,102,000**
Share based compensation	-	-	-	-	935,000	-	935,000
Sale of common stock and warrants for cash	-	-	3,412,821	3,000	12,194,000	-	12,197,000
Common stock issued for exercise of warrants	-	-	342,000	1,000	1,195,000	-	1,196,000
Loss on repricing of warrants	-	-	-	-	342,000	-	342,000
Common stock issued for services	-	-	75,000	-	374,000	-	374,000
Shares issued for settlement of original issue discount	-	-	58,101	-	219,000	-	219,000
Net loss	-	-	-	-	-	(16,859,000)	(16,859,000)
Balance, December 31, 2019	-	$ -	**13,997,452**	**$ 14,000**	**$48,129,000**	**$ (35,637,000)**	**$ 12,506,000**

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

SRAX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2020	2019
Cash flows from operating activities		
Net loss	$ (14,705,000)	$ (16,859,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	1,852,000	1,167,000
Change in fair value of marketable securities	(874,000)	6,000
Gain on sale of SRAXmd	(7,873,000)	(658,000)
Change in fair value of derivative liabilities	(321,000)	(1,045,000)
Amortization of debt issue costs	9,128,000	-
Loss on extinguishment of debt	1,103,000	-
Loss on repricing of warrants	-	342,000
Additional value for Red Diamond	-	219,000
Provision for bad debts	64,000	482,000
Depreciation expense	73,000	74,000
Amortization of intangibles	1,230,000	1,089,000
Right of use asssets	90,000	-
Changes in operating assets and liabilities		
Accounts receivable	(1,837,000)	1,638,000
Prepaid expenses	277,000	(106,000)
Other current assets	306,000	81,000
Accounts payable and accrued expenses	1,149,000	(2,214,000)
Right of use liability	(109,000)	-
Other current liabilities	(3,042,000)	434,000
Net cash used in operating activities	(13,489,000)	(15,350,000)
Cash flows from investing activities		
Proceeds from the sale of securities held for sale	916,000	-
Proceeds from sale of SRAXmd	7,000,000	570,000
Acquisition of LD Micro, net of cash acquired	(697,000)	(73,000)
Development of software	(1,205,000)	(1,292,000)
Other assets	32,000	-
Net cash used in investing activities	6,046,000	(795,000)
Cash flows from financing activities		
Proceeds from OID notes payable, less issuance costs	11,988,000	-
Redemption of OID notes payable	(6,070,000)	-
Proceeds from issuance of short-term notes payable less issuance costs	960,000	-
Repayment of short-term notes payable	(100,000)	-
Proceeds from payroll protection program	1,084,000	-
Proceeds from the issuance of notes payable	2,130,000	-
Repayment of notes payable	(2,130,000)	-
Proceeds from the issuance of common stock units	-	12,197,000
Proceeds from the exercise of warrants	-	1,196,000
Net cash provided by financing activities	7,862,000	13,393,000
Net increase / (decrease) in cash and cash equivalents	419,000	(2,752,000)
Cash and cash equivalents		
Beginning of year	32,000	2,784,000
End of year	$ 451,000	$ 32,000

SRAX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31,

	2020	2019
Supplemental schedule of cash flow information		
Cash paid for interest	$ 176,000	$ 140,000
Cash paid for taxes	$ -	$ -
Supplemental schedule of noncash financing activities		
Common stock received in lieu of cash for account received	$ 8,406,000	$ 50,000
Record right to use assets	$ -	$ (526,000)
Record operating lease liability	$ -	$ 526,000
Vesting of common stock award	$ 94,000	$ -
Relative fair value of warrants issued with term loan	$ 83,000	$ -
Derivative liabilities transferred to equity	$ 4,076,000	$ -
Shares of common stock issued for extension agreement	$ 71,000	$ -
Fair value of BCF for debt financings	$ 6,311,000	$ -
Fair value of warrants issued for debt financings	$ 4,248,000	$ -
Premium on debt financings	$ 46,000	$ -
Original issue discount recorded on OID convertible debentures	$ 1,931,000	$ -
Common stock issued to settle liability	$ 181,000	$ 219,000
Convertible notes converted into shares	$ 434,000	$ -
Shares issued for the acquisition of a subsidiary	$ 4,264,000	$ -

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

We are a technology firm focused on enhancing communications between public companies and their shareholders and investors. We currently have two distinct business units:

- Our unique SaaS platform, Sequire provides users many features which allow issuers to track their shareholders' behaviors and trends, then use data-driven insights to engage with shareholders across marketing channels.

- Through LD Micro, we organize and host investor conferences within the micro and small- cap space, and plan to create several more niche events for the investor community.

Our endeavor provides our clients an integrated investor and shareholder analytics platform drove us to develop this platform, acquire LD Micro, and begin cultivating the Sequire Community. Each SRAX business unit delivers valuable insights that assist our clients with their investor relations and communications initiatives.

We are headquartered in Westlake Village, California but work as a distributed virtual Company.

Liquidity and Going Concern

The Company has incurred significant losses since its inception and has not demonstrated an ability to generate sufficient revenues from the sales of its goods and services to achieve profitable operations. In addition, the Company's operations and specifically, the continued operation of BIGToken will require significant additional financing. As of December 31, 2020, the Company had cash and cash equivalents of $451,000 which is not sufficient to fund the Company's planned operations through one year after the date the consolidated financial statements are issued, and accordingly, these factors create substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

In making this assessment we performed a comprehensive analysis of our current circumstances including: our financial position, our cash flow and cash usage forecasts, and obligations and debts. Although management has a long history of successful capital raises, the analysis used to determine the Company's ability as a going concern does not include cash sources outside the Company's direct control that management expects to be available within the next 12 months.

We expect that our existing cash and cash equivalents as of December 31, 2020, will not be sufficient to enable us to fund our anticipated level of operations through 2021. As discussed in Note 22 Subsequent events, the Company has raised approximately $16 million in net proceeds through the sale of equity securities and the exercise of warrants. We anticipate raising additional capital through the private and public sales of our equity or debt securities and selling our marketable securities or a combination thereof. Although management believes that such capital sources will be available, there can be no assurance that financing will be available to us when needed in order to allow us to continue our operations, or if available, on terms acceptable to us. If we do not raise sufficient capital in a timely manner, among other things, we may be forced to scale back our operations or cease operations altogether.

During the year ended December 31, 2020, the Company was able to raise net cash proceeds (net of debt repayments, commissions, and fees) of approximately $7,900,000. The Company's capital-raising efforts are ongoing and the Company has undertaken the following to raise capital and reduce its cash burn rate: (i) received a PPP Loan from the Small Business Administration for funding under the Payroll Protection Program, in the amount of $1,084,000 (ii) entered into an "At the Market" sales agreement for the sale of up to $3,125,000 of our equity securities, (iii) sold OID convertible debentures for proceeds of $13,268,000. Additionally, the Company sold its remaining position in TI Health (f/k/a SRAXmd) for a total of $8,000,000. Substantially, all of these proceeds were used to redeem a portion of our outstanding OID convertible debentures.

The ultimate impact of the COVID-19 pandemic on the Company's operations continues to be unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced customer traffic and reduced operations. Any resulting financial impact cannot be reasonably estimated at this time but may have a material impact on our business, financial condition and results of operations.

The significance of the impact of the COVID-19 outbreak on the Company's business and the duration for which it may have an impact. Management continues to monitor the business environment for any significant changes that could impact the Company's operations. The Company has taken proactive steps to manage costs and discretionary spending, such as remote working and reducing facility related expenses.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements include the accounts of the Company and its subsidiaries from the acquisition date of majority voting control of the subsidiary.

Business Segments

The Company uses the "management approach" to identify its reportable segments. The management approach designates the internal organization used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments. Using the management approach, the Company determined that it has two operating segments BIGToken and Sequire.

Business Combinations

For all business combinations (whether partial, full or step acquisitions), the Company records 100% of all assets and liabilities of the acquired business, including goodwill, generally at their fair values; contingent consideration, if any, is recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value are recognized in earnings until settlement and acquisition-related transaction and restructuring costs are expensed rather than treated as part of the cost of the acquisition.

Use of Estimates

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles accepted in the United States of America ("GAAP") and requires management of the Company to make estimates and assumptions in the preparation of these consolidated financial statements that affect the reported amounts of assets and liabilities and 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. Actual results could differ from these estimates and assumptions.

The most significant areas that require management judgment and which are susceptible to possible change in the near term include the Company's revenue recognition, allowance for doubtful accounts and sales credits, stock-based compensation, income taxes, borrowing rate considered for operating lease right-of-use asset and related operating lease liability, purchase price for acquisition, goodwill, other intangible assets, put rights and valuation of other assets and liabilities.

Fair Value of Financial Instruments

The accounting standard for fair value measurements provides a framework for measuring fair value and requires disclosures regarding fair value measurements. 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 at the measurement date, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value. The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The determination of fair value and the assessment of a measurement's placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management's assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include: estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

The Company's financial instruments, including cash and cash equivalents, net accounts receivable, accounts payable and accrued expenses, are carried at historical cost. At December 31, 2020 and 2019, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments. The Company measures certain non-financial assets, liabilities, and equity issuances at fair value on a non-recurring basis. These non-recurring valuations include evaluating assets such as long-lived assets and goodwill for impairment; allocating value to assets in an acquired asset group; and applying accounting for business combinations.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with a remaining maturity at the date of purchase of three months or less to be cash equivalents.

Accounts Receivable

Credit is extended to customers based on an evaluation of their financial condition and other factors. Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. Accounts determined to be uncollectible are charged to operations when that determination is made. The Company usually does not require collateral. Allowance for doubtful accounts was approximately $491,000 and $530,000 as of December 31, 2020 and 2019, respectively.

Concentration of Credit and Significant Customer Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with financial institutions within the United States. The balances maintained at these financial institutions are generally more than the Federal Deposit Insurance Corporation insurance limits. The Company has not experienced any loss on these accounts.

As of December 31, 2020, the Company had two customers with accounts receivable balances of approximately 20.0% and 10.4%. As of December 31, 2019, the Company had three customers with accounts receivable balances of approximately 23.7%, 15.0%, and 13.7%.

For the year ended December 31, 2020, the Company had one customer that account for approximately 18.1% of total revenue. For the year ended December 31, 2019, the Company had two customers that accounted for 17.7% and 12.9%.

Long-lived Assets

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists. Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; a significant decline in the Company's stock price for a sustained period of time; and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets. If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment loss is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairments have been recorded regarding its identifiable intangible assets or other long-lived assets during the years ended December 31, 2020 or 2019, respectively.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets of three to seven years.

Expenditures for repair and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations. Management periodically reviews the carrying value of its property and equipment for impairment.

Intangible assets

Intangible assets consist of intellectual property, a non-compete agreement, and internally developed software and are stated at cost less accumulated amortization. Amortization is provided for on the straight-line basis over the estimated useful lives of the assets of five to six years.

Costs incurred to develop computer software for internal use are capitalized once: (1) the preliminary project stage is completed, (2) management authorizes and commits to funding a specific software project, and (3) it is probable that the project will be completed and the software will be used to perform the function intended. Costs incurred prior to meeting the qualifications are expensed as incurred. Capitalization of costs ceases when the project is substantially complete and ready for its intended use. Post-implementation costs related to the internal use computer software, are expensed as incurred. Internal use software development costs are amortized using the straight-line method over its estimated useful life which ranges up to three years. Software development costs may become impaired in situations where development efforts are abandoned due to the viability of the planned project becoming doubtful or due to technological obsolescence of the planned software product. For the years ended December 31, 2020, and 2019 there has been no impairment associated with internal use software. For the years ended December 31, 2020, and 2019, the Company capitalized software development costs of $1,172,000 and $1,292,000, respectively.

During 2016, the Company began capitalizing the costs of developing internal-use computer software, including directly related payroll costs. The Company amortizes costs associated with its internally developed software over periods up to three years, beginning when the software is ready for its intended use.

The Company capitalizes costs incurred during the application development stage of internal-use software and amortize these costs over the estimated useful life. Upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Software maintenance, training, data conversion, and business process reengineering costs are expensed in the period in which they are incurred.

Right of Use Assets and Lease Obligations

The Right of Use Asset and Lease Liability reflect the present value of the Company's estimated future minimum lease payments over the lease term, which may include options that are reasonably assured of being exercised, discounted using a collateralized incremental borrowing rate.

Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed that of the initial lease term, and the sales performance of the restaurant remains strong. Therefore, the Right of Use Asset and Lease Liability may include an assumption on renewal options that have not yet been exercised by the Company.

As the rate implicit in leases are not readily determinable, the Company uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate the Company would incur to borrow on a collateralized basis over the term of a lease within a particular currency environment.

Goodwill

Goodwill is comprised of the purchase price of business combinations in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized. The Company tests goodwill for impairment for its reporting units on an annual basis, or when events occur or circumstances indicate the fair value of a reporting unit is below its carrying value. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded to the extent that implied fair value of the goodwill within the reporting unit is less than its carrying value. The Company performed its most recent annual goodwill impairment test as of December 31, 2020 using market data and discounted cash flow analysis. Based on this analysis, it was determined that the fair value exceeded the carrying value of its reporting units. The Company concluded the fair value of the goodwill exceeded the carrying value accordingly there were no indicators of impairment for the years ended December 31, 2020 and 2019.

The Company had historically performed its annual goodwill and impairment assessment on December 31st of each year. This aligns the Company with other advertising sales companies who also generally conduct this annual analysis in the fourth quarter.

When evaluating the potential impairment of goodwill, management first assess a range of qualitative factors, including but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel, and the overall financial performance for each of the Company's reporting units. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then proceed to the impairment testing methodology primarily using the income approach (discounted cash flow method).

We compare the carrying value of the reporting unit, including goodwill, with its fair value, as determined by its estimated discounted cash flows. If the carrying value of a reporting unit exceeds its fair value, then the amount of impairment to be recognized.

When required, we arrive at our estimates of fair value using a discounted cash flow methodology which includes estimates of future cash flows to be generated by specifically identified assets, as well as selecting a discount rate to measure the present value of those anticipated cash flows. Estimating future cash flows requires significant judgment and includes making assumptions about projected growth rates, industry-specific factors, working capital requirements, weighted average cost of capital, and current and anticipated operating conditions. The use of different assumptions or estimates for future cash flows could produce different results.

Derivatives

The Company analyzes all financial instruments with features of both liabilities and equity under FASB ASC Topic No. 480, *Distinguishing Liabilities From Equity* and FASB ASC Topic No. 815, *Derivatives and Hedging*. Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments.

The Company has adopted ASU 2017-11, Earnings per share (Topic 260), provided that when determining whether certain financial instruments should be classified as liability or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. If a down round feature on the conversion option embedded in the note is triggered, the Company will evaluate whether a beneficial conversion feature exists, the Company will record the amount as a debt discount and will amortize it over the remaining term of the debt.

If the down round feature in the warrants that are classified as equity is triggered, the Company will recognize the effect of the down round as a deemed dividend, which will reduce the income available to common stockholders.

Warrant Liability

The Company accounts for certain common stock warrants outstanding as a liability at fair value and adjusts the instruments to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's consolidated statements of operations. The fair value of the warrants issued by the Company has been estimated using a Black-Scholes option pricing model, at each measurement date.

Debt Discounts

The Company accounts for debt discounts originating in connection with conversion features that remain embedded in the related notes in accordance with ASC 470-20, *Debt with Conversion and Other Options*. These costs are classified on the consolidated balance sheet as a direct deduction from the debt liability. The Company amortizes these costs over the term of its debt agreements as interest expense-debt discount in the consolidated statement of operations.

Revenue Recognition

The Company adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606") on January 1, 2018 using the modified retrospective method. Our operating results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts continue to be reported in accordance with our historic accounting under Topic 605. The timing and measurement of our revenues under ASC Topic 606 is similar to that recognized under previous guidance, accordingly, the adoption of ASC Topic 606 did not have a material impact on our financial position, results of operations, cash flows, or presentation thereof at adoption or in the current period. There were no changes in our opening retained earnings balance as a result of the adoption of ASC Topic 606.

ASC Topic 606 is a comprehensive revenue recognition model that requires revenue to be recognized when control of the promised goods or services are transferred to our customers at an amount that reflects the consideration that we expect to receive. Application of ASC Topic 606 requires us to use more judgment and make more estimates than under former guidance. Application of ASC Topic 606 requires a five-step model applicable to all product offering revenue streams as follows:

Identification of the contract, or contracts, with a customer

A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and, (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit or financial information pertaining to the customer.

Identification of the performance obligations in the contract

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

When a contract includes multiple promised goods or services, we apply judgment to determine whether the promised goods or services are capable of being distinct and are distinct within the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.

Determination of the transaction price

The transaction price is determined based on the consideration to which we will be entitled to receive in exchange for transferring goods or services to our customer. We estimate any variable consideration included in the transaction price using the expected value method that requires the use of significant estimates for discounts, cancellation periods, refunds and returns. Variable consideration is described in detail below.

Allocation of the transaction price to the performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative Stand-Alone Selling Price ("SSP,") basis. We determine SSP based on the price at which the performance obligation would be sold separately. If the SSP is not observable, we estimate the SSP based on available information, including market conditions and any applicable internally approved pricing guidelines.

Recognition of revenue when, or as, we satisfy a performance obligation

We recognize revenue at the point in time that the related performance obligation is satisfied by transferring the promised goods or services to our customer.

Principal versus Agent Considerations

When another party is involved in providing goods or services to our customer, we apply the principal versus agent guidance in ASC Topic 606 to determine if we are the principal or an agent to the transaction. When we control the specified goods or services before they are transferred to our customer, we report revenue gross, as principal. If we do not control the goods or services before they are transferred to our customer, revenue is reported net of the fees paid to the other party, as agent. Our evaluation to determine if we control the goods or services within ASC Topic 606 includes the following indicators:

We are primarily responsible for fulfilling the promise to provide the specified good or service.

When we are primarily responsible for providing the goods and services, such as when the other party is acting on our behalf, we have indication that we are the principal to the transaction. We consider if we may terminate our relationship with the other party at any time without penalty or without permission from our customer.

We have risk before the specified good or service have been transferred to a customer or after transfer of control to the customer.

We may commit to obtaining the services of another party with or without an existing contract with our customer. In these situations, we have risk of loss as principal for any amount due to the other party regardless of the amount(s) we earn as revenue from our customer.

The entity has discretion in establishing the price for the specified good or service.
We have discretion in establishing the price our customer pays for the specified goods or services.

Contract Liabilities

Contract liabilities consist of customer advance payments and billings in excess of revenue recognized. We may receive payments from our customers in advance of completing our performance obligations. We record contract liabilities equal to the amount of payments received in excess of revenue recognized, including payments that are refundable if the customer cancels the contract according to the contract terms. Contract liabilities have been historically low historically recorded as current liabilities on our consolidated financial statements when the time to fulfill the performance obligations under terms of our contracts is less than one year. We have no long-term contract liabilities which would represent the amount of payments received in excess of revenue earned, including those that are refundable, when the time to fulfill the performance obligation is greater than one year.

Practical Expedients and Exemptions

We have elected certain practical expedients and policy elections as permitted under ASC Topic 606 as follows:

- We applied the transitional guidance to contracts that were not complete at the date of our initial application of ASC Topic 606 on January 1, 2018.

- We adopted the practical expedient related to not adjusting the promised amount of consideration for the effects of a significant financing component if the period between transfer of product and customer payment is expected to be less than one year at the time of contract inception;

- We made the accounting policy election to not assess promised goods or services as performance obligations if they are immaterial in the context of the contract with the customer;

- We made the accounting policy election to exclude any sales and similar taxes from the transaction price; and

- We adopted the practical expedient not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Cost of Revenue

Cost of revenue consists of payments to media providers and website publishers that are directly related to a revenue-generating event and project and application design costs. The Company becomes obligated to make payments related to media providers and website publishers in the period the advertising impressions, click-throughs, actions or lead-based information are delivered or occur. Such expenses are classified as cost of revenue in the corresponding period in which the revenue is recognized in the accompanying consolidated statements of operations.

Stock-Based Compensation

We account for our stock-based compensation under ASC 718 "*Compensation – Stock Compensation*" using the fair value based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges it equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

We use the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Common stock awards

The Company grants common stock awards to non-employees in exchange for services provided. The Company measures the fair value of these awards using the fair value of the services provided or the fair value of the awards granted, whichever is more reliably measurable. The fair value measurement date of these awards is generally the date the performance of services is complete. The fair value of the awards is recognized on a straight-line basis as services are rendered. The share-based payments related to common stock awards for the settlement of services provided by non-employees is recorded in accordance with ASC 718 on the consolidated statement of comprehensive loss in the same manner and charged to the same account as if such settlements had been made in cash.

Warrants

In connection with certain financing, consulting and collaboration arrangements, the Company has issued warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants are recorded at fair value as expense over the requisite service period or at the date of issuance, if there is not a service period.

Income Taxes

We utilize ASC 740 "*Income Taxes*" which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at year-end based on enacted laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

The Company recognizes the impact of a tax position in the financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Earnings Per Share

We use ASC 260, "*Earnings Per Share*" for calculating the basic and diluted earnings (loss) per share. We compute basic earnings (loss) per share by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and warrants and stock awards. For periods with a net loss, basic and diluted loss per share are the same, in that any potential common stock equivalents would have the effect of being anti-dilutive in the computation of net loss per share.

There were 15,366,426 common share equivalents at December 31, 2020 and 7,429,949 at December 31, 2019. For the year ended December 31, 2020, these securities were not included in the computation of diluted net earnings per share as their effect would have been antidilutive.

Recently Issued Accounting Standards

Changes to accounting principles are established by the FASB in the form of ASUs to the FASB's Codification. We consider the applicability and impact of all ASUs on our financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that are not yet effective, but may be applicable to our financial position, results of operations, cash flows, or presentation thereof. ASUs not listed below were assessed and determined to not be applicable to our financial position, results of operations, cash flows, or presentation thereof.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 (with amendments issued in 2018), which changes the accounting for leases and requires expanded disclosures about leasing activities. This new guidance also requires lessees to recognize a ROU asset and a lease liability at the commencement date for all leases with terms greater than twelve months. Accounting by lessors is largely unchanged. ASU 2016-02 is effective for fiscal periods beginning after December 15, 2018. We adopted ASU 2016-02 on January 1, 2019 using the modified retrospective optional transition method. Thus, the standard was applied starting January 1, 2019 and prior periods were not restated.

We applied the package of practical expedients permitted under the transition guidance. As a result, we did not reassess the identification, classification and initial direct costs of leases commencing before the effective date. We also applied the practical expedient to not separate lease and non-lease components to all new leases as well as leases commencing before the effective date. See Note 8 for additional information.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This guidance updates existing guidance for measuring and recording credit losses on financial assets measured at amortized cost by replacing the "incurred loss" model with an "expected loss" model. Accordingly, these financial assets will be presented at the net amount expected to be collected. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The adoption of ASU 2016-13 did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment." This guidance simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to the reporting unit. ASU 2017-04 is effective for fiscal periods beginning after December 31, 2019. Early adoption is permitted. The adoption of ASU 2017-04 did not have a material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, "Improvements to Non-employee Share-Based Payment Accounting." This guidance expands the scope of Topic 718 "Compensation - Stock Compensation" to include share-based payment transactions for acquiring goods and services from non-employees, but excludes awards granted in conjunction with selling goods or services to a customer as part of a contract accounted for under ASC 606, "Revenue from Contracts with Customers." The adoption of ASU 2018-07 did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," which amends ASC 350-40, "Intangibles - Goodwill and Other - Internal-Use Software." The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software and requires the capitalized implementation costs to be expensed over the term of the hosting arrangement. The accounting for the service element of a hosting arrangement that is a service contract is not affected. ASU 2018-15 is effective for fiscal periods beginning after December 15, 2019, and interim periods within those fiscal years. The adoption of ASU 2018-15, effective January 1, 2019, did not have a material impact on our consolidated financial statements.

Recent Accounting Updates Not Yet Effective

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes." This guidance, among other provisions, eliminates certain exceptions to existing guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also requires an entity to reflect the effect of an enacted change in tax laws or rates in its effective income tax rate in the first interim period that includes the enactment date of the new legislation, aligning the timing of recognition of the effects from enacted tax law changes on the effective income tax rate with the effects on deferred income tax assets and liabilities. Under existing guidance, an entity recognizes the effects of the enacted tax law change on the effective income tax rate in the period that includes the effective date of the tax law. ASU 2019-12 is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact of this guidance.

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): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity", to reduce complexity in applying GAAP to certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 is effective for interim and annual periods beginning after December 15, 2023, with early adoption permitted. We are currently evaluating the impact of this guidance.

NOTE 2 – ACQUISITIONS

On September 15, 2020 ("Closing Date"), an Agreement and Plan of Merger (the "Agreement") is entered into by and among SRAX, Inc. a Delaware corporation ("Parent"), Townsgate Merger Sub 1, Inc., a Delaware corporation and a direct wholly-owned subsidiary of Parent ("Merger Sub 1"), LD Micro, Inc., a Delaware corporation and a direct wholly-owned subsidiary of Parent ("Merger Sub 2"), LD Micro, Inc., a California corporation (the "Acquiree", "LD Micro"), and Christopher Lahiji, the sole stockholder of the Acquiree (the "Stockholder"). Merger Sub 1 and Merger Sub 2 are sometimes collectively referred to as "Merger Sub."

The parties intend that Merger Sub 1 will be merged with and into the Acquiree (the "First Merger"), with the Acquiree surviving the First Merger, and then the Acquiree will be merged with and into Merger Sub 2 (the "Second Merger," and together with the First Merger, the "Merger"), with Merger Sub 2 surviving the Second Merger.

As consideration, the Company will pay cash payable as follows: (i) $1,000,000 at the Closing, (ii) $1,000,000 on January 1, 2021, (iii) $1,000,000 on April 1, 2021, and (iv) $1,000,000 on July 1, 2021 and subject to adjustment or off-set. Additionally, the Company issued 1,600,000 shares of its Class A common stock. The total consideration to be paid by the Company is $7,610,000, as adjusted, as follows:

Calculation of the purchase price:		
Fair value of stock at closing	$	4,264,000
Cash at closing		1,000,000
Deferred payments		2,771,000
Less cash received		(303,000)
Transaction expenses		10,000
Working capital adjustment		(132,000)
Purchase price	$	7,610,000

The transaction was accounted for using the acquisition method. Accordingly, goodwill has been measured as the excess of the total consideration over the amounts assigned to the identifiable assets acquired and liabilities assumed.

The deferred payments of $3,000,000 were discounted using the yield on a CCC rated corporate debt for 3-month, 6-month and 9-month maturities, respectively. The implied discount is approximately $229,000, which will be amortized over the term on the payments.

The purchase price includes working capital adjustments that are based on our preliminary estimates and assumptions that are subject to change.

The following table summarizes the allocation of the purchase price to the assets acquired and liabilities assumed:

Accounts receivable, net	$	30,000
Intangibles		468,000
Goodwill		7,706,000
Accounts payable and accrued liabilities		(324,000)
Payroll protection loan		(42,000)
Other current liabilities		(97,000)
Deferred tax liability		(131,000)
Net assets acquired	$	7,610,000

Intangible assets consisted of the following:

		Fair Value	Life in Years
Trademark	$	271,000	Indefinite
Domain name		3,000	Indefinite
Noncompete		8,000	5 years
Customer list		186,000	3 years
	$	468,000	

The estimated fair values for the trademark and domain name were determined by using the relief-from-royalty method. The estimated fair value for the customer list and noncompete were determined using the excess earnings and differential method of comparing having an asset in-place versus not having the asset in place, respectively.

The Company has estimated the preliminary purchase price allocations based on historical inputs and data as of September 15, 2020. The preliminary allocation of the purchase price is based on the best information available and is pending, amongst other things: (i) the finalization of the valuation of the fair values and useful lives of tangible assets acquired; (ii) the finalization of the valuations and intangible assets acquired; (iii) finalization of the valuation of accounts payable and accrued expenses; and (iv) finalization of the fair value of non-cash consideration.

During the measurement period (which is the period required to obtain all necessary information that existed at the acquisition date, or to conclude that such information is unavailable, not to exceed one year), additional assets or liabilities may be recognized, or there could be changes to the amounts of assets or liabilities previously recognized on a preliminary basis, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of these assets or liabilities as of that date.

The amounts of revenue and earnings of the Acquiree since the acquisition date included in the consolidated statements of operations for the year ended December 31, 2020 follows:

Revenues	$	-
Net income (loss)		(51,000)

The following pro forma information presents the combined results of operations as if the acquisitions had been completed on January 1, 2019. The pro forma results include the amortization associated with the preliminary estimates for the acquired intangible assets.

The pro forma results do not reflect any cost saving synergies from operating efficiencies, or the effect of the incremental costs incurred in integrating the two companies. Accordingly, these pro forma results are presented for informational purpose only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations.

Pro Forma Consolidated Statements of Operations
For the Year ended December 31,2020

	SRAX, Inc.	LD Micro, Inc.	Pro Forma Adjustment	Pro Forma Combined
Revenues	$ 8,647,000	$ 937,000	$ -	$ 9,584,000
Cost of revenues	(2,589,000)	(98,000)	-	(2,687,000)
Operating expenses	(17,655,000)	(858,000)	171,000	(18,342,000)
Other expense	(3,082,000)	(1,000)	-	(3,083,000)
Provision for income taxes	(26,000)	-	-	(26,000)
Net loss	$ (14,705,000)	$ (20,000)	$ 171,000	$ (14,554,000)

Pro Forma Consolidated Statements of Operations
For the Year ended December 31,2019

	SRAX, Inc.	LD Micro, Inc.	Pro Forma Adjustment	Pro Forma Combined
Revenues	$ 3,584,000	$ 1,142,000	$ -	$ 4,726,000
Cost of revenues	(1,680,000)	(188,000)	-	(1,868,000)
Operating expenses	(19,762,000)	(1,037,000)	(58,000)	(20,857,000)
Other income	999,000	8,000	-	1,007,000
Net loss	$ (16,859,000)	$ (75,000)	$ (58,000)	$ (16,992,000)

The following summarizes the pro forma adjustments made for the years ended December 31:

	2020	**2019**
Amortization of intangibles acquired	$ 64,000	64,000
Employee related costs	(235,000)	(235,000)
Financing costs	-	229,000
Net income (loss)	$ (171,000)	$ 58,000

Amortization relates to the acquired noncompete and customer list amounting to $2,000 plus $62,000 for the years ended December 31, 2020 and 2019, respectively.

Employee related cost are contracted cost amounting to $235,000 for the years ended December 31, 2020 and 2019, respectively.

Financing cost relates to amortization of the discount related to the $3,000,000 deferred payments.

NOTE 3 – SALE OF ACCOUNTS RECEIVABLE

On January 22, 2020 and January 30, 2020, the Company entered into financing agreements, with a single unrelated purchaser to sell, with full recourse, certain accounts receivable with a face value of $454,000 and $75,000, respectively, for a purchase price of $454,000 and $56,000, respectively. Transactions under these agreements were accounted for as financing of accounts receivable and the related accounts receivable was not removed from our consolidated balance sheet at the time of the sales transactions, a liability was recorded for the proceeds received. The terms of the agreements are as follows:

Pursuant to the initial purchase agreement, commencing on March 24, 2020, the purchaser may, at its sole discretion, exercise a put option, to cause the Company to purchase from purchaser, any of the outstanding January 22, 2020 receivables which were not collected by the purchaser. Effective April 9, 2020, the put option was extended until June 23, 2020.

The purchase price payable by Company to the Purchaser for the receivables upon exercise of the Put Option shall be equal to one hundred and thirty six percent (136%) of the then remaining outstanding balance of the applicable receivables.

Upon the occurrence of a payment made on the applicable receivables, the Company is required to pay a true up amount as follows:

a. ten percent (10%) of the portion of the receivables which are paid on or before the 30th day following the effective date of the agreement;
b. twenty percent (20%) of the portion of the receivables which are paid after the 30th day but on or before the 60th day following the effective date of the agreement; and
c. thirty six percent (36%) of the portion of the receivables which are paid after the 60th day following the effective date of the agreement.

In order to secure performance by the Company, the purchaser was granted a security interest in: (i) 239,029 shares of the Company's Class A common stock in connection with the sale of the $454,000 receivable and (ii) 29,519 shares of the Company's Class A common stock in connection with the sale of the $75,000 receivable. The shares have been issued and are being held by the Company's transfer agent. Since the shares are not outstanding, the Company has treated them as shares reserved for collateral.

Since the purchaser of the receivables has recourse, the Company accounted for the purchase price as a liability. Upon the purchaser's election of the put option or the true up, as applicable the Company will treat the put option price or the true up amounts as interest.

On April 9, 2020 the Company entered into an agreement to amend the January 22 and 30 accounts receivable agreements. The purchaser agreed to amend the put option date as described above to June 23, 2020 and June 30, 2020 for the sale of receivables originating on January 22, 2020 and January 30, 2020, respectively. As consideration for the extension the Company agreed to issue the purchaser 32,668 and 4,032 shares of Class A common stock for the receivable sale originating on January 22, 2020 and January 30, 2020, respectively.

On June 30, 2020, the Purchaser converted the payable of $510,000 and accrued interest of $184,000 ("Old Debt") into approximately $788,000 of the OID Convertible Notes payable ("Debentures") (See Note 15 - OID Convertible Debentures). The conversion was treated as an extinguishment of debt as prescribed by ASC 470-50 – Debt Modification and Extinguishment. At the date of issuance, the Debenture had a fair market value of approximately $815,000. The transaction created a loss on extinguishment of approximately $546,000, which consisted of (i) the difference of value between the Old Debt and the fair value of the new debt of approximately $95,000, (ii) the difference between the face value of the debenture and the fair value of the Debenture of approximately $27,000 and (iii) $424,000 for fair value of warrants issued with the Debenture. Also, since the Debenture was convertible into the Company's common stock, a $27,000 premium associated with the conversion feature was recorded as additional paid in capital.

Since the purchaser of the receivables has recourse, the Company accounted for the purchase price as a liability. Upon the purchaser's election of the put option or the true up, as applicable the Company will treat the put option price or the true up amounts as interest.

In December 2020, the Company entered into an agreement with PIPE Technologies, Inc. whereby it sold the Company's right to future subscription revenues of $570,000 for net proceeds of $528,000. Under the terms of the agreement, the Company may borrow funds collateralized by the right to the revenues from Sequire platform contracts. PIPE receives a discount on the amount sold and remits the net amount to the Company. The Company bears the risk of credit loss on the contracts. These transactions are accounted for as secured borrowing arrangements and not as a sale of financial assets.

The amount of borrowings outstanding was approximately $570,000 as of December 31, 2020 and none at December 31, 2019, respectively.

NOTE 4 – MARKETABLE SECURITIES

During the second quarter of 2020, the Company began offering customers of its Sequire segment who purchase services on the Company's proprietary SaaS platform the option to pay the contract price in securities issued by the Customer which could be a common stock, preferred stock or convertible debentures. The customer's securities must be trading on a United States securities exchange and the Company must be a fully reporting entity pursuant to SEC Regulation S-X. In accordance with ASC 606 - Revenue Recognition, the Company will value the shares received at the fair market value of the date the contract is executed. The shares received will be accounted for in accordance with ASC 320 – Investments – Debt and Equity Securities, as such the shares will be classified as available-for-sale securities and will be measured at each reporting period at fair value with the unrealized gain or (loss) as a component of other income (expense). Upon the sale of the shares, the Company will record the gain or (loss) in the consolidated statement of operations as a component of net income (loss).

The movement in this account is as follows:

	Balance as of December 31, 2020	Common Stock	Convertible Debentures
Balances at beginning of year	$ 83,000	$ 83,000	$ —
Additions	8,406,000	7,496,000	910,000
Sale of marketable securities	(916,000)	(916,000)	—
Change in fair value	874,000	1,101,000	(227,000)
Balances at end of year	$ 8,447,000	$ 7,764,000	$ 683,000

	Balance as of December 31, 2019	Common Stock	Convertible Debentures
Balances at beginning of year	$ 39,000	$ 39,000	$ —
Additions	50,000	50,000	—
Sale of marketable securities	—	—	—
Change in fair value	(6,000)	(6,000)	—
Balances at end of year	$ 83,000	$ 83,000	$ —

The Company's sales of securities year ended December 31, 2020 were approximately $916,000, with a book basis of approximately $303,000 which represented a gain of $613,000, which the Company recorded as other income included in the gains from marketable securities.

The Company recorded as a component of other income (expense) the realized and unrealized gain (loss) on marketable securities as follows:

	2020	2019
Unrealized gain (loss)	$ 261,000	$ (6,000)
Realized gain	613,000	-
Change in fair value of marketable securities	$ 874,000	$ (6,000)

The Company accounts for its investments in equity securities in accordance with ASC 321-10 Investments - Equity Securities. The equity securities may be classified into two categories and accounted for as follows:

- Equity securities with a readily determinable fair value are reported at fair value, with unrealized gains and losses included in earnings. Any dividends received are recorded in interest income, the fair value of equity investments with fair values is primarily obtained from third-party pricing services.

- Equity securities without a readily determinable fair value are reported at their cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer and their impact on fair value. Any dividends received are recorded in interest income. For equity investments without readily determinable fair values, when an orderly transaction for the identical or similar investment of the same issuer is identified, we use the valuation techniques permitted under ASC 820 Fair Value Measurement to evaluate the observed transaction(s) and adjust the fair value of the equity investment

NOTE 5 – NOTES RECEIVABLE

On October 30, 2020, a unit redemption agreement was entered into by and between the Company and Haylard MD, LLC ("Haylard"). The Company owns 10,000,000 Class A Units of Haylard. The Company desires to sell and transfer to Haylard, and Haylard desires to redeem and purchase from the Company. The price to be paid for all of the Units shall be $6,718,000 at closing and $960,000 upon the earlier of (a) the third anniversary of the closing and (b) a Sale of Haylard, for a total consideration of $7,678,000, provided that if Haylard consummates a Sale of Haylard within one hundred and eighty (180) calendar days after the closing, and the amount to be paid in respect of a Class A Unit in connection with such transaction after taking into account all fees, costs, expenses, escrows, indemnities, purchase price adjustments, repayments of indebtedness and other holdbacks as reasonably determined and calculated in good faith by Haylard is greater than $0.7677543, then Haylard shall pay to the Company an amount equal to such excess for each Unit redeemed and purchased hereunder by wire transfer of immediately available funds to the account specified by the Company.

On October 30, 2020, a unit redemption agreement was entered into by and between the Company and MD CoInvest, LLC, ("CoInvest"). The Company owns 420,000 Units of CoInvest. The Company desires to sell and transfer to CoInvest, and CoInvest desires to redeem and purchase from the Company. The price to be paid for all of the Units shall be $282,000 at closing and $40,000 upon the earlier of (a) the third anniversary of the closing and (b) a Sale of CoInvest, for a total consideration of $322,000, provided that if CoInvest consummates a Sale of CoInvest within one hundred and eighty (180) calendar days after the closing, and the amount to be paid in respect of a Class A Unit in connection with such transaction after taking into account all fees, costs, expenses, escrows, indemnities, purchase price adjustments, repayments of indebtedness and other holdbacks as reasonably determined and calculated in good faith by CoInvest is greater than $0.7677543, then CoInvest shall pay to the Company an amount equal to such excess for each Unit redeemed and purchased hereunder by wire transfer of immediately available funds to the account specified by the Company.

The deferred payments of $960,000 and $40,000 were discounted using the yield on a CCC rated corporate debt for 3-year maturity. The implied discount is approximately $107,000, which will be amortized over 3 years. Notes receivable as of December 31, 2020 amounted to $893,000.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2020	2019
Office equipment	$ 406,000	$ 406,000
Accumulated depreciation	(288,000)	(215,000)
Property and equipment, net	$ 118,000	$ 191,000

Depreciation expense for the years ended December 31, 2020 and 2019 was $73,000 and $74,000, respectively.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31:

	2020	2019
Internally developed software	$ 4,028,000	$ 2,856,000
Non-compete agreement	1,258,000	1,250,000
Intellectual property	756,000	756,000
Acquired Software	617,000	617,000
Trademark	271,000	-
Customer list	186,000	-
Domain name	36,000	-
Total cost	7,152,000	5,479,000
Accumulated amortization	(4,743,000)	(3,513,000)
Intangible assets, net	$ 2,409,000	$ 1,966,000

Amortization expense was $1,024,000 for internally developed software and $206,000 acquired software for the year ended December 31, 2020. Amortization expense was $151,000 for intellectual property, $732,000 for internally developed software and $206,000 for acquired software for the year ended December 31, 2020.

The estimated future amortization expense for the years ended December 31, are as follows:

2021	$ 1,180,000
2022	666,000
2023	247,000
2024	6,000
2025 and thereafter	3,000
	$ 2,102,000

The following table summarizes the carrying amount of intangible assets not subject to amortization as of December 31, 2020:

Trademark	$	271,000
Domain name		36,000
	$	307,000

The following table summarizes the carrying amount of goodwill as of December 31, 2020:

	Segment					
		Sequire		*BigToken*		*Total*
Balance as of January 1, 2020	$	10,200,000	$	5,445,000	$	15,645,000
Goodwill acquired during the year (LD Micro)		7,706,000				7,706,000
Balance as of December 31, 2020	$	17,906,000	$	5,445,000	$	23,351,000

NOTE 8 – RIGHT TO USE ASSET

We adopted ASU No. 2016-02, *Leases*, on January 1, 2019, the beginning of our fiscal 2019, using the modified retrospective approach. We determine whether an arrangement is a lease at inception. This determination generally depends on whether the arrangement conveys the right to control the use of an identified fixed asset explicitly or implicitly for a period of time in exchange for consideration. Control of an underlying asset is conveyed if we obtain the rights to direct the use of and to obtain substantially all of the economic benefit from the use of the underlying asset. Some of our leases include both lease and non-lease components which are accounted for as a single lease component as we have elected the practical expedient. Some of our operating lease agreements include variable lease costs, primarily taxes, insurance, common area maintenance or increases in rental costs related to inflation. Substantially all of our equipment leases and some of our real estate leases have terms of less than one year and, as such, are accounted for as short-term leases as we have elected the practical expedient.

Operating leases are included in the right-of-use lease assets, other current liabilities and long-term lease liabilities on the Consolidated Balance Sheet. Right-of-use assets and lease liabilities are recognized at each lease's commencement date based on the present values of its lease payments over its respective lease term. When a borrowing rate is not explicitly available for a lease, our incremental borrowing rate is used based on information available at the lease's commencement date to determine the present value of its lease payments. Operating lease payments are recognized on a straight-line basis over the lease term. We had no financing leases as of December 31, 2020.

We have operating leases for office space. Our leases have remaining lease terms of approximately 2.75 years. We consider renewal options in determining the lease term used to establish our right-of-use assets and lease liabilities when it is determined that it is reasonably certain that the renewal option will be exercised.

As of December 31, 2020, there were no material variable lease costs or sublease income. Cash paid for operating leases are classified in operating expenses and were $192,000 and $304,000 for the years ended December 31, 2020 and 2019, respectively. The following tables summarize the lease expense for the year ended December 31:

		2020		**2019**
Operating lease expense	$	163,000	$	150,000
Short-term lease expense		29,000		154,000
Total lease expense	$	192,000	$	304,000

The below table summarizes these lease asset and liability accounts presented on our accompanying Consolidated Balance Sheets for the year ended December 31:

Operating Leases*	**Consolidated Balance Sheet Caption**		**2020**		**2019**
Operating lease right-of-use assets - non-current	Right of use asset	$	366,000	$	456,000
Operating lease liabilities - current	Other current liabilities	$	109,000	$	91,000
Operating lease liabilities - non-current	Right to use liability - long term		243,000		352,000
Total operating lease liabilities		$	352,000	$	443,000

Components of Lease Expense

We recognize lease expense on a straight-line basis over the term of our operating leases, as reported within "selling, general and administrative" expense on the accompanying consolidated statement of operations.

Weighted Average Remaining Lease Term and Applied Discount Rate

	Weighted Average Remaining Lease Term	Weighted Average Discount Rate
Operating leases as of December 31, 2020	2.75 years	18%

Future Contractual Lease Payments as of December 31, 2020

The below table summarizes our (i) minimum lease payments over the next five years, (ii) lease arrangement implied interest, and (iii) present value of future lease payments for the years ending December 31:

Operating Leases - future payments	
2021	163,000
2022	163,000
2023	123,000
Total future lease payments, undiscounted	449,000
Less: Implied interest	(97,000)
Present value of operating lease payments	352,000

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of December 31, are comprised of the following:

		2020		**2019**
Accounts payable, trade	$	2,631,000	$	1,708,000
Accrued expenses		605,000		335,000
Accrued compensation		238,000		270,000
Accrued commissions		80,000		129,000
Accrued interest		7,000		-
Accounts payable and accrued expenses	$	3,561,000	$	2,442,000

NOTE 10 – DERIVATIVE LIABILITY

On June 30, 2020, the Company entered into an agreement to amend the warrants underlying the warrant liabilities instruments classified as Liabilities as of December 31, 2019. The amended agreement removed the embedded features that cause the warrants to be accounted for as liabilities. Pursuant to ASC 815 and ASC 480, the Company has reclassified these warrants as additional paid in capital as of June 30, 2020, due to the existence of a fundamental transaction clause the precluded equity classification.

On June 30, 2020, each of the holders of warrants issued by the Company in 2017 and 2018 agreed to irrevocably waive their rights to a cash settlement due too in the event the Company has a fundamental transaction. As a result, this derivative liability was reversed to Nil and reclassified into stockholders equity under Additional Paid-In Capital.

As consideration for the amendment, the Company issued contingent consideration in the form of warrants linked to the value of BIGtoken should it be transferred to a third-party purchaser. The form of the consideration issued is a warrant to purchase up to approximately 0.35% of BIGtoken's acquiring entity on a fully-diluted basis. The exercise price of the warrants will be calculated by imputing a $10 million pre-money valuation on the acquiring entity. The form of the warrant is to be substantially similar to the warrants issued in conjunction with the OID Convertible Debentures. The Due to the uncertainty around the transfer of the BIGtoken business to a third-party the Company has determined that the warrant is a contingent consideration, therefore the value will be determined on the date the transaction occurs and will be recorded as a transactional expenses at that time.

The Derivative Warrant Instruments have been accounted for utilizing ASC 815 *"Derivatives and Hedging"*. The Company has incurred a liability for the estimated fair value of Derivative Warrant Instruments. The estimated fair value of the Derivative Warrant Instruments has been calculated using the Black-Scholes fair value option-pricing model with key input variables provided by management, as of the date of issuance, with the valuation offset against additional paid in capital, and at each reporting date, with changes in fair value recorded as gains or losses on revaluation in other income (expense).

The Company identified embedded features in the Derivative Warrant Instruments which caused the warrants to be classified as a liability. These embedded features included the right for the holders to request for the Company to cash settle the Warrant Instruments from the Holder by paying to the Holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of the Derivative Warrant Instruments on the date of the consummation of a fundamental transaction. The accounting treatment of derivative financial instruments requires that the Company treat the whole instrument as liability and record the fair value of the instrument as a derivative as of the inception date of the instrument and to adjust the fair value of the instrument as of each subsequent balance sheet dates.

The Warrant derivative liability is comprised of the following warrant instruments (collectively, the "Derivative Liabilities"):

1. In January 2017, the Company issued Series A Warrants in Our registered direct and concurrent private placement;
2. In April and October 2017, the Company issued the Series A1 Warrants and Series A2 Warrants in connection with the private placement of

secured convertible debentures; and

3. In November 2018, the Company issued the Series B1 Warrants upon redemption of the outstanding convertible debentures issued in April and October 2017, pursuant to the terms of such debentures.

Series	Number of Warrants
Series A warrants	267,535
Series A1 warrants	471,667
Series A2 warrants	813,364
Series B1 warrants	1,090,863
Leapfrog warrants	350,000
Total	2,993,429

Series A Warrants

The Series A Warrants are exercisable for five years commencing 6 months from the date of closing. The exercise price of the Series A Warrants is subject to full ratchet adjustment in certain circumstances, subject to a floor price of $1.20 per share. The adjustment provisions under the terms of the Series A Warrants will be extinguished at such time as our Class A common stock trades at or above $10.00 per share for 20 consecutive trading days, subject to the satisfaction of certain equity conditions. In addition, if there is no effective registration statement covering the shares issuable upon the exercise of the Series A Warrants, the warrants are exercisable on a cashless basis. If we fail to timely deliver the shares underlying the warrants, we will be subject to certain buy-in provisions. As a result of the sale of the debentures in April 2017, the exercise price of the Series A Warrants issued to investors in our January 2017 private offering were reset to $2.245 per share.

The Series A Warrants fair value as of December 31, 2019 was estimated to be $368,000, based on a risk-free interest rate of 1.62, an expected term of 2 years, an expected volatility of 100% and a 0% dividend yield.

The Series A Warrants were reclassified to equity as of June 30, 2020. The fair value was estimated to be $334,000 based on a risk-free interest rate ranging from 1.62 to 0.18, an expected term of 1.5 years, an expected volatility of 100% and a 0% dividend yield.

Series A1 Warrant

The Series A1 Warrants are initially exercisable at $3.00 per share and, if at any time after the six-month anniversary of the issuance the underlying shares of our class A common stock are not covered by an effective resale registration statement, the Series A1 Warrants are exercisable on a cashless basis. The conversion price of the Debentures and the exercise price of the Series A1 Warrants are subject to adjustments upon certain events, including stock splits, stock dividends, subsequent equity transactions (other than specified exempt issuances), subsequent rights offerings, and fundamental transactions, subject to a floor of $1.40 per share. If we fail to timely deliver the shares of our class A common stock upon any conversion of the Series A1 Debentures or exercise of the Series A1 Warrants, we will be subject to certain buy-in provisions. Pursuant to the terms of the Series A1 Debentures and Series A1 Warrants, a holder will not have the right to convert any portion of the Series A1 Debentures or exercise any portion of the Series A1 Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of shares of class A common stock outstanding immediately after giving effect to such conversion or exercise, as such percentage ownership is determined in accordance with the terms of the Series A1 Debentures and the Series A1 Warrants; provided that after the Shareholder Approval Date, as defined below, at the election of a holder and notice to us such percentage ownership limitation may be increased or decreased to any other percentage, not to exceed 9.99%; provided that any increase will not be effective until the 61st day after such notice is delivered from the holder to us.

In accordance with the Nasdaq Marketplace Rules, until such time as our stockholders have approved the Securities Purchase Agreements and the transactions thereunder (the “Shareholder Approval Date”), we were not obligated to issue any shares of our class A common stock upon any conversion of the Series A1 Debentures and/or exercise of the Series A1 Warrants, and the holders had no right to receive upon conversion and/or exercise thereof any shares of our Class A common stock, to the extent the issuance of such shares of Class A common stock would exceed 20% of our outstanding Class A common stock prior to the transaction. We held a special meeting of the shareholders on June 23, 2017 whereby we obtained approval of the Securities Purchase Agreements and the transactions thereunder.

We agreed to file a registration statement registering the resale of the shares of our Class A common stock underlying the Series A1 Debentures and the Series A1 Warrants. Under the terms of the Securities Purchaser Agreements, we also granted the Purchasers of the Series A1Debentures the right to purchase an additional $3,000,000 of Series A1 Debentures upon the same terms and conditions for a period beginning on the Shareholder Approval Date and expiring on earliest of the date that (a) the initial registration statement has been declared effective by the SEC, (b) all of the underlying shares have been sold pursuant to Rule 144 or may be sold pursuant to Rule 144 without the requirement for our company to be in compliance with the current public information required under Rule 144 and without volume or manner-of-sale restrictions, (c) following the one year anniversary of the closing date provided that a holder of the underlying shares is not an affiliate of the Company or (d) all of the underlying shares may be sold pursuant to an exemption from registration under Section 4(a)(1) of the Securities Act. The shares underlying the Series A1 Debentures and Series Warrants were included in a resale registration statement on Form S-3 that was declared effective by the SEC in June 2017.

The Series A1 Warrants fair value as of December 31, 2019 was estimated to be $618,000 based on a risk-free interest rate ranging from 1.62% to 2.46%, an expected term ranging from 2.38 to 3.38, an expected volatility ranging from 100% to 164% and a 0% dividend yield. During the year ended December 31, 2019, we recorded a decrease in the fair value of the warrant derivative liability of $284,000. This was recorded as a gain on change in fair value of derivative liability.

The Series A1 Warrants were reclassified to equity as of June 30, 2020. The fair value was estimated to be $555,700 based on a risk-free interest rate ranging from 1.62% to 0.18%, an expected term of 1.875 years, an expected volatility of 100% and a 0% dividend yield.

Series A2 Warrants

The Series A2 Warrants have an exercise price of $3.00 per share, subject to adjustment and contain anti-dilution protection for subsequent financings and have an exercise price floor of $1.40 per share.

The Series A2 Warrants fair value as of December 31, 2019 was estimated to be $1,142,000 based on a risk-free interest rate ranging from 1.62 to 2.46, an expected term ranging from 2.88 to 3.88 years, an expected volatility ranging from 100% to 158% and a 0% dividend yield. During the year ended December 31, 2019, we recorded the decrease in the fair value of the warrant derivative liability of $303,000. This was recorded as a gain on change in fair value of derivative liability.

The Series A2 Warrants were reclassified to equity as of June 30, 2020. Prior to the reclassification, we recorded the decrease in the fair value of the warrant derivative liability of $303,000. The fair value was estimated to be $555,570 based on a risk-free interest rate ranging from 1.62 to 0.18, an expected term ranging from 2.38 to 1.875 years, an expected volatility of 100% and a 0% dividend yield.

Series B1 Warrants

The Series B1 Warrants have a term of five (5) years from the date in which each of the redeemed Debenture were issued. Accordingly, of the Series B1 Warrants: (i) 277,500 have an expiration date of April 21, 2022, and (ii) 813,362 have an expiration date of October 27, 2022.

The Series B1 Warrants are initially exercisable at $3.00 per share and, are subject to cashless exercise after six (6) months from the issuance date if the shares underlying the warrants are not subject to an effective registration statement. The Series B Warrants also contain anti- dilution protection for subsequent equity sales for a price lower than the then applicable exercise price, with a floor of $1.40.

The exercise price of the Series B1 Warrants is subject to adjustment upon certain events, including stock splits, stock dividends, subsequent equity transactions (other than specified exempt issuances), subsequent rights offerings, and fundamental transactions, subject to the $1.40 floor described above. If we fail to timely deliver the shares of our Class A common stock (“Common Stock”) upon any exercise of the Series B Warrants, we will be subject to certain buy-in provisions. Additionally, the Series B Warrants contained certain beneficial ownership limitations.

The Series B1 Warrants fair value at December 31, 2019 was estimated to be $1,786,000 based on a risk-free interest rate of 1.62, an expected term of 3.91, an expected volatility of 100%, and a 0% dividend yield. During the year ended December 31, 2019, we recorded a decrease, in the fair value of the warrant derivative liability of $224,000. This was recorded as a loss on change in fair value of derivative liability.

The Series BI Warrants were reclassified to equity as of June 30, 2020. The fair value was estimated to be $1,700,445 based on a risk-free interest rate ranging from 1.62 to 0.18, an expected term ranging from 2.38 to 1.875 years, an expected volatility of 100% and a 0% dividend yield.

Leapfrog Warrants

The Leapfrog Warrants fair value at December 31, 2019 was estimated to be $480,000 based on a risk-free interest rate of 1.62, an expected term of 2.63, expected volatility of 100% and a 0% dividend yield. During the year ended December 31, 2019, we recorded a decrease in the fair value of the warrant derivative liability of $142,000. This was recorded as a loss on change in fair value of derivative liability.

The Leapfrog Warrants were reclassified to equity as of June 30, 2020. The fair value was estimated to be $438,000 based on a risk-free interest rate ranging from 1.62 to 0.18, an expected term ranging from 2.38 to 2.13 years, an expected volatility of 100% and a 0% dividend yield.

The Warrant liabilities are comprised of the following at December 31:

	Debenture Warrant Liabilities	Leapfrog Warrant Liability	Derivative Liability	Total
Balance December 31, 2018	$ 4,324,000	$ 622,000	$ 496,000	$ 5,442,000
Adjustment to fair value	(775,000)	(142,000)	(128,000)	(1,045,000)
Balance December 31, 2019	$ 3,549,000	$ 480,000	$ 368,000	$ 4,397,000

	Debenture Warrant Liabilities	Leapfrog Warrant Liability	Derivative Liability	Total
Balance December 31, 2019	$ 3,549,000	$ 480,000	$ 368,000	$ 4,397,000
Adjustment to fair value	(245,000)	(42,000)	(34,000)	(321,000)
Transfer to Equity	(3,304,000)	(438,000)	(334,000)	(4,076,000)
Balance December 31, 2020	$ –	$ –	$ –	$ –

NOTE 11 – OTHER CURRENT LIABILITIES

The following table summarizes the composition of other current liabilities presented on our accompanying Consolidated Balance Sheets:

	December 31, 2020	December 31, 2019
Contract liabilities	$ 4,842,000	$ -
BIGToken point liability	452,000	446,000
Operating lease liabilities - current	109,000	91,000
Other current liabilities	3,308,000	-
Total other current liabilities	$ 8,711,000	$ 537,000

Contract liabilities

Contract liabilities are unearned revenues arising from the Company's Sequire segment customers who are given the option to pay the contract price in securities issued which could be a common stock, preferred stock or convertible debentures. The customer's securities must be trading on a United States securities exchange and the Company must be a fully reporting entity pursuant to SEC Regulation S-X. Contract liabilities amounted to $4,842,000 and nil as of December 31, 2020 and 2019, respectively.

BIGToken Point liability

In 2019, the Company launched the BIGToken consumer data management platform, where registered users are rewarded for undertaking actions and sharing data within the platform. The business is currently based on a platform of registered users, developed as a direct to consumer data marketplace where users are paid for their data.

During the year ended December 31, 2019 the Company instituted a policy that allows BIGToken users to redeem outstanding BIGToken points for cash if their account and point balances meet certain criteria. As of December 31, 2020 and 2019, the Company has estimated the future liability for point redemptions to be $452,000 and $446,000, respectively. The Company considered the total number of points outstanding, the conversion rate in which points are redeemable for cash, and each user's redemption eligibility

The Company utilizes an account scoring system that evaluates a number of factors in determining an account's redemption eligibility. These factors include an evaluation of the following: the infrastructure utilized by the user when engaging with BIGToken's systems, the user's geographical associations, consistency, and verifiability of the user's data.

Other current liabilities

Other current liabilities mainly consist of the deferred consideration amounting to $2,735,000 million payable for the LD Micro acquisition. The remaining balance of $573,000 pertains to a short term financing.

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, we entered into a promissory note evidencing an unsecured approximately $1,084,000 loan under the Paycheck Protection Program (PPP). The loan is being made through Cross River Bank. The term of the loan is two years with an interest rate of 1%, which shall be deferred for the first six months of the term of the loan. The promissory note evidencing the loan contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note. The occurrence of an event of default may result in the repayment of all amounts outstanding, collection of all amounts owing from the Company, and/or filing suit and obtaining judgment against the Company.

On September 15, 2020, $42,000 of the payroll protection loan of LD Micro was assumed in connection with the acquisition. This amount is expected to be forgiven, otherwise the Company will be reimbursed by Sellers of LD Micro. This is classified under current assets.

As of December 31, 2020, the short-term and long-term balances were $747,000 and $379,000, respectively.

NOTE 13 – SHORT TERM PROMISSORY NOTES

In February 2020, the Company entered into three separate short-term promissory notes with an aggregate principal value of $450,000 (the "Notes"), of which $100,000 was borrowed from the Company's Chief Financial Officer.

The notes are due and payable on May 12, 2020 ("Maturity Date"). The notes will accrue interest as follows: (i) on the origination date, ten percent (10%) of the principal amount was added to each note, (ii) on March 12, 2020, an additional ten percent (10%) of the principal amount was added to each note, and (iii) on April 12, 2020, an additional sixteen percent (16%) of the principal amount was added to each notes.

The note holders were granted security interests (in amounts equal to the face value of their investments on a dollar for share basis) in an aggregate of 450,000 shares of the Company's Class A common stock ("Security Shares"). The shares have been issued and are being held by the Company's transfer agent. Since the shares are not outstanding, the Company has treated them as shares reserved for collateral.

The interest imputed on the origination date was treated as an original issue discount with the $45,000 amortized over the term of the Notes. On each of the interest date, the Company accrued and expensed the related interest.

On the Maturity Date, one of the Note's was amended to (i) extend the maturity date to December 31, 2020 and (ii) to release 100,000 shares of the Security Shares. The modification was treated as an extinguishment of debt as prescribed by ASC 470-50 – Debt Modification and Extinguishment. Based on the amended terms the fair value of the amended note approximated the book value of the old Note. The fair value of the Security Shares was approximately $181,000, which was expensed as a loss on the extinguishment.

On June 30, 2020, the short-term note payable to the Company's Chief Financial Officer in the amount of approximately $136,000 was repaid from the proceeds of the OID Convertible Notes Payable.

On June 30, 2020, the two remaining Note Holders converted the Notes of approximately $350,000 and accrued interest of approximately $126,000 ("Old Debt") into approximately $541,000 of the OID Convertible Debentures (See Note 15 - OID Convertible Debentures). The conversion was treated as an extinguishment of debt as prescribed by ASC 470-50 – Debt Modification and Extinguishment. At the date of issuance, the Debentures had a fair market value of approximately $560,000. The transaction created a loss on extinguishment of approximately $375,000, which consisted of (i) the difference of value between the Old Debt and the fair value of the Debentures of approximately $65,000, (ii) the difference between the face value of the debenture and the fair value of the Debenture of approximately $19,000 and (iii) $291,000 for fair value of warrants issued with the Debenture. Also, since the Debenture was convertible into the Company's common stock, a $18,000 premium associated with the conversion feature was recorded as additional paid in capital.

As of December 31, 2020, there is no outstanding loan balance on this account.

NOTE 14 – TERM LOAN NOTE

On February 28, 2020, the Company entered into a term loan and security agreement with a BRF Finance Co. LLC as lender. Pursuant to the loan agreement, the Company can borrow up to $5,000,000, subject to the conditions described below.

Under the loan: (i) the Company received an initial draw of $2,500,000 on February 28, 2020 and (ii) the Company is eligible to receive an additional $2,500,000 loan within (30) days of the Company entering into an at the market sales agreement with the lender and the filing of an at the market offering on Form S-3 with the SEC registering the shares to be sold pursuant to the at the market sales agreement. The Company agreed to file the ATM by May 1, 2020. Additionally, the Company will be required to increase the dollar amount authorized under the at the market sales agreement each time additional capacity of at least $1,000,000 is available under our shelf registration statement.

The loan is secured by substantially all of the assets of the Company pursuant to the loan agreement and the intellectual property security agreement entered into in connection with the transaction.

The loan bears interest at ten percent (10%) per annum and has a maturity date of March 1, 2022. Beginning on August 1, 2020, and continuing on the first day of each month thereafter until the maturity date, the Company will make monthly payments of principal and interest on an eighteen (18) month straight line amortization schedule, based on the principal outstanding on July 31, 2020. Additionally, the Company will have the option of a one (1) time payment-in-kind payment for a monthly required payment of principal and interest, which will defer such payments and result in a recalculation of the amortization schedule. In the event that the Company is late on any payments under the Loan, a late charge of three percent (3%) of the amount of the payment due will be assessed.

At origination the Company paid lender: (i) an origination fee of $300,000, (ii) $35,000 in attorneys' fees reimbursement, and (iii) certain other costs and expenses associated with the completion of the loan, including but not limited to escrow fees and recording fees. Accordingly, the Company received net proceeds of approximately $2,164,000 as of May 1, 2020.

The Loan may be prepaid in whole or in part at any time at the discretion of the Company. The loan also provides for mandatory prepayments of all of the net cash received upon (i) a sale of the company' assets, (ii) raising additional capital through the issuance of equity or debt securities, or (iii) sales under the at the market sales agreement described above.

As part of the loan the Company agreed to issue to Lender: (i) 500,000 Common Stock purchase warrants on the date of the origination date and (ii) 500,000 Common Stock purchase warrants on the date of the second drawdown. The warrants have an exercise price equal to a 25% premium of the closing price of the Common Stock on their respective date of issue (provided that the exercise price of the warrants cannot be less than $2.50 per share, subject to adjustment contained therein). The initial warrant has an exercise price of $3.60. The warrants will expire on October 31, 2022. The warrants allow for cashless exercise in the event that they are not subject to a registration statement on the six (6) month anniversary of their respective issuances. The warrants do not contain any price protection or non-standard anti-dilution provisions.

In accordance with ASC 470 - *Debt*, the Company has allocated the cash proceeds to the loan and the warrants. The relative fair value of the initial warrant issued was $83,000, which is being amortized and expensed over the term of the Notes.

The Company evaluated the loan and warrant agreements in accordance with ASC 815 *Derivatives and Hedging.* Based on this evaluation, the Company has determined that no provisions required derivative accounting.

On June 30, 2020, the principal and interest of approximately $2,585,000 was paid from the proceeds from the OID Convertible Debentures.

As of December 31,2020, there is no outstanding loan balance on this account.

NOTE 15 – OID CONVERTIBLE DEBENTURES

On June 25, 2020, the Company entered into a definitive securities purchase agreement (the “Securities Purchase Agreement or Transaction”) with certain accredited and institutional investors (the “Purchasers”) for the purchase and sale of an aggregate of: (i) $16,101,000 in principal amount of Original Issue Discount Senior Secured Convertible Debenture (the “Debentures”) for $14,169,000 (representing a 12% original issue discount) (“Purchase Price”) and (ii) warrants to purchase up to 6,440,561 shares of the Company’s Class A common stock (the “Warrants”) in a private placement (the “Offering”). The Purchase Price consists of (a) $13,000,000 in cash and (b) the cancellation of $1,169,000 in outstanding debt, consisting of the accounts receivable loans of $510,000 with accrued interest of $184,000, and the short-term promissory notes of $350,000 with accrued interest of $125,000.

The Debentures, which mature on December 31, 2021, pay interest in cash at the rate of 12.0% per annum commencing on June 30, 2021, with such interest payable quarterly, beginning on October 1, 2021. Commencing after the six month anniversary of the issuance of the Debentures, the Company will be required to make amortization payments (“Amortization Payments”) with each Purchaser having the right to delay such Amortization Payments by a six month period up to three separate times (each, an “Extension”) in exchange for five percent in principal being added to the balance of such applicable Debenture on each such Extension. Accordingly, upon a Purchaser exercising three Extensions, such Purchaser’s Debenture will mature and be due and payable on June 30, 2023. Beginning on the date that the first Amortization Payment is due, and on a monthly basis thereafter, the Company will be required to pay one hundred fifteen percent of the value of one-twelfth of the outstanding principal plus any additional accrued interest due.

In the event a Purchaser converts a portion of its Debenture into shares of the Company’s Common Stock, such amount will be deducted from the next applicable Amortization Payment. In the event such conversion exceeds the next applicable Amortization Payment, such excess amount will be deducted, in reverse order, from future Amortization Payments. The Company’s obligations under the Debentures are secured by substantially all of the assets of the Company pursuant to a security agreement (the “Security Agreement”).

The Debentures are convertible at the option of the holder into shares of the Company’s common stock at an initial conversion price of $2.69 per share, subject to adjustment in the event of (i) stock splits and dividends, (ii) subsequent rights offerings, (iii) pro-rata distributions, and (iv) certain fundamental transactions, including but not limited to the sale of the Company, business combinations, and reorganizations. The Debentures do not have any price protection or price reset provisions with respect to future issuances of securities.

Subject to the Company’s compliance with certain equity conditions, upon ten trading days’ notice to the Purchasers, the Company has the right to redeem the Debentures in cash at 115% of their outstanding principal, plus accrued interest. Additionally, in the event that (i) the Company sells or reprices any securities (each, a “Redemption Financing”), or (ii) the Company disposes of assets (except those sold or transferred in the ordinary course of business) (each, an “Asset Sale”), then the Purchasers shall have the right to cause the Company (a) in the event of a Redemption Financing at a price per Common Stock equivalent of $2.50 or less per share, the Purchasers may mandate that 100% of the proceeds be used to redeem the Debentures (b) in the event of a Redemption Financing at a price per Common Stock equivalent of greater than $2.50 per share, the Purchasers may mandate that up to 50% of the proceeds be used to redeem the Debentures, and (c) in the event of an Asset Sale, the Purchasers may mandate that up to 100% of the proceeds be used to redeem the Debentures.

The Debentures also contain certain customary events of default provisions, including, but not limited to, default in payment of principal or interest thereunder, breaches of covenants, agreements, representations or warranties thereunder, the occurrence of an event of default under certain material contracts of the Company, failure to register the shares underlying the Debentures in Warrants (as described below), changes in control of the Company, delisting of its securities from its trading market, and the entering or filing of certain monetary judgments against the Company. Upon the occurrence of any such event of default, the outstanding principal amount of the Debenture plus liquidated damages, interest and other amounts owing in respect thereof through the date of acceleration, shall become, at the Purchaser's election, immediately due and payable in cash. The Company is also subject to certain negative covenants (unless waived by 67% of the then outstanding Purchasers, and including the lead Purchaser) under the Debentures, including but not limited to, the creation of certain debt obligations, liens on Company assets, amending its charter documents, repayment or repurchase of securities or certain debt of the Company, or the payment of dividends.

The Warrants are initially exercisable at 2.50 per share and, are subject to cashless exercise after six months if the shares underlying the Warrants are not subject to an effective resale registration statement. The Warrants are also subject to adjustment in the event of (i) stock splits and dividends, (ii) subsequent rights offerings, (iii) pro-rata distributions, and (iv) certain fundamental transactions, including but not limited to the sale of the Company, business combinations, and reorganizations. The Warrants do not have any price protection or price reset provisions with respect to future issuances of securities.

Pursuant to the terms of the Debentures and Warrants, a Purchaser will not have the right to convert any portion of the Debentures or exercise any portion of the Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% or 9.99% (at the Purchaser's option) of the number of shares of Common Stock outstanding immediately after giving effect to such conversion or exercise, as such percentage ownership is determined in accordance with the terms of the Debentures and the Warrants; provided that at the election of a holder and notice to us such percentage ownership limitation may be increased to 9.99%; provided that any increase will not be effective until the 61st day after such notice is delivered from the holder to the Company.

The Company also agreed to use proceeds from the Offering to pay (i) $2,500,000 in outstanding principal plus accrued interest pursuant to the Company's Term Loan and Security Agreement entered into on February 28, 2020 with BRF Finance Co., LLC (the "Term Loan") and (ii) $136,000 in outstanding short-term promissory notes and accrued interest (collectively, the "Debt Repayments").

In connection with Securities Purchase Agreement, the Company will issue to the Placement Agent (as defined below), an aggregate of 478,854 Common Stock purchase warrants ("PA Warrants"). The PA Warrants are substantially similar to the Warrants, except that the PA Warrants have an exercise price of $3.3625 per share. The fair value of the PA Warrants at issuance was estimated to be $360,000 based on a risk-free interest rate of .11%, an expected term of 2.417 years, an expected volatility of 96% and a 0% dividend yield.

Pursuant to a registration rights agreement ("Registration Rights Agreement"), the Company has agreed to file a registration statement registering the resale of the shares of the common stock underlying the Debentures and the Warrants within forty-five days from the date of the Registration Rights Agreement. The Company also agrees to have the registration statement declared effective within 90 days from the date of the Registration Rights Agreement and keep the registration statement continuously effective until the earlier of (i) the date after which all of the securities to be registered thereunder have been sold, or (ii) the date on which all the securities to be registered thereunder may be sold without volume or manner-of-sale restrictions and without current public information pursuant to Rule 144 under the Securities Act. The Company is also obligated to pay the Investors, as partial liquidated damages, a fee of 2.0% of each Purchaser's subscription amount per month in cash upon the occurrence of certain events, including our failure to file and(or) have the registration statement declared effective within the time periods provided.

Bradley Woods & Co. Ltd. ("Placement Agent") acted as the placement agent, in connection with the sale of the securities pursuant to the Securities Purchase Agreement. Pursuant to an engagement agreement entered into by and between the Company and the Placement Agent, the Company agreed to pay the Placement Agent a cash commission of $1,040,000. Pursuant to the discussion above, the Company also issued an aggregate of 478,854 PA Warrants to the Placement Agent. The Company has agreed to include the shares of our common stock underlying the PA Warrants to be included in the registration statement to be filed. Additionally, upon the exercise of Warrants issued in the Offering, the Placement Agent will be entitled to eight percent (8%) of the cash proceeds received from such exercises.

The Transaction closed on June 30, 2020 (the "Closing Date"), with approximately $3,800,000 cash proceeds received prior to Closing date, $4,200,000 received on the closing date and $5,000,000 received after the closing date. The gross proceeds received from the Offering were approximately $13,000,000 and net proceeds of approximately $9,100,000 after deducting the Placement Agent fees, the Debt Repayments and other offering expenses. Also, the Company reimbursed the lead Purchaser $75,000 for legal fees, which was deducted from the required subscription amount to be paid.

The Company evaluated all of the associated financial instruments in accordance with ASC 815 *Derivatives and Hedging.* Based on this evaluation, the Company has determined that no provisions required derivative accounting.

In accordance with ASC 470 - *Debt*, the Company first allocated the cash proceeds to the loan and the warrants on a relative fair value basis, secondly, the proceeds were allocated to the beneficial conversion feature.

During the year ended December 31, 2020, the Company recognized amortization expense of $5,639,000.

During the year ended December 31, 2020, holders of debenture principal converted $1,118,000 debenture into 411,626 shares of the Company's class A common stock. As a result of these conversions and issuance of common stock, the Company wrote-off debt discount and increased additional paid in capital by $434,000**.**

During the year ended December 31, 2020, majority of the debenture holders exercise their rights to delay amortization payment by six months in exchange for 5% additional principal. Total additional principal due to extension amounted to $472,000.

The table below summarizes the transactions during the year:

	Principal	Debt discount	Net book value
Issuance during the year	$ 16,101,000	$ (12,731,000)	$ 3,370,000
Extension	472,000	-	472,000
Redemption	(6,069,000)	3,037,000	(3,032,000)
Conversion	(1,118,000)	685,000	(433,000)
Amortization	-	5,639,000	5,639,000
Total	$ 9,386,000	$ (3,370,000)	$ 6,016,000

As of December 31, 2020, the Company has classified the debt as current liability because management intends to redeem the remaining convertible debentures within the following 12 months.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Other Commitments

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. In addition, the Company has entered indemnification agreements with its directors and certain of its officers and employees that will require the Company to, among other things, indemnify them against certain liabilities that may arise due to their status or service as directors, officers or employees. The Company has also agreed to indemnify certain former officers, directors and employees of acquired companies in connection with the acquisition of such companies. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors and certain of its officers and employees, and former officers, directors and employees of acquired companies, in certain circumstances.

It is not possible to determine the maximum potential amount of exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each agreement. Such indemnification agreements may not be subject to maximum loss clauses.

Employment agreements

We have entered employment agreements with key employees. These agreements may include provisions for base salary, guaranteed and discretionary bonuses and option grants. The agreements may contain severance provisions if the employees are terminated without cause, as defined in the agreements.

Litigation

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Business Interruption

The Company may be impacted by public health crises beyond its control. This could disrupt its operations and negatively impact sales of its products. The Company's customer and, suppliers may experience similar disruption. In December 2019, a novel strain of the Coronavirus, COVID-19, was reported to have surfaced in Wuhan, China, which has evolved into a pandemic. This situation and preventative or protective actions that governments have taken to counter the effects of the pandemic have resulted in a period of business disruption, including delays in shipments of products and raw materials. COVID-19 has spread to over 175 countries, including the United States, and efforts to contain the spread of COVID-19 have intensified. To the extent the impact of COVID-19 continues or worsens, the demand for the Company's products may be negatively impacted. COVID-19 has also impacted the Company's sales efforts as its ability to make sales calls is constrained. The Company's ability to promote sales through promotional activities has also been constrained. Trade shows and sales conferences, major events used to introduce and sell the Company's products, have been postponed indefinitely. The length and severity of the pandemic could also affect the Company's regular sales, which could in turn result in reduced sales and a lower gross margin.

NOTE 17 – STOCKHOLDERS' EQUITY

Authorized Shares

Preferred Stock

We are authorized to issue 50,000,000 of preferred stock, par value $0.001, of which 200,000 shares were designated as Series 1 Preferred Stock. Our board of directors, without further stockholder approval, may issue preferred stock in one or more series from time to time and fix or alter the designations, relative rights, priorities, preferences, qualifications, limitations and restrictions of the shares of each series. The rights, preferences, limitations and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. Our board of directors may authorize the issuance of preferred stock, which ranks senior to our common stock for the payment of dividends and the distribution of assets on liquidation. In addition, our board of directors can fix limitations and restrictions, if any, upon the payment of dividends on both classes of our common stock to be effective while any shares of preferred stock are outstanding.

Common Stock

We are authorized to issue an aggregate of 259,000,000 shares of common stock. Our certificate of incorporation provides that we will have two classes of common stock: Class A common stock (authorized 250,000,000 shares, par value $0.001), which has one vote per share, and Class B common stock (authorized 9,000,000 shares, par value $0.001), which has ten votes per share. Any holder of Class B common stock may convert his or her shares at any time into shares of Class A common stock on a share-for-share basis. Otherwise, the rights of the two classes of common stock are identical. As of December 31, 2020, the Company had 16,145,778 shares issued and outstanding. As of December 31, 2019, the Company had 13,997,452 shares issued and outstanding.

In April 2019, the Company sold 1,687,825 shares of the Company's common stock for gross proceeds of $6,751,300, or $4.00 per share. The net proceeds after the placement agent fees, of approximately $523,000, was approximately $6,229,000.

In conjunction with this offering, the Company entered into a placement agent agreement, which provided for the placement agent to receive a cash fee equal to 7.0% of the gross proceeds received by the Company from the sale of the shares of common stock, warrants to purchase up to 101,270 shares of Common Stock at an exercise price of $5.00 per share and reimbursement of up to $50,000 for offering related expense.

In July 2019, we issued a 75,000 share of the Company's common stock as compensation. On the date of grant the fair value of the shares was $374,000. The fair value is be expensed over a one-year service period. For the twelve months ended December 31, 2019, the compensation expense was $235,000.

In August 2019, the Company entered into a settlement agreement with a lender. Based on the settlement agreement, the lender and the Company agreed to cancel the 220,000 shares of common stock issued as collateral. As of the settlement date, the Company owed the lender $150,000 for the original issue discount. The Company issued 58,101 shares of the Company's common stock as payment for the original issue discount issue. The fair value of the shares on the date of issuance was $219,000.

On August 12, 2019, the Company sold 1,525,000 shares of the Company's Class A common stock, par value $0.001 per share (the "Common Stock") and Series A warrants ("Series A Warrants") to purchase 965,500 shares of Common Stock at a purchase price per share of $3.60 (the "Registered Direct Offering") resulting in gross proceeds to the Company of $5,490,000 and net proceeds of $4,968,000 after cash payments to the placement agents and legal fees.

Concurrently with the offering the Company also issued the Investors in a private placement ("Private Placement") (i) Series B warrants ("Series B Warrants") to purchase an aggregate of 1,525,000 shares of Common Stock and (ii) Series C warrants ("Series C Warrants") to purchase an aggregate of 965,500 shares of Common Stock (collectively, the Series B Warrants and Series C Warrants are referred to herein as the "Private Warrants").

The Series A Warrants are immediately exercisable upon issuance, have a term of ninety (90) days from the date of issuance, and have an exercise price of $3.60 per share. The Series B Warrants and Series C Warrants are not exercisable for a period of six (6) months following the issuance date, have an exercise price of $4.00 per share, and expire on October 1, 2022. Additionally, the Series C Warrants vest ratably from time to time in proportion to such Investor's exercise of the Series A Warrants.

The 1,525,000 shares of Common Stock and Series A Warrants to purchase 965,500 shares of Common Stock sold in the Registered Direct Offering were offered and sold by the Company pursuant to an effective "shelf" registration statement on Form S-3 (File No. 333-214644), which was declared effective on November 28, 2016.

The Private Warrants and the Placement Agent Warrants (as defined below) were sold and issued without registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on the exemptions provided by Section 4(a)(2) of the Securities Act as transactions not involving a public offering and Rule 506 promulgated under the Securities Act as sales to accredited investors, and in reliance on similar exemptions under applicable state laws.

In connection with the Registered Direct Offering and the Private Placement, the Company entered into engagement agreements (the "PA Agreements") with The Special Equities Group, LLC, a division of Bradley Woods & Co. Ltd., and WestPark Capital, Inc. (the "Placement Agents") on August 11, 2019 and August 9, 2019, respectively. Pursuant to the PA Agreements, the Placement Agents received (i) aggregate cash fees of 7.0% for one Placement Agent or 8.0% for the other Placement Agent, of their respective portions of the gross proceeds received by the Company from the sale of the securities, (ii) approximately $60,000 for certain expenses, and (iii) warrants to purchase up to 59,668 shares of Common Stock (the "Placement Agent Warrants"), representing 6.0% of the Common Stock and Series B Warrants sold by one of the Placement Agents in the Registered Direct Offering. The Placement Agent Warrants have substantially the same terms as the Series B Warrants, except that the exercise price of the Placement Agent Warrants is $4.50 per share and has a four (4) year term beginning one (1) year after issuance. Additionally, upon the exercise of up to 1,027,778 Series A Warrants, 650,701 Series B Warrants, and 1,027,778 Series C Warrants sold Registered Direct Offering and Private Placement, we have agreed to pay one of the Placement Agents a cash fee of 8% of proceeds from the exercise of such warrants exercised within 120 days following the closing of this offering or a cash fee of 5% of the proceeds from the exercise of such warrants after such 120 day period following the closing of this offering. One of the Placement Agents will be entitled to the foregoing cash commission and fee in the previous sentence with respect to certain investors if such investors provide capital to us in any future private or public offering, or other financing or capital-raising transaction during the six (6) months following the expiration or termination of our engagement of such Placement Agent.

In January 2020, we sold non-performing receivables in the aggregate amount of $529,000 for a purchase price of $510,000 whereby in the event of payment on the receivables being received, we agreed to provide a true-up to the purchaser of the receivable of between 10% and 36% depending on the payment date. In the event of nonpayment of the receivables by March 24, 2020 and March 30, 2020, as applicable to the receivables, the purchaser may require us to purchase any outstanding portion of the receivables for 136% of its outstanding balance ("Payment Date"). In order to secure our performance to repurchase the receivables, we pledged 239,029 shares of our Class A common stock. The purchaser and Company agreed to extend the Payment Date until June 23 and June 30, 2020, as applicable, in exchange for an aggregate of 36,700 Class A common shares.

In February 2020, we sold a series of short-term notes with a total principal amount of $450,000. These short-term notes have maturities of 90 days from the date of sale. The notes are redeemable by the Company at any time prior to maturity at face value plus a fee determined by the number of days the notes are outstanding. These fees range from 10% to 36% of the face value. The notes are collateralized by a total of 450,000 shares of the Company's Class A common stock, subject to certain adjustments. In connection with our June 2020 Offering, the notes were exchanged for securities in the June 2020 Offering, except for 100,000 Class A shares which were issued to a note holder in exchange for an extension of the maturity date and waiver of interest under the notes.

On September 4, 2020, pursuant to an agreement and plan of merger ("Merger Agreement"), we acquired LD Micro, Inc. as a wholly owned subsidiary in exchange for the following compensation paid to LD Micro's stockholders: (i) four million dollars ($4,000,000) payable as follows (collectively, the "Cash Payment"): (a) $1,000,000 at the closing, (b) one million dollars ($1,000,000) on January 1, 2021, (c) one million dollars ($1,000,000) on April 1, 2021, and (d) one million dollars ($1,000,000) on July 1, 2021; and (ii) one million six hundred thousand (1,600,000) shares of Class A common stock issued at the closing.

During the year ended December 31, 2020, holders of debenture principal converted $1,118,000 debenture into 411,626 shares of the Company's class A common stock. As a result of these conversions and issuance of common stock, the Company wrote-off debt discount and increased additional paid in capital by $434,000.

NOTE 18 – STOCK OPTIONS, AWARDS AND WARRANTS

2012, 2014 and 2016 Equity Compensation Plans

In January 2012, our board of directors and stockholders authorized the 2012 Equity Compensation Plan, which we refer to as the 2012 Plan, covering 600,000 shares of our Class A common stock. On November 5, 2014, our board of directors approved the adoption of our 2014 Equity Compensation Plan (the "2014 Plan") and reserved 600,000 shares of our Class A common stock for grants under this plan. On February 23, 2016, our board of directors approved the adoption of our 2016 Equity Compensation Plan (the "2016 Plan") and reserved 600,000 shares of our Class A common stock for grants under this plan. The purpose of the 2012, 2014 and 2016 Plans is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to our employees, directors and consultants and to promote the success of our company's business. The 2012, 2014 and 2016 Plans are administered by our board of directors. Plan options may either be:

- incentive stock options (ISOs),
- non-qualified options (NSOs),
- awards of our common stock,
- stock appreciation rights (SARs),
- restricted stock units (RSUs),
- performance units,
- performance shares, and
- other stock-based awards.

Any option granted under the 2012, 2014 and 2016 Plans must provide for an exercise price of not less than 100% of the fair market value of the underlying shares on the date of grant, but the exercise price of any ISO granted to an eligible employee owning more than 10% of our outstanding common stock must not be less than 110% of fair market value on the date of the grant. The plans further provide that with respect to ISOs the aggregate fair market value of the common stock underlying the options which are exercisable by any option holder during any calendar year cannot exceed $100,000. The exercise price of any NSO granted under the 2012, 2014 or 2016 Plans is determined by the Board at the time of grant but must be at least equal to fair market value on the date of grant. The term of each plan option and the manner in which it may be exercised is determined by the board of directors or the compensation committee, provided that no option may be exercisable more than 10 years after the date of its grant and, in the case of an incentive option granted to an eligible employee owning more than 10% of the common stock, no more than five years after the date of the grant. The terms of grants of any other type of award under the 2012, 2014 or 2016 Plans is determined by the Board at the time of grant. Subject to the limitation on the aggregate number of shares issuable under the plans, there is no maximum or minimum number of shares as to which a stock grant or plan option may be granted to any person.

Transactions involving our stock options for the years ended December 31, 2020 and 2019, respectively, are summarized as follows:

In March 2019, 685,000 common stock options having an exercise price of $3.42 per share with an option value as of the grant date of $1,513,137 calculated using the Black-Scholes option pricing model were granted to several employees and members of our management team. This expense associated with this option award will be recognized in operating expenses ratably over the vesting period.

In April 2019 the Company issued 11,252 options to purchase the Company's common stock at a price of $5.49 to our non-executive directors. Each of our four non-executive directors received 2,813 options that vest 1/4th quarterly over the next year with an expiration date of April 15, 2026. The options were valued using the Black Scholes option pricing model at a total of $60,000 based on the seven-year term, implied volatility of 102% and a risk-free equivalent yield of 2.46%, stock price of $5.49.

In April 2020 the Company issued 36,172 options to purchase the Company's common stock at a price of $1.95 to our non-executive directors. Each of our four non-executive directors received 9,043 options that vest 1/4th quarterly over the next year with an expiration date of April 15, 2027. The options were valued using the Black Scholes option pricing model at a total of $60,000 based on the seven-year term, implied volatility of 100% and a risk-free equivalent yield of 0.24%, stock price of $1.95.

In August 2020, 430,000 common stock options having an exercise price of $2.70 per share with an option value as of the grant date of $859,000 calculated using the Black-Scholes option pricing model were granted to several employees and members of our management team. The expense associated with this option award will be recognized in operating expenses ratably over the vesting period of five years.

In November 2020, 300,000 common stock options having an exercise price of $2.97 per share with an option value as of the grant date of $649,000 calculated using the Black-Scholes option pricing model were granted to an employee. The expense associated with this option award will be recognized in operating expenses at date of grant.

	Number of Shares	Weighted Average Strike Price/Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding — December 31, 2018	547,662	$ 5.94	2.73	$ —	$ —
Granted	696,252	3.45	2.34	—	2.25
Exercised	—	—	—	—	—
Forfeited	(51,395)	6.92	—	—	3.37
Outstanding — December 31, 2019	1,192,519	4.14	2.17	—	—
Vested and exercisable — December 31, 2019	355,083	5.63	2.22	—	3.98
Unvested and non-exercisable - December 31, 2019	837,436	3.49	2.15	—	2.29
Outstanding — December 31, 2019	1,192,519	4.14	2.17	—	—
Granted	766,172	2.77	3.00	521,000	2.72
Exercised	—	—	—	—	—
Forfeited	(316,367)	5.14	—	—	3.14
Outstanding — December 31, 2020	1,642,324	3.30	2.81	—	—
Vested and exercisable — December 31, 2020	844,742	3.54	2.62	333,000	3.54
Unvested and non-exercisable - December 31, 2020	797,582	$ 2.81	3.00	$ 207,000	$ 2.09

During the years ended December 31, 2020 and 2019, we recorded compensation expense of $1,852,000 and $1,167,000, respectively, related to stock-based compensation.

As of December 31, 2020, compensation cost related to the unvested options not yet recognized was approximately $1,667,000. The weighted average period over which the $1,667,000 will vest is estimated to be 3 years.

Transactions involving our common stock awards for the years ended December 31, 2020 and 2019, respectively, are summarized as follows:

On May 13, 2019 the Company entered into a consulting agreement with a contractor for services related to BIGToken. The agreement provides for 300,000 warrants with vesting conditions based on BIGToken user growth in Asia. The warrants were valued using the Black Scholes option pricing model at a total of $1,138,332 based on the five-year term, implied volatility of 101%, a risk-free equivalent yield of 1.8% and stock price of $4.99.

	Number of Shares	Weighted Average Strike Price/Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding — December 31, 2018	4,325,423	$ 5.05	2.85	$ —	$ -
Granted	3,885,442	3.99	2.21	94,910	1.60
Exercised	(342,000)	3.50	—	—	4.79
Forfeited	(1,631,435)	5.14	—	—	1.97
Outstanding — December 31, 2019	6,237,430	3.57	2.68	—	—
Vested and exercisable — December 31, 2019	5,937,430	3.51	2.60	—	2.34
Unvested and non-exercisable - December 31, 2019	300,000	4.75	4.43	—	3.88
Outstanding — December 31, 2019	6,237,430	3.57	2.68	—	—
Granted	7,421,054	2.63	1.82	3,929,000	1.38
Exercised	—	—	—	—	—
Forfeited	(1,073,201)	—	—	—	—
Outstanding — December 31, 2020	12,585,283	2.98	1.78	4,460,000	1.38
Vested and exercisable — December 31, 2020	12,285,283	2.94	1.74	4,460,000	1.38
Unvested and non-exercisable - December 31, 2020	300,000	$ 4.75	3.37	$ —	$ —

NOTE 19 – INCOME TAXES

Income tax expense from continuing operations for the year ended December 31, 2020 consisted of the following:

	Current	Deferred	Total
Federal	$ —	$ —	
State	26,000	—	26,000
Subtotal	26,000	—	26,000
Valuation allowance	—	—	—
Total	$ 26,000	$ —	$ 26,000

Income tax (benefit) expense from continuing operations for the year ended December 31, 2019 consisted of the following:

	Current	Deferred	Total
Federal	$ —	$ (3,198,000)	$ (3,198,000)
State	—	(920,000)	(920,000)
Subtotal	—	(4,118,000)	(4,118,000)
Valuation allowance	—	4,118,000	4,118,000
Total	$ —	$ —	$ —

A reconciliation of the federal statutory income tax rate to the Company's effective income tax rate is as follows:

	2020	2019
Taxes calculated at federal rate	21.0%	21.0%
Stock based compensation	(2.7)%	(1.4)%
Permanent Differences	(13.1)%	-%
Change in Valuation Allowance	(2.5)%	(23.7)%
Fair market adjustment derivatives	0.5%	1.3%
Prior year True-ups	(3.3)%	3.0%
Other adjustments	(0.1)%	(0.2)%
Provision for income taxes	(0.2)%	—%

The tax effects, rounded to thousands, of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, are presented below:

	2020	2019
Deferred Tax Assets		
Net operating loss carryforwards	$ 9,040,000	$ 6,621,000
Bad debt expense	136,000	111,000
Fixed assets	9,000	-
Accrued interest	-	492,000
Stock based compensation	567,000	431,000
Interest expense limitation carryover	629,000	-
Contribution carryover	5,000	-
Lease liability	97,000	-
Other accruals	192,000	84,000
Total Deferred Tax Assets	10,675,000	7,739,000
Deferred Tax Liabilities		
Fixed assets	-	(39,000)
Right-of-use asset	(101,000)	-
Unrealized gain on marketable securities	(72,000)	-
Intangibles	(690,000)	(327,000)
Prepaid expenses	(17,000)	(20,000)
Total Deferred Tax Liabilities	(880,000)	(386,000)
Net Deferred Tax Assets	9,795,000	7,353,000
Valuation Allowance	(9,795,000)	(7,353,000)
Net deferred tax / (liabilities)	$ —	$ —

Deferred tax assets and liabilities are computed by applying the federal and state income tax rates in effect to the gross amounts of temporary differences and other tax attributes, such as net operating loss carry-forwards. In assessing if the deferred tax assets will be realized, the Company considers whether it is more likely than not that some or all of these deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which these deductible temporary differences reverse.

During the years ended December 31, 2020 and 2019, the valuation allowance increased by $2,442,000 and $4,283,000, respectively. The increase for both years was attributable to the increase in our net operating loss carryforwards. The total valuation allowance results from the Company's estimate of its inability to recover its net deferred tax assets.

At December 31, 2020, the Company has federal and state net operating loss carry forwards, which are available to offset future taxable income, of approximately $31,439,000 and $36,679,000, respectively, both of which begin to expire in 2032 and 2032 respectively. These carry forwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, and similar state provisions if the Company experienced one or more ownership changes which would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. The Company has not completed an IRC Section 382/383 analysis. If a change in ownership were to have occurred, NOL and tax credit carryforwards could be eliminated or restricted. If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact the Company's effective tax rate.

The Company files income tax returns in the United States and various state jurisdictions. Due to the Company's net operating loss posture all tax years are open and subject to income tax examination by tax authorities. The Company's policy is to recognize interest expense and penalties related to income tax matters as tax expense. As of December 31, 2020 and 2019, there are no unrecognized tax benefits, and there are no significant accruals for interest related to unrecognized tax benefits or tax penalties.

The Company is in the process of analyzing their NOL and has not determined if the company has had any change of control issues that could limit the future use of NOL. NOL carryforwards that were generated after 2017 of approximately $20.1 million may only be used to offset 80% of taxable income and are carried forward indefinitely.

NOTE 20 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of certain financial instruments, including cash and cash equivalents and accounts payable and accrued expenses, approximate their respective fair values due to the short-term nature of such instruments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. This determination requires significant judgments to be made. The Company had the following financial assets and liabilities as of December 31, 2020 and 2019:

	Balance as of December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities	$ 8,447,000	$ 7,764,000	$ 683,000	$ —
Total assets	$ 8,447,000	$ 7,764,000	$ 683,000	$ —

	Balance as of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities	$ 83,000	$ 83,000	$ —	$ —
Total assets	$ 83,000	$ 83,000	$ —	$ —
Debenture warrant liability	$ 3,549,000	$ —	$ —	$ 3,549,000
Leapfrog warrant liability	480,000	—	—	480,000
Derivative liability	368,000	—	—	368,000
Total liabilities	$ 4,397,000	$ —	$ —	$ 4,397,000

A reconciliation of the beginning and ending balances for the derivative and warrant liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows for the years ended December 31:

	2019
Outstanding, beginning of the period	$ 5,442,000
Change in fair value	(1,045,000)
Warrant liabilities	$ 4,397,000

NOTE 21 – SEGMENT REPORTING

The Company reorganized its operating units into two reporting segments, Sequire and BIGToken. As part of the reorganization, the Company was required to allocate the goodwill between the two reporting segments. Of the $15,645,000 of aggregate goodwill, $10,200,000 and $5,445,000 was allocated to Sequire and BIGToken, respectively. The goodwill was allocated to the two reporting units based on the relative fair value of each reporting unit as of June 30, 2020.

The relative fair values of Sequire and BIGToken were determined using the discounted cash flow method, which is a form of the income approach. The discounted cash flow method ("DCF") utilized discrete financial forecasts and other financial assumptions developed by management. The determination of fair value requires significant management judgment including estimating future sales, cost of sales, changes in working capital, investments in property and equipment and the selection of an appropriate discount rate.

Additionally, we corroborate the conclusions of our discounted cash flow analyses by examining the trading multiples of similar publicly traded companies that operate within our industry vertical and compared the implied trading multiples of our DCF analysis with our publicly traded company group as a test for reasonableness.

The Company has three operating units and two reportable segments: (i) Investor data analysis technologies (Sequire) and (ii) Consumer based marketing services and data technologies (BIGToken**).** The Sequire segment includes the licensing of the Company's proprietary SaaS platform and associated data analysis technologies. Additionally, the Sequire segment comprises consumer and investor targeted marketing solutions to allow users of our SaaS platform to act on the insights obtained through our technologies. Lastly, reported under Sequire is the newly acquired operating segment, LD Micro. The BIGToken segment includes the sale of advertising campaigns and proprietary consumer data obtained through our BIGToken application. The BIGToken segment includes certain operations from our discontinued sales verticals. Certain amounts for 2019 have been reclassified to conform to the classification for 2020.

Our Chief Operating Decision Maker (CODM) does not evaluate operating segments using asset or liability information. The following table presents revenues and gross profits by reportable segment.

	For the Years Ended December 31,							
	SEQUIRE		BIGToken		Corporate and Other		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Sequire platform revenue	$ 5,781,000	$ 87,000	$ -	$ -	$ -	$ -	$ 5,781,000	$ 87,000
Conference revenue	503,000	-	-	-	-	-	503,000	-
BIGtoken revenue	-	-	2,168,000	3,228,000	-	-	2,168,000	3,228,000
Other	-	-	-	-	195,000	269,000	195,000	269,000
Total Revenue	6,284,000	87,000	2,168,000	3,228,000	195,000	269,000	8,647,000	3,584,000
Cost of Revenue	1,783,000	7,000	800,000	1,613,000	6,000	60,000	2,589,000	1,680,000
Gross profit	$ 4,501,000	$ 80,000	$ 1,368,000	$ 1,615,000	$ 189,000	$ 209,000	$ 6,058,000	$ 1,904,000

Revenue Disaggregation

The following table breaks out the revenue types for Sequire and BIGToken

	2020	**2019**
Sequire platform revenue	$ 5,781,000	$ 87,000
Conference revenue	503,000	-
Sequire revenues	6,284,000	87,000
Consumer Media / Data	2,168,000	3,228,000
BIGToken revenues	2,168,000	3,228,000
Other revenues	195,000	269,000
Total revenues	$ 8,647,000	$ 3,584,000

As of December 31, 2020 and 2019, revenue contract liabilities were approximately $4,842,000 and $0, respectively.

NOTE 22 – SUBSEQUENT EVENTS

The Company has evaluated all events that occurred after the balance sheet date through the date when the financial statements were issued to determine if they must be reported. The Management of the Company determined the following reportable events:

Share Exchange Agreement

On February 4, 2021, the Company completed the share exchange ("Share Exchange") with Force Protection Video Equipment Corporation ("FPVD") initially disclosed on the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on October 5, 2020. Pursuant to the Share Exchange, the Company divested its ownership in BIG Token, Inc. ("BIG Token"), the Company's wholly owned subsidiary. As a result of the Share Exchange, BIG Token became the wholly owned subsidiary of FPVD.

The transaction was accounted for as a reverse acquisition; therefore, the Company will account for this transaction as a purchase of the assets and liabilities of FPVD. The Company is deemed to be the purchaser and surviving company for accounting purposes. Accordingly, due to acquisition, BIGToken's net assets will be included in the balance sheet at their historical book values and the results of operations will be presented for the comparative prior periods.

As consideration for the Share Exchange, the Company received 149,562,566,584 shares of FPVD's common stock and 5,000,000 shares of FPVD's Series A Preferred Stock for 100% of the issued and outstanding common stock of BIGToken.

BIGToken's statement of changes in stockholders' equity were restated to reflect the 149,562,566,584 common stock and 5,000,000 shares of Series A Preferred Stock received as a result of the Share Exchange.

Amendment to Share Exchange Agreement

The Company entered into an Amendment to the Exchange Agreement on January 27, 2021. The Exchange Amendment amended the amount of securities each party thereto would receive in the Share Exchange and included anti-dilution protection for the Company should FPVD sell equity securities at a pre-money valuation of less than $10,000,000 resulting in the Company owning less than 70% of the voting power of FPVD.

Transition Services Agreement

On January 27, 2021 BIG Token and FPVD entered into the TSA with the Company. Pursuant to the TSA, the Company agreed to FPVD us with certain operational and administrative services as needed.

Master Separation Agreement

On January 27, 2021, BIG Token and FPVD entered into the MSA with the Company. The MSA describes FPVD's separation from the Company.

Warrant offering

On February 21, 2021, SRAX, Inc. (the "Company") entered into letter agreements (the "Letter Agreements") with certain existing institutional and accredited investors to exercise certain outstanding warrants (the "Existing Warrants") to purchase up to an aggregate of 4,545,550 shares of the Company's Class A common stock ("Common Stock") at their original exercise price of $2.50 per share (the "Exercise"). The shares of Common Stock underlying the Existing Warrants were previously registered pursuant to a registration statement on Form S-3 (File No. 333-240270). In consideration for the exercise of the Existing Warrants for cash, the exercising holders will receive new registered warrants to purchase up to an aggregate of 4,545,440 shares of Common Stock (the "New Warrants") at an exercise price of $7.50 per share and will expire on January 31, 2022. The New Warrants will be issued pursuant to the existing shelf registration statement on Form S-3 (File No.333-235298). Each investor has agreed to pay $0.125 for each New Warrant received.

Pursuant to the Letter Agreements, the New Warrants shall be substantially in the form of the Existing Warrants, will be exercisable immediately, and will have a term that ends on January 31, 2022.

The Special Equities Group, a division of Bradley Woods & Co. Ltd., acted as warrant solicitation agent and will receive a cash fee of $909,088.

Prior to deducting solicitation agent fees, the Company expects to receive gross proceeds from the Exercise of $11,932,000. The Company currently intends to use the net proceeds from the Exercise for general working capital. The closing of the Exercise is expected to take place on or about February 23, 2022.

Option Issuance to CEO

As of February 2021, FPVD is required to issue to its newly appointed CEO an option to purchase an aggregate of 13,951,066,447 shares of Common Stock, of FPVD, at a weighted average exercise price of $0.000062719 per share, subject to certain vesting conditions.

FPVD Equity Offering

On March 12, 2021, our consolidated subsidiary, FPVD entered into a Securities Purchase Agreements ("SPA") and Registration Rights Agreements ("RRA") with accredited investors pursuant to which investors purchased 47,248.27 shares of Series B preferred Stock ("Series B Stock") for an aggregate of $4,724,827 or $100 per share (the "Offering"). The Offering closed on March 12, 2021. FPVD had previously closed on 10,500 shares of Series B Preferred stock or $1,050,000 in October of 2020. As a result, on March 12, 2021, there were 57,748.27 shares of Series B Stock outstanding.

OID Convertible Debenture conversions

During the period subsequent December 31, 2020 and through March 28, 2021 the Company has issued approximately 2,000,000 shares of common stock through the conversions of convertible debentures.

At the Market Offering issuances

From January 1, 2021 through March 25, 2021, we have sold 53,626 shares under such agreement at an average per share price of $5.47 resulting in gross proceeds of $293,000 and net proceeds of $284,000 after deducting Sales Agent commissions of up to 5% and other costs and expenses associated with such sales. Future sales under our at-the-market sales agreement are limited to $2,832,000, the remaining amount left pursuant to the takedown from our shelf registration statement.

Exhibit 21.01

List of Subsidiaries

1. LD Micro, Inc., a California Corporation
2. Force Protection Video Equipment Corporation, Inc., a Florida Corporation

Exhibit 23.01

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of SRAX, Inc. on Form S-8 (File No. 333-206792) and its Registration Statements on Form S-3 (File Nos. 333-229604, 333-235298, 333-225725, 333-215791, 333-221970, 333-218131,333-214646, 333-216644 and 333-240270) of our report dated March 31, 2021, with respect to our audits of the consolidated financial statements of SRAX, Inc., as of December 31, 2020 and 2019, which is included in this Annual Report on Form 10-K of SRAX, Inc.

RBSM LLP
New York, NY
March 31, 2021

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certification

I, Christopher Miglino, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 of SRAX, 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.

Dated: March 31, 2021

/s/ Christopher Miglino
Christopher Miglino, Chief Executive Officer, principal executive officer

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certification

I, Michael Malone, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2020 of SRAX, 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.

Dated: March 31, 2021

/s/ Michael Malone

Michael Malone, Chief Financial Officer, principal financial and accounting officer

EXHIBIT 32.1
EXHIBIT 32.2

Section 1350 Certification

In connection with the Annual Report of SRAX, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Christopher Miglino, Chief Executive Officer, and I, Michael Malone, the Chief Financial Officer, of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

March 31, 2021	*/s/ Christopher Miglino*
	Christopher Miglino, Chief Executive Officer, principal executive officer
March 31, 2021	*/s/ Michael Malone*
	Michael Malone, Chief Financial Officer, principal financial and accounting officer

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