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

# FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2018

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition period from _____ to _____

Commission File Number: 001-33937

**Live Ventures Incorporated**
(Exact Name of Registrant as Specified in Its Charter)

| **Nevada** | **85-0206668** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (IRS Employer Identification No.) |
| **325 E Warm Springs Road, Suite 102, Las Vegas, Nevada** | **89119** |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

Common Stock, $.001 Par Value
(Title of Class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☒ |
| | Emerging growth company ☐ |

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

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

The aggregate market value of the registrant's common stock held by non-affiliates computed based on the closing sales price of such stock on March 30, 2018 was $11,845,020.

The number of shares outstanding of the registrant's common stock, as of December 15, 2018, was 1,945,247 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None

**LIVE VENTURES INCORPORATED**

**FORM 10-K**
**For the year ended September 30, 2018**

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

**Forward-Looking Statements**

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

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

- competitive and cyclical factors relating to the floor covering and retail industries;
- dependence of some of Marquis' business on key customers;
- requirements of capital;
- requirements of our lenders;
- availability of raw materials;
- changes in import tariffs;
- product liabilities in excess of insurance;
- our ability to continue to make acquisitions and to successfully integrate and operate acquired businesses;
- risks of downturns in general economic conditions and in the floor covering and retail industries that could affect our business segments;
- technological developments;
- our ability to attract and retain key personnel;
- changes in governmental regulation and oversight;
- domestic or international hostilities and terrorism; and
- the future trading prices of our common stock.

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

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

## PART I

### ITEM 1. Business

**Our Company**

Live Ventures Incorporated, a Nevada corporation originally incorporated in the State of New Mexico in 1968 as Nuclear Corporation of New Mexico, is a publicly traded (NASDAQ: LIVE) holding company for diversified businesses. In fiscal year 2015 we commenced a strategic shift in our business plan away from solely providing online marketing solutions for small and medium business to acquiring profitable companies in various industries that have demonstrated a strong history of earnings power.

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

**Products and Services**

**Manufacturing Segment**

*Marquis Industries, Inc.*

Marquis Industries, Inc. ("Marquis") is a leading carpet manufacturer and a manufacturer of innovative yarn products, as well as a reseller of hard surface flooring products. Over the last decade, Marquis has been an innovator and leader in the value-oriented polyester carpet sector. We focus on the residential, niche commercial, and hospitality end-markets and serve over 2,000 customers.

Since commencing operations in 1995, Marquis has built a strong reputation for outstanding value, styling, and customer service. Its innovation has yielded products and technologies that differentiate its brands in the flooring marketplace. Marquis's state-of-the-art operations enable high quality products, unique customization, and exceptionally short lead-times. Through its A-O Division, Marquis utilizes its state-of-the-art yarn extrusion capacity to market monofilament textured yarn products to the artificial turf industry. On December 21, 2018, Marquis sold its A-O division to a third party for approximately $5.5 million in cash plus $0.10 per pound of nylon sold by the purchaser during the 36 month period immediately following the closing of such sale. See "Item 9B – Other Information."

At September 30, 2018, Marquis operated its business through 13 divisions, each specializing in a distinct area of the business. Marquis' flooring source division is the largest of all of the operating divisions, with sales to over 2,000 carpet dealers. The following is a breakdown of each division and the specialized products sold:

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

**Products**

*Carpets & Rugs*

Marquis produces innovative commercial products for the carpet industry. Marquis has 26 running line styles offering outstanding quality and value. It also offers special value in polyester styles and residential nylon roll buy. Marquis products feature high twist yarns produced with ultra-soft fibers and are designed to perform for active families.

Marquis's specialty print divisions offer printed patterned carpet designed for commercial applications. Patterns are tailored to a variety of end uses from fun centers, movies theatres, hotels, casinos and corporate. All products are printed on high performance nylon and are soil and stain resistant.

*Hard Surfaces*

The Marquis Hard Surface product lineup includes products designed for both residential and commercial end uses. Marquis's product offering has remained on the cutting edge of this rapidly evolving segment of the flooring industry and will continue to be an innovator in new technology and design. The 16 running line products currently offered include dry back and click luxury vinyl plank along with WPC and SPC rigid core tile and plank. In addition, Marquis Hard Surfaces also features hundreds of rolls of vinyl specials at promotional prices.

*Yarns*

Through its A-O Division, Marquis uses state-of-the-art yarn extrusion capacity to market monofilament textured yarn products to the artificial turf industry. As described above, the A-O Division was sold to a third party on December 21, 2018.

**Industry and Market**

Marquis is an integrated carpet manufacturer, seller of hard surface products and manufacturer of nylon and polypropylene monofilament turf yarn within a fragmented industry composed of a wide variety of companies from small privately held firms to large multinationals. In 2017, the U.S. floor covering industry had an estimated $25.5 billion in sales.

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

***Our Market***

Carpet and Rugs

The carpet and rug industry had shipments of $11.8 billion in 2017. The carpet and rugs industry has two primary markets, residential and commercial, with the residential market making up the largest portion of the industry. The industry has two primary sub-markets, replacement and new construction, with the replacement market making up the larger portion of the sub-markets. Approximately 61% of industry shipments are made in response to residential replacement demand.

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

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

Hard Surfaces

Hard flooring surfaces such as ceramic, luxury vinyl tile, hardwood, stone, and laminate had shipments of $13.9 billion in 2017. As with carpet and rugs, the market is split between residential and commercial and replacement and new construction, with residential replacement being the largest segment of the market.

Synthetic Turf

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

Other major turf players in Georgia include Challenger Industries, Controlled Products, Synthetic Turf Resources, Fieldturf, and Turf Store. Marquis, through its A-O Industries division, has developed significant yarn extrusion expertise and services the synthetic turf industry through the sale of highest quality yarns. As discussed above, Marquis sold its A-O Division to a third party on December 21, 2018.

**Competition**

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

**Raw Materials and Suppliers**

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

**Customers**

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

**Manufacturing**

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

**Marketing**

Marquis has a team of 29 full-time salespeople who deepen customer relationships throughout its markets.

**Retail and Online Segment**

*Vintage Stock*

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

Vintage Stock is an award-winning specialty entertainment retailer with 59 storefronts across the Midwest and Southwest. Vintage Stock enjoys a wide customer base comprised of electronic entertainment enthusiasts, avid collectors, female gamers, children, seniors and more. Vintage Stock offers a large selection of entertainment products including new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles all available in a single location. With its integrated buy-sell-trade business model, Vintage Stock buys, sells and trades new and pre-owned movies, music, video games, electronics and collectibles through 34 Vintage Stock, 3 V-Stock, 13 Movie Trading company and 9 EntertainMart retail locations strategically positioned across Texas, Idaho, Oklahoma, Kansas, Missouri, Colorado, Illinois, Arkansas, Utah, and New Mexico. Stores range in size from 3,000 square feet to as large as 46,000 square feet depending on market draw and population density. In addition to offering a wide array of products, Vintage Stock also offers services to customers, such as rentals, special orders, disc and video game hardware repair and more. Vintage Stock also sells new and used movies, video games and toys through http://www.vintagestock.com. Vintage Stock's "Cooler Than Cash" program rewards loyal customers. When Vintage Stock customers bring in items to sell, the customer has two options: (i) sell their pre-owned products for cash or (ii) opt for store credit and receive a fifty percent bonus.

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

*ApplianceSmart*

At September 30, 2018, ApplianceSmart operated seventeen stores: six in the Minneapolis/St. Paul market; one in Rochester, Minnesota; four in the Columbus, Ohio market; four in the Atlanta, Georgia market; and two in the San Antonio, Texas market. ApplianceSmart is a major household appliance retailer with two product categories: one consisting of typical and commonly available, innovative appliances, and the other consisting of affordable value-priced, niche offerings such as close-outs, factory overruns, discontinued models, and special-buy appliances, including open box merchandise and others. One example of a special-buy appliance may be due to manufacturer product redesign, in which a current model is updated to include a few new features and is then assigned a new model number. Because the major manufacturers—primarily Whirlpool, General Electric, and Electrolux—ship only the latest models to retailers, a large quantity of the previous models often remain in the manufacturers' inventories. Special-buy appliances typically are not integrated into the manufacturers' normal distribution channels and require a different method of management, which we provide. For many years, manufacturers relied on small appliance dealers to buy these specialty products to sell in their stores. However, today small retailers are struggling to compete with large appliance chains as the ten largest retailers of major appliances account for more than 85% of the sales volume. At the same time, expansion of big-box retailers that sell appliances has created an increase in the number of special-buy units, further straining the traditional outlet system for these appliances. Because these special-buy appliances have value, manufacturers and retailers need an efficient management system to recover their worth.

ApplianceSmart has entered into contracts for purchasing appliances that it sells in ApplianceSmart stores and in its commercial contracts. These contracts and arrangements are with the following five major manufacturers:

1. Electrolux
2. GE Appliances
3. LG
4. Samsung
5. Whirlpool

There are no guarantees on the number of units any of the manufacturers will sell us. However, we believe purchases from these manufacturers will provide an adequate supply of high-quality appliances for our ApplianceSmart stores and our commercial division.

Key components of our current agreements include:

1. We have no guarantees for the number or type of appliances that we purchase.
2. The agreements may be terminated by either party with 30 days' prior written notice.
3. We have agreed to indemnify certain manufacturers for certain claims, allegations or losses concerning the appliances we sell.

*LiveDeal.com*

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

Highlights of LiveDeal.com include:

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

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

We were best known for migrating print yellow pages to the Internet in 1994 and began to develop the model for LiveDeal.com after having worked closely with well-known publishers in the daily deal market.

**Marketing**

*Vintage Stock.* Vintage Stock markets its stores primarily via social media apps including but not limited to individual store & corporate Facebook and Twitter accounts. We have approximately 380,000 customer list for weekly distribution of our digital new release catalog and promotion of online and brick and mortar sales and coupons. In early 2018, Vintage Stock started converting accounts to mobile numbers to better engage its customers with offers and sales. Vintage Stock also uses guerrilla marketing by partnering and setting up booths with movie theaters for blockbuster releases, various trade fairs, and school donations.

*ApplianceSmart.* Our ApplianceSmart concept includes establishing large showrooms in metropolitan locations where we offer consumers a selection of hundreds of appliances at each of our stores. Our visual branding consists of ample display of product, manufacturers' signage and custom-designed ApplianceSmart materials. We advertise our stores through television, radio, print media, social media and direct mail. Through www.ApplianceSmart.com, consumers can also search our inventory and purchase appliances online.

*LiveDeal.com.* We are currently not investing any resources in livedeal.com.

**Our Market**

*Vintage Stock.* According to the Entertainment Software Association, today's video games provide rich, engaging entertainment for players across all platforms. The 2018 Essential Facts About the Computer and Video Game Industry Report (the "Video Game Industry Report") underscores how video games have evolved into a mass medium, noting that more than 150 million Americans play video games, and 64 percent of American households are home to at least one person who plays video games regularly, or at least three hours per week and 60 percent of Americans play video games daily. In addition, the Video Game Industry Report also stated that in 2016, the industry sold over 24.5 billion games and generated more than $30.4 billion in revenue. Total game sales included purchases of digital content such as online subscriptions, downloadable content, mobile applications, and social networking games. Total consumer spending in the video game industry reached $36 billion in 2017, representing an 18% rise over 2016's $30.4 billion, per recent data released by the Entertainment Software Association (ESA) and The NPD Group. These figures include mobile spending data, provided by App Annie, which include paid downloads and in-game purchases for mobile and tablet devices through Apple's App Store and Google Play. Separately, two-thirds (66%) of Americans ages 13 and older self-identify as gamers, up from 58% in 2013, according to a Nielsen study. Gamers are spending an average of 11% of their leisure time with video games this year, a figure that has remained largely consistently over the past few years, per Nielsen's data.

*ApplianceSmart.* The U.S. major appliance industry is increasing, growing by 2.9% over the course of the last five years and is expected to reach $19 billion in 2018, according to IBISWorld. The Company also believes that the market is undergoing a significant advancement of "smart" or "connected" appliances. According to Grand View Research, manufacturers are investing substantially in research and development in the connected appliance space. With integrated computer chip and screens in refrigerators, consumers can sync up grocery lists, recipes, and even play a Pandora playlist through their appliance. According to Statista, these so called "smart appliances" generated approximately $887 million in 2016, which is a significant increase over 2011 (approximately $105 million). According to Grand View Research, the two major distribution channels for consumers to purchase appliances are brick and mortal retail and ecommerce. Brick and mortar retail holds the majority share in revenue and the Company believes will continue to increase through 2025.

**Competition**

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

*ApplianceSmart.* Our competition comes mainly from new-appliance and other special-buy retailers. Each ApplianceSmart store competes with local and national retail appliance chains, as well as with independently owned retailers. Many of these retailers have been in business longer than us and may have significantly greater assets. Many factors, including obtaining adequate resources to create and support the infrastructure required to operate large-scale appliance recycling and replacement programs, affect competition in the industry.

**Intellectual Property**

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

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

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

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

**Services Segment**

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

**Corporate Offices**

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

**Employees**

As of September 30, 2018, we had 1,155 employees, of which 703 were full-time employees, in the United States, none of whom is covered by a collective bargaining agreement.

## ITEM 1A. Risk Factors

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

### RISKS RELATING TO OUR COMPANY GENERALLY

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

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

- fluctuating demand for our products and services, which may depend on a number of factors including:
- changes in economic conditions and the amount of consumers' discretionary spending,
- changes in technologies favored by consumers,
- customer refunds or cancellations, and
- our ability to continue to bill through existing means;

- market acceptance of new or enhanced versions of our services or products;
- new product offerings or price competition (or pricing changes) by us or our competitors;
- with respect to our retail and online segment, the opening of new stores by competitors in our markets;
- with respect to our manufacturing segment, changes in import tariffs;
- the amount and timing of expenditures for the acquisition of new businesses and the expansion of our operations, including the hiring of new employees, capital expenditures, and related costs (including wage cost increases due to historically low unemployment);
- technical difficulties or failures affecting our systems in general;
- the fixed nature of a significant amount of our operating expenses; and
- the ability of our check processing service providers to continue to process and provide billing information.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***We may be required to expand or upgrade our infrastructure.***

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

Any expansion of our (or our third-party service providers') infrastructure may require us (or them) to make significant upfront expenditures for servers, routers, computer equipment, and additional internet and intranet equipment, as well as to increase bandwidth for internet connectivity. Any such expansion or enhancement may cause system disruptions.

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

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

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

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

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

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

We are subject to income and other taxes in the U.S. and our operations, plans and results are affected by tax and other initiatives. As a result of the passage of the Tax Cuts and Jobs Act, corporate tax rates in the United States decreased in 2018, which resulted in changes to our valuation of our deferred tax asset and liabilities. These changes in valuation were material to our income tax expense and deferred tax balances.

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

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

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

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

**RISKS RELATED TO OUR BUSINESS STRATEGY**

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

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

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

- failure of due diligence during the acquisition process;
- adverse short-term effects on reported operating results;
- the potential loss of key partners or key personnel in connection with, or as the result of, a transaction;
- the impairment of relationships with clients of the acquired business, or our own customers, partners or employees, as a result of any integration of operations or the expansion of our offerings;

- the recording of goodwill and intangible assets that will be subject to impairment testing on a regular basis and potential periodic impairment charges;

- the diversion of management's time and resources;

- the risk of entering into markets or producing products where we have limited or no experience, including the integration or removal of the acquired or disposed products with or from our existing products; and

- the inability properly to implement or remediate internal controls, procedures and policies appropriate for a public company at businesses that prior to our acquisition were not subject to federal securities laws and may have lacked appropriate controls, procedures and policies.

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

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

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

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

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

**RISKS RELATED TO OUR FLOORING MANUFACTURING BUSINESS**

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

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

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

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

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

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

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

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

***We source a substantial amount of our hard surface products from China and international trade conditions could adversely affect us.***

A substantial amount of our hard surface products is manufactured in China and delivered to us by our brand partners as finished goods. As a result, tariffs, political or financial instability, labor strikes, natural disasters or other events resulting in the disruption of trade or transportation from China or the imposition of additional regulations relating to foreign trade could cause significant delays or interruptions in the supply of our merchandise or increase our costs, either of which could have an adverse effect on our business. If we are forced to source merchandise from other countries, such merchandise might be more expensive or of a different or inferior quality from the merchandise we now sell. If we were unable to adequately replace the merchandise we currently source with merchandise produced elsewhere, our business could be adversely affected.

On March 22, 2018, President Trump, pursuant to Section 301 of the Trade Act of 1974, directed the U.S. Trade Representative ("USTR") to impose tariffs on $50 billion worth of imports from China. On June 15, 2018, the USTR announced its intention to impose an incremental tariff of 25% on $50 billion worth of imports from China comprised of (1) 818 product lines valued at $34 billion ("List 1") and (2) 284 additional product lines valued at $16 billion ("List 2"). The List 1 tariffs went into effect on July 6, 2018 and the List 2 tariffs went into effect on August 23, 2018, (with respect to 279 of the 284 originally targeted product lines). On July 10, 2018, the USTR announced its intention to impose an incremental tariff of 10% on another $200 billion worth of imports from China comprised of 6,031 additional product lines ("List 3") following the completion of a public notice and comment period. The List 3 tariffs went into effect on September 24, 2018, with the incremental tariff increasing to 25% on March 2, 2019.

Our hard surface products that are imported from China are currently included in the List 3 product lines and are subject to the effective tariff. As a result, we are evaluating the potential impact of the effective tariffs on our supply chain, costs, sales and profitability and are considering strategies to mitigate such impact. Given the uncertainty regarding the scope and duration of the effective and proposed tariffs, as well as the potential for additional trade actions by the U.S. or other countries, the impact on our operations and results is uncertain and could be significant, and we can provide no assurance that any strategies we implement to mitigate the impact of such tariffs or other trade actions will be successful. To the extent that our supply chain, costs, sales or profitability are negatively affected by the tariffs or other trade actions, our business, financial condition and results of operations may be materially adversely affected.

**RISKS RELATED TO OUR RETAIL AND ONLINE BUSINESS**

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

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

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

The video game industry has been cyclical in nature in response to the introduction and maturation of new technology. Following the introduction of new video game platforms, sales of these platforms and related software and accessories generally increase due to initial demand, while sales of older platforms and related products generally decrease as customers migrate toward the new platforms. A new console cycle began when Nintendo launched the Wii U in November 2012 and Sony and Microsoft each launched their next generation of consoles, the PlayStation 4 and Xbox One, respectively, in November 2013. In March 2017, Nintendo released their new Switch console to replace the underperforming Wii U. If the new video game platforms do not continue to be successful, ***Vintage Stock's*** sales of video game products could decline. The introduction of these next-generation consoles could negatively impact the demand for existing products or ***Vintage Stock's*** pre-owned business, which could have a negative impact on our business, results of operations, financial condition, cash flow and liquidity.

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

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

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

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

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

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

***A disruption in ApplianceSmart's relationships with, or in the operations of, any of ApplianceSmart's key suppliers could cause ApplianceSmart's, and our, net sales and profitability to decline.***

The success of ApplianceSmart's business and growth strategy depends to a significant degree on the availability of open box and b-line product from our suppliers. Our largest suppliers include GE Appliances, Whirlpool, Electrolux, LG, and Samsung. ApplianceSmart does not have long-term supply agreements or exclusive arrangements with its major suppliers. ApplianceSmart typically orders its inventory through the issuance of individual purchase orders to vendors allowing ApplianceSmart to remain selective of the quality and type of product it purchases. ApplianceSmart has no contractual assurance of the continued supply of merchandise in the amount and assortment currently offered to its customers and may be subjected to rationing by suppliers. In addition, ApplianceSmart relies heavily on a relatively small number of suppliers. The top three suppliers represented approximately 85% of its appliance purchases in fiscal 2018.

ApplianceSmart's suppliers also provide it with specific types of marketing allowances and volume rebates. If ApplianceSmart's suppliers fail to continue these incentives, it could have a materially adverse effect on the breadth at which the Company can achieve brand awareness that translates to net sales.

The financial condition of ApplianceSmart's suppliers may also adversely affect their access to capital liquidity with which to maintain their inventory, production levels and product quality and to operate their businesses, all of which could adversely affect its supply chain. Negative impacts on the financial condition of any of ApplianceSmart's suppliers may cause suppliers to reduce their offerings of customer incentives and vendor allowances, cooperative marketing expenditures and product promotions. It may also cause them to change their pricing policies, which could impact the demand for their products.

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

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

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

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

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

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

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

Our retail business, like that of many retailers, is seasonal, with a major portion of Vintage Stock's and ApplianceSmart's sales realized around various holidays and other days, including Black Friday, President's Day, tax refund season, Memorial Day, July 4 $^{th}$ and Labor Day. Any adverse trend in sales during these times could negatively impact our results of operations.

***Our results of operations may fluctuate from quarter to quarter.***

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

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

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

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

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

- identify new store locations, negotiate suitable leases and build out the stores in a timely and cost-efficient manner;
- hire and train skilled associates;

- integrate new stores into our existing operations; and
- increase sales at new store locations.

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

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

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

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

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

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

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

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

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

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

**RISKS RELATED TO OUR SECURITIES**

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

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

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

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

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

Isaac Capital Group LLC (ICG), together with Jon Isaac, our President and CEO and the President and sole member of ICG, control approximately 77.0% of the outstanding voting power of our company (assuming the exercise of all outstanding and exercisable warrants held by them). Jon Isaac has the sole power to vote the shares of our common stock owned by ICG. As a result, Jon Isaac, both individually and through ICG, is able to exercise significant influence over all matters that require us to obtain shareholder approval, including the election of directors to our board and approval of significant corporate transactions that we may consider, such as a merger or other sale of our company or its assets. Moreover, such a concentration of voting power could have the effect of delaying or preventing a third party from acquiring us. This significant concentration of share ownership may also adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stock ownership.

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

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

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

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

- the authority of our Board of Directors to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, and privileges of these shares, without stockholder approval;
- stockholders must comply with advance notice requirements to transact any business at the annual meeting;
- all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent, unless such action or proposal is first approved by our Board of Directors;
- special meetings of the stockholders may be called only by the Chairman of the Board, the Chief Executive Officer, or the President of our company;
- a director may be removed from office only for cause by the holders of at least two-thirds of the voting power entitled to vote at an election of directors;

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

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

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

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

***We are involved in an ongoing SEC investigation, which could divert management's focus, result in substantial investigation expenses and have an adverse impact on our reputation, financial condition, results of operations and cash flows.***

On February 21, 2018, the Company received a subpoena from the Securities and Exchange Commission ("SEC") and a letter from the SEC stating that it is conducting an investigation. The subpoena requests documents and information concerning, among other things the restatement of the Company's financial statements for the quarterly periods ended December 31, 2016, March 31, 2017, and June 30, 2017, the acquisition of Marquis Industries, Inc., Vintage Stock, Inc., and ApplianceSmart, Inc., and the change in auditors. We have incurred significant legal and accounting expenditures in connection with the SEC's investigation. We are unable to predict how long the SEC's investigation will continue or its outcome.

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

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

**ITEM 1B. Unresolved Staff Comments**

None.

**ITEM 2. Properties**

At September 30, 2018, we leased approximately 11,000 square feet of space located in Las Vegas, Nevada which we utilize as principal executive and administrative offices.

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

**Manufacturing Segment**

Marquis owns or leases all of the land, and owns all of the improvements on such leased land, as described in the following table, which also provides information regarding the general location and use at September 30, 2018:

| Property | Location | Owned or Leased |
|---|---|---|
| Corporate Offices and Warehouse | Chatsworth, Georgia | Leased |
| Sales Offices, Showroom and Warehouse | Chatsworth, Georgia | Owned |
| Warehouse | Chatsworth, Georgia | Leased |
| Office and Storage | Chatsworth, Georgia | Leased |
| Tufting Department | Chatsworth, Georgia | Leased |
| Machine Storage and Forklift | Chatsworth, Georgia | Leased |
| Storage and Extrusion | Dalton, Georgia | Leased |
| Yarn Processing Facility | Dalton, Georgia | Leased |
| Printing Facility | Calhoun, Georgia | Leased |

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

**Retail and Online Segment**

At September 30, 2018, Vintage Stock leased all 59 of its stores under leases that vary as to rental amounts, expiration dates, renewal options and other rental provisions. Vintage Stock leased its corporate offices in Joplin, Missouri.

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

| State | Retail Stores | Brand(s) |
|---|---|---|
| Arkansas | 3 | Vintage Stock and EntertainMart |
| Colorado | 1 | EntertainMart |
| Idaho | 1 | EntertainMart |
| Illinois | 1 | Vintage Stock |
| Kansas | 7 | Vintage Stock |
| Missouri | 17 | Vintage Stock and EntertainMart |
| New Mexico | 1 | EntertainMart |
| Oklahoma | 12 | Vintage Stock |
| Texas | 15 | Movie Trading Co. and EntertainMart |
| Utah | 1 | EntertainMart |

At September 30, 2018, ApplianceSmart leased all 17 stores under leases that vary as to rental amounts, expiration dates, renewal options, and other rental provisions. The following is a breakdown by state of ApplianceSmart retail stores:

| State | Retail Stores |
|---|---|
| Georgia | 4 |
| Minnesota | 7 |
| Ohio | 4 |
| Texas | 2 |

**ITEM 3. Legal Proceedings**

On February 21, 2018, the Company received a subpoena from the Securities and Exchange Commission ("SEC") and a letter from the SEC stating that it is conducting an investigation. The subpoena requests documents and information concerning, among other things the restatement of the Company's financial statements for the quarterly periods ended December 31, 2016, March 31, 2017, and June 30, 2017, the acquisition of Marquis Industries, Inc., Vintage Stock, Inc., and ApplianceSmart, Inc., and the change in auditors. The letter from the SEC states that "this inquiry does not mean that the SEC has concluded that the Company or any of its officers and directors has broken the law or that the SEC has a negative opinion of any person, entity, or security." The Company is cooperating with the SEC in its investigation.

On October 1, 2018, the Company received a letter from the SEC requesting information regarding a potential violation of Section 13(a) of the Securities Exchange Act of 1934, based upon the timing of the Company's Form 8-K filed on February 14, 2018. The Company provided a response to the SEC on October 26, 2018. The Company is cooperating with the SEC in its inquiry.

We are involved in various claims and lawsuits arising in the normal course of business. The ultimate results of claims and litigation cannot be predicted with certainty. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows.

**ITEM 4. Mine Safety Disclosures**

Not applicable.

## PART II

### ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

**Our Common Stock**

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

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

| | Quarter Ended | High | Low |
|---|---|---|---|
| 2018 | October 1 – December 31, 2017 | $ 19.97 | $ 11.63 |
| | January 1 – March 31, 2018 | $ 17.33 | $ 12.16 |
| | April 1 – June 30, 2018 | $ 14.45 | $ 11.86 |
| | July 1 – September 30, 2018 | $ 13.20 | $ 8.99 |
| | | | |
| 2017 | October 1 – December 31, 2016 | $ 27.68 | $ 10.86 |
| | January 1 – March 31, 2017 | $ 23.41 | $ 13.95 |
| | April 1 – June 30, 2017 | $ 15.75 | $ 9.11 |
| | July 1 – September 30, 2017 | $ 12.98 | $ 9.66 |

**Holders of Record**

On September 30, 2018, there were approximately 195 holders of record of our common stock, approximately 29 holders of record of our Series E Preferred Stock and 2 holders of record of our Series B Convertible Preferred Stock ("Series B Preferred Stock"), in each case, according to our transfer agent. We have no record of the number of stockholders who hold our common stock in "street name" with various brokers.

**Dividend Policy**

We have two classes of authorized preferred stock. Our Series E Preferred Stock had 127,840 shares issued and 77,840 outstanding. Each share of Series E Preferred Stock is entitled to and receives a dividend of $0.015 per year. At September 30, 2018, the Company had accrued but unpaid preferred stock dividends totaling $1,168.

Our Series B Preferred Stock, as of September 30, 2018 had 214,244 shares issued and outstanding. The shares, as a series, have waived their rights to dividends and are not entitled to dividends, unless they are declared by the Board of Directors through special action, subject to a $1.00 (in the aggregate for all then-issued and outstanding shares of Series B Convertible Preferred Stock).

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

**Issuer Purchases of Equity Securities**

On January 21, 2016, the Company announced a $10 million common stock repurchase program. This initial repurchase plan expired on January 20, 2018. On February 20, 2018, the Company announced a $10 million common stock repurchase plan. Below are the treasury stock purchases since inception of the two Company repurchase programs.

| Period | Number of Shares | Average Purchase Price Paid | Number of Share Purchases as Part of a Publicly Announced Plan or Program | Maximum Amount that May be Purchased Under the Announced Plan or Program |
|---|---|---|---|---|
| January 2016 | – | $ – | – | $ 10,000,000 |
| February 2016 | 4,752 | 8.98 | 4,752 | 9,957,330 |
| March 2016 | 4,167 | 9.03 | 4,167 | 9,919,705 |
| May 2016 | 9,698 | 10.37 | 9,698 | 9,819,137 |
| June 2016 | 1,994 | 10.61 | 1,994 | 9,797,979 |
| July 2016 | 9,511 | 10.31 | 9,511 | 9,699,917 |
| May 2017 | 8,128 | 11.24 | 8,128 | 9,608,558 |
| June 2017 | 39,523 | 10.25 | 39,523 | 9,203,447 |
| July 2017 | 1,150 | 10.56 | 1,150 | 9,191,303 |
| August 2017 | 6,060 | 10.56 | 6,060 | 9,127,309 |
| September 2017 | 11,324 | 11.22 | 11,324 | 9,000,254 |
| October 2017 | 17,173 | 12.55 | 17,173 | 8,784,687 |
| November 2017 | 2,570 | 13.16 | 2,570 | 8,750,862 |
| | | | | 10,000,000 |
| March 2018 | 10,000 | 12.81 | 10,000 | 9,871,945 |
| April 2018 | 2,077 | 11.98 | 2,077 | 9,847,064 |
| September 2018 | 14,812 | 10.00 | 14,812 | 9,698,965 |
| Totals | 142,939 | | 142,939 | |

**Securities Authorized for Issuance under Equity Compensation Plans**

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

**Recent Sales of Unregistered Securities**

None.

**ITEM 6. Selected Financial Data**

Not applicable.

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

For a description of our significant accounting policies and an understanding of the significant factors that influenced our performance during the year ended September 30, 2018, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" (hereafter referred to as "MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Part II, Item 8 of this Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

### Note about Forward-Looking Statements

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

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

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

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

### Our Company

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

Under the Live Ventures brand, we seek opportunities to acquire profitable and well-managed companies. We will work closely with consultants who will help us identify target companies that fit within the criteria we have established for opportunities that will provide synergies with our businesses.

Our principal offices are located at 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119, our telephone number is (702) 939-0231, and our corporate website (which does not form part of this report Form 10-K) is located at www.liveventures.com. Our common stock trades on the NASDAQ Capital Market under the symbol "LIVE".

**Manufacturing Segment**

*Marquis Industries*

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

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

**Retail and Online Segment**

Our Retail and Online Segment is composed of Vintage Stock, ApplianceSmart and the legacy operations of Modern Everyday and LiveDeal.

*Vintage Stock*

On November 3, 2016, Live Ventures through its wholly-owned subsidiary Vintage Stock Holdings LLC acquired 100% of Vintage Stock, V-Stock, Movie Trading Company and EntertainMart (collectively "Vintage Stock"). Vintage Stock is an award-winning specialty entertainment retailer. Vintage Stock offers a large selection of entertainment products including new and pre-owned movies, video games and music products, as well as ancillary products such as books, comics, toys and collectibles all available in a single location. With its integrated buy-sell-trade business model, Vintage Stock buys, sells and trades new and pre-owned movies, music, video games, electronics and collectibles through 34 Vintage Stock, 3 V-Stock, 13 Movie Trading Company and 9 EntertainMart retail locations strategically positioned across Texas, Idaho, Oklahoma, Kansas, Missouri, Colorado, Illinois, Arkansas and Utah.

*ApplianceSmart*

On December 30, 2017, Live Ventures through its wholly-owned subsidiary ApplianceSmart Affiliated Holdings LLC acquired 100% of ApplianceSmart Inc. and ApplianceSmart Contracting, Inc. At September 30, 2018, ApplianceSmart operated seventeen stores: six in the Minneapolis/St. Paul market; one in Rochester, Minnesota; four in the Columbus, Ohio market; four in the Atlanta, Georgia market; and two in the San Antonio, Texas market. ApplianceSmart is a major household appliance retailer with two product categories: one consisting of typical and commonly available, innovative appliances, and the other consisting of affordable value-priced, niche offerings such as close-outs, factory overruns, discontinued models, and special-buy appliances, including open box merchandise and others. In addition to retailing household appliances, ApplianceSmart through ApplianceSmart Contracting Inc. provides household appliances to builders and developers in the Minnesota and Ohio markets.

*Modern Everyday*

Modern Everyday, Inc. ("MEI") was a specialty retailer offering consumers a selection of products that range from home, kitchen and dining products, apparel and sporting goods to children's toys and beauty products. The Company has decided not to invest additional funds in this line of business and is in the process of selling the remaining inventory.

*LiveDeal*

LiveDeal Inc. operates a real time “deal engine” connecting restaurants with consumers. LiveDeal.com provides marketing solutions to restaurants to boost customer awareness and merchant visibility on the internet. The marketing solutions that LiveDeal.com provides has not provided any revenue to date.

**Services Segment**

*Telco*

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

**Critical Accounting Policies**

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

**Results of Operations**

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

| | Year Ended September 30, 2018 | | Year Ended September 30, 2017 | |
|---|---|---|---|---|
| | | % of Total Revenue | | % of Total Revenue |
| Statement of Income Data: | | | | |
| Revenue | $ 199,633,341 | 100.0% | $ 152,060,932 | 100.0% |
| Cost of Revenue | 125,434,584 | 62.8% | 89,494,297 | 58.9% |
| Gross Profit | 74,198,757 | 37.2% | 62,566,635 | 41.1% |
| General and Administrative Expense | 49,258,006 | 24.7% | 36,192,322 | 23.8% |
| Selling and Marketing Expense | 14,140,502 | 7.1% | 8,274,936 | 5.4% |
| Operating Income | 10,800,249 | 5.4% | 18,099,377 | 11.9% |
| Interest Expense, net | (8,643,338) | -4.3% | (7,596,985) | -5.0% |
| Bargain Purchase Gain on Acquisition | 7,293,756 | 3.7% | – | 0.0% |
| Other Income | 879,151 | 0.4% | 81,207 | 0.1% |
| Net Income before Income Taxes | 10,329,818 | 5.2% | 10,583,599 | 7.0% |
| Provision for Income Taxes | 4,407,099 | 2.2% | 4,081,819 | 2.7% |
| Net Income | $ 5,922,719 | 3.0% | $ 6,501,780 | 4.3% |

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

| | Year Ended September 30, 2018 | | Year Ended September 30, 2017 | |
|---|---|---|---|---|
| | Net Revenue | % of Total Revenue | Net Revenue | % of Total Total Revenue |
| Revenue | | | | |
| Used Movies, Music, Games and Other | $ 43,014,110 | 21.5% | $ 40,752,981 | 26.8% |
| New Movies, Music, Games and Other | 32,980,142 | 16.5% | 29,522,356 | 19.4% |
| Rentals, Concessions and Other | 1,188,897 | 0.6% | 1,116,308 | 0.7% |
| Kitchen and Home Products | – | 0.0% | 128,904 | 0.1% |
| Retail Appliance Boxed Sales | 22,221,833 | 11.1% | – | 0.0% |
| Retail Appliance UnBoxed Sales | 8,603,754 | 4.3% | – | 0.0% |
| Retail Appliance Delivery, Warranty and Other | 2,116,696 | 1.1% | – | 0.0% |
| Carpets | 58,451,306 | 29.3% | 57,510,294 | 37.8% |
| Hard Surface Products | 24,229,497 | 12.1% | 16,211,404 | 10.7% |
| Synthetic Turf Products | 6,082,400 | 3.0% | 5,964,633 | 3.9% |
| Directory Services | 744,706 | 0.4% | 854,052 | 0.6% |
| Total Revenue | $ 199,633,341 | 100.0% | $ 152,060,932 | 100.0% |

| | Year Ended September 30, 2018 | | Year Ended September 30, 2017 | |
|---|---|---|---|---|
| | Gross Profit | Gross Profit % | Gross Profit | Gross Profit % |
| Gross Profit | | | | |
| Used Movies, Music, Games and Other | $ 34,094,496 | 79.3% | $ 32,373,769 | 79.4% |
| New Movies, Music, Games and Other | 8,341,198 | 25.3% | 8,123,685 | 27.5% |
| Rentals, Concessions and Other | 761,726 | 64.1% | 688,414 | 61.7% |
| New Kitchen and Home Products | – | 0.0% | (83,879) | -65.1% |
| Retail Appliance Boxed Sales | 4,288,474 | 19.3% | – | 0.0% |
| Retail Appliance UnBoxed Sales | 4,197,427 | 48.8% | – | 0.0% |
| Retail Appliance Delivery, Warranty and Other | (643,166) | -30.4% | – | 0.0% |
| Carpets | 15,548,450 | 26.6% | 15,227,351 | 26.5% |
| Hard Surface Products | 6,359,676 | 26.2% | 4,214,209 | 26.0% |
| Synthetic Turf Products | 542,146 | 8.9% | 1,211,446 | 20.3% |
| Directory Services | 708,330 | 95.1% | 811,640 | 95.0% |
| Total Gross Profit | $ 74,198,757 | 37.2% | $ 62,566,635 | 41.1% |

**Revenue**

Revenue increased $47,572,409, or 31.3% for the year ended September 30, 2018 as compared to the year ended September 30, 2017.

The increase in revenue was primarily attributable to the following:

Revenue from ApplianceSmart for the period of December 31, 2017 through September 30, 2018-Retail Appliance Boxed Sales $22,221,833 or 11.1% of total revenue, Retail Appliance Unboxed Sales $8,603,754 or 4.3% of total revenue, Retail Appliance Delivery, Warranty, and Other $2,116,696 or 1.1% of total revenue.

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

Used Movies, Music, Games and Other $2,261,129 or 5.5%, New Movies, Music, Games and Other $3,457,786 or 11.7%, Rentals, Concessions and Other $72,589 or 6.5%, Carpets $941,012 or 1.6%, Hard Surface Products $8,018,093 or 49.5%, and Synthetic Turf Products $117,767 or 2.0%.

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

Kitchen and Home Products $128,904 or 100%

Directory Services $109,346 or 12.8%

**Cost of Revenue**

Cost of revenue increased $35,940,287, or 40.2% for the year ended September 30, 2018 as compared to the year ended September 30, 2017, primarily because of the change in revenue discussed above as well as the changes in gross profit discussed below.

**Gross Profit**

Gross profit increased $11,632,122 or 18.6%, for the year ended September 30, 2018 as compared to the year ended September 30, 2017.

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

Gross Profits from newly acquired ApplianceSmart for the period of December 31, 2017 through September 30, 2018-Retail Appliance Boxed Sales $4,288,474 or 19.3% gross profit margin, Retail Appliance Unboxed Sales $4,197,427 or 48.8% gross profit margin.

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

Gross Profits from Vintage Stock-Used Movies, Music, Games and Other increased $1,720,727 or 5.3%. New Movies, Music, Games and Other gross profit increased $217,513 or 2.7%. Rentals, Concessions and Other gross profit increased $73,312 or 10.6%.

Hard Surface Products gross profit increased $2,145,467 or 50.9%. Hard surface products gross profit margin increased to 26.2% from 26.0% or 20bps. Carpets gross profit increased $321,099 or 2.1%. Carpets gross profit margin increased to 26.6% from 26.5% or 10bps.

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

Synthetic Turf Products gross profit decreased $669,300 or 55.2%. Synthetic Turf Products gross profit margin decreased to 8.9% from 20.3% due to adding an additional machine.

Directory Services gross profit decreased $103,310 or 12.7%. Directory Services gross profit margin increased to 95.1% from 95.0% or 10bps.

**General and Administrative Expense**

General and Administrative expense increased $13,065,684 or 36.1%, for the year ended September 30, 2018 as compared to the year ended September 30, 2017. The increase in general and administrative expense was primarily attributable to general and administrative expense from ApplianceSmart for the period of December 31, 2017 through September 30, 2018 of $7,863,304, and increase of $4,627,421 from Vintage Stock and Modern Everyday, an increase of $575,214 associated with Marquis, partially offset by a decrease of $255 associated with our Directory services business, Telco.

**Selling and Marketing Expense**

Selling and marketing expense increased $5,865,566 or 70.9%, for the year ended September 30, 2018 as compared to the year ended September 30, 2017. The increase was primarily attributable to ApplianceSmart having $5,218,260 selling and marketing expense as well as an increase in Marquis selling and marketing expense of $880,981, and partially offset by the decrease in selling and marketing expense associated with Vintage Stock of $233,675.

**Operating Income**

Because of the factors described above, operating income was $10,800,249 for the year ended September 30, 2018, representing a decrease of $7,299,128 over the comparable prior year of $18,099,377, or 40.3%.

**Interest Expense, net**

Interest expense net increased $1,046,353 or 13.8%, for the year ended September 30, 2018 as compared to the year ended September 30, 2017, primarily due to increased borrowing costs for Marquis and Vintage Stock.

**Other Income and Expense**

Other income and expense increased $797,944, for the year ended September 30, 2018 as compared to the year ended September 30, 2017.

**Bargain Purchase Gain**

Bargain Purchase Gain for the year ended September 30,2018 was $7,293,756, which was a result of the ApplianceSmart acquisition.

**Provision for Income Taxes**

Provision for income taxes increased $325,280, for the year ended September 30, 2018 as compared to the year ended September 30, 2017.

**Net Income**

The factors described above led to net income of $5,922,719 for the year ended September 30, 2018, or a 8.9% decrease from net income of $6,501,780 for the year ended September 30, 2017.

| | Year Ended September 30, 2018 Segments in $ | | | | Year Ended September 30, 2017 Segments - $ | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail & Online | Mfg | Services | Total | Retail & Online | Mfg | Services | Total |
| Revenue | $ 110,125,432 | $ 88,763,203 | $ 744,706 | $ 199,633,341 | $ 71,520,549 | $ 79,686,331 | $ 854,052 | $ 152,060,932 |
| Cost of Revenue | 59,085,277 | 66,312,931 | 36,376 | 125,434,584 | 30,418,560 | 59,033,325 | 42,412 | 89,494,297 |
| Gross Profit | 51,040,155 | 22,450,272 | 708,330 | 74,198,757 | 41,101,989 | 20,653,006 | 811,640 | 62,566,635 |
| General and Administrative Expense | 43,535,804 | 5,719,658 | 2,544 | 49,258,006 | 31,045,079 | 5,144,444 | 2,799 | 36,192,322 |
| Selling and Marketing Expense | 6,165,655 | 7,974,845 | 2 | 14,140,502 | 1,181,055 | 7,093,878 | 3 | 8,274,936 |
| Operating Income | $ 1,338,696 | $ 8,755,769 | $ 705,784 | $ 10,800,249 | $ 8,875,855 | $ 8,414,684 | $ 808,838 | $ 18,099,377 |

| | Year Ended September 30, 2018 Segments in % of Revenue | | | | Year Ended September 30, 2017 Segments - % of Revenue | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail & Online | Mfg | Services | Total | Retail & Online | Mfg | Services | Total |
| Revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of Revenue | 53.7% | 74.7% | 4.9% | 62.8% | 42.5% | 74.1% | 5.0% | 58.9% |
| Gross Profit | 46.3% | 25.3% | 95.1% | 37.2% | 57.5% | 25.9% | 95.0% | 41.1% |
| General and Administrative Expense | 39.5% | 6.4% | 0.3% | 24.7% | 43.4% | 6.5% | 0.3% | 23.8% |
| Selling and Marketing Expense | 5.6% | 9.0% | 0.0% | 7.1% | 1.7% | 8.9% | 0.0% | 5.4% |
| Operating Income | 1.2% | 9.9% | 94.8% | 5.4% | 12.4% | 10.6% | 94.7% | 11.9% |

**Retail and Online Segment**

Segment results for Retail and Online include Vintage Stock, ApplianceSmart, Modern Everyday and LiveDeal. Revenue for the year ended September 30, 2018 increased $39,604,883, or 54.0%, as compared to the prior year, as a result of the acquisition of the ApplianceSmart business on December 30, 2017 which provided $22,221,833 of Retail Appliance Boxed Sales revenue; $8,603,754 of Retail Appliance Unboxed Sales revenue; $2,116,696 of Retail Appliance Delivery, Warranty and Other revenue. Cost of revenue for the year ended September 30, 2018 increased $28,666,717, or 94.2%, because of ApplianceSmart's business which had cost of revenue of $25,099,548 from December 31, 2017 through September 30, 2018. Operating income for the year ended September 30, 2018 decreased $7,537,159 because of an increase in gross profit of $9,938,166, an increase in general and administrative expense of $12,490,725 and an increase in selling and marketing expense of $4,984,600.

**Manufacturing Segment**

Segment results for Manufacturing include Marquis, which is our carpet, hard surface and synthetic turf products business. Revenue for the year ended September 30, 2018 increased $9,076,872, or 11.4%, as compared to the prior year period, because of increased sales of carpets of $941,012, hard surface products of $8,018,093 and synthetic turf products of $117,767. Cost of revenue for the year ended September 30, 2018 increased $7,279,606, or 12.3%, as compared to the prior year period, because of an increase in the cost of revenue of synthetic turf products of $787,067, hard surface products of $5,872,626, and an increase in cost of revenue of carpets of $619,913. Operating income for the year ended September 30, 2018 increased $341,085, or 4.1%, as compared to the prior year period, because of an increase in gross profit of $1,797,266, partially offset by an increase in general and administrative expense of $575,214 and an increase in selling and marketing expense of $880,967.

**Services Segment**

Segment results for Services include Telco results, which is our directory services business. Revenues for the year ended September 30, 2018 decreased $109,346, or 12.8%, as compared to the prior year period, because of decreasing renewals. Operating earnings for the year ended September 30, 2018 decreased $103,054, or 12.7%, compared to the prior year period, primarily due to decreased renewal revenues. We expect revenue and operating income from this segment to continue to decrease in the future. We are no longer accepting new customers in our directory services business.

**Liquidity and Capital Resources**

*Overview*

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

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

As of September 30, 2018, we had total cash on hand of $1,991,622 and an additional $7,326,680 of available borrowing under the BofA Revolver and an additional $107,405 of available borrowing under the TCB Revolver. As we continue to pursue acquisitions, and other strategic transactions to expand and grow our business, we regularly monitor capital market conditions and may raise additional funds through borrowings or public or private sales of debt or equity securities. The amount, nature and timing of any borrowings or sales of debt or equity securities will depend on our operating performance and other circumstances; our then-current commitments and obligations; the amount, nature and timing of our capital requirements; any limitations imposed by our current credit arrangements; and overall market conditions.

*Sources of Liquidity*

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

*BofA Revolver*

Marquis may borrow funds for operations under the BofA Revolver subject to availability as described in Note 8 to the consolidated financial statements. On September 30, 2018, we had $7,326,680 of additional borrowing availability on the BofA Revolver, respectively. Maximum borrowing under the BofA Revolver is $15,000,000. A total of approximately $72,715 of letters of credit were outstanding at September 30, 2018. The weighted average interest rate for the period of October 1, 2017 through September 30, 2018 was 3.79%. We borrowed $94,696,505 and repaid $91,946,715 on the BofA Revolver during the twelve months ended September 30, 2018, leaving an outstanding balance on the BofA Revolver of $7,600,605 at September 30, 2018.

*TCB Revolver*

Vintage Stock may borrow funds for operations under the TCB Revolver subject to availability as described in Note 4 to the consolidated financial statements. On September 30, 2018 – we had $107,405 of additional borrowing availability on the TCB Revolver. Maximum borrowing under the TCB Revolver is $12,000,000. No letters of credit were outstanding at any time during the period of October 1, 2017 through September 30, 2018. The weighted average interest rate for the period of October 1, 2017 through September 30, 2018 was 4.26%. We borrowed $76,190,921 and repaid $76,818,763 on the TCB Revolver during the period of October 1, 2017 through September 30, 2018, leaving an outstanding balance on the TCB Revolver of $11,892,595 at September 30, 2018.

*Loan Covenant Compliance*

We are in compliance with all loan covenants under our existing revolving and other loan agreements as of September 30, 2018.

*Cash Flows from Operating Activities*

The Company's cash and cash equivalents at September 30, 2018 was $1,991,622 compared to $3,972,539 at September 30, 2017, a decrease of $1,980,917. The principal reason for this decrease was cash provided by operating profits used to pay down debt.

Net cash provided by operations was $11,823,970 for the year ended September 30, 2018 as compared to net cash provided by operations of $7,874,332 for the same period in 2017. This change in cash provided by operations of $3,949,638 was due to an decrease in net income of $579,061, an increase in non-cash depreciation and amortization expense of $1,022,832, a decrease of $7,293,756 due to the bargain purchase gain associated with ApplianceSmart in the current fiscal year, an increase in loss on disposal of property and equipment of $65,315, an increase in charge-off and amortization of debt issuance cost of $802,293, an increase in stock based compensation expense of $293,467, a decrease in deferred rent of $55,719, a decrease in change in reserve for uncollectible accounts of $235,303, an increase in the change in reserve for obsolete inventory of $1,291,143, an increase in the change in other of $410,385, an increase in the change in deferred income taxes of $655,516, plus changes in assets and liabilities including an increase in accounts receivable of $1,695,174, an increase in prepaid expenses and other current assets of $5,099,050, a decrease in inventories of $1,134,575, an increase in deposits and other assets of $855,973, an increase in accounts payable of $7,319,157, a decrease in accrued liabilities of $5,310,173 and a decrease in income taxes payable of $952,080.

Our primary source of cash inflows is from customer receipts from sales on account, factor accounts receivable proceeds and net remittances from directory services customers processed in the form of ACH billings. Our most significant cash outflows include payments for raw materials and general operating expenses, including payroll costs and general and administrative expenses that typically occur within close proximity of expense recognition.

*Cash Flows from Investing Activities*

Our cash flows used in investing activities during the year ended September 30, 2018 consisted of purchase of intangibles of $683,642 and purchases of property and equipment of $8,710,033. Our cash flows used in investing activities during the year ended September 30, 2017 consisted of acquisition of the Vintage Stock business, net of cash acquired, and seller financing provided of $47,381,108, $6,414,971 of equipment purchases, purchases of intangibles $95,976; offset by the sale proceeds from property and equipment of $159,911.

*Cash Flows from Financing Activities*

Our cash flows used in financing activities during the year ended September 30, 2018 consisted of $27,776,756 from the issuance of notes payable and $2,121,948 in net borrowings under revolver loans, offset by payments of debt issuance costs of $1,318,069, purchase of series E preferred treasury stock of $4,000, purchase of common treasury stock of $550,427 and payment on notes payable of $32,437,420. Our cash flows provided by financing activities during the year ended September 30, 2017 consisted of $36,984,434 from the issuance of notes payable and $17,148,662 in net borrowings under revolver loans, offset by payment of series E preferred stock dividends of $959, payment of debt issuance costs of $1,155,000, purchase of treasury stock $699,557 and payment on notes payable $3,218,124.

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

*Working Capital*

We had working capital of $28,405,238 as of September 30, 2018 as compared to a working capital deficit of $10,892,860 as of September 30, 2017 with current assets increasing by $10,118,944 and current liabilities decreasing by $29,179,154 from September 30, 2017 to September 30, 2018. Such changes in working capital were primarily attributable to the increase in inventory associated with the acquisition of ApplianceSmart, increased borrowing from revolver loans and the payoff of the Capitala Term Loan, debt previously classified as current debt, from the proceeds of new long-term financing from the Comvest term loan, classified as long- term debt.

*Equipment Loans*

On June 20, 2016 and August 5, 2016, Marquis entered into a transaction which provided for a master agreement and separate loan schedules Notes #1 through #5 (the “Equipment Loans”) with Banc of America Leasing & Capital, LLC which provided:

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

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

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

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

Note #5 is $3,931,591, secured by equipment. The Equipment Loan #5 is due December 28, 2024, payable in 84 monthly payments of $54,943 beginning January 28, 2018, with the final payment due December 28, 2024, bearing interest at 4.67% per annum.

At September 30, 2018 we had $3,230,555, $1,636,940, $2,871,849, $881,937 and $3,568,925 outstanding on Equipment Loan Note #1 through Note #5, respectively. At September 30, 2017 we had $4,097,764, $1,969,954, $3,341,642 and $1,025,782 outstanding on Equipment Loan Note #1 through Note #4, respectively.

*Real Estate Financing*

On June 14, 2016, we entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis Industries, Inc. ("Marquis") and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was $10,000,000, which consisted of $644,479 from the sale of the land and a note payable of $9,355,521. In connection with the transaction, we entered into a lease with a 15-year term commencing on the closing of the transaction, which provides the Company an option to extend the lease upon the expiration of its term. The initial annual lease rate is $59,614. The proceeds from this transaction were used to pay down the BofA Revolver and Bank of America Term loans, related party loan, as well as to purchase a building from the previous owners of Marquis that was not purchased in the July 2015 transaction. At September 30, 2018 and September 30, 2017, we had $9,302,346 and $9,328,208 outstanding, respectively, on the Store Capital Acquisition, LLC loan. At September 30, 2018 and September 30, 2017, there are un-amortized debt issuance costs associated with this loan in the amounts of $432,961 and $444,402, respectively.

*Future Sources of Cash; New Products and Services*

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

**Contractual Obligations**

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

| | Payments due by Period | | | | |
|---|---|---|---|---|---|
| | Less Than One Year | One to Three Years | Three to Five Years | More Than Five Years | Total |
| Notes payable | $ 13,958,355 | $ 23,499,498 | $ 26,828,861 | $ 10,130,567 | $ 74,417,281 |
| Notes Payable - related party | 391,949 | 5,429,557 | – | – | 5,821,506 |
| Noncanceleable service contracts | – | – | – | – | – |
| Lease obligations | 3,136,734 | 4,737,761 | 2,658,012 | 2,648,943 | 13,181,450 |
| Total | $ 17,487,038 | $ 33,666,816 | $ 29,486,873 | $ 12,779,510 | $ 93,420,237 |

**Off-Balance Sheet Arrangements**

At September 30, 2018, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

**ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk**

As of September 30, 2018, we did not participate in any market risk-sensitive commodity instruments for which fair value disclosure would be required. We believe we are not subject in any material way to other forms of market risk, such as foreign currency exchange risk or foreign customer purchases (of which there were none in fiscal year 2018 or 2017) or commodity price risk.

**ITEM 8. Financial Statement and Supplementary Data**

**LIVE VENTURES INCORPORATED AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Contents**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Live Ventures Incorporated and Subsidiaries
Las Vegas, Nevada

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Live Ventures Incorporated and Subsidiaries (the Company) as of September 30, 2018, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

We conducted our 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 its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our 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.

/s/ WSRP, LLC

We have served as the Company's auditor since 2018.

Salt Lake City, Utah

December 27, 2018

**Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders
Live Ventures Incorporated
Las Vegas, Nevada

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

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

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

/s/ BDO USA, LLP
Las Vegas, Nevada
January 18, 2018

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

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| **Assets** | | |
| Cash | $ 1,991,622 | $ 3,972,539 |
| Trade receivables, net | 13,839,422 | 10,636,925 |
| Inventories, net | 46,527,039 | 34,501,801 |
| Prepaid expenses and other current assets | 3,308,017 | 6,435,891 |
| Total current assets | 65,666,100 | 55,547,156 |
| | | |
| Property and equipment, net | 27,991,060 | 22,817,860 |
| Restricted cash | 750,447 | – |
| Deposits and other assets | 283,143 | 77,520 |
| Deferred taxes | 3,220,362 | 9,000,010 |
| Intangible assets, net | 6,665,847 | 4,205,314 |
| Goodwill | 36,946,735 | 36,946,735 |
| Total assets | $ 141,523,694 | $ 128,594,595 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Liabilities: | | |
| Accounts payable | $ 14,588,355 | $ 8,224,057 |
| Accrued liabilities | 8,570,905 | 8,986,734 |
| Income taxes payable | (248,702) | 351,689 |
| Current portion of long-term debt | 13,958,355 | 48,877,536 |
| Current portion of notes payable related parties | 391,949 | – |
| Total current liabilities | 37,260,862 | 66,440,016 |
| | | |
| Long-term debt, net of current portion | 58,805,468 | 26,570,271 |
| Notes payable related parties, net of current portion | 5,429,558 | 2,000,000 |
| Other non-current obligations | 579,217 | – |
| Total liabilities | 102,075,105 | 95,010,287 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Series B convertible preferred stock, $0.001 par value, 1,000,000 shares authorized, 214,244 shares issued and outstanding at September 30, 2018 and September 30, 2017 | 214 | 214 |
| Series E convertible preferred stock, $0.001 par value, 200,000 shares authorized, 127,840 shares issued and 77,840 shares outstanding at September 30, 2018; 127,840 shares issued and outstanding at September 30, 2017, with a liquidation preference of $0.30 per share outstanding | 128 | 128 |
| Common stock, $0.001 par value, 10,000,000 shares authorized, 2,088,186 shares issued and 1,945,247 shares outstanding at September 30, 2018; 2,088,186 shares issued and 1,991,879 shares outstanding at September 30, 2017 | 2,088 | 2,088 |
| Paid in capital | 63,654,335 | 63,157,178 |
| Treasury stock common 142,939 shares as of September 30, 2018 and 96,307 shares as of September 30, 2017 | (1,550,011) | (999,584) |
| Treasury stock Series E preferred 50,000 shares as of September 30, 2018 and no shares as of September 30, 2017 | (4,000) | – |
| Accumulated deficit | (22,654,165) | (28,575,716) |
| Total stockholders' equity | 39,448,589 | 33,584,308 |
| Total liabilities and stockholders' equity | $ 141,523,694 | $ 128,594,595 |

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

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

| | Years Ended September 30, | |
|---|---|---|
| | **2018** | **2017** |
| Revenues | $ 199,633,341 | $ 152,060,932 |
| Cost of revenues | 125,434,584 | 89,494,297 |
| Gross profit | 74,198,757 | 62,566,635 |
| | | |
| Operating expenses: | | |
| General and administrative expenses | 49,258,006 | 36,192,322 |
| Sales and marketing expenses | 14,140,502 | 8,274,936 |
| Total operating expenses | 63,398,508 | 44,467,258 |
| | | |
| Operating income | 10,800,249 | 18,099,377 |
| | | |
| Other (expense) income: | | |
| Interest expense, net | (8,643,338) | (7,596,985) |
| Bargain purchase gain on acquisition | 7,293,756 | – |
| Other income | 879,151 | 81,207 |
| Total other (expense) income, net | (470,431) | (7,515,778) |
| | | |
| Income before provision for income taxes | 10,329,818 | 10,583,599 |
| Provision for income taxes | 4,407,099 | 4,081,819 |
| Net income | $ 5,922,719 | $ 6,501,780 |
| | | |
| Earnings per share: | | |
| Basic | $ 3.01 | $ 2.94 |
| Diluted | $ 1.58 | $ 1.61 |
| | | |
| Weighted average common shares outstanding: | | |
| Basic | 1,965,595 | 2,210,104 |
| Diluted | 3,742,959 | 4,047,696 |

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

## LIVE VENTURES INCORPORATED AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

| | Common Stock | | Series B Preferred Stock | | Series E Preferred Stock | | | Series E Preferred Stock | Common Stock | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Paid-In Capital | Treasury Stock | Treasury Stock | Accumulated Deficit | Total Equity |
| Balance, September 30, 2016 | 2,819,327 | $ 2,819 | – | $ – | 127,840 | $ 128 | $ 59,568,471 | $ – | $ (300,027) | $ (35,075,579) | $ 24,195,812 |
| Series E preferred stock dividends | – | – | – | – | – | – | – | – | – | (1,917) | (1,917) |
| Stock based compensation | – | – | – | – | – | – | 203,690 | – | – | – | 203,690 |
| Stock Split 1:6 no fractional shares | 2,284 | 2 | – | – | – | – | (2) | – | – | – | – |
| Issuance of common stock for Norvalk Apps S.A.S. liability | 58,333 | 59 | – | – | – | – | 584,441 | – | – | – | 584,500 |
| Issuance of series B preferred stock for Kingston liability | – | – | 55,888 | 56 | – | – | 2,799,944 | – | – | – | 2,800,000 |
| Exchange of common shares for series B preferred stock to Isaac Capital Group | (791,758) | $ (792) | 158,356 | 158 | – | – | 634 | – | – | – | – |
| Purchase of treasury stock | – | – | – | – | – | – | – | – | (699,557) | – | (699,557) |
| Net income | – | – | – | – | – | – | – | – | – | 6,501,780 | 6,501,780 |
| Balance, September 30, 2017 | 2,088,186 | $ 2,088 | 214,244 | $ 214 | 127,840 | $ 128 | $ 63,157,178 | $ – | $ (999,584) | $ (28,575,716) | $ 33,584,308 |
| Series E preferred stock dividends | – | – | – | – | – | – | – | – | – | (1,168) | (1,168) |
| Stock based compensation | – | – | – | – | – | – | 497,157 | – | – | – | 497,157 |
| Purchase of Series E preferred treasury stock | – | – | – | – | – | – | – | (4,000) | – | – | (4,000) |
| Purchase of common treasury stock | – | – | – | – | – | – | – | – | (550,427) | – | (550,427) |
| Net income | – | – | – | – | – | – | – | – | – | 5,922,719 | 5,922,719 |
| Balance, September 30, 2018 | 2,088,186 | $ 2,088 | $ 214,244 | $ 214 | $ 127,840 | $ 128 | $ 63,654,335 | $ (4,000) | $ (1,550,011) | $ (22,654,165) | $ 39,448,589 |

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

**LIVE VENTURES INCORPORATED AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Years Ended September 30, | |
|---|---|---|
| | **2018** | **2017** |
| OPERATING ACTIVITIES: | | |
| Net income | $ 5,922,719 | $ 6,501,780 |
| Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition: | | |
| Depreciation and amortization | 6,048,380 | 5,025,548 |
| Gain on bargain purchase of acquisition | (7,293,756) | – |
| (Gain) Loss on disposal of property and equipment | 31,863 | (33,452) |
| Charge off and amortization of debt issuance cost | 1,017,966 | 215,673 |
| Stock based compensation expense | 497,157 | 203,690 |
| Deferred rent | (55,719) | – |
| Change in reserve for uncollectible accounts | (235,514) | (211) |
| Change in reserve for obsolete inventory | 364,980 | (926,163) |
| Change in deferred income taxes | 4,180,088 | 3,524,572 |
| Change in other | 410,385 | – |
| Changes in assets and liabilities: | | |
| Trade receivables | (1,161,438) | (2,856,612) |
| Inventories | (4,945,936) | (3,811,361) |
| Prepaid expenses and other current assets | 3,452,523 | (1,646,527) |
| Deposits and other assets | 798,218 | (57,755) |
| Accounts payable | 4,974,948 | (2,344,209) |
| Accrued liabilities | (1,582,503) | 3,727,670 |
| Income taxes payable | (600,391) | 351,689 |
| Net cash provided by operating activities | 11,823,970 | 7,874,332 |
| INVESTING ACTIVITIES: | | |
| Acquisition of business, net of cash acquired and seller financing provided | – | (47,381,108) |
| Purchase of intangible assets | (683,642) | (95,976) |
| Proceeds from the sale of property and equipment | – | 159,911 |
| Purchases of property and equipment | (8,710,033) | (6,414,971) |
| Net cash used in investing activities | (9,393,675) | (53,732,144) |
| FINANCING ACTIVITIES: | | |
| Net borrowings (payments) under revolver loans | 2,121,948 | 17,148,662 |
| Payments of debt issuance costs | (1,318,069) | (1,155,000) |
| Payment of series E preferred stock dividends | – | (959) |
| Purchase of series E preferred treasury stock | (4,000) | – |
| Proceeds from issuance of notes payable | 27,776,756 | 36,984,434 |
| Purchase of common treasury stock | (550,427) | (699,557) |
| Payments on related party notes payable | – | – |
| Payments on notes payable | (32,437,420) | (3,218,124) |
| Net cash provided by (used in) financing activities | (4,411,212) | 49,059,456 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,980,917) | 3,201,644 |
| CASH AND CASH EQUIVALENTS, beginning of period | 3,972,539 | 770,895 |
| CASH AND CASH EQUIVALENTS, end of period | $ 1,991,622 | $ 3,972,539 |

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

**LIVE VENTURES INCORPORATED AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | | |
|---|---|---|
| Supplemental cash flow disclosures: | | |
| Interest paid | $ 7,894,094 | $ 5,325,964 |
| Income taxes paid (refunded) | $ 757,940 | $ (149,307) |
| Noncash financing and investing activities: | | |
| Notes payable issued to sellers of Vintage Stock | $ – | $ 10,000,000 |
| Due to sellers of ApplianceSmart, Inc. less liabilities assumed post acquisition | $ 4,892,631 | $ – |
| Restated equipment deposit as a purchase of equipment in fiscal 2016 | $ – | $ (1,816,855) |
| Conversion of accrued expense liability to series B preferred stock | $ – | $ 2,800,000 |
| Conversion of accrued expense liabilities into common stock | $ – | $ 584,500 |
| Accrued and unpaid dividends | $ 1,168 | $ 959 |

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

## Note 1: Background and Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Live Ventures Incorporated, a Nevada corporation, and its subsidiaries (collectively, the "Company"). Commencing in fiscal year 2015, the Company began a strategic shift in its business plan away from providing online marketing solutions for small and medium sized business to acquiring profitable companies in various industries that have demonstrated a strong history of earnings power. The Company continues to actively develop, revise and evaluate its products, services and its marketing strategies in its businesses. The Company has three operating segments: Manufacturing, Retail and Online (our new name for the previously named Marketplace Platform segment) and Services. With Marquis Industries, Inc. ("Marquis"), the Company is engaged in the manufacture and sale of carpet and the sale of vinyl and wood floorcoverings. With Vintage Stock, Inc. ("Vintage Stock"), the Company is engaged in the retail sale of new and used movies, music, collectibles, comics, books, games, game systems and components. With ApplianceSmart, Inc. ("ApplianceSmart"), the Company is engaged in the sale of new major appliances through a chain of company-owned retail stores.

All data for common stock, options and warrants have been adjusted to reflect the 1-for-6 reverse stock split (which took effect on December 5, 2016) for all periods presented. In addition, all common stock prices, and per share data for all periods presented have been adjusted to reflect the 1-for-6 reverse stock split.

## Note 2: Summary of Significant Accounting Policies

### Principles of Consolidation

The accompanying consolidated financial statements for fiscal years 2018 and 2017 include the accounts of Live Ventures Incorporated and its wholly-owned subsidiaries. On July 6, 2015, the Company acquired 80% of Marquis Industries, Inc. and subsidiaries ("Marquis"). Effective November 30, 2015, the Company acquired the remaining 20% of Marquis. On November 3, 2016, the Company acquired 100% of Vintage Stock, Inc., a Missouri corporation ("Vintage Stock"), through its newly formed, wholly-owned subsidiary, Vintage Stock Affiliated Holdings LLC ("VSAH"). Effective December 30, 2017, the Company acquired 100% of ApplianceSmart through its newly formed, wholly-owned subsidiary, ApplianceSmart Holdings LLC ("ASH"). All intercompany transactions and balances have been eliminated in consolidation.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in connection with the accompanying consolidated financial statements include the estimate of dilution and fees associated with billings, the estimated reserve for doubtful current and long-term trade and other receivables, the estimated reserve for excess and obsolete inventory, estimated fair value and forfeiture rates for stock-based compensation, fair values in connection with the analysis of goodwill, other intangibles and long-lived assets for impairment, current portion of notes payable, valuation allowance against deferred tax assets and estimated useful lives for intangible assets and property and equipment.

### Financial Instruments

Financial instruments consist primarily of cash equivalents, trade and other receivables, advances to affiliates and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash equivalents, trade receivables and other receivables, accounts payable, accrued expenses and short-term notes payable approximate fair value because of the short maturity of these instruments. The fair value of the long-term debt is calculated based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements, unless quoted market prices are available (Level 2 inputs). The carrying amounts of long-term debt at September 30, 2018 and 2017 approximate fair value.

**Restricted Cash**

Restricted cash represents funds on account at a bank used to secure a letter of credit in favor of Whirlpool Corporation in the face amount of $750,000.

**Cash and Cash Equivalents**

Cash and Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase. Restricted cash consists of balances on deposit, $750,447 as of September 30, 2018, pledged as collateral for a letter of credit. Fair value of cash equivalents and restricted cash approximates carrying value.

**Trade Receivables**

The Company grants trade credit to customers under credit terms that it believes are customary in the industry it operates and does not require collateral to support customer trade receivables. Some of the Company's trade receivables are factored primarily through two factors. Factored trade receivables are sold without recourse for substantially all of the balance receivable for credit approved accounts. The factor purchases the trade receivable(s) for the gross amount of the respective invoice(s), less factoring commissions, trade and cash discounts. The factor charges the Company a factoring commission for each trade account, which is between 0.75-1.00% of the gross amount of the invoice(s) factored on the date of the purchase, plus interest calculated at 3.25%-6% per annum. The minimum annual commission due the factor is $112,500 per contract year.

**Allowance for Doubtful Accounts**

The Company maintains an allowance for doubtful accounts, which includes allowances for accounts and factored trade receivables, customer refunds, dilution and fees from LEC billing aggregators and other uncollectible accounts. The allowance for doubtful accounts is based upon historical bad debt experience and periodic evaluations of the aging and collectability of the trade receivables. This allowance is maintained at a level which the Company believes is sufficient to cover potential credit losses and trade receivables are only written off to bad debt expense as uncollectible after all reasonable collection efforts have been made. The Company has also purchased accounts receivable credit insurance to cover non-factored trade and other receivables which helps reduce potential losses due to doubtful accounts. At September 30, 2018 and 2017, the allowance for doubtful accounts was $855,709 and $1,091,223, respectively.

**Inventories**

*Manufacturing Segment*

Inventories are valued at the lower of the inventory's cost (first in, first out basis) or market of the inventory. Management compares the cost of inventory with its net realizable value and an allowance is made to write down inventory to net realizable value, if lower. Management also reviews inventory to determine if excess or obsolete inventory is present and a reserve is made to reduce the carrying value for inventory for such excess and or obsolete inventory. At September 30, 2018 and September 30, 2017, the reserve for obsolete inventory was $91,940.

*Retail and Online Segment*

Merchandise Inventories are valued at the lower of cost or market using the average cost method which approximates first in first out ("FIFO"). Under the average cost method, as new product is received from vendors, its current cost is added to the existing cost of product on-hand and this amount is re-averaged over the cumulative units in inventory available for sale. Pre-owned products traded in by customers are recorded as merchandise inventory for the amount of cash consideration or store credit less any premiums given to the customer. Management reviews the merchandise inventory to make required adjustments to reflect potential obsolescence or the lower of cost or market. In valuing merchandise inventory, management considers quantities on hand, recent sales, potential price protections, returns to vendors and other factors. Management's ability to assess these factors is dependent upon forecasting customer demand and providing a well-balanced merchandise assortment. Merchandise Inventory valuation is adjusted based on anticipated physical inventory losses or shrinkage and actual losses resulting from periodic physical inventory counts. Merchandise inventory reserves as of September 30, 2018 and September 30, 2017 were $1,110,729 and $1,256,629, respectively.

**Property and Equipment**

Property and Equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of building and improvements are three to forty years, transportation equipment is five to ten years, machinery and equipment are five to ten years, furnishings and fixtures are three to five years and office and computer equipment are three to five years. Depreciation expense was $4,647,798 and $4,141,684 for the years ended September 30, 2018, and 2017, respectively.

We periodically review our property and equipment when events or changes in circumstances indicate that their carrying amounts may not be recoverable or their depreciation or amortization periods should be accelerated. We assess recoverability based on several factors, including our intention with respect to our stores and those stores projected undiscounted cash flows. An impairment loss would be recognized for the amount by which the carrying amount of the assets exceeds their fair value, as approximated by the present value of their projected discounted cash flows.

**Goodwill**

The Company accounts for purchased goodwill and intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*. Under ASC 350, purchased goodwill are not amortized; rather, they are tested for impairment on at least an annual basis. Goodwill represents the excess of consideration paid over the fair value of underlying identifiable net assets of business acquired.

We test goodwill annually on July 1 of each fiscal year or more frequently if events arise or circumstances change that indicate that goodwill may be impaired. The Company assesses whether goodwill impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its' carrying amount, including goodwill. If based on this qualitative assessment the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed using a two-step approach required by ASC 350 to determine whether a goodwill impairment exists.

The first step of the quantitative test is to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required, and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step is required to be completed, which involves allocating the fair value of the reporting unit to each asset and liability using the guidance in ASC 805 ("*Business Combinations, Accounting for Identifiable Intangible Assets in a Business Combination*"), with the excess being applied to goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill. The determination of the fair value of our reporting units is based, among other things, on estimates of future operating performance of the reporting unit being valued. We are required to complete an impairment test for goodwill and record any resulting impairment losses at least annually. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments.

When performing the two-step quantitative impairment test, the Company's methodology includes the use of an income approach which discounts future net cash flows to their present value at a rate that reflects the Company's cost of capital, otherwise known as the discounted cash flow method ("DCF"). These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued market acceptance of the products and services offered by the businesses, the development of new products and services by the businesses and the underlying cost of development, the future cost structure of the businesses, and future technological changes. The Company also incorporates market multiples for comparable companies in determining the fair value of our reporting units. Any such impairment would be recognized in full in the reporting period in which it has been identified.

**Intangible Assets**

The Company's intangible assets consist of customer relationship intangibles, favorable leases, trade names, licenses for the use of internet domain names, Universal Resource Locators, or URL's, software, and marketing and technology related intangibles. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include but are not limited to: future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining the fair values. All intangible assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, customer relationships – 7 to 15 years, favorable leases – over the life of the lease, customer lists – to 20 years, trade names – to 20 years. Intangible amortization expense is $1,400,582 and $863,864 for the years ended September 30, 2018, and 2017, respectively.

**Revenue Recognition**

*Manufacturing Segment*

The Manufacturing Segment derives revenue primarily from the sale of carpet products, including shipping and handling amounts, which are recognized when the following requirements have been met: (i) there is persuasive evidence of an arrangement, (ii) the sales transaction price is fixed or determinable, (iii) title, ownership and risk of loss have been transferred to the customer, (iv) allocation of sales price to specific performance obligations, and (v) performance obligations are satisfied. At the time revenue is recognized, the Company records a provision for the estimated amount of future returns based primarily on historical experience and any known trends or conditions that exist at the time revenue is recognized. Revenues are recorded net of taxes collected from customers. All direct costs are either paid and or accrued for in the period in which the sale is recorded.

*Retail and Online Segment*

The Retail and Online Segment derives revenue primarily from direct sales of entertainment and appliance products and services, including shipping and handling amounts, which are recognized when the following requirements have been met: (i) there is persuasive evidence of an arrangement, (ii) the sales transaction price is fixed or determinable, (iii) title or use rights, ownership and risk of loss have been transferred to the customer, (iv) allocation of sales price to specific performance obligations, and (v) performance obligations are satisfied. At the time revenue is recognized, the Company records a provision for the estimated amount of future returns based primarily on historical experience and any known trends or conditions that exist at the time revenue is recognized. Revenues are recorded net of taxes collected from customers. All direct costs are either paid and or accrued for in the period in which the sale is recorded.

*Services Segment*

The Services Segment recognizes revenue from directory subscription services as billed for and accepted by the customer. Directory services revenue is billed and recognized monthly for directory services subscribed. The Company has utilized outside billing companies to perform direct ACH withdrawals. For billings via ACH withdrawals, revenue is recognized when such billings are accepted by the customer. Customer refunds are recorded as an offset to gross Services Segment revenue.

Revenue for billings to certain customers that are billed directly by the Company and not through outside billing companies is recognized based on estimated future collections which are reasonably assured. The Company continuously reviews this estimate for reasonableness based on its collection experience.

**Shipping and Handling**

The Company classifies shipping and handling charged to customers as revenues and classifies costs relating to shipping and handling as cost of revenues.

**Customer Liabilities**

The Company establishes a liability upon the issuance of merchandise credits and the sale of gift cards. Breakage income related to gift cards which are no longer reportable under state escheatment laws of $47,603 and $158,532 for the period of November 3, 2016 through September 30, 2017 and fiscal year ended September 30, 2018, respectively, is recorded in other income in our consolidated financial statements. No amounts were recorded for breakage for any period prior to November 3, 2016.

**Advertising Expense**

Advertising expense is charged to operations as incurred. Advertising expense totaled $493,789 and $746,041 for the years ended September 30, 2018 and 2017, respectively.

**Fair Value Measurements**

ASC Topic 820, “Fair Value Measurements and Disclosures,” requires disclosure of the fair value of financial instruments held by the Company. ASC topic 825, “Financial Instruments,” defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows: Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets. Level 2 – to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Income Taxes**

The Company accounts for income taxes using the asset and liability method. The asset and liability method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these 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. A valuation allowance is provided on deferred taxes if it is determined that it is more likely than not that the asset will not be realized. The Company recognizes penalties and interest accrued related to income tax liabilities in the provision for income taxes in its Consolidated Statements of Income.

Significant management judgment is required to determine the amount of benefit to be recognized in relation to an uncertain tax position. The Company uses a two-step process to evaluate tax positions. The first step requires an entity to determine whether it is more likely than not (greater than 50% chance) that the tax position will be sustained. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Company in future periods.

**Lease Accounting**

We lease retail stores, warehouse facilities and office space. These assets and properties are generally leased under noncancelable agreements that expire at various dates through 2024 with various renewal options for additional periods. The agreements, which have been classified as operating leases, generally provide for minimum and, in some cases percentage rent and require us to pay all insurance, taxes and other maintenance costs. Leases with step rent provisions, escalation clauses or other lease concessions are accounted for on a straight-line basis over the lease term and include “rent holidays” (periods in which we are not obligated to pay rent). Cash or lease incentives received upon entering into certain store leases (“tenant improvement allowances”) are recognized on a straight-line basis as a reduction to rent expense over the lease term. We record the unamortized portion of tenant improvement allowances as a part of deferred rent. We do not have leases with capital improvement funding. Percentage rentals are based on sales performance in excess of specified minimums at various stores and are accounted for in the period in which the amount of percentage rent can be accurately estimated.

**Stock-Based Compensation**

The Company from time to time grants restricted stock awards and options to employees, non-employees and Company executives and directors. Such awards are valued based on the grant date fair-value of the instruments, net of estimated forfeitures. The value of each award is amortized on a straight-line basis over the vesting period.

**Earnings Per Share**

Earnings per share is calculated in accordance with ASC 260, "*Earnings Per share*". Under ASC 260 basic earnings per share is computed using the weighted average number of common shares outstanding during the period except that it does not include unvested restricted stock subject to cancellation. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of warrants, options, restricted shares and convertible preferred stock. The dilutive effect of outstanding restricted shares, options and warrants is reflected in diluted earnings per share by application of the treasury stock method. Convertible preferred stock is reflected on an if-converted basis.

**Segment Reporting**

ASC Topic 280, "*Segment Reporting*," requires use of the "management approach" model for segment reporting. The management approach model is based on the way a Company's management organizes segments within the Company for making operating decisions and assessing performance. The Company determined it has three reportable segments (See Note 17).

**Concentration of Credit Risk**

The Company maintains cash balances at several banks in several states including, Arkansas, California, Colorado, Georgia, Idaho, Illinois, Kansas, Missouri, Minnesota, Nevada, New Mexico, New York, Ohio, Oklahoma, Texas, and Utah. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution as of September 30, 2018. At times, balances may exceed federally insured limits.

**Recently Issued Accounting Pronouncements**

ASU 2016-02, *Leases (Topic 842)*. The standard requires a lessee to recognize a liability to make lease payments and a right-of-use asset representing a right to use the underlying asset for the lease term on the balance sheet. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

**Note 3: Comprehensive Income**

Comprehensive income is the sum of net income and other items that must bypass the income statement because they have not been realized, including items like an unrealized holding gain or loss from available for sale securities and foreign currency translation gains or losses. For our Company, for years ended September 30, 2018 and 2017, net income does not differ from comprehensive income.

**Note 4: Acquisitions**

*Acquisition of Vintage Stock Inc.*

On November 3, 2016 (the "Closing Date"), the Company, through its newly formed, wholly-owned subsidiary, VSAH, entered into a series of agreements in connection with its purchase of Vintage Stock. Vintage Stock is a retailer that sells, buys and trades new and used movies, books, collectibles, games, comics, music and other retail products.

Total consideration paid of $57,653,698 was paid through a combination of $8,000,000 of capital provided by the Company and debt financing provided by (i) Texas Capital Bank Revolver Loan in the aggregate amount of approximately $12,000,000, mezzanine financing from the Capitala Term Loan of approximately $30 million, and the Company issued $10,000,000 in subordinated acquisition notes payable to the sellers of Vintage Stock, as more fully described in Note 9.

The following table below summarizes our final purchase price allocation of the consideration paid to the respective fair values of the assets acquired and liabilities assumed in the Vintage Stock acquisition as of the closing date. The Company finalized its estimates after it was able to determine that it had obtained all necessary information that existed as of the acquisition date related to these matters.

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 272,590 |
| Trade and other receivables | | 177,338 |
| Inventory | | 18,711,192 |
| Prepaid expenses and other current assets | | 814,201 |
| Property and equipment | | 4,859,676 |
| Intangible - leases | | 1,033,412 |
| Intangible - trade names | | 1,200,000 |
| Intangible - customer list | | 50,000 |
| Intangible - customer relationship | | 1,000,000 |
| Goodwill | | 36,946,735 |
| Notes payable | | (542,074) |
| Accounts payable | | (5,165,612) |
| Accrued expenses | | (1,703,760) |
| | $ | 57,653,698 |

In connection with the purchase of Vintage Stock, we incurred bank fees of $15,000, appraisal fees of $20,497, legal fees of $192,339 and consulting fees of $119,774 – for a total of $347,610; all of which was recorded as general and administrative expense during the year ended September 30, 2017. Goodwill of $36,946,735 is the excess of total consideration less identifiable assets at fair value less debt assumed at fair value and is tax deductible. Goodwill is attributable to Vintage Stock's management, assembled workforce, operating model, the number of stores, locations and competitive presence in each of its respective markets.

The operating results of Vintage Stock have been included in our consolidated financial statements beginning on November 3, 2016 and are reported in our Retail and Online segment.

The estimated fair value of the customer relationship intangible related to Vintage Stock was determined using the income approach, which discounts expected future cash flows to present value. The Company estimated the fair value of this intangible asset using the residual method and a present value discount rate of 17%, totaling $1,000,000. Customer relationships relate to the Company's ability to sell existing and future products. The Company is amortizing the Customer relationships intangible asset on a straight-line basis over an estimated life of 5 years.

The estimated fair value of the trade names intangible that Vintage Stock uses – "Vintage Stock", "EntertainMart" and "Movie Trading Company" was determined using a royalty income approach, which estimates an assumed royalty income stream and then discounts that expected future revenue or cash flow stream to present value. The Company estimated the fair value of this intangible asset using the residual method and a present value discount rate of 17%, totaling $1,200,000. Trade names relate to the Company's brand awareness by consumers in the market place. The Company is amortizing the trade names intangible asset on a straight-line basis over an estimated life of 7 years.

The estimated fair value of the customer list intangible asset was determined using the cost approach, which estimates the cost to acquire each email address in the list. The Company estimated the fair value of this intangible asset to be $0.19 per acquired email address, less a discount 40% attributable to domain and trade names or a net cost per email address of $0.11 or approximately $50,000. The Company is amortizing the customer list intangible asset on a straight-line basis over an estimated life of 3 years.

The unaudited pro forma information below presents statement of income data for the years ended September 30, 2017, as if the acquisition of Vintage Stock took place on October 1, 2016.

| | Year Ended September 30, 2017 |
|---|---|
| Net revenue | $ 76,133,061 |
| Gross profit | 43,735,263 |
| Operating income | 11,167,940 |
| Net income | 5,517,942 |
| Earnings per basic common share | $ 2.50 |

*Acquisition of ApplianceSmart Inc.*

On December 30, 2017 (the "ApplianceSmart Closing Date"), the Company, through its newly formed, wholly-owned subsidiary, ApplianceSmart Affiliated Holdings LLC ("ASH"), entered into a series of agreements in connection with its purchase of ApplianceSmart. ApplianceSmart is a retailer engaged in the sale of new major appliances through a chain of company-owned retail stores.

Total consideration was $6,500,000, with no liabilities assumed by ASH. On December 30, 2017, ASH agreed to pay the $6,500,000 no later than March 31, 2018. Effective April 1, 2018, ASH issued an interest bearing promissory note to the Seller, with interest at 5% per annum, with a three-year term in the original amount of $3,919,494 for the balance of the purchase price. Interest is payable monthly in arrears. Ten percent of the outstanding principal amount is due to be repaid annually on a quarterly basis, with any remainder due and payable on maturity, April 1, 2021. This promissory note is guaranteed by ApplianceSmart. The remaining $2,580,506 was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal amount. On December 31, 2017, ASH offset certain liabilities and was provided certain assets from the Seller in the net amount of $1,607,369, against the amount due to the Seller. ASH and Seller agreed to the offset as if it were payment in cash against the purchase price. At September 30, 2018, the net amount owing to the Seller was $3,821,507 and is included in long term debt, related parties. See Note 9.

Net liabilities assumed by ASH on December 31, 2017:

| | |
|---|---|
| Accounts payable | $ 1,374,647 |
| Accrued expenses | 1,080,255 |
| Capital leases | 29,631 |
| Credit card receivables | (255,301) |
| Cash | (621,863) |
| Total net liabilities assumed by ASH | $ 1,607,369 |

The table below summarizes our final purchase price allocation of the consideration paid to the respective fair values of the assets acquired in the ApplianceSmart acquisition as of the ApplianceSmart Closing Date. The Company finalized its estimates after it determined that it had obtained all necessary information that existed as of the ApplianceSmart Acquisition Date related to these matters.

| | |
|---|---|
| Trade receivables | $ 1,805,545 |
| Inventory | 7,444,282 |
| Prepaid expenses | 69,347 |
| Refundable deposits | 1,003,841 |
| Intangible asset - trade names | 2,015,000 |
| Intangible asset - customer list | 5,202 |
| Intangible asset - leases | 1,205,596 |
| Restricted cash | 750,000 |
| Property and equipment | 1,094,503 |
| Deferred income tax | (1,599,560) |
| Bargain gain on acquisition | (7,293,756) |
| | $ 6,500,000 |

The operating results of ApplianceSmart are included in our audited consolidated financial statements beginning on December 31, 2017 and are reported in our Retail and Online Segment.

The estimated fair value of the customer list intangible asset was determined using the cost approach, which estimates the cost to acquire each email address in the list. The Company estimated the fair value of this intangible asset to be $0.10 per acquired active contact email or approximately $5,202. The Company is amortizing the customer list intangible asset on a straight-line basis over an estimated life of 20 years.

The estimated fair value of the trade names intangible that ApplianceSmart uses – "ApplianceSmart" was determined using a royalty income approach, which estimates an assumed royalty income stream and then discounts that expected future revenue or cash flow stream to present value. The Company estimated the fair value of this intangible asset using the residual method of 0.5% and a present value discount rate of 18.6%, or $2,015,000. Trade name relates to the Company's brand awareness by consumers in the market place. The Company is amortizing the trade name intangible asset on a straight-line basis over an estimated life of 20 years.

The estimated fair value of the lease assets that ApplianceSmart leases was determined comparing the existing leases assumed to current market rates within a three-mile radius of existing stores. These market rates were then compared to existing ApplianceSmart contracted lease rates over the remaining lease terms. If the lease contract began within six months of acquisition date or the square footage price difference was within 10% of the contracted lease rate, or the overall discounted cash flow effect of the difference was less than $150,000, the lease was excluded for intangible valuation purposes. The remaining leases that were included were then compared to market rates, with the differences discounted using a discount rate of 7.50% to determine the discounted present value of the lease intangibles. The Company is amortizing the lease intangibles on a straight-line basis over the remaining life of each lease ranging between two and ten years.

The unaudited pro forma information below presents statement of income data for the years ended September 30, 2018 and September 30, 2017, as if the acquisition of ApplianceSmart took place on October 1, 2016.

| | Year Ended September 30, 2018 | Year Ended September 30, 2017 |
|---|---|---|
| Net revenue | $ 44,138,639 | $ 59,112,048 |
| Gross profit | 9,301,315 | 16,122,521 |
| Operating income | (7,161,319) | 1,410,022 |
| Net income | 637,819 | 676,636 |
| Earnings per basic common share | $ 0.32 | $ 0.31 |

**Note 5: Balance Sheet Detail Information**

Balance Sheet information is as follows:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Trade receivables, current, net: | | |
| Accounts receivable, current | $ 14,350,559 | $ 11,383,576 |
| Less: Reserve for doubtful accounts | (511,137) | (746,651) |
| | $ 13,839,422 | $ 10,636,925 |
| Trade receivables , long term, net: | | |
| Accounts receivable, long term | $ 344,572 | $ 344,572 |
| Less: Reserve for doubtful accounts | (344,572) | (344,572) |
| | $ – | $ – |
| Total trade receivables, net: | | |
| Gross trade receivables | $ 14,695,131 | $ 11,728,148 |
| Less: Reserve for doubtful accounts | (855,709) | (1,091,223) |
| | $ 13,839,422 | $ 10,636,925 |
| Inventory, net | | |
| Raw materials | $ 9,712,839 | $ 7,709,969 |
| Work in progress | 1,141,486 | 987,689 |
| Finished goods | 5,414,072 | 3,922,362 |
| Merchandise | 31,461,311 | 23,230,350 |
| | 47,729,708 | 35,850,370 |
| Less: Inventory reserves | (1,202,669) | (1,348,569) |
| | $ 46,527,039 | $ 34,501,801 |
| Property and equipment, net: | | |
| Building and improvements | $ 10,954,843 | $ 8,090,797 |
| Transportation equipment | 82,266 | 104,853 |
| Machinery and equipment | 23,295,315 | 17,402,064 |
| Furnishings and fixtures | 2,639,616 | 4,360,820 |
| Office, computer equipment and other | 2,530,410 | 224,822 |
| | 39,502,450 | 30,183,356 |
| Less: Accumulated depreciation | (11,511,390) | (7,365,496) |
| | $ 27,991,060 | $ 22,817,860 |
| Intangible assets, net: | | |
| Domain name and marketing related intangibles | $ 59,313 | $ 18,957 |
| Lease intangibles | 2,239,008 | 1,033,412 |
| Customer relationship intangibles | 4,709,241 | 2,689,039 |
| Purchased software | 2,190,937 | 1,595,977 |
| | 9,198,499 | 5,337,385 |
| Less: Accumulated amortization | (2,532,652) | (1,132,071) |
| | $ 6,665,847 | $ 4,205,314 |
| Accrued liabilities: | | |
| Accrued payroll and bonuses | $ 2,384,041 | $ 2,602,695 |
| Accrued sales and use taxes | 1,007,284 | 824,206 |
| Accrued property taxes | 362,388 | – |
| Accrued rent | 506,989 | 502,617 |
| Deferred revenue | 354,227 | – |
| Accrued gift card and escheatment liability | 1,593,688 | 1,479,622 |
| Accrued interest payable | 195,907 | 464,184 |
| Accrued accounts payable and bank overdrafts | 942,600 | 1,367,539 |
| Accrued professional fees | 470,726 | – |
| Customer deposits | 508,252 | 182,052 |
| Accrued expenses - other | 244,803 | 1,563,819 |
| | $ 8,570,905 | $ 8,986,734 |

**Note 6: Intangibles**

The Company's intangible assets consist of customer relationship intangibles, trade names, favorable leases, licenses for the use of internet domain names, Universal Resource Locators, or URL's, software, and marketing and technology related intangibles. All such assets are capitalized at their original cost and amortized over their estimated useful lives as follows: domain name and marketing – 3 to 20 years; software – 3 to 5 years, customer relationships – 7 to 15 years, favorable leases – over the life of the lease, outstanding lists – 20 years, trade names – 20 years. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determined lives may be adjusted. Intangible amortization expense is $1,400,582 and $863,864 for the years ended September 30, 2018 and 2017, respectively.

The following summarizes estimated future amortization expense related to intangible assets that have net balances:

| As of September 30. | | |
|---|---|---|
| 2019 | $ | 1,287,603 |
| 2020 | | 1,107,465 |
| 2021 | | 1,052,377 |
| 2022 | | 841,974 |
| 2023 | | 514,407 |
| Thereafter | | 1,862,021 |
| | $ | 6,665,847 |

**Note 7: Goodwill**

Goodwill is not amortized, rather it is evaluated for impairment on July 1 annually or when indicators of a potential impairment are present. The annual evaluation for impairment of goodwill is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. We believe such assumptions are also comparable to those that would be used by other marketplace participants. There was no goodwill impairment during fiscal 2018.

**Note 8: Long-Term Debt**

*Bank of America Revolver Loan*

On July 6, 2015, Marquis entered into a $15 million revolving credit agreement with Bank of America Corporation ("BofA Revolver"). The BofA Revolver is a five-year, asset-based facility that is secured by substantially all of Marquis' assets. Availability under the BofA Revolver is subject to a monthly borrowing base calculation.

Payment obligations under the BofA Revolver include monthly payments of interest and all outstanding principal and accrued interest thereon due in July 2020, which is when the BofA Revolver loan agreement terminates. The BofA Revolver is recorded as a currently liability due to a lockbox requirement, and a subjective acceleration clause as part of the agreement.

Borrowing availability under the BofA Revolver is limited to a borrowing base which allows Marquis to borrow up to 85% of eligible accounts receivable, plus the lesser of (i) $7,500,000; (ii) 65% of the value of eligible inventory; or (iii) 85% of the appraisal value of the eligible inventory. For purposes of clarity, the advance rate for inventory is 55.3% for raw materials, 0% for work-in-process and 70% for finished goods subject to eligibility, special reserves and advance limit. Letters of credit reduce the amount available to borrow under the BofA Revolver by an amount equal to the face value of the letters of credit.

As of February 22, 2017, Marquis's ability to make prepayments against Marquis subordinated debt, including the related party loan with Isaac Capital Group, LLC ("ICG") and pay cash dividends is generally permitted if (i) excess availability under the BofA Revolver is more than $4 million, and has been for each of the 90 days preceding the requested distribution and (ii) excess availability under the BofA Revolver is more than $4 million, and the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is 2:1 or greater. Restrictions apply to our ability to make additional prepayments against Marquis subordinated debt and pay cash dividends if the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is less than 2:1 and excess availability under the BofA Revolver is less than $4 million at the time of payment or distribution. There is no restriction on dividends that can be taken by the Company so long as Marquis maintains $4 million of current availability at the time of the dividend or distribution. This translates to having no restriction on Net Income so long as the Company retains sufficient assets to establish $4 million of current availability and continues to meet the required fixed charge coverage ratio of 2:1 as stated above.

The BofA Revolver places certain restrictions and covenants on Marquis, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions, incurrence of additional indebtedness for Marquis to maintain a fixed charge coverage ratio of at least 1.05 to 1, tested as of the last day of each month for the twelve consecutive months ending on such day.

The BofA Revolver Loan bears interest at a variable rate based on a base rate plus a margin. The current base rate is the greater of (i) Bank of America prime rate, (ii) the current federal funds rate plus 0.50%, or (iii) 30-day LIBOR plus 1.00% plus the margin, which varies, depending on the fixed coverage ratio table below. Levels I – IV determine the interest rate to be charged Marquis which is based on the fixed charge coverage ratio achieved.

| Level | Fixed Charge Coverage Ratio | Base Rate Revolver | LIBOR Revolver | Base Rate Term | LIBOR Term Loans |
|---|---|---|---|---|---|
| I | >2.00 to 1.00 | 0.50% | 1.50% | 0.75% | 1.75% |
| II | <2.00 to 1.00 but >1.50 to 1.00 | 0.75% | 1.75% | 1.00% | 2.00% |
| III | <1.50 to 1.00 but >1.20 to 1.00 | 1.00% | 2.00% | 1.25% | 2.25% |
| IV | <1.2 to 1.00 | 1.25% | 2.25% | 1.50% | 2.50% |

On October 20, 2016, Marquis and Bank of America agreed that Level IV interest rates would be applicable until October 20, 2017, and the Level would subsequently be adjusted up or down on a quarterly basis going forward based upon the above fixed coverage ratio achieved by Marquis.

The BofA Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Marquis, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Marquis or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Marquis or certain of its subsidiaries. On September 30, 2017, total additional availability under the BofA Revolver was $9,691,672, with $4,850,815 outstanding, and outstanding standby letters of credit of $72,715. During the period of October 1, 2017 through September 30, 2018, Marquis cumulatively borrowed $94,696,505 and repaid $91,946,715 under the BofA Revolver. Maximum borrowing under the BofA Revolver is $15,000,000. Our maximum borrowings outstanding during the same period were $8,530,510. Our weighted average interest rate on those outstanding borrowings for the period of October 1, 2017 through September 30, 2018 was 3.79%. As of September 30, 2018, total additional availability under the BofA Revolver was $7,326,680; with $7,600,605 outstanding, and outstanding standby letters of credit of $72,715.

*Real Estate Transaction*

On June 14, 2016, Marquis entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis and a loan secured by the improvements on such land. The total aggregate proceeds received from the sale of the land and the loan was $10,000,000, which consisted of $644,479 from the sale of the land and a note payable of $9,355,521. In connection with the transaction, Marquis entered into a lease with a 15-year term commencing on the closing of the transaction, which provides Marquis an option to extend the lease upon the expiration of its term. The initial annual lease rate is $59,614. The proceeds from this transaction were used to pay down the BofA Revolver and Term loans, and related party loan, as well as purchasing a building from the previous owners of Marquis that was not purchased in the July 2015 transaction. The note payable bears interest at 9.25% per annum, with principal and interest due monthly. The note payable matures June 13, 2056. For the first five years of the note payable, there is a pre-payment penalty of 5%, which declines by 1% for each year the loan remains un-paid. At the end of five years, there is no pre-payment penalty. In connection with the note payable, Marquis incurred $457,757 in transaction costs that are being recognized as a debt issuance cost that is being amortized and recorded as interest expense over the term of the note payable.

*Kingston Diversified Holdings LLC Agreement ($2 Million Line of Credit)*

On December 21, 2016, the Company and Kingston Diversified Holdings LLC (“Kingston”) entered into an agreement (the “December 21 Agreement”) modifying its then existing agreement between the parties. The December 21 Agreement, effective September 15, 2016, memorializes an October 2015 interim agreement to extend the maturity date of notes issued by Kingston to the Company (the “Kingston Notes”) by twelve months for 55,888 shares of the Company’s Series B Convertible Preferred Stock with a value on September 15, 2016 of $2,800,000, as a compromise between the parties in respect of certain of their respective rights and duties under the agreement. The December 21 Agreement also decreases the maximum principal amount of the Kingston Notes from $10,000,000 in principal amount to $2,000,000 in principal amount, and eliminates any and all actual, contingent, or other obligations of the Company to issue to Kingston any shares of the Company’s common stock, or to grant any rights, warrants, options, or other derivatives that are exercisable or convertible into shares of the Company’s common stock.

Kingston acknowledges that from the effective date through and including December 31, 2021, it shall not sell, transfer, assign, hypothecate, pledge, margin, hedge, trade, or otherwise obtain or attempt to obtain any economic value from any of the shares of Series B Preferred Stock or any shares into which they may be converted or from which they may be exchanged. As a result of the December 21 Agreement, the Company recorded $2,800,000 as an outstanding accrued liability as of September 30, 2016. As of September 30, 2018, and September 30, 2017, the Company had no borrowings on the Kingston line of credit. On December 29, 2016, the Company issued 55,888 shares of Series B Convertible Preferred Stock in settlement of the outstanding accrued liability due Kingston of $2,800,000.

*Equipment Loans*

On June 20, 2016 and August 5, 2016, Marquis entered into a transaction which provided for a master agreement and separate loan schedules (the "Equipment Loans") with Banc of America Leasing & Capital, LLC which provided:

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

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

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

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

Note #5 is $3,931,591, secured by equipment. The Equipment Loan #5 is due December 28, 2024, payable in 84 monthly payments of $54,944 beginning January 28, 2018, with the final payment due December 28, 2024, bearing interest at 4.66% per annum.

*Texas Capital Bank Revolver Loan*

On November 3, 2016, Vintage Stock entered into a $20 million credit agreement (as amended on January 23, 2017 and as further amended on September 20, 2017) with Texas Capital Bank ("TCB Revolver"). The TCB Revolver is a five-year, asset-based facility that is secured by substantially all of Vintage Stock's assets. Availability under the TCB Revolver is subject to a monthly borrowing base calculation. On June 7, 2018, the credit agreement was amended reducing the maximum revolving facility to $12 million. The TCB Revolver matures November 3, 2020.

Payment obligations under the TCB Revolver include monthly payments of interest and all outstanding principal and accrued interest thereon due in November 2020, which is when the TCB Revolver loan agreement terminates. The TCB Revolver has been classified as a non-current liability due to the removal of the subjective acceleration clause as part of the credit agreement amendment on June 7, 2018.

Borrowing availability under the TCB Revolver is limited to a borrowing base which allows Vintage Stock to borrow up to 95% of the appraisal value of the inventory, plus 85% of eligible receivables, net of certain reserves. The borrowing base provides for borrowing up to 95% of the appraisal value for the period of November 4, 2016 through December 31, 2016, then 90% of the appraisal value during the fiscal months of January through September and 92.5% of the appraisal value during the fiscal months of October through December. Letters of credit reduce the amount available to borrow under the TCB Revolver by an amount equal to the face value of the letters of credit.

Vintage Stock's ability to make prepayments against Vintage Stock subordinated debt including the Comvest Term Loan and pay cash dividends is generally permitted if (i) excess availability under the TCB Revolver is more than $2 million, and is projected to be within 12 months after such payment and (ii) excess availability under the TCB Revolver is more than $2 million, and the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is 1.2:1.0 or greater. Restrictions apply to our ability to make additional prepayments against Vintage Stock subordinated debt including the Comvest Term Loan and pay cash dividends if the fixed charge coverage ratio, as calculated on a pro-forma basis for the prior 12 months is less than 1.2:1.0 and excess availability under the TCB Revolver is less than $2 million at the time of payment or distribution. There is no restriction on dividends that can be taken by the Company so long as Vintage Stock maintains $2 million of current availability at the time of the dividend or distribution. This translates to having no restriction on Net Income so long as the Company retains sufficient assets to establish $2 million of current availability and continues to meet the required fixed charge coverage ratio of 1.2:1 as stated above.

The TCB Revolver places certain restrictions on Vintage Stock, including a limitation on asset sales, a limitation of 25 new leases in any fiscal year, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness.

The per annum interest rate under the TCB Revolver is variable and is equal to the one-month LIBOR rate for deposits in United States Dollars that appears on Thomson Reuters British Bankers Association LIBOR Rates Page (or the successor thereto) as of 11:00 a.m., London, England time, on the applicable determination date plus a margin of 2.25%, effective June 7, 2018.

The TCB Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Vintage Stock, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Vintage Stock, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Vintage Stock. On September 30, 2018 and September 30, 2017 – we had $107,405 and $3,250,393 of additional borrowing availability on the TCB Revolver, respectively. We borrowed $76,190,921 and repaid $76,818,763 under the TCB Revolver during the period of October 1, 2017 through September 30, 2018, leaving an outstanding balance on the TCB Revolver of $11,892,595 and $12,520,437 at September 30, 2018 and September 30, 2017, respectively. Our maximum borrowings outstanding during the period of October 1, 2017 through September 30, 2018 was $16,077,915. Our weighted average interest rate on those outstanding borrowings for the period of October 1, 2017 through September 30, 2018 was 4.26%. In connection with the TCB Revolver, Vintage incurred $25,000 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the TCB Revolver.

*Capitala Term Loan*

On November 3, 2016, the Company, through VSAH, entered into a series of agreements in connection with its purchase of Vintage Stock. As a part of those agreements, VSAH and Vintage Stock (the "Term Loan Borrowers") obtained $29,871,650 of mezzanine financing from the lenders (the "Term Loan Lenders") as defined in the term loan agreement (the "Term Loan Agreement") between the Term Loan Borrowers and Capitala Private Credit Fund V, L.P., in its capacity as lead arranger. Wilmington Trust, National Association, acts as administrative and collateral agent on behalf of the Term Loan Lenders (the "Term Loan Administrative Agent").

The term loans under the term loan agreement (collectively, the "Capitala Term Loan") bore interest at the LIBO rate (as described below) or base rate, plus an applicable margin in each case. In their loan notice to the Term Loan Administrative Agent, the Term Loan Borrowers selected the LIBO rate for the initial term loans made under the term loan agreement on the Closing Date.

The interest rate for LIBO rate loans under the term loan agreement were equal to the sum of (a) the greater of (i) a rate per annum equal to (A) the offered rate for deposits in United States Dollars for the applicable interest period and for the amount of the applicable loan that is a LIBOR loan that appears on Bloomberg ICE LIBOR Screen (or any successor thereto) that displays an average ICE Benchmark Administration Limited Interest Settlement Rate for deposits in United States Dollars (for delivery on the first day of such interest period) with a term equivalent to such interest period, determined as of approximately 11:00 a.m. (London time) two business days prior to the first day of such interest period, divided by (B) the sum of one minus the daily average during such interest period of the aggregate maximum reserve requirement (expressed as a decimal) then imposed under Regulation D of the Federal Reserve Board for "Eurocurrency Liabilities" (as defined therein), and (ii) 0.50% per annum, *plus* (b) the sum of (i) 12.50% per annum in cash pay *plus* (ii) 3.00% per annum payable in kind by compounding such interest to the principal amount of the obligations under the Term Loan Agreement on each interest payment date.

The interest rate for base rate loans under the term loan agreement was equal to the sum of (a) the highest of (with a minimum of 1.50%) (i) the federal funds rate plus 0.50%, (ii) the prime rate, and (iii) the LIBO rate plus 1.00%, *plus* (b) the sum of (i) 11.50% per annum payable in cash *plus* (ii) 3.00% per annum payable in kind by compounding such interest to the principal amount of the obligations under the Term Loan Agreement on each interest payment date.

The Term Loans placed certain restrictions and covenants on Vintage Stock, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness for Vintage Stock. Vintage Stock was required to maintain a fixed charge coverage ratio of 1.3 for year ended September 30, 2017, 1.4 for year ended September 30, 2018 and 1.5 for all years thereafter. For years ended September 30, 2017 and thereafter, Vintage Stock was required to incur no more than $1.2 million in annual capital expenditures subject to certain cumulative quarter and year to date covenants. Vintage Stock was required to maintain a total leverage ratio of 3.25 for year ended September 30, 2017, 2.5 for year ended September 30, 2018 and 2.0 for all years thereafter. In addition, for quarter ended December 31, 2017, the total leverage ratio could not exceed 3.0 and for quarters ended March 31, 2018 and June 30, 2018, the total leverage ratio could not exceed 2.75.

The Capitala Term Loans provided for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, change in control of Vintage Stock, a material representation or warranty made by us or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting Marquis or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of Vintage Stock or certain of its subsidiaries.

The payment obligations under the Term Loan Agreement included (i) monthly payments of interest and (ii) principal installment payments in an amount equal to $725,000 due on March 31, June 30, September 30, and December 31 of each year, with the first such payment was due on December 31, 2016. The outstanding principal amounts of the term loans and all accrued interest thereon under the Term Loan Agreement were due and payable in November 2021.

The Term Loan Borrowers could prepay the term loans under the term loan agreement from time to time, subject to the payment (with certain exceptions described below) of a prepayment premium of: (i) an amount equal to 2.0% of the principal amount of the term loan prepaid if prepaid during the period of time from and after the Closing Date up to the first anniversary of the Closing Date; (ii) 1.0% of the principal amount of the term loan prepaid if prepaid during the period of time from and after the first anniversary of the Closing Date up to the second anniversary of the Closing Date; and (iii) zero if prepaid from and after the second anniversary of the Closing Date.

The Term Loan Borrowers may make the following prepayments of the term loans under term loan agreement without being required to pay any prepayment premium:

(i) an amount not to exceed $3 million of the term loans;

(ii) in addition to any amount prepaid in respect of item (i), an additional amount not to exceed $1.45 million, but only if that additional amount is paid prior to the first anniversary of the Closing Date; and

(iii) in addition to any amount prepaid in respect of item (i), an additional amount not to exceed the difference between $2.9 million and any amount prepaid in respect of item (ii), but only if that additional amount is paid from and after the first anniversary of the Closing Date but prior to the second anniversary of the Closing Date.

There were also various mandatory prepayment triggers under the Term Loan Agreement, including in respect of excess cash flow, dispositions, equity and debt issuances, extraordinary receipts, equity contributions, change in control, and failure to obtain required landlord consents. Our weighted average interest rate on our Capitala Term Loan outstanding borrowings for the period of October 1, 2017 through June 7, 2018 was 16.94%. In connection with the Capitala Term Loan, Vintage Stock incurred $1,088,000 in transaction cost that was being recognized as debt issuance cost that was being amortized and recorded as interest expense over the term of the Capitala Term Loan. On June 7, 2018, the Capitala Term Loan was paid in full, and the Company recorded as additional interest expense $742,000 of un-amortized debt issuance cost related to the Capitala Term Loan.

*Sellers Subordinated Acquisition Note*

In connection with the purchase of Vintage Stock, on November 3, 2016, VSAH and Vintage Stock entered into a seller financed mezzanine loan in the amount of $10 million with the previous owners of Vintage Stock. The Sellers Subordinated Acquisition Note bears interest at 8% per annum, with interest payable monthly in arrears. The Sellers Subordinated Acquisition Note originally had a maturity date of five years and six months from November 3, 2016. On June 7, 2018, in connection with the Comvest Term Loan refinance of the Capitala Term Loan, the Sellers Subordinated Acquisition Note was amended and restated to have a maturity date of September 23, 2023.

*Comvest Term Loan*

On June 7, 2018, Vintage Stock Affiliated Holdings LLC ("Holdings") and Vintage Stock, Inc. (the "Borrower"), entered into an Amended and Restated Credit Agreement (the "Credit Agreement") by and among Borrower, Holdings, the lenders party thereto and Comvest Capital IV, L.P. ("Comvest"), as agent. The Credit Agreement provides for a $24,000,000 secured term loan (the "Term Loan"). The proceeds of the Term Loan, together with a cash equity contribution of approximately $4.0 million from the Company to the Borrower, will be used by the Borrower (i) to refinance and terminate the Borrower's credit facility (the "Prior Credit Facility") with Capitala Private Credit Fund and certain of its affiliates, as lenders, and Wilmington Trust National Association (the "Term Loan Administrative Agent"), as agent, (ii) to pay transaction costs, and (iii) for the Borrower's working capital and other general corporate purposes. In connection with the closing of the refinancing transaction with Comvest, all defaults under the Prior Credit Facility were extinguished.

The Term Loan bears interest at the base or LIBOR rates (as described below) plus an applicable margin in each case. The applicable margin ranges from 8.00% to 9.50% per annum (subject to a LIBOR floor of 1.00%) and is determined based on the Borrower's senior leverage ratio pricing grid. The applicable margin during the first six months following the June 7, 2018 closing is 9.50%.

The base rate under the Comvest Credit Agreement is equal to the greatest of (i) the per annum rate of interest which is identified as the "Prime Rate" and normally published in the Money Rates section of The Wall Street Journal (or, if such rate ceases to be so published, as quoted from such other generally available and recognizable source as Agent may select), (ii) the sum of the Federal Funds Rate plus one half percent (0.50%), (iii) the most recently used LIBO Rate and (iv) two percent (2.00%) per annum.

LIBOR rate is defined as the greater of (a) a rate per annum equal to the London interbank offered rate for deposits in Dollars for a period of one month and for the outstanding principal amount of the Term Loan as published in the "Money Rates" section of The Wall Street Journal (or another national publication selected by Agent if such rate is not so published), two Business Days prior to the first day of such one month period and (b) one percent (1.00%) per annum.

The Term Loan matures on May 26, 2023 and is subject to amortization of 12.5% (decreasing to 10% upon the Borrower's senior leverage ratio being less than 1.50 times the Borrower's EBITDA (as defined in the Credit Agreement)) of principal per annum payable in equal quarterly installments due on March 31, June 30, September 30, and December 31 of each year, with the first such payment due on June 30, 2018; plus, to the extent the Borrower generates excess cash flow (as defined in the Credit Agreement), a percent of such excess cash flow (ranging from 50% to 100%), all in accordance with the terms of the Credit Agreement.

Under the Credit Agreement, any and all mandatory prepayments arising from any voluntary act of the Borrower are subject to a prepayment premium, ranging from 5.00% of the principal amount prepaid plus a make-whole amount to 1.00%, depending on when the mandatory prepayment is made. There is no prepayment premium after June 7, 2021.

The Term Loan is secured by a pledge of substantially all of the assets of the Borrower and a pledge of the capital stock of the Borrower. In addition, the Company is guaranteeing (the "Sponsor Guaranty") that portion of the Term Loan that results in the Borrower's senior leverage ratio being greater than 2.30:1.00, and only for so long as such ratio exceeds 2.30:1.00. The Sponsor Guaranty terminates on the date that the Borrower's senior leverage ratio is less than 2.30:1.00 for two consecutive fiscal quarters.

The Term Loans place certain restrictions and covenants on Vintage Stock, including a limitation on asset sales, additional liens, investment, loans, guarantees, acquisitions and incurrence of additional indebtedness for Vintage Stock. Vintage Stock is required to maintain a minimum of $12,000,000 of EBITDA on a trailing twelve months basis as measured quarterly starting June 30, 2018 through December 31, 2018. Beginning quarter ending March 31, 2019 and thereafter, Vintage Stock is required to maintain a minimum of $12,500,000 of EBITDA on a trailing twelve months basis. So long as the Senior leverage ratio is greater than 2.0 to 1.0, Vintage Stock is required to spend no more than $1,000,000 on capital expenditures in fiscal year 2018, $1,500,000 in fiscal year 2019, $2,000,000 in fiscal year 2020, $1,750,000 in fiscal year 2021, and $1,500,000 in fiscal years 2022 and thereafter. Vintage Stock is required to maintain a declining maximum senior leverage ratio on a trailing twelve month basis beginning June 30, 2018 of 2.85:1.00, September 30, 2018 2.85:1.00, December 31, 2018 2.65:1.00, March 31, 2019 2.60:1.00, June 30, 2019 2.40:1.00, September 30, 2019 2.10:1.00, December 31, 2019 1.90:1.00, March 31, 2020 1.80:1.00, June 30, 2020 1.75:1.00 and September 30, 2020 and each fiscal quarter thereafter 1.50:1.00. Vintage Stock is required to maintain on a trailing twelve-month basis a minimum fixed charge ratio of no less than 1.30:1.00 for quarters ending June 30, 2018, September 30, 2018 and December 31, 2018. For quarter ending March 31, 2019 1.10:1.00. For quarters ending June 30, 2019, September 30, 2019 and December 31, 2019 1.30:1.00. For quarter ending March 31, 2020 and each fiscal quarter thereafter 1.40:1.00. Vintage Stock may only open three new retail locations within a twelve-month period so long as the senior leverage ratio is 2.00:1.00 or more. If the senior leverage ratio is less than 2.00:1.00, Vintage Stock may only open no more than four new retail locations within a twelve-month period. At all times that the senior leverage ratio is greater than or equal to 1.50:1.00, Vintage Stock cannot have the same store sales percentage to be less than or equal to a negative 5.5 percent as of the last day of any fiscal quarter. Vintage Stock may cure both payment and financial covenant defaults through infusion of equity cures as determined by the Credit Agreement. EBITDA, senior leverage ratio, same store sales decline percentage and fixed charge ratio are terms defined within the Credit Agreement.

In connection with the Comvest Term Loan, Vintage Stock incurred $1,318,069 in transaction cost that is being recognized as debt issuance cost that is being amortized and recorded as interest expense over the term of the Comvest Term Loan.

*Loan Covenant Compliance*

We were in compliance with all covenants under our existing revolving and other loan agreements as of September 30, 2017, due to waivers granted by both Texas Capital Bank for the TCB Revolver and Capitala for the Capitala Term Loan. We were not in compliance as of December 31, 2017, with the Capitala Term Loan total leverage ratio and did not anticipate that we would regain compliance with this covenant until sometime in fiscal year ended September 30, 2019, based upon our then current operating forecast. We sought alternatives to resolve the out-of-compliance condition, including negotiating with Capitala and seeking alternative credit sources. The resolution of the out-of-compliance condition had not occurred as of the date of issuance of our fiscal 2017 financial statements. The Capitala Term Loan was classified as a short-term obligation at September 30, 2017, as a result of this default. We were in compliance with all covenants under our existing revolving and other loan agreements as of September 30, 2017 due to waivers granted by both Texas Capital Bank for the TCB Revolver and Capitala for the Capitala Term Loan. We are in compliance as of September 30, 2018 with all covenants under our existing revolving and other loan agreements.

Notes Payable as of September 30, 2018 and 2017 consisted of the following:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Bank of America Revolver Loan - variable interest rate based upon a base rate plus a margin, interest payable monthly, maturity date July 2020, secured by substantially all Marquis assets | $ 7,600,605 | $ 4,850,815 |
| Texas Capital Bank Revolver Loan - variable interest rate based upon the one-month LIBOR rate plus a margin, interest payable monthly, maturity date November 2020, secured by substantially all Vintage Stock assets and common stock | 11,892,595 | 12,520,437 |
| Note Payable Capitala Term Loan - variable interest rate based upon a base rate plus a margin, 3% per annum interest payable in kind, with the balance of interest payable monthly in cash, principal due quarterly in the amount of $725,000, maturity date November 2021, note subordinate to Texas Capital Bank Revolver Loan, secured by Vintage Stock Assets | – | 28,310,505 |
| Note Payable Comvest Term Loan - variable interest rate based upon LIBOR rate plus a margin, interest payable monthly in cash, principal due quarterly March 31, June 30, September 30, December 31, subject to a variable amortization of principal, maturity date May 26, 2023 note subordinate to Texas Capital Bank Revolver Loan, secured by Vintage Stock Assets | 22,500,000 | – |
| Note Payable to the Sellers of Vintage Stock, interest at 8% per annum, with interest payable monthly, amended maturity date of September 23, 2023, note subordinate to both Texas Capital Bank Revolver and Capitala Term Loan, secured by Vintage Stock Assets | 10,000,000 | 10,000,000 |
| Note #1 Payable to Banc of America Leasing & Capital LLC - interest at 3.8905% per annum, with interest and principal payable monthly in the amount of $84,273 for 59 months, beginning September 23, 2016, with a final payment due in the amount of $584,273, maturity date September 2021, secured by equipment | 3,230,555 | 4,097,764 |
| Note #2 Payable to Banc of America Leasing & Capital LLC - interest at 4.63% per annum, with interest and principal payable monthly in the amount of $34,768 for 59 months, beginning January 30, 2017, with a final payment due in the amount of $476,729, maturity date January 2022, secured by equipment | 1,636,940 | 1,969,954 |
| Note #3 Payable to Banc of America Leasing & Capital LLC - interest at 4.7985% per annum with interest and principal payable monthly in the amount of $51,658 for 84 months, beginning January 30, 2017, secured by equipment. | 2,871,849 | 3,341,642 |
| Note #4 Payable to Banc of America Leasing & Capital LLC - interest at 4.8907% per annum, with interest and principal payable monthly in the amount of $15,901 for 81 months, beginning April 30, 2017, secured by equipment. Matures January 30, 2024. | 881,937 | 1,025,782 |
| Note #5 Payable to Banc of America Leasing & Capital LLC - interest at 4.67% per annum, with interest and principal payable monthly in the amount of $54,943 for 84 months, beginning January 28, 2018, secured by equipment. Matures January 28, 2025. | 3,568,925 | – |
| Note Payable to Store Capital Acquisitions, LLC, - interest at 9.25% per annum, with interest and principal payable monthly in the amount of $73,970 for 480 months, beginning July 1, 2016, maturity date of June 2056, secured by Marquis land and buildings | 9,302,346 | 9,328,208 |
| Note Payable to Cathay Bank, variable interest rate, Prime Rate plus 2.50%, with interest payable monthly, maturity date December 2017, secured by substantially all Modern Everyday assets | – | 174,757 |
| Note Payable to Cathay Bank, variable interest rate, Prime Rate plus 1.50%, with interest payable monthly, maturity date December 2017, secured by substantially all Modern Everyday assets | – | 249,766 |
| Note payable to individual, interest at 11% per annum, payable on a 90 day written notice, unsecured | 206,529 | 206,529 |
| Note payable to individual, interest at 10% per annum, payable on a 90 day written notice, unsecured | 500,000 | 500,000 |
| Note payable to individual, interest at 8.5% per annum, payable on a 120 day written demand notice, unsecured | 225,000 | 225,000 |
| Total notes payable | 74,417,281 | 76,801,159 |
| Less unamortized debt issuance costs | (1,653,458) | (1,353,352) |
| Net amount | 72,763,823 | 75,447,807 |
| Less current portion | (13,958,355) | (48,877,536) |
| Long-term portion | $ 58,805,468 | $ 26,570,271 |

Future maturities of long-term debt at September 30, 2018 are as follows excluding related party debt:

| Years ending September 30, | | |
|---|---|---|
| 2019 | $ | 13,958,355 |
| 2020 | | 5,536,873 |
| 2021 | | 17,962,625 |
| 2022 | | 4,900,705 |
| 2023 | | 21,928,156 |
| Thereafter | | 10,130,567 |
| Total | $ | 74,417,281 |

**Note 9: Notes payable, related parties**

*Appliance Recycling Centers of America, Inc. Note*

As previously announced by Live Ventures Incorporated (the "Company"), on December 30, 2017, ASH entered into a Stock Purchase Agreement (the "Agreement") with Appliance Recycling Centers of America, Inc. (the "Seller") and ApplianceSmart, Inc. ("ApplianceSmart"), a subsidiary of the Seller. Pursuant to the Agreement, ASH purchased (the "Transaction") from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for $6,500,000 (the "Purchase Price"). ASH was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, ASH and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, ASH delivered to the Seller that certain Promissory Note (the "ApplianceSmart Note") in the original principal amount of $3,919,494 (the "Original Principal Amount"), as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on April 1, 2021 (the "Maturity Date"). The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining $2,580,506 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of September 30, 2018, there was $3,821,507 outstanding on the ApplianceSmart Note.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller.

*Isaac Capital Fund Note*

In connection with the acquisition of Marquis by the Company, the Company entered into a mezzanine loan in the amount of up to $7,000,000 with Isaac Capital Fund ("ICF"), a private lender whose managing member is Jon Isaac, our President and Chief Executive Officer. The ICF mezzanine loan bears interest at 12.5% per annum with payment obligations of interest each month and all principal due in January 2021. As of September 30, 2018, and September 30, 2017, there was $2,000,000 outstanding on this mezzanine loan.

Long-term debt, related parties as of September 30, 2018 and September 30, 2017 consisted of the following:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Note Payable and revolving line of credit to the Sellers of ApplianceSmart, Inc.,interest rate is 5% per annum, with interest payable monthly, maturity date April 1, 2021, 10% of principal will be repaid annually on a quarterly basis, with accrued interest and principal due at maturity. ApplianceSmart may reborrow funds up to the Original Principal amount | $ 3,821,507 | $ – |
| Note Payable to Isaac Capital Fund, interest rate is 12.5% per annum, with interest payable monthly, maturity date January 2021. | 2,000,000 | 2,000,000 |
| Total notes payable - related parties | 5,821,507 | 2,000,000 |
| Less unamortized debt issuance costs | – | – |
| Net amount | 5,821,507 | 2,000,000 |
| Less current portion | (391,949) | – |
| Long-term portion | $ 5,429,558 | $ 2,000,000 |

Future maturities of notes payable, related parties at September 30, 2018 are as follows:

| Years ending September 30, | |
|---|---|
| 2019 | $ 391,949 |
| 2020 | 391,948 |
| 2021 | 5,037,609 |
| 2022 | – |
| 2023 | – |
| Thereafter | – |
| Total | $ 5,821,506 |

**Note 10: Stockholders' Equity**

*Convertible Series B Preferred Shares*

On December 27, 2016, the Company established a new series of preferred stock, Series B Convertible Preferred Stock. The shares, as a series, are entitled to dividends as declared by the board of directors in an amount equal to $1.00 (in the aggregate for all then-issued and outstanding shares of Series B Convertible Preferred Stock). The series does not have any redemption rights or Stock basis, except as otherwise required by the Nevada Revised Statutes. The series does not provide for any specific allocation of seats on the Board of Directors. At any time and from time to time, the shares of Series B Convertible Preferred Stock are convertible into shares of common stock at a ratio of one share of Series B Preferred Stock into five shares of common stock, subject to equitable adjustment in the event of forward stock splits and reverse stock splits.

The holders of shares of the Series B Convertible Stock have agreed not to sell transfer, assign, hypothecate, pledge, margin, hedge, trade, or otherwise obtain or attempt to obtain any economic value from any of such shares or any shares into which they may be converted (e.g., common stock) or for which they may be exchanged. This "lockup" agreement expires on December 31, 2021. Our Warrant Agreements with ICG have been amended to provide that the shares underlying those warrants are exercisable into shares of Series B Convertible Preferred Stock, which warrant shares are also subject to the same "lockup" agreement as the currently outstanding shares of Series B Convertible Preferred Stock.

During the year ended September 30, 2018, the Company did not issue any Series B preferred shares.

During the year ended September 30, 2017, the Company issued:

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

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

*Series E Convertible Preferred Stock*

As of September 30, 2018, there were 127,840 shares of Series E Convertible Preferred Stock issued and 77,840 shares outstanding. The shares accrue dividends at the rate of 5% per annum on the liquidation preference per share, payable quarterly from legally available funds. The shares carry a cash liquidation preference of $0.30 per share, plus any accrued but unpaid dividends. If such funds are not available, dividends shall continue to accumulate until they can be paid from legally available funds. Holders of the preferred shares are entitled, after two years from issuance, to convert them into shares of our common stock on a one-to-one basis together with payment of $85.50 per converted share. On November 18, 2017, the Company repurchased 50,000 shares of Series E Convertible Preferred Stock for an aggregate purchase price of $4,000.

During the years ended September 30, 2018 and 2017, the Company accrued dividends of $1,168 and $1,917, respectively, payable to holders of Series E preferred stock. At year end September 30, 2018, and 2017, respectively, unpaid dividends were $1,168 and $959.

*Common Stock*

On November 22, 2016, the Company's board of directors authorized a one-for-six (1:6) reverse stock split and a contemporaneous one-for-six (1:6) reduction in the number of authorized shares of common stock from 60,000,000 to 10,000,000 shares, to take effect for stockholders of record as of December 5, 2016. No fractional shares were issued. All share, option and warrant related information presented in these financial statements and footnotes has been retroactively adjusted to reflect the decreased number of shares resulting in this action.

During the year ended September 30, 2018, the Company did not issue any common stock.

During the year ended September 30, 2017, the Company issued:

58,333 of common stock were issued to Novalk Apps S.A.S. on December 28, 2016 to settle and pay for an outstanding accrued liability in the amount of $584,500. The value was based on the market value of the Company's common stock on the date of issuance.

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

*Treasury Stock*

For year ended September 30, 2018, the Company purchased 46,632 shares of its common stock on the open market (treasury shares) for $550,427. For year ended September 30, 2017, the Company purchased 66,185 shares of its common stock on the open market (treasury shares) for $699,557. For year ended September 30, 2016, the Company purchased 30,122 shares of its common stock on the open market (treasury common shares) for $300,027. The Company accounted for the purchase of these treasury shares using the cost method. At September 30, 2018, and 2017, the Company held 142,939 and 96,307 shares of its common stock as treasury shares at a cost of $1,550,011 and $999,584, respectively.

*2014 Omnibus Equity Incentive Plan*

On January 7, 2014, our Board of Directors adopted the 2014 Omnibus Equity Incentive Plan (the "2014 Plan"), which authorizes issuance of distribution equivalent rights, incentive stock options, non-qualified stock options, performance stock, performance units, restricted ordinary shares, restricted stock units, stock appreciation rights, tandem stock appreciation rights and unrestricted ordinary shares to our directors, officer, employees, consultants and advisors. The Company has reserved up to 300,000 shares of common stock for issuance under the 2014 Plan. The Company's stockholders' approved the 2014 Plan on July 11, 2014.

**Note 11: Warrants**

The Company issued several notes in prior periods and converted them resulting in the issuance of warrants. The following table summarizes information about the Company's warrants at September 30, 2018 and September 30, 2017, respectively:

| | Number of units - Series B Convertible preferred warrants | Weighted Average Exercise Price` | Weighted Average Remaining Contractual Term (in years) | Intrinsic Value |
|---|---|---|---|---|
| Outstanding at September 30, 2017 | 118,029 | $ 20.80 | 0.91 | $ 4,862,230 |
| Exercisable at September 30, 2017 | 118,029 | $ 20.80 | 0.91 | $ 4,862,230 |
| | | | | |
| Outstanding at September 30, 2018 | 118,029 | $ 20.80 | 1.35 | $ 2,855,734 |
| Exercisable at September 30, 2018 | 118,029 | $ 20.80 | 1.35 | $ 2,855,734 |

On December 27, 2016, ICG and the Company agreed to amend and exchange the common stock warrants for warrants to purchase shares of Series B Convertible Preferred Stock, and the number of warrants held adjusted by an exchange ratio of 5:1 shares of common stock for shares of Series B Convertible Preferred Stock. ICG, the holder of the warrants outstanding, is not permitted to sell, transfer, assign, hypothecate, pledge, margin, hedge, trade or otherwise obtain or attempt to obtain any economic value from the shares of Series B Convertible Preferred Stock should the warrants be exercised prior to December 31, 2021.

As of September 30, 2018, the Company had 118,029 common stock warrants outstanding with a weighted average exercise price, weighted average remaining contractual term and intrinsic value of $20.80, 1.35 years and $2,855,734, respectively. As of September 30, 2017, the Company had 118,029 common stock warrants outstanding with weighted average exercise price, weighted average remaining contractual term and intrinsic value of $20.80, 0.91 years and $4,862,230, respectively.

Warrants for 10,914, 12,383, 54,396 and 17,857 shares of Series B Convertible Preferred Stock were set to expire on September 10, 2017, December 11, 2017, March 27, 2018 and March 28, 2018, respectively. On January 16, 2018, the Company memorialized an agreement reached prior to any of the warrants expiring, to extend the expiration date for two years, just prior to expiration for all warrants listed. Warrants outstanding and exercisable as of September 30, 2018 and September 30, 2017 reflect the time extended warrants in addition to 22,479 warrants for shares of Series B Convertible Preferred Stock with an original expiration date of December 3, 2019. The Company recognized compensation expense of $270,240 and $0 during the years ended September 30, 2018 and 2017, respectively, related to warrant awards granted to certain employees and officers based on the grant date fair value of the awards, net of estimated forfeitures. No forfeitures are estimated.

The exercise price for the series B convertible preferred stock warrants outstanding and exercisable at September 30, 2018 is as follows:

| Series B Convertible Preferred | | | |
|---|---|---|---|
| Outstanding | | Exercisable | |
| Number of Warrants | Exercise Price | Number of Warrants | Exercise Price |
| 54,396 | $ 16.60 | 54,396 | $ 16.60 |
| 17,857 | 16.80 | 17,857 | 16.80 |
| 12,383 | 24.30 | 12,383 | 24.30 |
| 33,393 | 28.50 | 33,393 | 28.50 |
| 118,029 | | 118,029 | |

**Note 12: Stock-Based Compensation**

From time to time, the Company grants stock options and restricted stock awards to directors, officers and employees. These awards are valued at the grant date by determining the fair value of the instruments, net of estimated forfeitures. The value of each award is amortized on a straight-line basis over the requisite service period.

*Stock Options*

The following table summarizes stock option activity for the years ended September 30, 2018 and 2017:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Intrinsic Value |
|---|---|---|---|---|
| Outstanding at September 30, 2016 | 175,000 | $ 11.22 | 3.75 | $ 346,500 |
| Granted | 36,668 | 15.32 | 6.89 | |
| Exercised | – | | | |
| Forfeited | – | | | |
| Outstanding at September 30, 2017 | 211,668 | $ 13.19 | 3.47 | $ 454,417 |
| Exercisable at September 30, 2017 | 175,000 | $ 11.22 | 2.75 | $ 428,750 |
| | | | | |
| Outstanding at September 30, 2017 | 211,668 | $ 13.19 | 3.47 | $ 454,417 |
| Granted | 20,000 | 32.24 | 9.02 | |
| Exercised | – | | | |
| Forfeited | – | | | |
| Outstanding at September 30, 2018 | 231,668 | $ 14.84 | 3.04 | $ 162,500 |
| Exercisable at September 30, 2018 | 190,639 | $ 11.89 | 2.08 | $ 162,500 |

The Company recognized compensation expense of $226,917 and $203,690 during the years ended September 30, 2018 and 2017, respectively, related to stock option awards granted to certain employees and officers based on the grant date fair value of the awards, net of estimated forfeitures. No forfeitures are estimated.

At September 30, 2018 the Company had $286,805 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the Company expects will be recognized through December of 2021.

The exercise price for stock options outstanding and exercisable at September 30, 2018 is as follows:

| Outstanding | | Exercisable | |
|---|---|---|---|
| Number of Options | Exercise Price | Number of Options | Exercise Price |
| 31,250 | $ 5.00 | 31,250 | $ 5.00 |
| 25,000 | 7.50 | 25,000 | 7.50 |
| 31,250 | 10.00 | 31,250 | 10.00 |
| 4,167 | 10.86 | 4,167 | 10.86 |
| 4,167 | 10.86 | 3,472 | 10.86 |
| 4,167 | 10.86 | – | – |
| 4,167 | 10.86 | – | – |
| 6,250 | 12.50 | 6,250 | 12.50 |
| 6,250 | 15.00 | 6,250 | 15.00 |
| 75,000 | 15.18 | 75,000 | 15.18 |
| 8,000 | 23.41 | 8,000 | 23.41 |
| 8,000 | 27.60 | – | – |
| 8,000 | 31.74 | – | – |
| 8,000 | 36.50 | – | – |
| 8,000 | 41.98 | – | – |
| 231,668 | | 190,639 | |

The following table summarizes information about the Company's non-vested shares as of September 30, 2018:

| Non-vested Shares | Number of Shares | Average Grant-Date Fair Value |
|---|---|---|
| Non-vested at September 30, 2017 | 36,668 | $ 17.70 |
| Granted | 20,000 | $ 10.14 |
| Vested | (15,639) | $ 15.72 |
| Non-vested at September 30, 2018 | 41,029 | $ 12.88 |

For stock options granted during fiscal 2018 where the exercise price equaled the stock price at the date of the grant, the weighted-average fair value of such options was $10.14, and the weighted-average exercise price of such options was $32.24. For stock options granted during 2017 where the exercise price was above the stock price at the date of the grant, the weighted-average fair value of such options was $21.07, and the weighted-average exercise price for such options was $23.41.

The assumptions used in calculating the fair value of stock options granted use the Black-Scholes option pricing model for options granted in fiscal 2018 and 2017 are as follows:

| | |
|---|---|
| Risk-free interest rate | 1.25% |
| Expected life of the options | 5 and 10 years |
| Expected volatility | 107% |
| Expected dividend yield | 0% |

**Note 13: Earnings Per Share**

Net earnings per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Basic weighted average common shares outstanding do not include shares of restricted stock that have not yet vested, although such shares are included as outstanding shares in the Company's Consolidated Balance Sheet. Diluted net earnings per share is computed using the weighted average number of common shares outstanding and if dilutive, potential common shares outstanding during the period. Potential common shares consist of the additional common shares issuable in respect of restricted share awards, stock options and convertible preferred stock. Preferred stock dividends are subtracted from net earnings to determine the amount available to common stockholders.

The following table presents the computation of basic and diluted net earnings per share:

| | Years Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| *Basic* | | |
| Net income | $ 5,922,719 | $ 6,501,780 |
| Less: preferred stock dividends | (1,168) | (1,917) |
| Net income applicable to common stock | $ 5,921,551 | $ 6,499,863 |
| Weighted average common shares outstanding | 1,965,595 | 2,210,104 |
| Basic earnings per share | $ 3.01 | $ 2.94 |
| *Diluted* | | |
| Net income applicable to common stock | $ 5,921,551 | $ 6,499,863 |
| Add: preferred stock dividends | 1,168 | 1,917 |
| Net income applicable for diluted earnings per share | $ 5,922,719 | $ 6,501,780 |
| Weighted average common shares outstanding | 1,965,595 | 2,210,104 |
| Add: Options | 38,179 | 48,407 |
| Add: Series B Preferred Stock | 1,071,200 | 1,071,200 |
| Add: Series B Preferred Stock Warrants | 590,145 | 590,145 |
| Add: Series E Preferred Stock | 77,840 | 127,840 |
| Assumed weighted average common shares outstanding | 3,742,959 | 4,047,696 |
| Diluted earnings per share | $ 1.58 | $ 1.61 |

Potentially dilutive securities were excluded from the calculation of diluted net income per share for years ended September 30, 2018 and September 30, 2017. The weighted average number of dilutive securities excluded were 38,179 and 80,105, respectively for each fiscal year, because the effects were anti-dilutive based on the application of the treasury stock method.

**Note 14: Related Party Transactions**

In connection with its purchase of Marquis, Marquis entered into a mezzanine loan in the amount of up to $7,000,000 with ICF. The ICF mezzanine loan bears interest at a rate of 12.5% per annum with payment obligations of interest each month and all principal due in January 2021. As of September 30, 2018, and September 30, 2017, respectively, there was $2,000,000 outstanding on this mezzanine loan. During the year ended September 30, 2018 and 2017, we recognized total interest expense of $253,472, associated with the ICF notes.

Customer Connexx LLC, a wholly-owned subsidiary of Appliance Recycling Centers of America, Inc. ("ARCA"), rents approximately 9,879 square feet of office space from the Company at its Las Vegas office which totals 11,100 square feet. ARCA paid the Company $173,010 in rent and other common area reimbursed expenses for the year ended September 30, 2018. ARCA paid the Company $164,516 in rent and other common area reimbursed expenses for the year ended September 30, 2017. Tony Isaac, a member of the Board of Directors of the Company and Virland Johnson, Chief Financial Officer of the Company, are Chief Executive Officer and Board of Directors member and Chief Financial Officer of ARCA, respectively.

Warrants for 10,914, 12,383, 54,396 and 17,857 shares of Series B Convertible Preferred Stock were set to expire on September 10, 2017, December 11, 2017, March 27, 2018 and March 28, 2018, respectively. On January 16, 2018, the Company memorialized an agreement reached prior to any of the warrants expiring, to extend the expiration date for two years, just prior to expiration for all warrants listed. Warrants outstanding and exercisable as of September 30, 2018 and September 30, 2017 reflect the time extended warrants in addition to 22,479 warrants for shares of Series B Convertible Preferred Stock with an original expiration date of December 3, 2019.

As previously announced by the Company, on December 30, 2017, ASH entered into the Agreement with the Seller and ApplianceSmart, a subsidiary of the Seller. Pursuant to the Agreement, ASH purchased from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for the Purchase Price. ASH was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, ASH and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, ASH delivered to the Seller the ApplianceSmart Note in the Original Principal Amount, as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on the Maturity Date. The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining $2,580,506 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of September 30, 2018, there was $3,821,507 outstanding on the ApplianceSmart Note.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller.

In connection with the acquisition of Vintage Stock on November 3, 2016, Rodney Spriggs, President of Vintage Stock, holds a 41.134752% interest in the $10,000,000 Seller Subordinated Acquisition Note payable by VSAH. The terms of payment are interest only, payable monthly on the 1st of each month, until maturity. On June 7, 2018, in connection with the Comvest Term Loan refinance of the Capitala Term Loan, the Sellers Subordinated Acquisition Note was amended and restated to have a maturity date of September 23, 2023. Interest paid to Mr. Spriggs in years ended September 30, 2018 and September 30, 2017 was $333,649 and $275,147, respectively. Interest unpaid and accrued as of September 30, 2018 and September 30, 2017 is $27,423 and $27,423, respectively.

Also see Note 4, 8, 9 and 10.

**Note 15: Commitments and Contingencies**

*Litigation*

On February 21, 2018, the Company received a subpoena from the Securities and Exchange Commission ("SEC") and a letter from the SEC stating that it is conducting an investigation. The subpoena requests documents and information concerning, among other things, the restatement of the Company's financial statements for the quarterly periods ended December 31, 2016, March 31, 2017, and June 30, 2017, the acquisition of Marquis Industries, Inc., Vintage Stock, Inc., and ApplianceSmart, Inc., and the change in auditors. The letter from the SEC states that "this inquiry does not mean that the SEC has concluded that the Company or any of its officers and directors has broken the law or that the SEC has a negative opinion of any person, entity, or security." The Company is cooperating with the SEC in its investigation.

On October 1, 2018, the Company received a letter from the SEC requesting information regarding a potential violation of Section 13(a) of the Securities Exchange Act of 1934, based upon the timing of the Company's Form 8-K filed on February 14, 2018. The Company provided a response to the SEC on October 26, 2018. The Company is cooperating with the SEC in its inquiry.

We are involved in various claims and lawsuits arising in the normal course of business. The ultimate results of claims and litigation cannot be predicted with certainty. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows.

*Operating Leases and Service Contracts*

The Company leases its office space, certain equipment and a building (from a related party) under long-term operating leases expiring through fiscal year 2018. Rent expense under these leases was $13,541,827 and $8,329,186 for the years ended September 30, 2018 and 2017, respectively. The Company has also entered into several non-cancelable service contracts. Rent expense may include certain common area charges.

As of September 30, 2018, future minimum annual payments under operating lease agreements for fiscal years ending September 30 are as follows:

| | | |
|---|---|---|
| 2019 | $ | 3,136,734 |
| 2020 | | 2,637,822 |
| 2021 | | 2,099,939 |
| 2022 | | 1,595,455 |
| 2023 | | 1,062,557 |
| Thereafter | | 2,648,943 |
| | $ | 13,181,450 |

**Note 16: Income Taxes**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Income tax expense for the years ended September 30, 2018 and 2017 is as follows:

| | Year Ended September 30, 2018 | Year Ended September 30, 2017 |
|---|---|---|
| Current expense: | | |
| Federal | $ (16,621) | $ 313,405 |
| State | 243,631 | 243,841 |
| | 227,010 | 557,246 |
| | | |
| Deferred expense: | | |
| Federal | 3,471,657 | 3,397,732 |
| State | 367,526 | 126,841 |
| Change in valuation allowance | 340,906 | – |
| | 4,180,089 | 3,524,573 |
| Total income tax expense | $ 4,407,099 | 4,081,819 |

A reconciliation of the differences between the effective and statutory income tax rates for years ended September 30:

| | Year Ended September 30, 2018 | Year Ended September 30, 2017 |
|---|---|---|
| Federal statutory rates | $ 2,507,740 | $ 3,598,424 |
| State income taxes, net of federal benefit | 340,018 | 299,216 |
| Permanent differences | 67,579 | 71,908 |
| Impact of federal rate change from Tax Act | 3,037,057 | – |
| Bargain gain - purchase accounting | (1,455,598) | – |
| Property & equipment adjustment | (273,525) | – |
| Federal carryfoward attributes trued up | (170,731) | – |
| Change in valuation allowance | 340,906 | – |
| Other | 13,653 | 112,271 |
| Effective rate | $ 4,407,099 | $ 4,081,819 |

At September 30, deferred income tax assets and liabilities were comprised of:

| | Year Ended September 30, 2018 | Year Ended September 30, 2017 |
|---|---|---|
| Deferred income tax assets (liabilities): | | |
| Allowance for bad debts | $ 229,048 | $ 401,867 |
| Accrued expenses | 22,664 | 31,183 |
| Inventory | (8,381) | 772,656 |
| Accrued compensation | 33,670 | – |
| Net operating loss | 6,050,336 | 7,804,948 |
| Tax credits | 259,026 | 377,776 |
| Stock compensation | 2,252,254 | 2,982,009 |
| Intangibles | (1,387,115) | 13,126 |
| Property & equipment | (3,890,234) | (3,387,298) |
| Other | – | 3,743 |
| Less: Valuation allowance | (340,906) | – |
| Total deferred income tax asset | $ 3,220,362 | $ 9,000,010 |

The Company has federal and state net operating loss carryforwards of approximately $26.9 million and $3.7 million respectively as of September 30, 2018. The federal net operating loss amounts are subject to IRS code section 382 limitations and expire in 2030. State net operating loss amounts begin to expire in 2018. Federal and state tax credit carryforwards as of September 30, 2018 are $0.2 million and $0.1 million respectively. Due to the Tax Act, the federal tax credit carryforward is fully refundable in 2021 if not utilized before then. The 2015 through 2017 tax years are open to examination by the various federal and state jurisdictions.

The Company evaluates all available evidence to determine if a valuation allowance is needed to reduce its deferred tax assets. Management has concluded that it is more likely than not that a portion of its existing tax benefits will not be realized. Accordingly, the Company has recorded a valuation allowance of $0.3 million at September 30, 2018 to reduce its deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted. The legislation significantly revises the U.S. corporate income tax system by, among other things, lowering corporate income tax rates from 35% to 21%, introducing new limitations on interest expense, subjecting foreign earnings in excess of an allowable return to U.S. taxation, adopting a territorial tax regime and imposing a one-time transitional tax on deemed repatriated earnings of foreign subsidiaries.

As a result of the enactment of the Tax Act, the Company’s deferred tax assets and liabilities were revalued at the lower federal income tax rate. The Company recorded net deferred income tax expense during the year ended September 30, 2018 of approximately $3.0 million.

The Company annually conducts an analysis of its tax positions and has concluded that it has no uncertain tax positions as of September 30, 2018. The Company’s policy is to record uncertain tax positions as a component of income tax expense.

**Note 17: Segment Reporting**

The Company operates in three segments which are characterized as: (1) Manufacturing, (2) Retail and Online, and (3) Services. The Manufacturing Segment consists of Marquis Industries, the Retail and Online segment consists of Vintage Stock, ApplianceSmart, Modern Everyday and LiveDeal.com, and the Services segment consists of the directory services business.

The following tables summarize segment information for the years ended September 30, 2018 and 2017:

| | Year Ended September 30, 2018 | | Year Ended September 30, 2017 | |
|---|---|---|---|---|
| | Net Revenue | % of Total Revenue | Net Revenue | % of Total Total Revenue |
| *Retail and Online Revenue* | | | | |
| Used Movies, Music, Games and Other | $ 43,014,110 | 21.5% | $ 40,752,981 | 26.8% |
| New Movies, Music, Games and Other | 32,980,142 | 16.5% | 29,522,356 | 19.4% |
| Rentals, Concessions and Other | 1,188,897 | 0.6% | 1,116,308 | 0.7% |
| Kitchen and Home Products | – | 0.0% | 128,904 | 0.1% |
| Retail Appliance Boxed Sales | 22,221,833 | 11.1% | – | 0.0% |
| Retail Appliance UnBoxed Sales | 8,603,754 | 4.3% | – | 0.0% |
| Retail Appliance Delivery, Warranty and Other | 2,116,696 | 1.1% | – | 0.0% |
| *Manufacturing Revenue* | | | | |
| Carpets | 58,451,306 | 29.3% | 57,510,294 | 37.8% |
| Hard Surface Products | 24,229,497 | 12.1% | 16,211,404 | 10.7% |
| Synthetic Turf Products | 6,082,400 | 3.0% | 5,964,633 | 3.9% |
| *Services Revenue* | | | | |
| Directory Services | 744,706 | 0.4% | 854,052 | 0.6% |
| Total Revenue | $ 199,633,341 | 100.0% | $ 152,060,932 | 100.0% |

| | Year Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| **Revenues** | | |
| Retail and Online | $ 110,125,432 | $ 71,520,549 |
| Manufacturing | 88,763,203 | 79,686,331 |
| Services | 744,706 | 854,052 |
| | $ 199,633,341 | $ 152,060,932 |
| **Gross profit** | | |
| Retail and Online | $ 51,040,155 | $ 41,101,989 |
| Manufacturing | 22,450,272 | 20,653,006 |
| Services | 708,330 | 811,640 |
| | $ 74,198,757 | $ 62,566,635 |
| **Operating income** | | |
| Retail and Online | $ 1,338,696 | $ 8,875,855 |
| Manufacturing | 8,755,769 | 8,414,684 |
| Services | 705,784 | 808,838 |
| | $ 10,800,249 | $ 18,099,377 |
| **Depreciation and amortization** | | |
| Retail and Online | $ 2,880,144 | $ 2,074,574 |
| Manufacturing | 3,168,236 | 2,950,974 |
| Services | – | – |
| | $ 6,048,380 | $ 5,025,548 |
| **Interest expenses** | | |
| Retail and Online | $ 6,738,928 | $ 5,879,447 |
| Manufacturing | 1,904,410 | 1,717,538 |
| Services | – | – |
| | $ 8,643,338 | $ 7,596,985 |
| **Net income before provision for income taxes** | | |
| Retail and Online | $ 2,780,995 | $ 3,096,109 |
| Manufacturing | 6,843,039 | 6,678,652 |
| Services | 705,784 | 808,838 |
| | $ 10,329,818 | $ 10,583,599 |

**Note 18: Subsequent Events**

On December 21, 2018, Marquis entered into a Bill of Sale and Assignment and Assumption Agreement (the "Marquis Bill of Sale") with Viridian Industries, Inc. ("Viridian") pursuant to which Marquis sold to Viridian two turf extrusion lines in exchange for cash consideration of $4.75 million, plus the book value of the raw material operating and packing inventories associated with the turf extrusion lines, for a total purchase price of approximately $5.5 million, plus $0.10 per pound of nylon sold by Viridian during the 36 month period immediately following the closing, all on terms and conditions more fully described in the Marquis Bill of Sale. The foregoing description of the Marquis Bill of Sale does not purport to be complete and is qualified in its entirety by reference to the full text of the Marquis Bill of Sale, a copy of which is attached hereto as Exhibit 2.2 and is incorporated herein by reference.

**ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

On January 29, 2018, BDO USA, LLP ("BDO") informed the Company that it will not stand for re-election for the audit of the Company's consolidated financial statements for the year ended September 30, 2018. The audit report of BDO on the Company's financial statements for the fiscal year ended September 30, 2017, the only year for which BDO audited the Company's financial statements, contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. During the Company's most recent fiscal year ended September 30, 2017, the only year for which BDO audited the Company's financial statements, and for the subsequent interim period through January 29, 2018, the Company had no "disagreements" (as described in Item 304(a)(1)(iv) of Regulation S-K) with BDO on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of BDO, would have caused it to make reference in connection with its opinion to the subject matter of the disagreements. During the Company's most recent fiscal year ended September 30, 2017, the only year for which BDO audited the Company's financial statements, and for the subsequent interim period through January 29, 2018, there was no "reportable event" within the meaning of Item 304(a)(1)(v) of Regulation S-K, except for the material weaknesses reported in the Company's Annual Report on Form 10-K for the year ended September 30, 2017 related to the lack of (a) sufficient controls around the financial reporting process; (b) proper segregation of duties within the financial reporting process; (c) adequate controls surrounding management's review of the income tax provision process; (d) controls surrounding the assessment of certain cash flow and balance sheet classifications; and (e) sufficient controls around the process for business combinations.

On February 6, 2018, the Audit Committee of the Board of Directors of the Company approved the appointment of SingerLewak LLP as the Company's new independent registered public accounting firm, effective February 6, 2018. During the Company's two most recent fiscal years ended September 30, 2017 and 2016 and for the subsequent interim period through the date of filing this Current Report on Form 8-K neither the Company, nor anyone on behalf of the Company consulted with SingerLewak LLP regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, or (ii) any matter that was either the subject of a disagreement as described in Item 304(a)(1)(iv) of Regulation S-K or a reportable event within the meaning of Item 304(a)(1)(v) of Regulation S-K. On October 12, 2018, SingerLewak LLP informed the Company that it resigned as the Company's independent registered public accounting firm. SingerLewak did not audit nor provide an opinion on any of the Company's financial statements. During the Company's two most recent fiscal years ended September 30, 2018 and September 30, 2017, and for the subsequent interim period through October 12, 2018, the Company had no "disagreements" (as described in Item 304(a)(1)(iv) of Regulation S-K) with SingerLewak on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. SingerLewak did not audit or provide an opinion on the Company's financial statements during the Company's two most recent fiscal years or for the subsequent interim period through October 12, 2018. During the Company's two most recent fiscal years ended September 30, 2018 and September 30, 2017, and for the subsequent interim period through October 12, 2018, except as described below, there was no "reportable event" within the meaning of Item 304(a)(1)(v) of Regulation S-K. The Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017 (the "September 30, 2017 Form 10-K"), and the Company's Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2018, June 30, 2018, and September 30, 2018, described the following material weaknesses (which are "reportable events") relating to the lack of (a) sufficient controls around the financial reporting process; (b) proper segregation of duties within the financial reporting process; (c) adequate controls surrounding management's review of the income tax provision process; (d) controls surrounding the assessment of certain cash flow and balance sheet classifications; and (e) sufficient controls around the process for business combinations. As noted above, SingerLewak did not audit nor provide an opinion on the Company's financial statements contained in the September 30, 2017 Form 10-K.

On October 25, 2018, the Audit Committee of the Board of Directors of the Company approved the engagement of, and the Company engaged, WSRP, LLC as the Company's new independent registered public accounting firm, effective immediately. During the Company's two most recent fiscal years ended September 30, 2018 and 2017 and for the subsequent interim period through the date of filing this Current Report on Form 8-K, neither the Company, nor anyone on behalf of the Company consulted with WSRP, LLC regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, or (ii) any matter that was either the subject of a disagreement as described in Item 304(a)(1)(iv) of Regulation S-K or a reportable event within the meaning of Item 304(a)(1)(v) of Regulation S-K.

**ITEM 9A. Controls and Procedures**

Evaluation of Disclosure control and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2018, the period covered in this report, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2018. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") of 2013 regarding Internal Control – Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting was effective as of September 30, 2018.

The Company's management, including the Company's CEO and CFO, do not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following: judgements in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes, controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

**ITEM 9B. Other Information**

**Item 1.01. Entry into a Material Definitive Agreement.**

*Marquis*

On December 21, 2018, Marquis entered into a Bill of Sale and Assignment and Assumption Agreement (the "Marquis Bill of Sale") with Viridian Industries, Inc. ("Viridian") pursuant to which Marquis sold to Viridian two turf extrusion lines in exchange for cash consideration of $4.75 million, plus the book value of the raw material operating and packing inventories associated with the turf extrusion lines, for a total purchase price of approximately $5.5 million, plus $0.10 per pound of nylon sold by Viridian during the 36 month period immediately following the closing, all on terms and conditions more fully described in the Marquis Bill of Sale. The foregoing description of the Marquis Bill of Sale does not purport to be complete and is qualified in its entirety by reference to the full text of the Marquis Bill of Sale, a copy of which is attached hereto as Exhibit 2.2 and is incorporated herein by reference.

*ApplianceSmart*

As previously announced by the Company, on December 30, 2017, ASH entered into the Agreement with the Seller and ApplianceSmart, a subsidiary of the Seller. Pursuant to the Agreement, ASH purchased from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for the Purchase Price. ASH was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, ASH and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, ASH delivered to the Seller the ApplianceSmart Note in the Original Principal Amount, as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on the Maturity Date. The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining $2,580,506 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of September 30, 2018, there was $3,821,507 outstanding on the ApplianceSmart Note.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller.

## PART III

### ITEM 10. Directors, Executive Officers and Corporate Governance

The directors of the Company and their ages as of September 30, 2018, are as follows:

| Name | Age | Position |
|---|---|---|
| Jon Isaac | 35 | Chief Executive Officer, President and Director |
| Tony Isaac | 64 | Financial Planning and Strategist/Economist and Director |
| Richard D. Butler, Jr. | 69 | Director |
| Dennis (De) Gao | 38 | Director |
| Tyler Sickmeyer | 32 | Director |

Set forth below are the respective principal occupations or brief employment histories of each of our directors and executive officers and the periods during which each has served as a director of the Company, as well as for our named executive officers.

***Jon Isaac*.** Mr. Jon Isaac has served as a director of our Company since December 2011 and became our President and Chief Executive Officer in January 2012. He is the founder of Isaac Organization, a privately held investment company. At Isaac Organization, Mr. Isaac has closed a variety of multi-faceted real estate deals and has experience in aiding public companies to implement turnarounds and in raising capital. Mr. Isaac studied Economics and Finance at the University of Ottawa.

*Specific Qualifications*:

- Relevant educational background and business experience.
- Experience in aiding public companies to implement turnarounds and in raising capital.

***Tony Isaac*.** Mr. Tony Isaac has served as a director of our Company since December 2011 and began serving as the Company's Financial Planning and Strategist/Economist in July 2012. Mr. Isaac's specialty is negotiation and problem-solving of complex real estate and business transactions. Mr. Isaac graduated from University of Ottawa in 1981, where he majored in Commerce and Business Administration and Economics.

*Specific Qualifications*:

- Relevant educational background and business experience.
- Experience in negotiation and problem-solving of complex real estate and business transactions

***Richard D. Butler, Jr.*** Mr. Butler is Chairman of the Corporate Governance and Nominating Committee and has served as a director and member of the Audit Committee of our Company since August 2006 (including YP.com from 2006-2007). He is a veteran savings and loan and mortgage banking executive, co-founder and major shareholder of Aspen Healthcare, Inc. and Ref-Razzer Corporation, former Chief Executive Officer of Mt. Whitney Savings Bank, Chief Executive Officer of First Federal Mortgage Bank, Chief Executive Officer of Trafalgar Mortgage, and Executive Officer & Member of the President's Advisory Committee at State Savings & Loan Association (peak assets $14 billion) and American Savings & Loan Association (NYSE: FCA; peak assets $34 billion). Mr. Butler attended Bowling Green University in Ohio, San Joaquin Delta College in California and Southern Oregon State College.

*Specific Qualifications*:

- Relevant educational background and business experience.
- Extensive experience as Chief Executive Officer for several companies in the banking and finance industries.
- Experience as a public company director.
- Experience in workouts and restructurings, mergers, acquisitions, business development, and sales and marketing.
- Background and experience in finance required for service on Audit Committee.

***Dennis (De) Gao*****.** Mr. Gao has served as a director of our Company and as a member of the Audit Committee since January 2012. In July 2010, Mr. Gao co-founded and became the CFO at Oxstones Capital Management, a privately held company and a social and philanthropic enterprise, serving as an idea exchange for the global community. Prior to establishing Oxstones Capital Management, from June 2008 until July 2010, Mr. Gao was a product owner at Procter and Gamble for its consolidation system and was responsible for the Procter and Gamble's financial report consolidation process. From May 2007 to May 2008, Mr. Gao was a financial analyst at the Internal Revenue Service's CFO division. Mr. Gao has a dual major Bachelor of Science degree in Computer Science and Economics from University of Maryland, and an M.B.A. specializing in finance and accounting from Georgetown University's McDonough School of Business.

*Specific Qualifications*:

- Relevant educational background and business experience.
- Background and experience in finance required for service on Audit Committee.
- Experience having ultimate responsibility for the preparation and presentation of financial statements ("financial literacy" required by applicable NASDAQ rules for service as Audit Committee chairman).
- "Audit Committee Financial Expert" for purposes of SEC rules and regulations (required for service as Audit Committee chairman).

***Tyler Sickmeyer***. In August 2008, Mr. Sickmeyer founded and since that time has served as the CEO of Fidelitas Development, a full-service marketing firm that focuses on producing an improved return on investment rate for its clients. Mr. Sickmeyer has provided consulting services to a variety of companies, large and small alike, and specializes in creating efficiencies for developing brands. Mr. Sickmeyer studied business at Robert Morris University and Lincoln Christian University. Mr. Sickmeyer has been a director of the Company since August 2014.

*Specific Qualifications*:

- Over a decade of experience in marketing, including promotion and brand development through the use of social media marketing

**Executive Officers**

In addition to the information provided above regarding Jon Isaac, the following sets forth the Company's current executive officers as of September 30, 2018:

| Name | Age | Current Position and Offices |
|---|---|---|
| Tim Bailey | 71 | Former Chief Executive Officer of Marquis Industries, Inc. |
| Weston A. Godfrey, Jr. | 40 | Chief Executive Officer of Marquis Industries, Inc. |
| Rodney Spriggs | 52 | President and Chief Executive Officer of Vintage Stock, Inc. |
| Akram Mohamad | 33 | Chief Executive Officer of ApplianceSmart, Inc. |
| Virland A. Johnson | 58 | Chief Financial Officer of Live Ventures Incorporated |
| Michael J. Stein | 45 | Senior Vice President, General Counsel of Live Ventures Incorporated |

***Tim Bailey.*** Mr. Bailey was the Chief Executive Officer of Marquis Industries, Inc. until July 1, 2018. Mr. Bailey has 46 years of leadership experience in the floorcovering industry, including 23 years with Marquis Industries. Mr. Bailey holds a CPA license and spent the first 17 years of his career in a carpet industry-focused public accounting firm. In 1988, he left public accounting to become a shareholder and Executive VP / CFO of Grassmore, Inc., which manufactured grass carpet. Mr. Bailey installed the internal financial controls and helped Grassmore grow and oversaw its successful sale to Beaulieu of America in 1992. Mr. Bailey consulted with Beaulieu for two years before acquiring Marquis Industries in 1994. Marquis was small and struggling at the time of Mr. Bailey's acquisition. He was able to build a strong leadership team and turn the company into a top 10 residential carpet manufacturer in the US with a diversified product line of soft and hard surfaces for the residential and commercial markets.

***Weston A. Godfrey, Jr.*** Mr. Godfrey became Chief Executive Officer of Marquis Industries, Inc. on July 1, 2018 after re-joining the company as Executive Vice President on January 22, 2018. Mr. Godfrey served as Sales Operations Manager and Senior Sales Manager for Samsung Electronics America, Inc for three years prior to re-joining the company, where he was responsible for financial operations, forecasting and sales in the Home Appliance business. Prior to joining Samsung Electronics America, Inc, Mr. Godfrey spent five years serving as Vice President of Operations for Marquis Industries, Inc reporting directly to the Chief Executive Officer and responsible for credit, claims, customer service, sales operations, supply chain, and purchasing. Early on in his career, Mr. Godfrey worked for Dupont's nylon fibers business where he was certified as a Six Sigma Black Belt. Mr. Godfrey's experiences include process improvement, supply chain optimization, demand planning, forecasting, business operations, strategic selling and strategic purchasing. Mr. Godfrey holds a Bachelor of Business Administration in Marketing from the University of Georgia.

***Rodney Spriggs.*** Mr. Spriggs is President and CEO of Vintage Stock. Mr. Spriggs joined Vintage Stock as General Manager in January 1990 and has served as President of Vintage Stock since 2002 and President of Moving Trading Company since 2006. He received a Bachelor's degree in Business Administration and a minor in marketing from Missouri Southern State University. Mr. Spriggs gained experience in the specialty retail business by selling baseball and other sports cards in his own retail store to pay his way through college. In addition to corporate oversight, Mr. Spriggs is responsible for new market openings, the specialty retail site selection, lease negotiation and product acquisitions.

***Akram Mohamad.*** Mr. Mohamad became the President of ApplianceSmart, Inc. on February 14, 2018 and the Chief Executive Officer of ApplianceSmart, Inc. effective July 1, 2018. Mr. Mohamad joined ApplianceSmart, Inc. as a consultant on July 17, 2017. Mr. Mohamad served as a Director of Sales for Libre Tech in San Diego, California for two years prior to joining ApplianceSmart. During his time at Libre Tech, Mr. Mohamad implemented new sales systems, restructured and implemented sales processes, developed a new sales team, and created an affiliate training program. Prior to joining Libre Tech, Mr. Mohamad was a multi-unit Sales Director for T-Mobile for approximately four years. While at T-Mobile, Mr. Mohamad moved through the ranks, starting as a sales professional before being promoted to a director position. In the years prior to T-Mobile, Mr. Mohamad held various territory sales roles while attending Cal State University of San Marcos where he focused on a Bachelor of Science in Kinesiology with an emphasis in exercise physiology.

***Virland A. Johnson***. Mr. Johnson became our Chief Financial Officer on January 3, 2017. Mr. Johnson joined the Company in November 2016 as a consultant. Mr. Johnson was Sr. Director of Revenue for JDA Software for six years prior to joining the Company, where he was responsible for revenue recognition determination, sales and contract support while acting as a subject matter expert. Prior to joining JDA, Mr. Johnson provided leadership and strategic direction while serving in C-Level executive roles in public and privately held companies such as Cultural Experiences Abroad, Inc., Fender Musical Instruments Corp., Triumph Group, Inc., Unitech Industries, Inc. and Younger Brothers Group, Inc. Mr. Johnson's more than 25 years of experience is primarily in the areas of process improvement, complex debt financings, SEC and financial reporting, turn-arounds, corporate restructuring, global finance, merger and acquisitions and returning companies to profitability and enhancing shareholder value. Early on in his career, Mr. Johnson worked in public accounting while attending Arizona State University. Mr. Johnson holds a Bachelor's degree in Accountancy from Arizona State University.

***Michael J. Stein***. Mr. Stein became our Senior Vice President, General Counsel on October 2, 2017. Prior to joining the Company, Mr. Stein served as a corporate partner at the international law firm of DLA Piper LLP (US) where, from April 2016 and October 2017, and from April 2005 through June 2012, he advised public companies on corporate governance matters, debt and equity securities offerings (including several initial public offerings) and merger and acquisition transactions. Prior to rejoining DLA Piper in April 2016, Mr. Stein served as Associate Chief Counsel – Transactional at Caesars Entertainment Corporation (NASDAQ: CZR) and Senior Vice President, Deputy General Counsel at Everi Holdings Inc. (NYSE: EVRI). Mr. Stein holds a Juris Doctor from the University of Maryland and Bachelor's and Master's degrees in Accounting from the University of Florida.

**Family Relationships**

Jon Isaac, who is a director and serves as our President and Chief Executive Officer, is the son of Tony Isaac, who is also a director and serves as our Financial Planning and Strategist/Economist.

**Involvement in Certain Legal Proceedings**

To the best of our knowledge, there have been no events under any bankruptcy act, no criminal proceedings and no judgments, injunctions, orders or decrees material to the evaluation of the ability and integrity of any director, executive officer, promoter or control person of our Company during the past ten years.

**Board Independence**

Each year, the Board of Directors reviews the relationships that each director has with the Company and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable NASDAQ Listing Rules and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, are considered to be independent directors. The Board of Directors has reviewed a number of factors to evaluate the independence of each of its members. These factors include its members' current and historic relationships with the Company and its competitors, suppliers and customers; their relationships with management and other directors; the relationships their current and former employers have with the Company; and the relationships between the Company and other companies of which a member of the Company's Board of Directors is a director or executive officer.

After evaluating these factors, the Board of Directors has determined that a majority of the members of the Board of Directors, namely, Messrs. Butler, Gao and Sickmeyer do not have any relationships that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors and that each such director is an independent director of the Company within the meaning of NASDAQ Listing Rule 5605(a)(2) and the related rules of the SEC.

The Board of Directors held one meeting during the year ended September 30, 2018; and took action by unanimous written consent four times.

**Board Committees**

*Audit Committee*

The Board has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. Messrs. Gao (Chairman), Butler and Sickmeyer currently serve on our Audit Committee. Each member of the committee satisfies the independence standards specified in Rule 5605(a)(2) of the NASDAQ Listing Rules and the related rules of the SEC and has been determined by the Board to be "financially literate" with accounting or related financial management experience. The Board has also determined that Mr. Gao is an "audit committee financial expert" as defined under SEC rules and regulations and qualifies as a financially sophisticated audit committee member as required under Rule 5605(c)(2)(A) of the NASDAQ Listing Rules. There were five meetings of the Audit Committee during the year ended September 30, 2018.

*Compensation Committee*

The Compensation Committee assists the Board in discharging its responsibilities relating to compensation of the Company's directors and executives and oversees and advises the Board on the adoption of policies that govern the Company's compensation programs, including stock and benefit plans. The Compensation Committee currently consists of Messrs. Butler and Gao. The Compensation Committee did not meet during the year ended September 30, 2018 but took action one time by unanimous written consent.

*Governance and Nominating Committee*

The Governance and Nominating Committee identifies individuals who are qualified to become Board members, develops and recommends to the Board a set of governance principles applicable to the Company and oversees the evaluation of the Board and Company's management. The Governance and Nominating Committee currently consists of Mr. Butler. There Governance and Nominating Committee did not meet during the year ended September 30, 2018 but took action one time by unanimous written consent.

**Changes in Procedures for Director Nominations by Stockholders**

There have been no changes to the procedures by which stockholders' may recommend nominees to the Board.

**Code of Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees of our Company, including the Chief Executive Officer and other principal financial and operating officers of the Company. The Code of Business Conduct and Ethics is posted on our website at ir.live-ventures.com/governance-documents. If we make any amendment to, or grant any waivers of, a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller where such amendment or waiver is required to be disclosed under applicable SEC rules, we intend to disclose such amendment or waiver and the reasons therefor on Form 8-K or on our website.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, certain of our officers and persons who own at least 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC.

Based solely on our review of copies of such reports and written representations from our executive officers and directors, we believe that our executive officers and directors complied with all Section 16(a) filing requirements during the fiscal year ended September 30, 2018.

## ITEM 11. Executive Compensation

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

The purpose of this Compensation Discussion and Analysis ("CD&A") is to provide material information about the Company's compensation philosophy, objectives and other relevant policies and to explain and put into context the material elements of the disclosure that follows in this Form 10-K with respect to the compensation of our named executive officers (in this CD&A, referred to as the "NEOs"). For fiscal 2018, our NEOs were:

Jon Isaac, President and Chief Executive Officer
Timothy A. Bailey, Former Chief Executive Officer of Marquis
Rodney Spriggs, President and Chief Executive Officer of Vintage Stock
Michael J. Stein, Senior Vice President and General Counsel

### The Compensation Committee

The Compensation Committee reviews the performance and compensation of the Chief Executive Officer or other principal executive officer (currently, our President and Chief Executive Officer) and the Company's other executive officers. Additionally, the Compensation Committee reviews compensation of outside directors for service on the Board and for service on committees of the Board and administers the Company's stock plans.

### Role of Executives in Determining Executive Compensation

The Chief Executive Officer or other principal executive officer (currently, our President and Chief Executive Officer) provides input to the Compensation Committee regarding the performance of the other NEOs and offers recommendations regarding their compensation packages in light of such performance. The Compensation Committee is ultimately responsible, however, for determining the compensation of the NEOs, including the Chief Executive Officer or other principal executive officer.

### Compensation Philosophy and Objectives

The Compensation Committee and the Board believe that the Company's compensation programs for its executive officers should reflect the Company's performance and the value created for its stockholders. In addition, we believe the compensation programs should support the goals and values of the Company and should reward individual contributions to the Company's success. Specifically, the Company's executive compensation program is intended to:

- attract and retain the highest caliber executive officers;
- drive achievement of business strategies and goals;
- motivate performance in an entrepreneurial, incentive-driven culture;
- closely align the interests of executive officers with the interests of the Company's stockholders;
- promote and maintain high ethical standards and business practices; and
- reward results and the creation of stockholder value.

**Factors Considered in Determining Compensation; Components of Compensation**

The Compensation Committee makes executive compensation decisions on the basis of total compensation, rather than on individual components of compensation. The Compensation Committee attempts to create an integrated total compensation program structured to balance both short and long-term financial and strategic goals. Our compensation should be competitive enough to attract and retain highly skilled individuals. In this regard, we utilize a combination of between two to four of the following types of compensation to compensate our executive officers:

- base salary;
- performance bonuses, which may be earned annually depending on the Company's achievement of pre-established goals;
- cash bonuses given at the discretion of the Board; and
- equity compensation, consisting of restricted stock and/or stock options.

The Compensation Committee periodically reviews each executive officer's base salary and makes appropriate recommendations to the Board. Salaries are based on the following factors:

- the Company's performance for the prior fiscal years and subjective evaluation of each executive's contribution to that performance;
- the performance of the particular executive in relation to established goals or strategic plans; and
- competitive levels of compensation for executive positions based on information drawn from compensation surveys and other relevant information.

Performance bonuses and equity compensation are awarded based upon the recommendation of the Compensation Committee. Restricted stock is granted under the Company's stockholder-approved equity incentive plan(s) and is priced at 100% of the closing price of the Company's common stock on the date of grant. Incentive and/or non-qualified stock options are generally granted under the Company's stockholder-approved equity incentive plan(s), as well, with the exercise price of such options set at 100% of the closing price of the Company's common stock on the date of grant. These grants are made with a view to linking executives' compensation to the long-term financial success of the Company.

**Use of Benchmarking and Compensation Peer Groups**

The Compensation Committee did not utilize any benchmarking measure in fiscal 2018 and traditionally has not tied compensation directly to a specific profitability measurement, market value of the Company's common stock or benchmark related to any established peer or industry group. Salary increases are based on the terms of the NEOs' employment agreements, if applicable, and correlated with the Board's and the Compensation Committee's assessment of each NEO's performance. The Company also generally seeks to increase or decrease compensation, as appropriate, based upon changes in an executive officer's functional responsibilities within the Company. Historically, the Compensation Committee has not used outside consultants in determining the compensation of the NEOs, and no such consultants were engaged during fiscal 2018.

**Other Compensation Policies and Considerations; Tax Issues and Risk Management**

The intention of the Company has been to compensate the NEOs in a manner that maximizes the Company's ability to deduct such compensation expenses for federal income tax purposes. However, the Compensation Committee has the discretion to provide compensation that is not "performance-based" under Section 162(m) of the Code it determines that such compensation is in the best interests of the Company and its stockholders. For fiscal 2018, the Company expects to deduct all compensation expenses paid to the NEOs.

On an annual basis, the Compensation Committee evaluates the Company's compensation policies and practices for its employees, including the NEOs, to assess whether such policies and practices create risks that are reasonably likely to have a material adverse effect on the Company. Based on its evaluation, the Compensation Committee has determined that the Company's compensation policies and practices do not create such risks.

**SUMMARY COMPENSATION TABLE**

| Name and principal Position | Year | Salary | Bonus | Stock Awards | Option Awards (1) | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|
| Jon Isaac | **2018** | $ 200,000 | $ 0 | $ 0 | $ 0 | $ 54,000 (2) | $ 254,000 |
| *President and CEO* | **2017** | $ 200,000 | $ 0 | $ 0 | $ 0 | $ 54,000 (2) | $ 254,000 |
| Timothy A. Bailey (3) | **2018** | $ 242,500 | $ 603,500 | $ 0 | $ 0 | $ 13,080 (4) | $ 859,080 |
| *Former Chief Executive Officer of Marquis Industries, Inc.* | **2017** | $ 225,000 | $ 245,000 | $ 0 | $ 0 | $ 12,000 (4) | $ 482,000 |
| Rodney Spriggs | **2018** | $ 270,000 | $ 0 | $ 0 | $ 46,745 | $ 0 | $ 316,745 |
| *President and Chief Executive Officer of Vintage Stock, Inc.* | **2017** | $ 249,039 | $ 0 | $ 0 | $ 54,780 | $ 0 | $ 303,819 |
| Michael J. Stein (5) | **2018** | $ 298,077 | $ 0 | $ 0 | $ 50,701 | $ 3,711 (6) | $ 352,489 |
| *Senior Vice President and General Counsel* | **2017** | $ – | $ – | $ – | $ – | $ 20,706 (6) | $ 20,706 |

(1) The amounts reflect the dollar amount recognized for financial statement reporting purposes in accordance with ASC 718. These amounts reflect Live Venture's accounting expense for these awards, and do not correspond to the actual value that may be recognized by the NEOs. Please refer to Note 13, Stock-Based Compensation, in our consolidated financial statements included elsewhere in this Form 10-K for a discussion of the assumptions related to the calculation of such value.

(2) "All Other Compensation" for Mr. Isaac includes $54,000 for each of 2018 and 2017, which was accrued by us for the reasonable housing allowance to which Mr. Isaac is entitled under his employment agreement.

(3) Mr. Bailey ceased being the Chief Executive Officer of Marquis Industries, Inc. effective July 1, 2018.

(4) "All Other Compensation" for Mr. Bailey includes $13,080 for 2018 for the car allowance health club membership, and $12,000 for 2017 for the car allowance, all of which Mr. Bailey is entitled to under this employment agreement.

(5) Mr. Stein's employment with the Company commenced on October 2, 2017

(6) "All Other Compensation" for Mr. Stein includes $20,706 for moving expense reimbursement for 2017 and $3,711 for work performed as an independent contractor prior to the commencement of his employment in 2018.

**EMPLOYMENT AGREEMENTS**

The Company entered into an employment agreement with Jon Isaac, its President and Chief Executive Officer, effective January 1, 2013, as amended on January 16, 2018. The agreement will expire on December 30, 2020. Mr. Isaac is entitled to a base annual salary in an amount of $200,000, payable in periodic installments in accordance with the Company's regular payroll practices and subject to all applicable withholdings, including taxes. Mr. Isaac is eligible to receive an annual performance bonus at the sole discretion of the Compensation Committee of the Board or the entire Board. Mr. Isaac is entitled to reimbursement for all reasonable business expenses incurred by him in connection with his employment and the performance of his duties as President and Chief Executive Officer, including a reasonable housing expense, not to exceed $7,000 per month. Mr. Isaac is eligible to participate fully in all health and benefit plans available to senior officers of the Company generally, as the same may be amended from time to time by the Board. Mr. Isaac's employment terminates upon the first to occur of the following dates: (i) date of Mr. Isaac's death; (ii) the date on which Mr. Isaac has experienced a Disability (as defined in his employment agreement), and we give Mr. Isaac notice of termination on account of Disability; (iii) the date on which Mr. Isaac has engaged in conduct that constitutes Cause (as defined in Mr. Isaac's employment agreement), and we give Mr. Isaac notice of termination for Cause; (iv) the date on which Mr. Isaac voluntarily terminates his relationship with us; or (v) the date on which we give Mr. Isaac notice of termination for any reason other than the reasons set forth in clauses (i) through (iv) above. Upon termination of Mr. Isaac's employment, we will have no further obligation to Mr. Isaac except that Mr. Isaac will be entitled to payment of any earned but unpaid salary through the date of termination and any unearned bonus in accordance with the terms of the employment agreement.

Marquis Industries, Inc., one of our subsidiaries, entered into an employment agreement with Timothy A. Bailey to employ him as its chief executive officer, effective as of July 6, 2015, and amended on January 16, 2018. The agreement will expire on December 31, 2018. From July 6, 2018 through December 31, 2018 (the "Extended Term"). Mr. Bailey will serve as an advisor to Marquis' board of directors on an as-needed basis. Mr. Bailey is entitled to a base annual salary in an amount of $165,000, which was subsequently increased to $225,000, payable in periodic installments in accordance with Marquis's customary payroll practices, and Marquis's fringe benefits package. During the Extended Term, Mr. Bailey will be paid an aggregate of $150,000. Mr. Bailey is also entitled to receive a car allowance of $1,000 per month. Mr. Bailey is also eligible to participate in the Marquis Bonus Compensation Program, whereby cash bonuses are paid after the end of the fiscal year based on the attainment of certain actual EBITDA ranges of Marquis during the fiscal year. Except during the Extended Term, and as set forth in the employment agreement, as amended, Marquis may terminate Mr. Bailey for "cause" (as defined in Mr. Bailey's employment agreement), or, in the event Mr. Bailey becomes permanently disabled or is prevented by injury or sickness from attention to his duties for six consecutive weeks or more, without "cause." Mr. Baily may terminate his employment for "good reason" (as defined in Mr. Bailey's employment agreement). Except during the Extended Term, and as set forth in the employment agreement, as amended, if Mr. Bailey terminates his employment for a good reason, Mr. Bailey will continue to receive his unpaid annual salary and fringe benefits package and be eligible to participate in the cash bonus incentive program for the remainder of the employment term. Mr. Bailey's employment agreement also contains customary confidentiality, non-competition and non-disparagement provisions.

Vintage Stock, Inc., one of our subsidiaries, entered into an employment agreement with Rodney Spriggs to employ him as its President and Chief Executive Officer, effective November 3, 2016. The agreement will expire on November 3, 2021, provided that, on such date and each anniversary thereafter, the agreement is deemed to be automatically extended for successive periods of one year unless at least 90 days prior to the applicable anniversary, either Vintage Stock or Mr. Spriggs provides written notice of its intention not to extend the term of the agreement. Mr. Spriggs is entitled to a base annual salary in an amount of $270,000, payable in periodic installments in accordance with Vintage Stock's customary payroll practices. For each complete fiscal year during the term, Mr. Spriggs is entitled to a bonus based upon the achievement of annual Vintage Stock performance goals established by the board of directors of Vintage Stock's parent company. Mr. Spriggs is entitled to fringe benefits and perquisites consistent with the practices of Vintage Stock. If Mr. Spriggs is terminated by Vintage Stock without "cause" (as defined in Mr. Spriggs' employment agreement) or Mr. Spriggs terminates his employment for "good reason" (as defined in his employment agreement), then Mr. Spriggs is entitled to, among other things, his base salary for a period of one year following the date of termination, payable in equal installments in accordance with Vintage Stock's normal payroll practices and a pro-rata portion of his annual bonus in the fiscal year during which Mr. Spriggs was terminated. Mr. Spriggs' employment agreement also contains customary confidentiality, non-competition and non-disparagement provisions.

The Company entered into an employment agreement with Michael J. Stein, its Senior Vice President, General Counsel, dated September 5, 2017. Mr. Stein's employment commenced on October 2, 2017 and continues until his employment is terminated in accordance with the terms his employment agreement. Mr. Stein is entitled to a base annual salary in an amount of $310,000, payable in periodic installments in accordance with the Company's regular payroll practices and subject to all applicable withholdings, including taxes. Mr. Stein is eligible to participate fully in all benefit programs or plans sponsored by the Company, as the same may be amended from time to time. Mr. Stein's employment terminates upon the first to occur of the following dates: (i) date of Mr. Stein's death; (ii) the date on which Mr. Stein has experienced a Disability (as defined in his employment agreement); (iii) the date on which Mr. Stein has engaged in conduct that constitutes Cause (as defined in Mr. Stein's employment agreement); (iv) the date on which we terminate Mr. Stein's employment for any reason other than Cause, provided that we give Mr. Stein 60 days written notice of such termination, (v) the date on which Mr. Stein voluntarily terminates his relationship with us, provided that Mr. Stein is required to give 30 days' advance written notice; or (vi) the date on which we give Mr. Stein notice of termination for any reason other than the reasons set forth in clauses (i) through (iv) above. Upon termination of Mr. Stein's employment, we will have no further obligation to Mr. Stein except that if we terminate Mr. Stein without cause or as a result of a Disability, Mr. Stein will continue to receive his unpaid annual salary for a period of three months following such termination, and, until the earlier of six months following Mr. Stein's date of termination and the date Mr. Stein is eligible to receive substantially similar coverage and benefits from a new employer, an amount equal to the difference between the COBRA continuation coverage premiums and the amount of premiums paid by similarly situated active employees of the Company under the Company's health insurance plans in which Mr. Stein and, if applicable, his family, were participating immediately prior to the termination date. Upon Mr. Stein's death, the Company will pay Mr. Stein's estate unpaid annual salary as lawfully required, and for a period of 12 months following his death, an amount equal to the difference between the COBRA continuation coverage premiums and the amount of premiums paid by similarly situated active employees of the Company under the Company's health insurance plans in which Mr. Stein and, if applicable, his family, were participating immediately prior to the termination date.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table summarizes all stock options held by the NEOs as of the end of fiscal 2018.

| Name | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price ($) | Option Expiration Date |
|---|---|---|---|
| Jon Isaac | 25,000 (1) | $4.98 | 1/15/2019 |
| | 25,000 (1) | $7.50 | 1/15/2020 |
| | 25,000 (1) | $10.02 | 1/15/2021 |
| Timothy A. Bailey | – | $ – | – |
| Rodney Spriggs | 4,167 (2) | $10.86 | 11/03/2021 |
| | 4,167 (2) | $10.86 | 11/03/2021 |
| | 4,167 (2) | $10.86 | 11/03/2021 |
| | 4,167 (2) | $10.86 | 11/03/2021 |
| Michael J. Stein | 4,000 (3) | $23.41 | 9/5/2027 |
| | 4,000 (3) | $27.60 | 9/5/2027 |
| | 4,000 (3) | $31.74 | 9/5/2027 |
| | 4,000 (3) | $36.50 | 9/5/2027 |
| | 4,000 (3) | $41.98 | 9/5/2027 |

(1) 25,000 shares ($4.98 per share exercise price) vested on January 15, 2014. 25,000 shares ($7.50 per share exercise price) vested in 12 equal monthly installments beginning January 15, 2015. 25,000 shares ($10.02 per share exercise price) vested in 12 equal monthly installments beginning January 15, 2016.

(2) 16,668 shares, of which 4,167 vested on November 3, 2017 and the remaining 12,501 vest evenly on a monthly basis over the next three years subject to Mr. Spriggs continued service as an employee of Vintage Stock.

(3) 4,000 shares vested on September 5, 2018. 4,000 shares vest on September 5, 2019. 4,000 shares vest on September 5, 2020. 4,000 shares vest on September 5, 2021. 4,000 shares vest on September 5, 2022.

## DIRECTOR COMPENSATION

The following table summarizes compensation paid to each of our directors who served in such capacity during fiscal 2018. We have omitted from this table the columns for Stock Awards, Options Awards, Non-Equity Incentive Plan Compensation, and Nonqualified Deferred Compensation Earnings, as no amounts are required to be reported in any of those columns for any director during fiscal 2018.

None of our directors received separate compensation for attending meetings of our board of directors or any committees thereof. Our President and CEO, Jon Isaac, is the only director who is also an employee of Live Ventures. Jon Isaac is not entitled to separate compensation for his service on our board of directors.

| Name | Fees Earned or Paid in Cash ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|
| Jon Isaac (1) | – | – | – |
| Richard D. Butler, Jr. (2) | 30,000 | – | 30,000 |
| Dennis Gao (3) | 30,000 | – | 30,000 |
| Tony Isaac (4) | 30,000 | – | 30,000 |
| Tyler Sickmeyer (5) | 18,000 | – | 18,000 |

(1) Mr. Jon Isaac is not entitled to receive compensation for his service on our Board of Directors.

(2) Mr. Butler receives $2,500 monthly, or $30,000 annually in cash compensation for his services as a director.

(3) Mr. Gao receives $2,500 monthly, or $30,000 annually in cash compensation for his services as a director.

(4) Mr. Tony Isaac receives $2,500 monthly, or $30,000 annually in cash compensation for his services as a director.

(5) Mr. Sickmeyer receives $1,500 monthly, or $18,000 annually in cash compensation for his services as a director.

## EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes securities available for issuance under Live Venture's equity compensation plans as of September 30, 2018:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders (1) | – | – | – |
| Equity compensation plans approved by security holders (2) | 231,668 | $ 14.84 | 238,332 |
| Equity compensation plans not approved by security holders | – | – | – |
| Total | 231,668 | $ 14.84 | 238,332 |

(1) Comprised of the LiveDeal, Inc. Amended and Restated 2003 Stock Plan

(2) Comprised of the 2014 Omnibus Equity Incentive Plan

**Live Ventures Incorporated Amended and Restated 2003 Stock Plan**

During the fiscal year ended September 30, 2002, our stockholders approved the 2002 Employees, Officers & Directors Stock Option Plan (the "2002 Plan"), which was intended to replace our 1998 Stock Option Plan (the "1998 Plan"). The 2002 Plan was never implemented, however, and no options, shares or any other securities were issued or granted under the 2002 Plan. There were 90,000 shares of our common stock authorized for issuance under the 2002 Plan. On June 30, 2003 and July 21, 2003, respectively, the Board and a majority of our stockholders terminated both the 1998 Plan and the 2002 Plan and approved our 2003 Stock Plan. The 15,000 shares of common stock previously allocated to the 2002 Plan were re-allocated to the 2003 Stock Plan.

In April 2004, our stockholders and the Board approved an amendment to the 2003 Stock Plan to increase the aggregate number of shares available thereunder by 10,000 shares in order to have an adequate number of shares available for future grants. At our 2007 Annual Meeting, our stockholders approved an amendment that increased the aggregate number of shares available for issuance under the 2003 Stock Plan to 40,000 shares. At our 2008 Annual Meeting, our stockholders rejected an amendment that would have increased the number of shares available for issuance from 40,000 shares to 55,000 shares. At our 2009 Annual Meeting, our stockholders approved an amendment that increased the aggregate number of shares available for issuance under the 2003 Stock Plan by 30,000 shares, to 70,000 shares in the aggregate. At our 2012 Annual Meeting, our stockholders approved an amendment that increased the aggregate number of shares available for issuance under the 2003 Stock Plan by 100,000 shares, to 170,000 shares in the aggregate.

**2014 Omnibus Equity Incentive Plan**

On January 7, 2014, our Board of Directors adopted the 2014 Omnibus Equity Incentive Plan (the "2014 Plan"), which authorizes the issuance of distribution equivalent rights, incentive stock options, non-qualified stock options, performance stock, performance units, restricted ordinary shares, restricted stock units, stock appreciation rights, tandem stock appreciation rights and unrestricted ordinary shares to our officers, employees, directors, consultants and advisors. The Company has reserved up to 300,000 shares of common stock for issuance under the 2014 Plan.

## ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of our common stock as of September 30, 2018 of (i) each executive officer and each director of our Company; (ii) all executive officers and directors of our Company as a group; and (iii) each person known to the Company to be the beneficial owner of more than 5% of our common stock. We deem shares of our common stock that may be acquired by an individual or group within 60 days of September 30, 2018, pursuant to the exercise of options or warrants or conversion of convertible securities, to be outstanding for the purpose of computing the percentage ownership of such individual or group, but these shares are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group shown in the table. Percentage of ownership is based on 3,797,251 shares of common stock outstanding on December 15, 2018. The information as to beneficial ownership was either (i) furnished to us by or on behalf of the persons named or (ii) determined based on a review of the beneficial owners' Schedules 13D and Section 16 filings with respect to our common stock. Unless otherwise indicated, the business address of each person listed is 325 East Warm Springs Road, Suite 102, Las Vegas, Nevada 89119.

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percentage of Class |
|---|---|---|
| **Executive Officers and Directors:** | | |
| Jon Isaac (1) | 1,581,536 | 41.6% |
| Timothy A. Bailey | – | – |
| Michael J. Stein (2) | 4,000 | * |
| Rodney Spriggs (3) | 7,639 | * |
| Tony Isaac | 125,000 | 3.3% |
| Richard D. Butler, Jr. | 15,478 | * |
| Dennis Gao | 12,671 | * |
| Tyler Sickmeyer | – | – |
| All Executive Officers and Directors as a group (11 persons) | 1,746,324 | 46.1% |
| | | |
| **Other 5% Stockholders:** | | |
| Isaac Capital Group, LLC (4)<br>3525 Del Mar Heights Rd. Suite 765<br>San Diego, California 92130 | 1,381,905 | 36.4% |

*Represents less than 1% of our issued and outstanding common stock.

(1) Includes 158,356 shares of Series B Convertible Preferred Stock ("Series B Preferred Stock") that are convertible into 791,759 shares of common stock owned by Isaac Capital Group, LLC ("ICG"), of which Jon Isaac is the President and sole member and according has sole voting and dispositive power with respect to such shares. Also includes warrants to purchase 118,029 shares of Series B Preferred Stock which are convertible in 590,146 additional shares of common stock at exercise prices ranging from $3.30 to $5.71 per share held by ICG. Jon Isaac owns 115,632 shares of common stock. Finally, Mr. Isaac holds options to purchase up to 75,000 shares of common stock at exercise prices ranging from $4.98 to $10.02 per share, all of which are currently exercisable.

(2) Includes options to purchase 4,000 shares of common stock at an exercise price of $23.41 per share.

(3) Includes options to purchase 7,639 shares of common stock at an exercise price of $10.86 per share.

(4) Includes 158,356 shares of Series B Preferred Stock that are convertible into 791,759 shares of common stock owned by ICG. Also includes warrants to purchase 118,029 shares of Series B Preferred Stock which are convertible into 590,146 additional shares of common stock at exercise prices ranging from $3.30 to $5.71 per share held by ICG.

## ITEM 13. Certain Relationships and Related Transactions, and Director Independence

### Mezzanine Loan from Isaac Capital Fund

In connection with the purchase of Marquis Industries Inc., the Company entered into a mezzanine loan in an amount of up to $7,000,000 provided by Isaac Capital Fund, a private lender whose managing member is Jon Isaac, the chief executive officer of the Company.

The Isaac Capital Fund mezzanine loan bears interest at 12.5% with payment obligations of interest each month and all principal due in January 2021 (six months after the final payments are due under the Bank of America Term and Revolving Loan). As of September 30, 2018, there was $2,000,000 outstanding on this mezzanine loan.

### ICG Note and Warrants

On January 16, 2018, we entered into an amendment to warrants with Isaac Capital Group, LLC which amends the expiration date of certain warrants issued to Isaac Capital Group, LLC to provide that if the specified warrant remains unexercised on the expiration date, then the expiration date shall be automatically extended for a period of two years from such date.

### Customer Connexx

Customer Connexx LLC, a wholly owned subsidiary of Appliance Recycling Centers of America, Inc., sub-leases call center space from Live Ventures Incorporated in Las Vegas, Nevada. Total amount of sub-lease rent and common area charges was $173,010 for fiscal year ended September 30, 2018.

### Acquisition of ApplianceSmart

As previously announced by the Company, on December 30, 2017, ASH entered into the Agreement with the Seller and ApplianceSmart, a subsidiary of the Seller. Pursuant to the Agreement, ASH purchased from the Seller all of the issued and outstanding shares of capital stock of ApplianceSmart in exchange for the Purchase Price. ASH was required to deliver the Purchase Price, and a portion of the Purchase Price was delivered, to the Seller prior to March 31, 2018. Between March 31, 2018 and April 24, 2018, ASH and the Seller negotiated in good faith the method of payment of the remaining outstanding balance of the Purchase Price.

On April 25, 2018, ASH delivered to the Seller the ApplianceSmart Note in the Original Principal Amount, as such amount may be adjusted per the terms of the ApplianceSmart Note. The ApplianceSmart Note is effective as of April 1, 2018 and matures on the Maturity Date. The ApplianceSmart Note bears interest at 5% per annum with interest payable monthly in arrears. Ten percent of the outstanding principal amount will be repaid annually on a quarterly basis, with the accrued and unpaid principal due on the Maturity Date. ApplianceSmart has agreed to guaranty repayment of the ApplianceSmart Note. The remaining $2,580,506 of the Purchase Price was paid in cash by ASH to the Seller. ASH may reborrow funds, and pay interest on such re-borrowings, from the Seller up to the Original Principal Amount. As of September 30, 2018, there was $3,821,507 outstanding on the ApplianceSmart Note.

On December 26, 2018, ASH and the Seller amended and restated the ApplianceSmart Note to, among other things, grant the Seller a security interest in the assets of ASH and ApplianceSmart in accordance with the terms of separate security agreements entered into between ASH and ApplianceSmart, respectively, and the Seller.

### Procedures for Approval of Related Party Transactions

In accordance with its charter, the Audit Committee reviews and recommends for approval all related party transactions (as such term is defined for purposes of Item 404 of Regulation S-K). The Audit Committee participated in the approval of the transactions described above.

**ITEM 14. Principal Accounting Fees and Services**

Each year, the Audit Committee approves the annual audit engagement in advance. The Audit Committee also has established procedures to pre-approve all non-audit services provided by the Company's independent registered public accounting firm. All fiscal 2018 and 2017 non-audit services listed below were pre-approved.

*Audit Fees*: This category includes the audit of our annual financial statements and review of financial statements included in our annual and periodic reports that are filed with the SEC. This category also includes services performed for the preparation of responses to SEC and NASDAQ correspondence, travel expenses for our auditors, on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements, and the preparation of an annual "management letter" on internal control and other matters.

*Tax Fees*: This category consists of professional services rendered by our independent auditors for tax compliance.

We paid the following fees to our independent registered public accounting firm, WSRP, LLC and SingerLewak LLP for work performed in fiscal 2018, and BDO LLP for work performed in in fiscal 2017, and other tax service providers in fiscal 2018 and 2017:

| | 2018 (1) | 2017 |
|---|---|---|
| Audit Fees | $ 308,440 | $ 434,500 |
| Audit-Related Fees | 97,831 | – |
| Tax Fees | 102,177 | 25,950 |
| All Other Fees | 273,310 | – |
| Total | $ 781,757 | $ 460,450 |

(1) SingerLewak LLP reviewed the Company's quarterly financial statements for each of the first three fiscal quarters during fiscal 2018. See Item 9, Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

## PART IV

### ITEM 15. Exhibits and Financial Statement Schedules

The following exhibits are filed with or incorporated by reference into this Annual Report.

| Exhibit Number | Exhibit Description | Form | File Number | Exhibit Number | Filing Date |
|---|---|---|---|---|---|
| 2.1 | Stock Purchase Agreement dated December 30, 2017 among Appliancesmart Holdings LLC, ApplianceSmart, Inc., and Appliance Recycling Centers of America, Inc. | 10-Q | 001-33937 | 10.1 | 02/14/18 |
| 2.2* | Bill of Sale and Assignment and Assumption Agreement dated December 21, 2018 by and between Viridian Fibers, LLC and Marquis Industries, Inc. | | | | |
| 3.1 | Amended and Restated Articles of Incorporation | 8-K | 000-24217 | 3.1 | 08/15/07 |
| 3.2 | Certificate of Change | 8-K | 001-33937 | 3.1 | 09/7/10 |
| 3.3 | Certificate of Correction | 8-K | 001-33937 | 3.1 | 03/11/13 |
| 3.4 | Certificate of Change | 10-Q | 001-33937 | 3.1 | 02/14/14 |
| 3.5 | Articles of Merger | 8-K | 001-33937 | 3.1.4 | 10/8/15 |
| 3.6 | Certificate of Change | 8-K | 001-33937 | 3.1.5 | 11/25/16 |
| 3.7 | Certificate of Designation for Series B Convertible Preferred Stock filed with Secretary of State for the State of Nevada on December 23, 2016, and effective as of December 27, 2016 | 10-K | 001-33937 | 3.1.6 | 12/29/16 |
| 3.8 | Bylaws | 10-Q | 001-33937 | 3.8 | 08/14/2018 |
| 4.1 | Waiver Agreement dated September 6, 2017 | 10-K | 001-33937 | 4.1 | 01/18/2018 |
| 10.1 | Note and Warrant Purchase Agreement, dated April 3, 2012 (the "Note and Warrant Purchase Agreement"), by and between the Registrant and Isaac Capital Group LLC | 10-Q | 001-33937 | 10.1 | 05/15/12 |
| 10.2 | Senior Subordinated Convertible Note (under Note and Warrant Purchase Agreement) | 10-Q | 001-33937 | 10.2 | 05/15/12 |
| 10.3 | Subordinated Guaranty (under Note Purchase and Warrant Agreement) | 10-Q | 001-33937 | 10.3 | 05/15/12 |

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|---|---|---|---|---|---|
| 10.4 | Form of Warrant (under Note and Warrant Purchase Agreement) | 10-Q | 001-33937 | 10.4 | 05/15/12 |
| 10.5 | First Amendment to Note Purchase Agreement, made and entered into as of April 3, 2012, by and between the Registrant and Isaac Capital Group LLC | 10-K | 001-33937 | 10.12.1 | 01/15/13 |
| 10.6 | Warrant Amendment dated as of December , 2014 | 10-K | 001-33937 | 10.9 | 01/18/2018 |
| 10.7 | Warrant Amendment dated as of December 27, 2016 | 10-K | 001-33937 | 10.10 | 01/18/2018 |
| 10.8 | Amendment to Warrants dated as of January 16, 2018 | 10-K | 001-33937 | 10.11 | 01/18/2018 |
| 10.9 | Convertible Note Purchase Agreement, dated as of January 7, 2014, by and between the Registrant and Kingston Diversified Holdings LLC (the "2014 Note Purchase Agreement") | 10-K | 001-33937 | 10.7 | 12/29/16 |
| 10.10 | Form of Convertible Note (under 2014 Note Purchase Agreement) | 10-K | 001-33937 | 10.11 | 01/10/14 |
| 10.11 | Form of Warrant (under 2014 Note Purchase Agreement) | 10-K | 001-33937 | 10.12 | 01/10/14 |
| 10.12 | Amendment No. 1 to Convertible Note Purchase Agreement, dated as of October 29, 2014, by and between the Registrant and Kingston Diversified Holdings LLC | 10-K | 001-33937 | 10.7a | 12/29/16 |
| 10.13 | Amendment No. 2 to Convertible Note Purchase Agreement, dated as of December 21, 2016, by and between the Registrant and Kingston Diversified Holdings LLC | 10-K | 001-33937 | 10.7b | 12/29/16 |
| 10.14 | Share Exchange Agreement between Isaac Capital Group, LLC and Live Ventures Incorporated, dated December 27, 2016 | 10-Q | 001-33937 | 10.1 | 02/09/17 |
| 10.15 | Purchase Agreement, dated as of July 6, 2015 by and among the Registrant, Marquis Affiliated Holdings LLC, Marquis Industries, Inc. and the stockholders of Marquis Industries, Inc. | 10-K | 001-33937 | 10.15 | 01/13/16 |
| 10.16 | Loan and Security Agreement, dated as of July 6, 2015 by and among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., A-O Industries, LLC, Astro Carpet Mills, LLC, Constellation Industries, LLC and S F Commercial Properties, LLC, as Borrowers, and Bank of America, N.A. as Lender. | 10-K | 001-33937 | 10.16 | 01/13/16 |

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| 10.17 | Subordinated Loan and Security Agreement, dated as of July 6, 2015 by and among Marquis Affiliated Holdings, LLC, Marquis Industries, Inc., A-O Industries, LLC, Astro Carpet Mills, LLC, Constellation Industries, LLC and SF Commercial Properties, LLC as Borrowers and Isaac Capital Fund I, LLC as Lender | 10-K | 001-33937 | 10.17 | 01/13/16 |
| 10.18 | Lease Agreement, effective July 6, 2015, by and between 716 River Street Partners LLC, as lessor and Constellation Industries, LLC as lessee | 10-K | 001-33937 | 10.18 | 01/13/16 |
| 10.19 | Agreement, effective November 30, 2015 by and among the Registrant, Marquis Affiliated Holdings LLC, Marquis Industries, Inc. and the stockholders of Marquis Industries, Inc. | 10-Q | 001-33937 | 10.1 | 02/16/16 |
| 10.20 | Promissory Note dated June 14, 2016, by Marquis Real Estate Holdings, LLC in favor of STORE Capital Acquisitions LLC | 10-Q | 001-33937 | 10.1 | 08/15/16 |
| 10.21 | Mortgage Loan Agreement dated June 14, 2016 by and between STORE Capital Acquisitions LLC and Marquis Real Estate Holdings, LLC | 10-Q | 001-33937 | 10.2 | 08/15/16 |
| 10.22 | Master Lease Agreement dated June 14, 2016 by and between STORE Capital Acquisitions LLC and Marquis Real Estate Holdings, LLC | 10-Q | 001-33937 | 10.3 | 08/15/16 |
| 10.23 | Purchase and Sale Agreement dated June 14, 2016 by and between STORE Capital Acquisitions LLC and Marquis Real Estate Holdings, LLC | 10-Q | 001-33937 | 10.4 | 08/15/16 |
| 10.24 | Equipment Security Note between Banc of America Leasing & Capital, LLC and Marquis Industries, Inc. | 10-Q | 001-33937 | 10.2 | 02/09/17 |
| 10.25 | Fifth Amendment to Loan and Security Agreement between Banc of America Leasing & Capital, LLC and Marquis Industries, Inc. dated February 28, 2017 | 10-Q | 001-33937 | 10.1 | 05/11/17 |
| 10.26 | Consent and Sixth Amendment to Loan and Security Agreement dated June 5, 2018 among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., Bank of America, N.A., and the other parties thereto | 10-Q | 001-33937 | 10.7 | 08/14/2018 |
| 10.27* | Consent to Turf Business Sale dated December 19, 2018 among Bank of America, N.A., Marquis Affiliated Holdings LLC, and Marquis Industries, Inc. | | | | |
| 10.28* | Seventh Amendment to Loan and Security Agreement dated December 24, 2018 among Marquis Affiliated Holdings LLC, Marquis Industries, Inc., and Bank of America, N.A. | | | | |
| 10.29 | Stock Purchase Agreement by and among Vintage Stock Affiliated Holdings LLC (an affiliate of the Registrant), Vintage Stock, Inc., and the Shareholders of Vintage Stock, Inc., dated November 3, 2016 | 10-K | 001-33937 | 10.22 | 12/29/16 |

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| 10.30 * | Amended and Restated Subordinated Promissory Note of Vintage Stock Affiliated Holdings LLC in favor of certain of the Shareholders of Vintage Stock, Inc., dated June 7, 2018 | | | | |
| 10.31 * | Amended and Restated Subordination Agreement by and among Rodney Spriggs, in his capacity as the representative of certain of the Shareholders of Vintage Stock, Inc., and Wilmington Trust, National Association, dated June 7, 2018 | | | | |
| 10.32 | Loan Agreement between Vintage Stock, Inc. and Texas Capital Bank, National Association, dated November 3, 2016 | 10-K | 001-33937 | 10.27 | 12/29/16 |
| 10.33 | First Amendment to Loan Agreement between Texas Capital Bank, National Association and Vintage Stock, Inc., dated January 23, 2017 | 10-K | 001-33937 | 10.30 | 01/18/2018 |
| 10.34 | Second Amendment to Loan Agreement dated September 20, 2017 between Texas Capital Bank, National Association and Vintage Stock, Inc. | 10-K | 001-33937 | 10.31 | 01/18/2018 |
| 10.35 | Third Amendment to Loan Agreement dated June 7, 2018 between Texas Capital Bank, National Association and Vintage Stock, Inc. | 8-K | 001-33937 | 10.3 | 06/11/2018 |
| 10.36 | Revolving Credit Note of Vintage Stock Inc., in favor of Texas Capital Bank, National Association, dated November 3, 2016 | 10-K | 001-33937 | 10.28 | 12/29/16 |
| 10.37 | Security Agreement of Vintage Stock Inc., in favor of Texas Capital Bank, National Association, dated November 3, 2016 | 10-K | 001-33937 | 10.29 | 12/29/16 |
| 10.38 | Waiver Agreement by and among Texas Capital Bank, National Association and Vintage Stock, Inc., dated March 15, 2018 | 8-K | 001-33937 | 10.12 | 03/15/18 |
| 10.39 | Term Loan Agreement among Vintage Stock Inc., Vintage Stock Affiliated Holdings LLC, the Subsidiaries of the Borrowers Party Hereto, the Lenders Party Hereto, Wilmington Trust, National Association, as Administrative Agent, and Capitala Private Credit Fund V, L.P., as Lead Arranger, dated November 3, 2017 | 10-K | 001-33937 | 10.30 | 12/29/16 |
| 10.40 | First Amendment and Waiver to Term Loan Agreement by and among Vintage Stock Affiliated Holdings, LLC, Vintage Stock, Inc., Wilmington Trust, National Association, Capitala Private Credit Fund V, L.P., and the other parties thereto dated October 10, 2017 | 8-K | 001-33937 | 10.1 | 10/13/17 |
| 10.41 | Second Amendment and Waiver to Term Loan Agreement by and among Vintage Stock Affiliated Holdings, LLC, Vintage Stock, Inc., Wilmington Trust, National Association, Capitala Private Credit Fund V, L.P., and the other parties thereto dated March 15, 2018 | 8-K | 001-33937 | 10.1 | 03/16/18 |
| 10.42 | Form of Note under the Capitala Term Loan Agreement | 10-K | 001-33937 | 10.31 | 12/29/16 |

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| 10.43 | Security and Pledge Agreement among Vintage Stock Affiliated Holdings LLC, Vintage Stock, Inc., and Wilmington Trust, National Association, as Administrative Agent, dated November 3, 2016 | 10-K | 001-33937 | 10.32 | 12/29/16 |
| 10.44* | Amended and Restated Promissory Note issued by ApplianceSmart Holdings LLC | | | | |
| 10.45* | Security Agreement dated December 26, 2018 by and between ApplianceSmart Holdings LLC and Appliance Recycling Centers of America, Inc. | | | | |
| 10.46* | Security Agreement dated December 26, 2018 by and between ApplianceSmart, Inc. and Appliance Recycling Centers of America, Inc. | | | | |
| 10.47 | Amended and Restated Credit Agreement, dated as of June 7, 2018, by and among the lenders from time to time party thereto, Comvest Capital IV, L.P., Vintage Stock, Inc., and Vintage Stock Affiliated Holdings LLC | 8-K | 001-33937 | 10.1 | 06/11/2018 |
| 10.48 | Limited Guaranty, dated as of June 7, 2018, by Live Ventures Incorporated in favor of Comvest Capital IV, L.P. | 8-K | 001-33937 | 10.2 | 06/11/2018 |
| 10.49† | Employment Agreement between LiveDeal, Inc. and Jon Isaac | 10-Q | 001-33937 | 10.1 | 05/14/13 |
| 10.50† | Amendment to Employment Agreement dated January 16, 2018 between Live Ventures Incorporated and Jon Isaac | 10-K | 001-33937 | 10.39 | 01/18/2018 |
| 10.51† | Employment Agreement between the Live Ventures Incorporated and Virland A. Johnson, dated January 3, 2017 | 8-K | 001-33937 | 10.1 | 01/05/17 |
| 10.52† | Incentive Stock Option Agreement between Live Ventures Incorporated and Virland A. Johnson, dated January 3, 2017 | 8-K | 001-33937 | 10.2 | 01/05/17 |
| 10.53† | Employment Agreement between Live Ventures Incorporated and Michael J. Stein, effective October 2, 2017 | 8-K | 001-33937 | 10.1 | 10/02/17 |
| 10.54† | Incentive Stock Option Agreement between Live Ventures Incorporated and Michael J. Stein, effective October 2, 2017 | 8-K | 001-33937 | 10.2 | 10/02/17 |
| 10.55† | Employment Agreement between Vintage Stock Inc. and Rodney Spriggs, dated November 3, 2016 | 10-K | 001-33937 | 10.25 | 12/29/16 |
| 10.56† | Non-qualified Stock Option Agreement between the Registrant and Rodney Spriggs, dated November 3, 2016 | 10-K | 001-33937 | 10.26 | 12/29/16 |

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| 10.57*† | Employment Agreement between Marquis Industries, Inc. and Weston A. Godfrey, Jr., dated January 22, 2018 | | | | |
| 10.58† | Employment Agreement between Marquis Industries, Inc. and Timothy A. Bailey, dated July 6, 2015 | 10-K | 001-33937 | 10.46 | 01/18/18 |
| 10.59† | Amendment to Employment Agreement between Marquis Industries, Inc. and Timothy A. Bailey, dated January 16, 2018 | 10-K | 001-33937 | 10.47 | 01/18/18 |
| 10.60† | LiveDeal, Inc. Amended and Restated 2003 Stock Plan | 10-K | 000-24217 | 10.1 | 12/20/07 |
| 10.61† | First Amendment to Amended and Restated 2003 Stock Plan | DEF 14A | 001-33937 | Appendix A to 2009 Proxy Statement | 01/29/09 |
| 10.62† | Second Amendment to the LiveDeal, Inc. Amended and Restated 2003 Stock Plan | DEF 14A | 001-33937 | Appendix A to 2012 Proxy Statement | 01/27/12 |
| 10.63† | Form of 2003 Stock Plan Restricted Stock Agreement | 10-Q | 000-24217 | 10 | 05/16/05 |
| 10.64† | Form of 2003 Stock Plan Stock Option Agreement | 10-K | 001-33937 | 10.3 | 12/29/08 |
| 10.65† | 2014 Omnibus Equity Incentive Plan | DEF 14A | 001-33937 | Appendix A to 2014 Proxy Statement | 06/23/14 |
| 10.66 | Engagement Agreement, dated as of May 16, 2014, by and between the Registrant and Chardan Capital Markets LLC | 10-Q | 001-33937 | 1.1 | 05/20/14 |
| 10.67 | Reinstatement and First Amendment to the Engagement Agreement, dated, 2014 with Chardan Capital Markets LLC | 10-K | 001-33937 | 10.55 | 01/18/2018 |
| 14 | Code of Business Conduct and Ethics, Adopted December 31, 2003 | 10-QSB | | 14 | 05/13/04 |
| 16.1 | Letter from BDO USA, LLP | 8-K | 001-33937 | 16.1 | 02/02/18 |
| 16.2 | Letter from SingerLewak LLP | 8-K | 001-33937 | 16.1 | 10/18/2018 |
| 21.1* | List of Subsidiaries of the Registrant | | | | |
| 23.1* | Consent of WSRP, LLC independent registered public accounting firm | | | | |
| 23.2* | Consent of BDO USA, LLP, independent registered public accounting firm | | | | |

| | |
|---|---|
| 31.1* | Certification of the President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | Certification of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101** | The following materials from the Company's Annual Report on Form 10-K, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of September 30, 2017 and 2016, (ii) the Consolidated Statements of Operations for the Years Ended September 30, 2017 and 2016, (iii) Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the Years Ended September 30, 2017 and 2016, and (iv) the Notes to Consolidated Financial Statements |

* Filed herewith

** To be filed by amendment

† Indicates a management contract or compensatory plan or arrangement.

**ITEM 16. Form 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LIVE VENTURES INCORPORATED**

/s/ Jon Isaac
Jon Isaac
President and Chief Executive Officer
Date: December 27, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| SIGNATURE | TITLE | DATE |
|---|---|---|
| /s/ Jon Isaac<br>Jon Isaac | President and Chief Executive Officer Director<br>(Principal Executive Officer) | December 27, 2018 |
| /s/ Virland A. Johnson<br>Virland A. Johnson | Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) | December 27, 2018 |
| /s/ Tony Isaac<br>Tony Isaac | Director | December 27, 2018 |
| /s/ Richard D. Butler, Jr.<br>Richard D. Butler, Jr. | Director | December 27, 2018 |
| /s/ Dennis Gao<br>Dennis Gao | Director | December 27, 2018 |
| /s/ Tyler Sickmeyer<br>Tyler Sickmeyer | Director | December 27, 2018 |

**BILL OF SALE**
**AND**
**ASSIGNMENT AND ASSUMPTION AGREEMENT**

This Bill of Sale and Assignment and Assumption Agreement (this "Agreement") is effective as of December 21, 2018 (the "Effective Date"), by and between Viridian Fibers, LLC, a Georgia limited liability company ("Purchaser") and Marquis Industries, Inc., a Georgia corporation ("Seller"). In consideration of the obligations set forth herein and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties hereto hereby agree as follows:

1. Purchased Assets. Seller hereby sells, conveys, transfers, assigns and delivers to Purchaser all right, title and interest of Seller in and to all of the assets described on Schedule 1 attached hereto and incorporated herein by reference (the "Purchased Assets"). Seller covenants and agrees to warrant and defend the sale of and title to the Purchased Assets to Purchaser and its successors and assigns against all persons at Seller's sole cost and expense. Seller constitutes and appoints Purchaser its true and lawful attorney, with full power of substitution, in Seller's name or in Purchaser's name, but for the benefit and at the expense of Purchaser, to demand and receive, from time to time, any and all of the Purchased Assets, to give receipts and -releases for or in respect of the same, to collect, assert or enforce any claim, right or title of any kind therein or thereto and, for such purpose, from time to time, to institute and prosecute in Seller's name, or otherwise, any and all proceedings at law, in equity or otherwise, which Purchaser shall reasonably deem expedient or desirable. Seller acknowledges that such powers are coupled with a valuable interest and shall not be revocable by it in any manner or for any reason, including its dissolution or termination. Seller covenants that it will do or cause to be done all such further acts, and shall execute and deliver, or cause to be executed and delivered, all transfers, assignments and conveyances, evidences of title, notices, powers of attorney, and assurances necessary or desirable to put Purchaser and its successors and assigns, in actual possession and operating control of the Purchased Assets, or as Purchaser shall reasonably require to better assure and confirm title of Purchaser to the Purchased Assets.

2. Purchase Price. The purchase price for the Purchased Assets is:

(a) $4,750,000.00, payable in a single lump sum upon execution of this Agreement; plus

(b) The extended cost of the raw material, operating, packing supply and finished goods inventories included in the Purchased Assets which are identified on Schedule 1 at Seller's book value as set forth on Schedule 1; plus

(c) $0.10 per pound of nylon sold by Purchaser during the 36 month period immediately following the Effective Date, including sales of nylon manufactured on the manufacturing lines included in the Purchased Assets and on any other lines owned or used by Purchaser; provided, that no payment shall be due with respect to any sales that are not fully paid for by Purchaser's customer within 90 days after invoicing and further provided that any such payment made with respect to product that later becomes the subject of a valid warranty claim shall be refunded by Seller to Purchaser upon written demand. Payment of such amount shall be made quarterly in arrears. For each calendar quarter, Purchaser will deliver to Seller a report showing the pounds of nylon shipped by Purchaser to its customers ("Applicable Shipments"), the payments with respect to Applicable Shipments, and the calculation of the payment due Seller. Seller shall have the right to audit such report and Purchaser's supporting records upon reasonable written demand to Purchaser.

Seller hereby acknowledges receipt of the cash payment described in Sections 2(a) and 2(b) and the sufficiency of the purchase price described above. For tax purposes, Seller and Purchaser shall each allocate the purchase price to the Purchased Assets as set forth on Schedule 1 and in accordance with Internal Revenue Code Section 1060 and the Treasury Regulations promulgated thereunder. Purchaser and Seller shall take all actions and file all tax returns (including, but not limited to IRS Form 8594) consistent with such allocation unless required to do otherwise by law, in which event the filing party shall provide advance written notice to the other party detailing (i) the reasons surrounding such inconsistent position and (ii) the position to be taken by such filing party.

3. Assignment and Assumption of Contracts. Seller hereby assigns and transfers to Purchaser all right, title and interest of Seller in and to the open purchase orders set forth on Schedule 2 attached hereto and incorporated herein by reference (collectively, all such contracts and open orders are referred to as the "Purchase Orders"). Purchaser hereby assumes and agrees to perform and discharge when due the future obligations of Seller pursuant to each of the Purchase Orders, but not any obligations accruing before the Effective Date. Specifically, Seller retains, and Purchaser does not assume, any warranty obligations or other liabilities with respect to any products manufactured or sold by Seller prior to the Effective Date. Other than the future obligations under the Purchase Orders, in no event shall Purchaser assume or be deemed to have assumed any other obligations or liabilities of Seller of any kind.

4. Seller's Representations and Warranties. Seller hereby represents and warrants to Purchaser that:

(a) Seller is the lawful owner of all of the Purchased Assets and all rights and licenses ancillary to the Purchased Assets, including without limitation all intellectual property rights necessary to enable Purchaser to own and use the Purchased Assets;

(b) subject to Section 7 below, all of the Purchased Assets are free and clear of all liens and encumbrances and, upon execution of this Agreement, Purchaser shall receive good and valid title to the Purchased Assets without any adverse lien, claim or encumbrance;

(c) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia;

(d) Seller has the requisite corporate power and authority to enter into this Agreement and to carry out the transaction contemplated hereby, the execution, delivery and performance by Seller of this Agreement have been duly authorized by all necessary action of Seller, and Seller has the lawful authority to bargain and sell the Purchased Assets and the rights transferred in connection therewith in the manner and form set forth herein;

(e) the sale of the Purchased Assets will not and does not constitute a default under any order or agreement to which Seller is a party, or give rise to any right of termination, cancellation or acceleration of any right or obligation of it or to a loss of any benefit to which Seller is entitled under any provision of any agreement or other instrument binding upon Seller;

(f) no consent of any governmental entity or third party is required in order to consummate the transaction described herein;

(g) Purchaser has not received notice of, and has no knowledge of, any claim or allegation that any of the Purchased Assets violate or infringe upon the intellectual property rights or other proprietary rights of any third party;

(h) all of the Purchase Orders are valid and in full force and effect, Seller has performed all obligations imposed upon it thereunder, and there are no defaults or events of default thereunder on the part of Seller; Seller has not cancelled any customer contracts or purchase orders applicable to the Purchased Assets within the 90 day period immediately preceding the Effective Date;

(i) subject to Section 7 hereof, Seller has paid or will pay all taxes of every type and nature applicable to the operation of its business prior to the Effective Date;

(j) with respect to the Purchased Assets, Seller's ownership and operation of such assets is and has at all times been in material compliance with all laws, regulations and ordinances applicable to Seller and such assets;

(k) the Purchased Assets are in good repair and in working order, except for ordinary wear and tear, and Seller has maintained the Equipment in accordance with the manufacturer's recommendations;

(l) with respect to any Purchased Assets that constitute inventory, such Purchased Assets are in good condition, usable and salable in the ordinary course of business; and

(m) Seller shall, to the extent permissible, assign and pass through to Purchaser any and all of the manufacturer and other warranties with respect to the Purchased Assets.

5. Purchaser's Representations and Warranties. Purchaser hereby represents and warrants to Seller that:

(a) Purchaser is a limited liability company duly organized and existing under the laws of the State of Georgia;

(b) Purchaser has the requisite limited liability company power and authority to enter into this Agreement and to carry out the transaction contemplated hereby; and

(c) the execution, delivery and performance by Purchaser of this Agreement have been duly authorized by all necessary action of Purchaser.

6 . Operational Covenant. Prior to the Effective Date, Purchaser has acquired and assumed from its parent company, The Recreational Group, Inc. ("RG"), all of the Viridian fiber operations formerly conducted by RG. For a period of not less than 36 months after the Effective Date, Purchaser shall maintain its separate existence and shall continue to operate such Viridian fiber operations, including the Purchased Assets, and shall not take any actions to transfer assets or operations out of Purchaser's business which would operate to minimize the variable portion of the purchase price payable pursuant to Section 2(b) above.

7. Payment in Lieu of Taxes; Ad Valorem Taxes. Seller is solely responsible for and shall pay all payments in lieu of taxes due through the Effective Date under that certain Lease Agreement between Seller and Dalton-Whitfield County Joint Development Authority dated December 31, 2016 (the "Lease"). From and after the Effective Date, the Lease shall be terminated with respect to the Purchased Assets and no further payments shall be due thereunder. Any applicable ad valorem property taxes for 2018 shall be prorated between Seller and Purchaser, with such payments being adjusted after the Effective Date as such taxes become due.

8. Indemnification. Seller shall indemnify, defend and hold Purchaser, its officers, shareholder, directors, employees, agents, representatives, successors and assigns (collectively, the "Purchaser Indemnified Parties") harmless from and against any actions, claims, losses, damages, demands or expenses (including without limitation all court costs and reasonable attorneys' fees on account thereof) suffered or incurred by any Purchaser Indemnified Party, arising (a) from a breach of any representation, warranty or covenant made by the Seller in this Agreement or in any document delivered to Purchaser by or on behalf of Seller in connection with this Agreement, and (b) in connection with Seller's use of the Purchased Assets prior to the Effective Date or as a result of any action, omission, liability or obligation of Seller, other than the performance of future obligations under the Assumed Contracts first arising after the Effective Date. Purchaser shall notify Seller promptly of any written actions, claims or demands against Purchaser of which Seller is responsible hereunder. Each party shall cooperate fully with the other, and Seller shall control such defense and the right to litigate, settle, appeal (provided it pays the cost of any required appeal bond), compromise or otherwise deal with any such claim or resulting judgment; provided that such settlement, compromise or other resolution of such claim does not result in any liability to Purchaser. Seller's obligation to indemnify pursuant to Section 8(a) above shall not exceed the aggregate purchase price identified in Sections 2(a) and 2(b) above.

9. Miscellaneous. This Agreement shall be governed by the laws of the State of Georgia. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but together shall constitute one agreement. Except as specifically set forth or referred to herein, nothing herein is intended or shall be construed to confer upon any person or entity other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement. The headings of the various sections of this Agreement are for reference only and shall not be deemed to be a part of this Agreement. Sections 2, 4, 5, 6, 7, 8 and 9 shall expressly survive the execution and delivery of this Agreement. Purchaser and Seller shall each bear their own respective transaction expenses incurred in connection with the transaction contemplated hereby. This Agreement and the related agreements delivered concurrently herewith constitute the entire agreement between the parties with respect to the transaction contemplated hereby and supersede any prior agreements, whether written or oral, between the parties.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Seller and Purchaser have caused this Bill of Sale and Assignment and Assumption Agreement to be signed by their duly authorized officers as of the date first set forth above.

**SELLER:**

**Marquis Industries, Inc.**

By: /s/ Weston A. Godfrey, Jr.
Name: Weston A. Godfrey, Jr.
Title: Chief Executive Officer

**PURCHASER**

**Viridian Fibers, LLC**

By: /s/ Ronald L. Bennett
Name: Ronald L. Bennett
Title: President

**Exhibit 10.27**

December 21, 2018

Marquis Affiliated Holdings LLC
Marquis Industries, Inc.
2743 Highway 76
Chatsworth, Georgia 30705
Attention: Weston A. Godfrey, Jr.
Facsimile No.: (706) 695-2384

RE: Consent to Turf Business Sale (this "Agreement")

Ladies and Gentlemen:

Reference is made to that certain Loan and Security Agreement dated as of July 6, 2015 (as at any time amended, modified, restated or supplemented, the "Loan Agreement"), among **MARQUIS AFFILIATED HOLDINGS LLC,** a Delaware limited liability company ("Holdings"), **MARQUIS INDUSTRIES, INC.,** a Georgia corporation, and successor by merger with A-O Industries, LLC, a Georgia limited liability company, Astro Carpet Mills, LLC, a Georgia limited liability company, Constellation Industries, LLC, a Georgia limited liability company, and S F Commercial Properties, LLC, a Georgia limited liability company ("Marquis", together with Holdings, collectively, "Borrowers" and each individually, a "Borrower"), and **BANK OF AMERICA, N.A.,** a national banking association ("Lender"). Capitalized terms used in this letter agreement (this "Agreement") and not defined herein shall have the meanings given to such terms in the Loan Agreement.

Borrowers have informed Lender of Marquis' intent to sell and dispose of its turf line of business (the "Turf Business Sale") to Viridian Fibers, LLC pursuant to a certain Bill of Sale and Assignment and Assumption Agreement dated December 21, 2018, between Marquis and Viridian Fibers, LLC (the "Turf Business Bill of Sale"), for a purchase price of $5,534,085.28. The Turf Business Sale will include the sale and disposition of certain Equipment, the Inventory described on Exhibit A attached hereto, and the "A-O" trademark, logo and tradename and all goodwill and rights appurtenant thereto (together with such Equipment and Inventory, collectively, the " Specified Assets").

Under **Section 8.4.2** of the Loan Agreement, no Borrower shall sell or otherwise dispose of any Equipment without the prior written consent of Lender, subject to certain exceptions inapplicable in the context of the Turf Business Sale. In addition, under **Section 10.2.6** of the Loan Agreement, no Borrower may make any Asset Disposition, subject to certain exceptions inapplicable in the context of the Turf Business Sale.

Borrowers have requested that Lender consent to the sale of the Specified Assets. Lender is willing to do so on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. Consent to Sale and Disposition of Specified Assets; Release of Liens on Specified Assets .** Subject to the satisfaction of the conditions set forth in Section 2 hereof, each in form and substance satisfactory to Lender, Lender hereby waives compliance with **Sections 8.4.2** and **10.2.6** of the Loan Agreement solely to the extent necessary to permit Marquis to sell and dispose of the Specified

Assets to Viridian Fibers, LLC pursuant to the Turf Business Sale. Subject to the satisfaction of the conditions set forth in Section 2 hereof, Lender agrees to release its Liens upon the Specified Assets (including by filing a UCC-3 amendment in the form attached hereto as Exhibit C) upon deposit of proceeds of the Turf Business Sale in an amount not less than $3,530,797.50 into the Dominion Account. The partial release set forth in this Agreement shall not constitute a release of Lender's Lien upon any assets of Borrower other than the Specified Assets.

**2. Conditions Precedent**. The effectiveness of the consent contained in Section 1 hereof is subject to the satisfaction of each of the following conditions precedent, in form and substance satisfactory to Lender, unless satisfaction thereof is specifically waived in writing by Lender:

(a) Lender shall have received a counterpart of this Agreement, duly executed by Borrowers.

**3. Miscellaneous.**

(a) Each Borrower hereby ratifies and reaffirms the Obligations, the Loan Agreement, each of the other Loan Documents and all of such Borrower's covenants, duties, indebtedness and liabilities under the Loan Agreement and the other Loan Documents.

(b) Each Borrower acknowledges and stipulates that the Loan Agreement and the other Loan Documents executed by such Borrower are legal, valid and binding obligations of such Borrower that are enforceable against such Borrower in accordance with the terms thereof; all of the Obligations are owing and payable without defense, offset or counterclaim (and to the extent there exists any such defense, offset or counterclaim on the date hereof, the same is hereby waived by such Borrower); the security interests and liens granted by such Borrower in favor of Lender are duly perfected, first priority security interests and liens; and as of the close of business on December 18, 2018, (i) the unpaid principal amount of the Revolver Loans totaled $5,748,354.55, and (ii) outstanding Letters of Credit totaled $72,715.00.

(c) Each Borrower represents and warrants to Lender, to induce Lender to enter into this Agreement, that no Default or Event of Default exists immediately prior to and immediately after giving effect to this Agreement, including, without limitation, pursuant to Section 11.1(f) due to any breach under (i) a certain guaranty from Marquis in favor of STORE CAPITAL ACQUISITIONS, LLC, a Delaware limited liability company ("STORE"), with respect to the obligations owing by MARQUIS REAL ESTATE HOLDINGS, LLC, a Delaware limited liability company ("SPE"), to STORE under certain lease and loan documentation to which SPE and STORE are parties from time to time, or (ii) certain lease documentation between Marquis and Banc of America Leasing & Capital, LLC, as in existence from time to time; the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate or limited liability company action on the part of such Borrower and this Agreement has been duly executed and delivered by such Borrower; all of the representations and warranties made by such Borrower in the Loan Agreement are true and correct in all material respects on and as of the effective date of this Agreement (except for representations and warranties that expressly relate to an earlier date); and attached hereto as Exhibit B is a true, correct and complete copy of the Turf Business Bill of Sale, duly executed by the parties thereto. This Agreement shall be part of the Loan Agreement and a breach of any representation, warranty or covenant herein shall constitute an Event of Default.

(d) Except as otherwise expressly provided in this Agreement, nothing herein shall be deemed to amend or modify any provision of the Loan Agreement or any of the other Loan Documents, each of which shall remain in full force and effect. This Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Loan Agreement as herein modified shall continue in full force and effect.

(e) This Agreement shall be effective when accepted by Lender (notice of which acceptance is hereby waived), whereupon this Agreement shall be a contract governed by and construed in accordance with the internal laws of the State of Georgia and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may be executed in any number of counterparts and by different parties to this Agreement on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature hereto.

**(f) To induce Lender to enter into this Amendment, each Borrower hereby releases, acquits and forever discharges Lender, and all officers, directors, agents, employees, successors and assigns of Lender, from any and all liabilities, claims, demands, actions or causes of action of any kind or nature (if there be any), whether absolute or contingent, disputed or undisputed, at law or in equity, or known or unknown, that such Borrower now has or ever had against Lender arising under or in connection with any of the Loan Documents or otherwise. Each Borrower represents and warrants to Lender that such Borrower has not transferred or assigned to any Person any claim that such Borrower ever had or claimed to have against Lender.**

**(g) To the fullest extent permitted by Applicable Law, the parties hereto each hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Agreement**.

[Remainder of page intentionally left blank;
signatures appear on following pages.]

The parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers on the date first written above.

**LENDER:**

**BANK OF AMERICA, N.A.**

By: /s/ Steve Siravo
Name: Steve Siravo
Title: SVP

[Signatures continue on following page.]

**BORROWERS:**

ATTEST:

**MARQUIS AFFILIATED HOLDINGS LLC**

/s/ Tony Isaac
**Tony Isaac,** Secretary

By: /s/ Jon Isaac
**Jon Isaac**, President and Chief Executive officer

[COMPANY SEAL]

Attest:

**MARQUIS INDUSTRIES, INC.**

/s/ Tim Young
**Tim Young,** Secretary

By: Weston A. Godfrey, Jr.
Name: **Weston A Godfrey, Jr.,** Chief Executive Officer
Title: CEO

[CORPORATE SEAL]

**Exhibit 10.28**

December 24, 2018

Marquis Affiliated Holdings LLC
Marquis Industries, Inc.
2743 Highway 76
Chatsworth, Georgia 30705
Attention: Weston A. Godfrey, Jr.
Facsimile No.: (706) 695-2384

RE: Seventh Amendment to Loan and Security Agreement (this "Agreement")

Ladies and Gentlemen:

Reference is made to that certain Loan and Security Agreement dated as of July 6, 2015 (as at any time amended, modified, restated or supplemented, the "Loan Agreement"), among **MARQUIS AFFILIATED HOLDINGS LLC,** a Delaware limited liability company ("Holdings"), **MARQUIS INDUSTRIES, INC.,** a Georgia corporation, and successor by merger with A-O Industries, LLC, a Georgia limited liability company, Astro Carpet Mills, LLC, a Georgia limited liability company, Constellation Industries, LLC, a Georgia limited liability company, and S F Commercial Properties, LLC, a Georgia limited liability company ("Marquis", together with Holdings, collectively, "Borrowers" and each individually, a "Borrower"), and **BANK OF AMERICA, N.A.,** a national banking association ("Lender"). Capitalized terms used in this Agreement but not defined herein shall have the meanings given to such terms in the Loan Agreement.

Borrowers and Lender desire to amend the Loan Agreement, on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**1. Amendments to Loan Agreement**. The Loan Agreement is hereby amended as follows:

(a) By deleting the definitions of “Base Rate”, “Borrowing”, “EBITDA”, “Fixed Charges”, “LIBOR”, “LIBOR Loan” and "Permitted Non-Tax Distributions" set forth in **Section 1.1** of the Loan Agreement in their entireties and by substituting in lieu thereof the following:

Base Rate: for any day, a per annum rate equal to the greatest of (a) the Prime Rate for such day; (b) the Federal Funds Rate for such day, plus 0.50%; or (c) LIBOR for a one month interest period as of such day, plus 1.00%; provided, that in no event shall the Base Rate be less than zero.

Borrowing: a group of Loans that are made together on the same day and with the same interest option.

EBITDA: determined on a consolidated basis for Borrowers and Subsidiaries, net income (which, for the avoidance of doubt, shall be determined by treating rent as an operating expense), calculated before interest expense, transaction costs associated with the Transactions not to exceed $1,000,000, provision for income taxes, depreciation and amortization expense, gains or losses arising from the sale of capital assets, gains arising from the write-up of assets, and any extraordinary gains, losses on impairment of long-lived assets and goodwill, unrealized gains and losses resulting in changes from fair values of derivatives and financial instruments (including changes in fair value of contingent consideration related to business combinations), directly related charges related to the consummation of business combinations, non-cash severance and restructuring charges, gains arising from the write-up of assets, extraordinary gains and losses (including losses and gains from extinguishment of debt) and non-recurring expenses and income which do not represent cash items in such period (in each case, to the extent included in determining net income); provided that, notwithstanding the foregoing, gains from the Turf Business Sale in an amount not exceeding $3,000,000 may be included in the calculation of EBITDA for any period that includes the date on which the Turf Business Sale is consummated so long as the Turf Business Sale is consummated on or before December 31, 2018. For purposes of this Agreement, EBITDA and its components for the 12 months prior to the Closing Date is as shown on **Exhibit A**.

Fixed Charges: the sum of interest expense (other than payment-in-kind) and principal payments made on Borrowed Money, income taxes paid in cash and Distributions made (excluding (a) Upstream Payments, (b) Distributions made on or about the Closing Date that relate to transactions contemplated by the Marquis SPA Documents, as in effect on the Closing Date, and (c) the Sixth Amendment Distribution).

LIBOR: on any date of determination, the per annum rate of interest (rounded up to the nearest 1/8th of 1%) determined by Lender at or about 11:00 a.m. (London time) as of the first calendar day of the month in which such determination is made, for a one month term, equal to the London interbank offered rate, or any comparable or successor rate approved by Lender, as published on the applicable Reuters screen page (or other available source designated by Lender from time to time); provided, that any comparable or successor rate shall be applied by Lender, if administratively feasible, in a manner consistent with market practice; and provided further, that in no event shall LIBOR be less than zero.

LIBOR Loan: a Loan that bears interest based on LIBOR.

Permitted Non-Tax Distributions: Distributions by Holdings to holders of its Equity Interests so long as the following conditions are satisfied with respect to each such Distribution: (a) no Default or Event of Default has occurred or would result from such Distribution, (b) Lender has received the financial statements required under **Section 10.1.2(a)(ii)**, (c) Lender has received evidence that after giving effect to the consummation of such Distribution, Borrowers shall maintain a Fixed Charge Coverage Ratio of at least 1.1 to 1.0 on a *pro forma* basis, measured as of the most recently ended month for which Obligors have delivered the financial statements required under **Section 10.1.2(a) or (b)**, as the case may be, for the twelve month period then ended, (d) Availability on each day during the 60 day period immediately preceding such Distribution calculated on a *pro forma* basis assuming such Distribution occurred on the first day of such period (including any Loans made hereunder to finance such Distribution) shall be greater than or equal to $4,000,000, and (e) Availability, on the date of such Distribution, immediately after giving *pro forma* effect to the consummation of such Distribution (including any Loans made hereunder to finance such Distribution) shall be greater than or equal to $4,000,000.

(b) By adding the following new definition of "Turf Business Sale" to **Section 1.1** of the Loan Agreement in the proper alphabetical order:

Turf Business Sale: the sale by Borrowers of assets constituting Borrowers' turf line of business pursuant to a certain Bill of Sale and Assignment and Assumption Agreement dated December 20, 2018, between Marquis and Viridian Fibers, LLC.

(c) By deleting the definitions of "Interest Period" and "Notice of Conversion/Continuation" in **Section 1.1** of the Loan Agreement in their entireties.

(d) By deleting the references to "Base Rate Revolver Loans" in **Section 2.3.2** of the Loan Agreement and by substituting in lieu thereof, in each case, a reference to "Revolver Loans".

(e) By deleting the first sentence of **Section 3.1.1(a)** of the Loan Agreement and by substituting in lieu thereof the following:

The Obligations shall bear interest at LIBOR, plus the Applicable Margin for LIBOR Loans (or, if LIBOR is not available for any reason, at the Base Rate in effect from time to time, plus the Applicable Margin for Base Rate Loans).

(f) By deleting clause (i) of **Section 3.1.1(c)** of the Loan Agreement and by substituting in lieu thereof the following:

(i) on the first day of each month;

(g) By deleting **Section 3.1.2**, **3.1.3** and **3.1.4** of the Loan Agreement in their entireties and by substituting in lieu thereof the following:

3.1.2. [Reserved]

3.1.3. [Reserved]

3.1.4. Interest Rate Not Ascertainable. If, due to any circumstance affecting the London interbank market, Lender determines that adequate and fair means do not exist for ascertaining LIBOR on any applicable date on the basis provided herein, then Lender shall immediately notify Borrowers of such determination. Until Lender notifies Borrowers that such circumstance no longer exists, the obligation of Lender to make LIBOR Loans shall be suspended, no further Loans may be made as LIBOR Loans, and all Loans shall constitute Base Rate Loans.

(h) By deleting the reference to ", 3.9" in **Section 3.3** of the Loan Agreement.

(i) By deleting **Sections 3.5** and **3.6** of the Loan Agreement in its entirety and by substituting in lieu thereof the following:

**3.5 Illegality.** If Lender determines that any Applicable Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for Lender to perform any of its obligations hereunder, to make, maintain, fund or charge applicable interest or fees with respect to any Loan or Letter of Credit, or to determine or charge interest based on LIBOR, or any Governmental Authority has imposed material restrictions on the authority of Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by Lender to Borrower Agent, any obligation of Lender to perform such obligations, to make, maintain or fund such Loan or issue such Letter of Credit (or to charge interest or fees otherwise applicable thereto), or to continue as a LIBOR Loan, shall be suspended until Lender notifies Borrower Agent that the circumstances giving rise to such determination no longer exist. Upon delivery of such notice, all Loans shall bear interest as specified in **Section 3.1**.

**3.6 Inability to Determine Rates.** Lender will promptly notify Borrower Agent if, in connection with any Loan or request with respect to a Loan, Lender determines for any reason that (a) Dollar deposits are not being offered to banks in the London interbank Eurodollar market for the applicable Loan amount; (b) adequate and reasonable means do not exist for determining LIBOR for the Loan (including with respect to calculation of the Base Rate); or (c) LIBOR does not adequately and fairly reflect the cost to Lender of funding or maintaining the Loan. Thereafter, Lender's obligation to make or maintain LIBOR Loans and utilization of the LIBOR component in determining Base Rate shall be suspended until Lender withdraws the notice. Upon receipt of the notice, Borrower Agent may revoke any pending request for funding, conversion or continuation of a LIBOR Loan or, failing that, will be deemed to have requested a Base Rate Loan, and Lender may immediately convert any LIBOR Loan to a Base Rate Loan. Notwithstanding the foregoing, Lender may propose an alternative interest rate for the applicable Loan, which Borrower Agent may elect to apply to the Loan.

(j) By deleting the phrase "converting to or continuing" from the last clause of **Section 3.7.1** of the Loan Agreement.

(k) By deleting **Section 3.9** of the Loan Agreement in its entirety and by substituting in lieu thereof the following:

**3.9 [Reserved]**

(l) By deleting **Section 4.1.1(a)** of the Loan Agreement in its entirety and by substituting in lieu thereof the following:

(a) To request a Loan, Borrower Agent shall give Lender a Notice of Borrowing by 11:00 a.m. on the requested funding date. Notices received by Lender after such time shall be deemed received on the next Business Day. Each Notice of Borrowing shall be irrevocable and shall specify (A) the Borrowing amount and (B) the requested funding date (which must be a Business Day).

(m) By deleting the references to "Base Rate Revolver Loan" in **Section 4.1.1(b)** and **(c)** of the Loan Agreement and by substituting in lieu thereof, in each case, a reference to "Revolver Loan".

(n) By deleting the phrase "or Notice of Continuation/Conversion, if applicable," from **Section 4.1.2** of the Loan Agreement.

(o) By deleting **Section 4.2** of the Loan Agreement in its entirety.

**4.2. [Reserved]**

(p) By deleting the third sentence of **Section 5.1** of the Loan Agreement in its entirety, and by deleting the phrase ", but whenever possible, any prepayment of Loans shall be applied first to Base Rate Loans and then to LIBOR Loans" from the last sentence of such section.

(q) By deleting **Section 10.2.17** of the Loan Agreement in its entirety and by substituting in lieu thereof the following:

10.2.17. Affiliate Transactions. Enter into or be party to any transaction with an Affiliate, except (a) transactions contemplated by the Loan Documents or the Marquis SPA Documents; (b) payment of reasonable compensation to officers and employees for services actually rendered, and loans and advances permitted by **Section 10.2.7**; (c) payment of customary directors' fees and indemnities; (d) transactions solely among Borrowers; (e) transactions with Affiliates consummated prior to the Closing Date, as shown on **Schedule 10.2.17**; (f) payment by Holdings to Live or an Affiliate of Live of management fees in an amount not exceeding $150,000 in any Fiscal Quarter; and (g) transactions with Affiliates in the Ordinary Course of Business, upon fair and reasonable terms fully disclosed to Lender and no less favorable than would be obtained in a comparable arm's-length transaction with a non-Affiliate. Notwithstanding anything to the contrary contained herein, in no event shall any Borrower or any Subsidiary make any loans or other advances of money to Marquis SPE at any time.

(r) By adding the following new **Section 10.2.20** to the Loan Agreement immediately after **Section 10.2.19** thereof:

10.2.20. Management Fees. Pay any management or similar fees to any Person other than payments described in **Section 10.2.17(f)** and made in accordance therewith, or amend or otherwise modify any agreement with any Person governing the payment by any Borrower of management or similar fees.

(s) By deleting the reference to "3.1.2," in **Section 12.3.1** of the Loan Agreement.

(t) By deleting the reference to "Base Rate Revolver Loans" in **Section 12.4** of the Loan Agreement and by substituting in lieu thereof a reference to "Revolver Loans".

**2. Conditions Precedent**. The effectiveness of the amendments contained in Section 1 hereof is subject to the satisfaction of each of the following conditions precedent, in form and substance satisfactory to Lender, unless satisfaction thereof is specifically waived in writing by Lender:

(a) Lender shall have received a counterpart of this Agreement, duly executed by Borrowers;

(b) Lender shall have received a secretary's certificate for each Borrower, in substantially the forms attached hereto;

(c) No Default or Event of Default shall exist either before or after giving effect to the terms of this Agreement; and

(d) Lender shall have received such other agreements, instruments and documents as Lender may reasonably request.

**4. Miscellaneous.**

(a) Each Borrower hereby ratifies and reaffirms the Obligations, the Loan Agreement, each of the other Loan Documents and all of such Borrower's covenants, duties, indebtedness and liabilities under the Loan Agreement and the other Loan Documents.

(b) Each Borrower acknowledges and stipulates that the Loan Agreement and the other Loan Documents executed by such Borrower are legal, valid and binding obligations of such Borrower that are enforceable against such Borrower in accordance with the terms thereof; all of the Obligations are owing and payable without defense, offset or counterclaim (and to the extent there exists any such defense, offset or counterclaim on the date hereof, the same is hereby waived by such Borrower); the security interests and liens granted by such Borrower in favor of Lender are duly perfected, first priority security interests and liens; and as of the close of business on December 18, 2018, (i) the unpaid principal amount of the Revolver Loans totaled $5,748,354.55, and (ii) outstanding Letters of Credit totaled $72,715.00.

(c) Each Borrower represents and warrants to Lender, to induce Lender to enter into this Agreement, that no Default or Event of Default exists immediately prior to and immediately after giving effect to this Agreement, including, without limitation, pursuant to Section 11.1(f) due to any breach under (i) a certain guaranty from Marquis in favor of STORE CAPITAL ACQUISITIONS, LLC, a Delaware limited liability company ("STORE"), with respect to the obligations owing by MARQUIS REAL ESTATE HOLDINGS, LLC, a Delaware limited liability company ("SPE"), to STORE under certain lease and loan documentation to which SPE and STORE are parties from time to time, or (ii) certain lease documentation between Marquis and Banc of America Leasing & Capital, LLC, as in existence from time to time; the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate or limited liability company action on the part of such Borrower and this Agreement has been duly executed and delivered by such Borrower; and all of the representations and warranties made by such Borrower in the Loan Agreement are true and correct in all material respects on and as of the effective date of this Agreement (except for representations and warranties that expressly relate to an earlier date). This Agreement shall be part of the Loan Agreement and a breach of any representation, warranty or covenant herein shall constitute an Event of Default.

(d) Except as otherwise expressly provided in this Agreement, nothing herein shall be deemed to amend or modify any provision of the Loan Agreement or any of the other Loan Documents, each of which shall remain in full force and effect. This Agreement is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Loan Agreement as herein modified shall continue in full force and effect.

(e) This Agreement shall be effective when accepted by Lender (notice of which acceptance is hereby waived), whereupon this Agreement shall be a contract governed by and construed in accordance with the internal laws of the State of Georgia and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may be executed in any number of counterparts and by different parties to this Agreement on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature hereto.

**(f) To induce Lender to enter into this Amendment, each Borrower hereby releases, acquits and forever discharges Lender, and all officers, directors, agents, employees, successors and assigns of Lender, from any and all liabilities, claims, demands, actions or causes of action of any kind or nature (if there be any), whether absolute or contingent, disputed or undisputed, at law or in equity, or known or unknown, that such Borrower now has or ever had against Lender arising under or in connection with any of the Loan Documents or otherwise. Each Borrower represents and warrants to Lender that such Borrower has not transferred or assigned to any Person any claim that such Borrower ever had or claimed to have against Lender.**

**(g) To the fullest extent permitted by Applicable Law, the parties hereto each hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Agreement**.

[Remainder of page intentionally left blank;
signatures appear on following pages.]

The parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers on the date first written above.

**LENDER:**

**BANK OF AMERICA, N.A.**

By: /s/ Steven Siravo
Name: Steven Siravo
Title: Senior Vice President

[Signatures continue on following page.]

**BORROWERS**:

ATTEST:

**MARQUIS AFFILIATED HOLDINGS LLC**

/s/ Tony Isaac
**Tony Isaac**, Secretary

By: /s/ Jon Isaac
**Jon Isaac**, President and Chief Executive Officer

[COMPANY SEAL]

ATTEST:

**MARQUIS INDUSTRIES, INC.**

/s/ Tim Young
**Tim Young**, Secretary

By: /s/ Weston A. Godfrey, Jr.
**Weston A. Godfrey, Jr.**, Chief Executive Officer

[CORPORATE SEAL]

**Exhibit 10.30**

EXECUTION COPY

**"THIS INSTRUMENT AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN SUBORDINATION AGREEMENT (THE "SUBORDINATION AGREEMENT ") DATED AS OF JUNE 7, 2018 BY AND AMONG THE SUBORDINATED CREDITORS AND COMVEST CAPITAL IV, L.P., AS SENIOR AGENT. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THE SUBORDINATION AGREEMENT AND THIS NOTE, THE TERMS OF THE SUBORDINATION AGREEMENT SHALL GOVERN AND CONTROL."**

**AMENDED AND RESTATED SUBORDINATED PROMISSORY NOTE**

$10,000,000.00 June 7, 2018
Joplin, Missouri

This Amended and Restated Subordinated Promissory Note (this "Note") amends and restates, in its entirety, the Subordinated Promissory Note (the "Prior Note"), dated November 3, 2016, issued to the parties designated as "Sellers" on the signature page to the Prior Note (each defined herein as a "Subordinated Creditor" and collectively as, the "Subordinated Creditors") delivered pursuant to that certain Stock Purchase Agreement, dated as of November 3, 2016 (the "Purchase Agreement"), by and among **Vintage Stock Affiliated Holdings LLC**, a Nevada limited liability company (designated as the "Buyer" within the Prior Note, and defined herein as the "Parent" or the "Borrower"), **Vintage Stock, Inc.**, a Missouri corporation (designated as the "Company" within the Prior Note, and defined herein as "VSI"), the Subordinated Creditors, and Rodney Spriggs, in his capacity as the representative of the Subordinated Creditors for certain purposes of the Purchase Agreement and Prior Note (designated as the "Sellers' Representative" within the Prior Note, and defined herein as the "Subordinated Creditors' Representative").

This Note is delivered pursuant to the Purchase Agreement and amends and restates, in its entirety, the Prior Note.

In this Note, (a) the terms "Senior Credit Agreement", "Senior Debt", "Senior Lenders", and "Senior Loan Documents" shall have the meanings given to them in the Subordination Agreement; and (b) the term "Business Day" shall mean a day other than (i) a Saturday; (ii) a Sunday; or (iii) a day on which banking institutions in the State of Missouri are authorized or required by applicable law or executive order to close.

1. Subordination Agreement. The Borrower, for itself and its successors, and each Subordinated Creditor, by acceptance of this Note, agree that the payment of this Note, both principal and interest, and all other indebtedness evidenced hereby, is subordinate and subject to the prior rights of **COMVEST CAPITAL IV, L.P.** , as a Senior Lender and as Agent for the Senior Lenders (the "Senior Agent"). This Note will be subordinated to the Senior Debt in accordance with the terms and conditions set forth in the Subordination Agreement.

2. Principal and Interest; Payments; Set-Off.

( a ) Principal and Interest. The Borrower, for value received, hereby promises to pay to the order of the Subordinated Creditors, proportionately in accordance with the percentage interests set forth in Schedule I hereto, in immediately available funds on the terms set forth herein, (i) the aggregate principal amount of this Note; and (ii) simple interest on the unpaid principal balance from time to time outstanding under this Note, from the date hereof until the principal balance is paid in full, at an annual rate equal to eight percent (8.0%) (computed on the basis of a 360-day year and the actual number of days of elapsed) ("Current Interest"). The principal amount of this Note shall be Ten Million Dollars and NO/ 100 Dollars ($10,000,000.00) as of the issuance date of this Note.

(b) Payments. Current Interest only on the outstanding principal balance hereof shall be due and payable monthly, in arrears, with the first installment being payable on June 7, 2018, and subsequent installments being payable on the first (1st) day of each succeeding month thereafter until September 6, 2023 (the "Maturity Date"), at which time the entire outstanding principal balance, together with all accrued and unpaid Current Interest thereon, shall be immediately due and payable in full. All payments on this Note will be applied to the payment of accrued and unpaid Current Interest before being applied to the payment of then-outstanding principal. Principal and interest due under this Note shall be payable in U.S. dollars to the Subordinated Creditors by wire transfer in immediately available funds to accounts designated by the Subordinated Creditors in writing. If any payment of principal or interest on this Note is due on a day that is not a Business Day, such payment will be due on the next succeeding Business Day, and such extension of time will be taken into account in calculating the amount of interest payable under this Note. Subject to the Subordination Agreement, the Borrower may prepay this Note in whole or in part at any time or from time to time without penalty, premium, or notice by paying the principal amount to be prepaid, together with accrued but unpaid Current Interest thereon to the date of prepayment.

(c) Set-off. The Borrower may, pursuant to Section 11.5 of the Purchase Agreement, and by written notice to the Subordinated Creditors' Representative, reduce or set-off against the principal amount outstanding under this Note and any accrued and unpaid Current Interest, the amount of any Losses (as that term is defined within the Purchase Agreement) for which the Subordinated Creditors are determined to be liable to any Buyer Indemnified Party (as that term is defined within the Purchase Agreement) pursuant to Section 7.1 or Section 11 of the Purchase Agreement, subject to the indemnification limitations set forth in the Purchase Agreement. Any reduction or set-off in accordance with the preceding sentence shall be deemed effective as of the issuance date of this Note.

3. Default.

(a) Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Note:

(i) The Borrower fails to pay when due any principal or interest payment on this Note;

(ii) The Borrower fails to observe or perform any other covenant, obligation, or agreement contained in this Note and does not cure the failure within ten (10) Business Days after notice by the Subordinated Creditors' Representative thereof; or

(iii) The Borrower: (A) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (B) consents to the appointment of a trustee, receiver, assignee, liquidator, or similar official; or (C) makes a general assignment for the benefit of its creditors or institutes a proceeding, or has an involuntary proceeding instituted against it, seeking a judgment of insolvency, bankruptcy, or any other similar relief under any bankruptcy, insolvency, or other similar law affecting creditors' rights that is not dismissed within one hundred twenty (120) days thereafter.

( b ) Remedies. Upon the occurrence of an Event of Default hereunder and following the expiration of any cure period set forth in Section 3(a)(ii) or 3(a)(iii)(C), the Subordinated Creditors' Representative, on behalf of the Subordinated Creditors, may, at his option, (i) by written notice to the Borrower, declare the entire unpaid principal balance of this Note, together with all accrued and unpaid Current Interest thereon, immediately due and payable; or (ii) exercise any rights and remedies available to him on behalf of the Subordinated Creditors under applicable law; in each case, only to the extent permitted under the Subordination Agreement. The Borrower will pay all reasonable costs and expenses incurred by or on behalf of the Subordinated Creditors' Representative in connection with the Subordinated Creditors' Representative's exercise of any or all of his rights and remedies (on behalf of the Subordinated Creditors) under this Note following an Event of Default.

4. Miscellaneous.

(a) Successors and Assigns. Neither this Note nor any of the rights, interests, or obligations hereunder may be assigned, by operation of law or otherwise, in whole or in part, by the Borrower without the prior written consent of the Subordinated Creditors' Representative or by any Subordinated Creditor without the prior written consent of the Borrower (in each case, not to be unreasonably withheld, delayed, denied, or conditioned). Subject to the restrictions on assignment set forth in this Section 4(a), the rights and obligations of the Borrower and the Subordinated Creditors under this Note shall be binding upon and benefit the successors, heirs, and assigns of the parties hereto.

(b) Waiver and Amendment. Any provision of this Note may be amended, waived, or modified upon the written consent of the Borrower and the Subordinated Creditors' Representative (on behalf of the Subordinated Creditors) the extent permitted under the Subordination Agreement and the Senior Loan Documents. Neither any failure nor any delay by any party in exercising any right, power, or privilege under this Note will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Note can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the party granting the waiver or renouncing the claim or right; (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Note.

(c) Notices; Waivers. Any notice, request, or other communication required or permitted to be delivered under this Note shall be in writing addressed to the respective party as set forth below, by one of the following methods: (i) hand delivery, whereby delivery is deemed to occur at the time of delivery; (ii) electronic transmission (facsimile or email), so long as transmission is completed no later than 5:00 PM Central on a Business Day and the original also is sent via overnight courier or United States mail, whereby delivery is deemed to have occurred at the end of the Business Day on which electronic transmission is complete; (iii) a nationally or regionally recognized overnight courier company, whereby delivery is deemed to have occurred the Business Day following deposit with the courier; (iv) registered United States mail, signature required and postage-prepaid, whereby delivery is deemed to have occurred on the third (3rd) Business Day following deposit with the United States Postal Service. Notices shall be addressed as follows:

If to the Borrower or VSI:
Vintage Stock Affiliated Holdings LLC
c/o Live Ventures Incorporated
325 East Warm Springs Road
Suite 102
Las Vegas, Nevada 89119
Attn: Jon Isaac
Email: j.isaac@isaac.com
Facsimile: 858-259-6661

with a copy (which shall not constitute notice) to:
Venable, LLP
750 E. Pratt Street, Suite 900
Baltimore, Maryland 21202
Attn: Anthony J. Rosso and Bryan Rakes
Facsimile: 410-244-7742

with another copy (which shall not constitute notice) to:
Vintage Stock Affiliated Holdings LLC
c/o Live Ventures Incorporated
325 East Warm Springs Road
Suite 102
Las Vegas, Nevada 89119
Attn: Michael Stein
Email: mstein@live-ventures.com
Facsimile: 702-997-5968

If to any Subordinated Creditor or the Subordinated Creditors' Representative:
Rodney Spriggs
202 E. 32nd Street
Joplin, Missouri 64804
Email: Rodney.spriggs@vintagestock.com
Facsimile: 417-782-0024

with a copy (which shall not constitute notice) to:
Mann Conroy LLC
1316 Saint Louis Avenue
2nd Floor
Kansas City, Missouri 64101
Attn: Kyle Conroy, Esq.
Email: kconroy@mannconroy.com

Any party hereto may change its address for the purposes of this section by giving written notice as provided in this section.

(d) Governing Law; Jurisdiction; Jury. This Note has been delivered in and shall be governed by and construed in accordance with the internal laws of the State of Missouri without giving effect to any choice or conflict of law provision or rule. Any legal suit, action, or proceeding arising out of or based upon this Note may be instituted in the federal courts of the Western District of Missouri or the courts of the State of Missouri located in Newton County, Missouri. Each party hereto irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, or proceeding. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS NOTE IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS NOTE.

(e) Severability; Construction. If any provision of this Note or the application of any such provision to any person or circumstance shall be held invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision hereof. The parties hereto have participated jointly in the negotiation and drafting of this Note. If an ambiguity or question of intent or interpretation arises, this Note will be construed as if drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party hereto because of the authorship of any provision of this Note. The words "include," "includes," and "including" will be deemed to be followed by "without limitation." Pronouns in masculine, feminine, and neuter genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires. The words "this Note," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Note as a whole and not to any particular subdivision unless expressly so limited.

(f) Counterparts. This Note may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when all such counterparts have been signed by each of the parties hereto and delivered to the other parties hereto. Any signature delivered by electronic means (facsimile or email/pdf, etc.) shall be binding to the same extent as an original signature page with regard to this Note or any amendments thereof, subject to the terms thereof. A party hereto that delivers a signature page in this manner agrees promptly to deliver an original counterpart signature page to the other parties hereto; provided, however, that all of the executed counterparts shall be consolidated, be deemed to be a single promissory note, and be delivered to Subordinated Creditors' Representative at closing.

(g) Headings; Replacement. The headings contained in this Note are for reference purposes only and shall not affect in any way the meaning or interpretation of this Note. Upon receipt of evidence satisfactory to the Parent of the loss, theft, destruction, or mutilation of this Note, the Borrower will issue to the Subordinated Creditors' Representative a new Note containing all of the terms and provisions set forth herein, in lieu of such lost, stolen, destroyed, or mutilated Note.

(h) Remedies. The rights, obligations, and remedies created by this Note are cumulative and in addition to any other rights, obligations, or remedies otherwise available at Law or in equity.

(i) Time Is of the Essence. Time is of the essence regarding payments due under this Note.

[Signature Page Follows]

IN WITNESS WHEREOF, a duly authorized representative of the Borrower has duly executed and delivered this Note as of the date first written above.

**VINTAGE STOCK AFFILIATED HOLDINGS LLC**

By: /s/ Jon Isaac
Name: Jon Isaac
Title: President and Chief Executive Officer

**Accepted and Agreed:**

**By the Subordinate Creditors:**

By: /s/ Rodney Spriggs
Printed Name: Rodney Spriggs
Trustee, Rodney and Sherry Spriggs Living Trust, dated April 18, 2012

By: /s/ Sherry Spriggs
Printed Name: Sherry Spriggs
Trustee, Rodney and Sherry Spriggs Living Trust, dated April 18, 2012

By: /s/ Ken Caviness
Printed Name: Ken Caviness
Trustee, Ken and Deanna Caviness Living Trust, dated July 12, 2002

By: /s/ Deanna Caviness
Printed Name: Deanna Caviness
Trustee, Ken and Deanna Caviness Living Trust, dated July 12, 2002

By: /s/ Steven Wilcox
Printed Name: Steven Wilcox
Trustee, Steven and Anna Wilcox Living Trust, dated May 15, 2012

By: /s/ Anna Wilcox
Printed Name: Anna Wilcox
Trustee, Steven and Anna Wilcox Living Trust, dated May 15, 2012

**By the Subordinated Creditors' Representative:**

/s/ Rodney Spriggs
Rodney Spriggs

**Schedule I**

| Name of Subordinated Creditor | Percentage Interest |
|---|---|
| Rodney and Sherry Spriggs Living Trust, dated April 18, 2012 | 41.134752% |
| Steven and Anna Wilcox Living Trust, dated May 15, 2012 | 17.730496% |
| Ken and Deanna Caviness Living Trust, dated July 12, 2002 | 41.134752% |

**Exhibit 10.31**

*EXECUTION VERSION*

**AMENDED AND RESTATED SUBORDINATION AGREEMENT**

**THIS AMENDED AND RESTATED SUBORDINATION AGREEMENT** (this "Agreement") is entered into as of June 7, 2018 by and among each of the undersigned "Sellers" listed on the signature pages hereto (each a "Subordinated Creditor" and collectively the "Subordinated Creditors") and **COMVEST CAPITAL IV, L.P.** ("Comvest"), as Agent for the Senior Lenders described below (in such capacity, together with its successors and assigns in such capacity from time to time, the "Senior Agent").

**R E C I T A L S**

**A.** Pursuant to that certain Agent Substitution and Loan Assignment Agreement, dated as of even date herewith, by and among **WILMINGTON TRUST, NATIONAL ASSOCIATION** ("Existing Term Agent"), as retiring agent, Comvest, as successor agent, the assignor lenders party thereto, the assignee lenders party thereto and **VINTAGE STOCK, INC.**, a Missouri corporation (the "Borrower"), and **VINTAGE STOCK AFFILIATED HOLDINGS LLC** , a Nevada limited liability company (the "Parent"), as borrowers, (i) Comvest assumed all of the rights, powers, privileges and duties of Existing Term Agent under (1) that certain Term Loan Agreement, dated as of November 2, 2016 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the "Existing Senior Agreement"), (2) that certain Subordination Agreement, dated as of November 2, 2016 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the "Existing Subordination Agreement"), by and among each Subordinated Creditor and Existing Term Agent, and (3) each other Senior Debt Document and (ii) the assignee lenders party thereto purchased from the lenders under the Existing Senior Agreement all of the Loans (as defined in the Existing Senior Agreement) held by such lenders and assumed all right, title and interest of such lenders under the Existing Senior Agreement.

**B.** Parent, Borrower, the Senior Agent and certain lenders from time to time party thereto ("Senior Lenders") have agreed to amend and restate in its entirety the Existing Senior Agreement pursuant to that certain Amended and Restated Credit Agreement, dated as of June 7, 2018 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Senior Credit Agreement"), which provides for, among other things, the Senior Lenders, subject to the terms and conditions set forth in the Senior Credit Agreement, to make certain term loans to the Borrower, which loans are guaranteed by Parent and the other Guarantors. All of the Loan Parties' obligations to the Senior Agent and the Senior Lenders under the Senior Credit Agreement and the other Senior Loan Documents are secured by Liens on and security interests in certain assets of the Loan Parties.

**B.** The Parent has issued that certain Amended and Restated Subordinated Promissory Note, dated as of even date herewith, in an aggregate original principal amount of $10,000,000 to the Subordinated Creditors (the "Subordinated Note").

**C.** As an inducement to and as one of the conditions precedent to the agreement of the Senior Agent and the Senior Lenders to permit the indebtedness evidenced by the Subordinated Debt Documents to remain outstanding, the Senior Agent and the Senior Lenders have required the execution and delivery of this Agreement by each Subordinated Creditor, which amends and restates in its entirety the Existing Subordination Agreement, in order to set forth the relative rights and priorities of the Senior Agent, the Senior Lenders and the Subordinated Creditors under the Senior Debt Documents and the Subordinated Debt Documents, and each Subordinated Creditor and Senior Agent agree to so amend and restate the Existing Subordination Agreement upon the terms and conditions set forth herein.

**NOW, THEREFORE,** in order to induce the Senior Agent and the Senior Lenders to consummate the transactions contemplated by the Senior Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto hereby agree as follows:

**1. Definitions; Rules of Construction**.

**1.1 Definitions**. All terms used herein but not defined herein shall have the meaning ascribed to such terms in the Senior Credit Agreement. The following terms shall have the following meanings in this Agreement:

"Agreement" has the meaning set forth in the introductory paragraph hereof.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy".

"Borrower" has the meaning set forth in the recitals hereof.

"Collateral" means all assets and property (whether real, personal, or mixed) now owned or hereafter acquired by any Loan Party in or upon which a Lien is granted under any of the Senior Debt Documents and all products and Proceeds of any of the foregoing.

"Comvest" has the meaning set forth in the preamble hereof.

"Distribution" means, with respect to any indebtedness, obligation or security, (a) any payment or distribution by any Person of cash, securities or other property, by set-off or otherwise, on account of such indebtedness, obligation or security, (b) any redemption, purchase or other acquisition of such indebtedness, obligation or security by any Person or (c) the granting of any lien or security interest to or for the benefit of the holders of such indebtedness, obligation or security in or upon any property of any Person.

"Enforcement Action" means any action to enforce payment or performance by any Loan Party of the Subordinated Debt or the Subordinated Debt Documents, including any of the following: (a) to take from or for the account of any Loan Party or any guarantor of the Subordinated Debt, by set-off or in any other manner, the whole or any part of any moneys which may now or hereafter be owing by any Loan Party or any such guarantor with respect to the Subordinated Debt, (b) to sue for payment of, or to initiate or participate with others in any suit, action or proceeding against or any such guarantor to (i) enforce payment of or to collect the whole or any part of the Subordinated Debt or (ii) commence judicial enforcement of any of the rights and remedies under the Subordinated Debt Documents or applicable law with respect to the Subordinated Debt, (c) to accelerate the Subordinated Debt, (d) to exercise any put option or to cause any Loan Party or any such guarantor to honor any redemption or mandatory prepayment obligation under any Subordinated Debt Document, (e) to take any action under the provisions of any state or federal, including the UCC, or under any contract or agreement, to enforce, foreclose upon, take possession of or sell any property or assets of any Loan Party or any such guarantor, or (f) to exercise in any other manner any remedies with respect to the Subordinated Debt set forth in the Subordinated Debt Documents or that otherwise might be available to any Subordinated Creditor at law, in equity, pursuant to judicial proceeding or otherwise; provided, that nothing contained herein shall prohibit Subordinated Creditors from providing any Loan Party with notice that a default has occurred under a Subordinated Debt Document.

"Existing Senior Agreement" has the meaning set forth in the recitals hereof.

"Existing Subordination Agreement" has the meaning set forth in the recitals hereof.

"Existing Term Agent" has the meaning set forth in the recitals hereof.

"Governmental Authority" means any federal, state, municipal, national or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the United States or any foreign entity or government.

"Insolvency Proceeding" means any (a) case, action or proceeding before any court or Governmental Authority relating to bankruptcy, administration, reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise), insolvency, liquidation, receivership, interim receivership, proposal, dissolution, judicial management, or any other case, action, proceeding, relief or any analogous procedure or step in any jurisdiction whether voluntary or involuntary, (b) any general assignment for the benefit of creditors, composition, compromise, marshaling of assets for creditors, the suspension of payments, a moratorium of any indebtedness, or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors or (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or similar officer; in each case of clauses (a) through (c) above, undertaken under United States federal or state law, including the Bankruptcy Code.

"Lien" means (a) any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing and (b) in the case of Securities, any purchase option, call or similar right of a third party with respect to such Securities.

"Loan Party" and "Loan Parties" means the Borrower, the Parent and each other Person that may from time to time execute and deliver a Senior Debt Document or Subordinated Debt Document as a "debtor", "borrower", "obligor", "grantor", "guarantor" or "pledgor" (or the equivalent thereof).

"Paid in Full" or "Payment in Full" means, when used in connection with the Senior Debt, the payment and satisfaction in full in cash of all of the Senior Debt (other than contingent indemnification obligations for which no claim has been asserted) and the irrevocable termination of commitments to lend under the Senior Debt Documents.

"Parent" has the meaning set forth in the recitals hereof.

"Permitted Interest Payments" means cash payment by the Loan Parties of regularly scheduled cash interest payments on the Subordinated Debt subject to the following conditions: (a) no less than 50% of such payment is paid by the Sponsor directly or indirectly from the proceeds of a Seller Subordinated Debt Contribution made by the Sponsor to the Parent to the extent required by Section 26 of the Sponsor Guaranty and (b) the rate of interest for any such interest payments shall not exceed 8% per annum.

"Permitted Subordinated Debt Payments" means (i) Permitted Interest Payments; (ii) Reorganization Subordinated Securities; (iii) payment of reasonable and documented out-of-pocket costs and expenses incurred in connection with any actions taken not in contravention of the terms and conditions of this Agreement, to the extent due and owing any Subordinated Creditor in accordance with the terms of the Subordinated Debt Documents, but in any event, not to exceed $25,000 in the aggregate; and (iv) "catch up payments" to the extent permitted by Section 2.3(c).

"Person" means any natural person, corporation, limited liability company, limited partnership, general partnership, limited liability partnership, joint venture, trust, land trust, business trust, or other organization, irrespective of whether such organization is a legal entity, and shall include a government and any agency or political subdivision thereof.

"Proceeds" means (i) all "proceeds" as defined in Article 9 of the UCC with respect to the Collateral, and (ii) whatever is recoverable or recovered when Collateral is sold, exchanged, collected, or disposed of, whether voluntarily or involuntarily.

"Refinance" means, in respect of any indebtedness, to refinance, extend, renew, defease, supplement, restructure, replace, refund or repay, or to issue other indebtedness in exchange or replacement for such indebtedness, in whole or in part, whether with the same or different lenders, arrangers or agents. "Refinanced" and "Refinancing" shall have correlative meanings.

"Reorganization Subordinated Securities" shall mean any debt or equity securities of Parent or any other Person that are distributed to a Subordinated Creditor in respect of the Subordinated Debt pursuant to a confirmed plan of reorganization or adjustment (or any debt or equity securities issued in any Insolvency Proceeding pursuant to an order of a bankruptcy court in satisfaction of all or a portion thereof) and that (a) are subordinated in right of payment to the Senior Debt (or any debt or equity securities issued in substitution of all or any portion of the Senior Debt) to at least the same extent as the Subordinated Debt is subordinated to the Senior Debt pursuant to this Agreement.

"Securities" means any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit-sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

"Senior Agent" has the meaning set forth in the introductory paragraph hereof. In the case of any Refinancing of the Senior Debt, the Senior Agent shall be the Person identified as such in the applicable Senior Debt Documents as so Refinanced.

"Senior Credit Agreement" has the meaning set forth in the recitals hereof.

"Senior Creditor" and "Senior Creditors" means, at any relevant time, individually or collectively, the Senior Agent or the Senior Lenders.

"Senior Debt" means all obligations, liabilities and indebtedness of every nature of the Loan Parties from time to time owed to Senior Agent or any Senior Lender under the Senior Loan Documents, including the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and from time to time hereafter owing, due or payable, whether before or after the filing of an Insolvency Proceeding together with (a) any amendments, modifications, renewals or extensions thereof to the extent not prohibited by the terms of this Agreement and (b) any interest accruing thereon after the commencement of an Insolvency Proceeding, without regard to whether or not such interest is an allowed claim. Senior Debt shall be considered to be outstanding whenever any loan commitment under any Senior Loan Document relating to the Senior Debt is outstanding.

"Senior Debt Documents" means (i) the Senior Loan Documents and (ii) any other credit agreement, loan agreement, note agreement, promissory note, indenture, other agreement or instrument entered into between and among any one or more of the Loan Parties, on the one hand, and any one or more of the Senior Agent or Senior Lenders, on the other hand) (including any such agreement, note, indenture, or other agreement or instrument evidencing or governing the terms of any indebtedness or other financial accommodation that has been incurred to extend, increase or Refinance in whole or in part the obligations under the agreements and instruments referenced in this definition).

"Senior Default" means any "Default" or "Event of Default" under and as defined in the Senior Credit Agreement.

"Senior Default Notice" means a written notice from the Senior Agent to a Subordinated Creditor pursuant to which such Subordinated Creditor is notified of the occurrence of a Senior Default, which notice incorporates a reasonably detailed description of such Senior Default.

"Senior Lenders" means the holders of the Senior Debt.

"Senior Loan Documents" means the Senior Credit Agreement, the Senior Security Agreement and all other "Loan Documents" as defined in the Senior Credit Agreement.

"Senior Security Agreement" means that certain Collateral Agreement, dated as of the date of this Agreement, by and between the Loan Parties and the Senior Agent.

"Subordinated Creditors" has the meaning set forth in the introductory paragraph hereof.

"Subordinated Debt" means all of the obligations of any Loan Party to any Subordinated Creditor evidenced by or incurred pursuant to the Subordinated Debt Documents.

"Subordinated Debt Default" means a default in the payment of the Subordinated Debt or in the performance of any term, covenant or condition contained in the Subordinated Debt Documents or any other occurrence permitting a Subordinated Creditor to accelerate the payment of all or any portion of the Subordinated Debt.

"Subordinated Debt Documents" means the Subordinated Note and all other documents, agreements and instruments now existing or hereinafter entered into evidencing or pertaining to all or any portion of the Subordinated Debt, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.

"Subordinated Note" has the meaning set forth in the recitals hereof.

"UCC" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

**1.2 Rules of Construction**. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. The use herein of the words "include", "includes" and "including," when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not no limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The word "will" shall be construed to have the same meaning and effect as the word "shall". The term "or" shall be construed to have, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as it was originally executed or as it may from time to time be amended, restated, supplemented, modified, renewed, extended, Refinanced, refunded, or replaced (subject to any restrictions on such amendments, supplements, modifications, renewals, extensions, Refinancings, refundings, or replacements set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (iii) the words "hereof", "herein" and "hereunder" and words of similar import shall be construed to refer to this Agreement as a whole and not to any particular provision hereof, (iv) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, (v) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (vi) any definition of or reference to Senior Debt or the Subordinated Debt herein shall be construed as referring to the Senior Debt or the Subordinated Debt (as applicable) as from time to time amended, restated, supplemented, modified, renewed, extended, Refinanced, refunded, or replaced, in each case, to the extent permitted by the terms of this Agreement and (vii) any reference to any agreement, instrument, or other document herein "as in effect on the date hereof" shall be construed as referring to such agreement, instrument, or other document without giving effect to any amendment, restatement, supplement, modification or Refinancing after the date hereof.

**2. Subordination.**

**2.1 Subordination of Subordinated Debt to Senior Debt; No New Borrowings**. Each Loan Party covenants and agrees, and each Subordinated Creditor by its signature hereto or by its acceptance of the Subordinated Debt Documents (upon transfer or assignment) likewise covenants and agrees, notwithstanding anything to the contrary contained in any of the Subordinated Debt Documents, that the payment of any and all of the Subordinated Debt shall be subordinate and subject in right and time of payment, to the extent and in the manner hereinafter set forth, to the prior Payment in Full of all Senior Debt.

**2.2 Liquidation, Dissolution, Bankruptcy**. In the event of any Insolvency Proceeding involving any Loan Party:

(a) This Agreement shall be applicable both before and after the commencement of such Insolvency Proceeding and all converted or succeeding cases in respect thereof. In any Insolvency Proceeding by or against any Loan Party, no Subordinated Creditor shall take any action (or fail to take any action) that is in contravention of this Agreement. The relative rights of the Senior Lenders and the Subordinated Creditors in or to any Distributions, whether in cash, securities or other property, shall continue after the commencement of any Insolvency Proceeding. Accordingly, the provisions of this Agreement are intended to be and shall be enforceable as a subordination agreement within the meaning of any applicable Bankruptcy Code.

(b) Nothing contained herein shall prohibit or in any way limit any Senior Lender from objecting in any Insolvency Proceeding involving any Loan Party to any action taken by a Subordinated Creditor, including the seeking by a Subordinated Creditor of adequate protection or the assertion by a Subordinated Creditor of any of its rights and remedies under the Subordinated Debt Documents, except as expressly provided for in this Agreement.

(c) All Senior Debt shall first be Paid in Full before any Distribution (other than Reorganization Subordinated Securities), whether in cash, securities or other property, shall be made to a Subordinated Creditor on account of any Subordinated Debt.

(d) Any Distribution (other than Reorganization Subordinated Securities), whether in cash, securities or other property which would otherwise, but for the terms hereof, be payable or deliverable in respect of the Subordinated Debt shall be paid or delivered directly to the Senior Agent (to be held and/or applied by the Senior Agent in accordance with the terms of the Senior Debt Documents) until all Senior Debt is Paid in Full and (i) each Subordinated Creditor irrevocably authorizes, empowers and directs any debtor, debtor in possession, receiver, trustee, liquidator, custodian, conservator, administrator, judicial manager or other Person having authority, to pay or otherwise deliver all such Distributions (other than Reorganization Subordinated Securities) to the Senior Agent; and (ii) each Subordinated Creditor also irrevocably authorizes and empowers the Senior Agent, in the name of such Subordinated Creditor, to demand, sue for, collect and receive any and all such Distributions (other than Reorganization Subordinated Securities).

(e) If any Senior Lender is required in any Insolvency Proceeding or otherwise to turn over, disgorge or otherwise pay to the estate of any Loan Party any amount paid in respect of the Senior Debt (a "Senior Recovery"), then such Senior Lender shall be entitled to a reinstatement of the Senior Debt with respect to all such recovered amounts, and all rights, interests, priorities and privileges recognized in this agreement shall apply with respect to any such Senior Recovery. If this Agreement shall have been terminated prior to such Senior Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair, or otherwise affect the obligations of the parties hereto from such date of reinstatement.

(f) Each Subordinated Creditor agrees to execute, verify, deliver and file any claims or proofs of claim in respect of the Subordinated Debt requested by the Senior Agent in connection with any such Insolvency Proceeding and hereby irrevocably authorizes, empowers and appoints the Senior Agent its agent and attorney-in-fact to (i) execute, verify, deliver and file such claim or proofs of claim upon the failure of a Subordinated Creditor promptly to do so prior to 20 days before the expiration of the time to file any such claim or proof of claim and (ii) vote such claim in any such Insolvency Proceeding upon the failure of a Subordinated Creditor to do so prior to 10 days before the expiration of the time to vote any such claim; provided the Senior Agent shall not have any obligation to execute, verify, deliver, file and/or vote any such claim or proof of claim. In the event that the Senior Agent votes any claim in accordance with the authority granted hereby, no Subordinated Creditor shall be entitled to change or withdraw such vote.

(g) Each Subordinated Creditor agrees that prior to the Payment in Full of the Senior Debt, the Senior Agent and the Senior Lenders may consent to the use of cash collateral or provide financing to the Loan Parties on such terms and conditions and in such amounts as the Senior Agent and the Senior Lenders in their sole discretion, may decide and, in connection therewith, prior to the Payment in Full of the Senior Debt, the Loan Parties may grant to the Senior Agent and the Senior Lenders liens and security interests upon all of the property of the Loan Parties, which liens and security interests shall secure payment of all Senior Debt (whether such Senior Indebtedness arose prior to the commencement of any Insolvency Proceeding or at any time thereafter) and all other financing provided by the Senior Agent and the Senior Lenders during the Insolvency Proceeding, and each Subordinated Creditor agrees he will not object to or oppose any of the foregoing. Each Subordinated Creditor agrees that he will not object to or oppose a sale or other disposition of any property securing all of any part of the Senior Debt free and clear of security interests, liens or other claims of such Subordinated Creditor under Section 363 of the Bankruptcy Code (or any foreign equivalent) or any other provision of the Bankruptcy Code (or any foreign equivalent) if the Senior Agent and the Senior Lenders have consented to such sale or disposition. No Subordinated Creditor shall assert any objection (or support any other Person's objection) to any request by the Senior Agent and the Senior Lenders for "adequate protection" or assert any right he may have to "adequate protection" of such Person's interest in any Collateral in any Insolvency Proceeding and each Subordinated Creditor agrees that he will not seek to have the automatic stay lifted with respect to any Collateral without the prior written consent of the Senior Agent. Each Subordinated Creditor waives any claim he may now or hereafter have arising out of the Senior Agent or any Senior Lender's election, in any Insolvency Proceeding instituted under the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, and/or any borrowing or grant of a security interest under Section 364 of the Bankruptcy Code by any Loan Party, as debtor in possession. Each Subordinated Creditor shall not vote in a manner or take any other action which may impair or adversely affect the Senior Agent's or the Senior Lenders' interests, rights and remedies under the Senior Credit Agreement or this Agreement.

(h) Notwithstanding anything to the contrary in this Section 2.2 or Section 2.4 in any Insolvency Proceeding commenced against any Loan Party (other than by a Subordinated Creditor) or by any Loan Party, each Subordinated Creditor may (i) file a proof of claim or statement of interest with respect to the Subordinated Debt and (ii) take any other action, including (A) filing any necessary responsive or defensive pleadings in opposition to any motion or other pleading made by any Person objecting to or otherwise seeking the disallowance of any claims of the Subordinated Debt (other than any affirmative defense or counterclaim in respect of a claim that would not otherwise be permitted to be made under the terms hereof) and (B) voting on any plan of reorganization that is not, in the sole and absolute opinion of the Required Lenders under the Senior Credit Agreement, inconsistent with the terms of this Agreement, in each case under this clause (ii) that is not adverse in any respect to the Senior Agent or Senior Lenders, the payment priority of the Senior Debt or the rights of the Senior Agent or Senior Lenders to exercise remedies in respect thereof or otherwise in violation of this Agreement.

**2.3 Subordinated Debt Payment and Default Restrictions.**

(a) Notwithstanding the terms of the Subordinated Debt Documents, each Loan Party hereby agrees that it shall not make, and each Subordinated Creditor hereby agrees that he will not accept, any Distribution with respect to the Subordinated Debt until the Senior Debt is Paid in Full other than Permitted Subordinated Debt Payments subject to the terms of Section 2.2 and this Section 2.3; provided, however, that no Permitted Subordinated Debt Payments (other than (x) Permitted Interest Payments solely to the extent that 100% of the amount of such Permitted Interest Payment is paid directly or indirectly by the Sponsor from the proceeds of a Seller Subordinated Debt Contribution made by the Sponsor to the Parent to the extent required by Section 26 of the Sponsor Guaranty and (y) as permitted by Section 2.3(d)(ii) below) may be made by any Loan Party or received by a Subordinated Creditor if, at the time of such payment, a Senior Default exists or would result therefrom and such Senior Default has not been cured or waived.

(b) No Senior Default shall be deemed to have been waived for purposes of this Section 2.3 unless and until the Loan Parties shall have received a written waiver from the Senior Agent and all Senior Lenders or the requisite number of Senior Lenders, as applicable, required by the Senior Credit Agreement in accordance with the terms of the Senior Credit Agreement.

(c) Parent may resume, and Subordinated Creditors may receive, Permitted Subordinated Debt Payments (and may make any Permitted Subordinated Debt Payments missed due to the application of paragraph (a) of this Section 2.3) in respect of the Subordinated Debt upon a cure or waiver of the Senior Default. For the avoidance of doubt, Permitted Subordinated Debt Payments that are blocked or suspended pursuant to Section 2.2 or 2.3 shall accrue (to the extent not already capitalized to the Subordinated Debt) and constitute Subordinated Debt and may be paid by Parent to the Subordinated Creditors upon the cure or waiver of the Senior Default or dismissal of an Insolvency Proceeding prior to final resolution thereof, as applicable.

(d) Notwithstanding any provision of this Section 2.3 to the contrary (i) the failure of any Loan Party to make any Distribution with respect to the Subordinated Debt by reason of the operation of this Section 2.3 shall not be construed as preventing the occurrence of a Subordinated Debt Default under the applicable Subordinated Debt Documents, or (ii) the Loan Parties shall not be prohibited from making, and the Subordinated Creditors shall not be prohibited from receiving, any Reorganization Subordinated Securities.

**2.4 Subordinated Debt Standstill Provisions**. Until the Senior Debt is Paid in Full, no Subordinated Creditor shall, without the prior written consent of the Senior Creditors, take any Enforcement Action with respect to the Subordinated Debt except as expressly permitted by Section 2.2(h) of this Agreement. Any Distributions or other proceeds of any Enforcement Action obtained by a Subordinated Creditor when such payment or Distribution is prohibited by this Agreement shall in any event be held in trust by him for the benefit of the Senior Creditors and promptly paid or delivered to the Senior Agent for the benefit of the Senior Creditors in the form received until all Senior Debt is Paid in Full.

**2.5 Incorrect Payments; Turnover**. Whether or not any Insolvency Proceeding has been commenced by or against any Loan Party, if any Distribution is received by a Subordinated Creditor in contravention of this Agreement (whether (a) in connection with an Enforcement Action, (b) as a result of a Subordinated Creditor's collusion with any Loan Party in violating the rights of any Senior Creditor (within the meaning of Section 9-332 of the UCC) or (c) otherwise), such Distribution shall not be commingled with any of the assets of a Subordinated Creditor, shall be held in trust by such Subordinated Creditor for the benefit of the Senior Creditors and shall be promptly paid over to the Senior Agent for application (in accordance with the Senior Debt Documents) to the payment of the Senior Debt then remaining unpaid, until all of the Senior Debt has been Paid in Full. The Senior Agent is hereby authorized to make any such endorsements as agent for the applicable Subordinated Creditor. This authorization is coupled with an interest and is irrevocable until Payment in Full of the Senior Debt.

**2.6 Acknowledgement of Lien; No Acquisition of Liens or Guaranties**.

(a) Each Subordinated Creditor hereby (i) acknowledges that each Loan Party (either prior to the date hereof, concurrently herewith, or after the date hereof) has granted or is granting Liens on the Collateral in favor of the Senior Agent to secure the Senior Debt; and (ii) consents to the grant by each Loan Party of the Liens on the Collateral to secure the Senior Debt.

(b) No Subordinated Creditor has and no Subordinated Creditor shall acquire any right or interest in or to any Collateral or any other assets of any Loan Party. Any Liens granted to any Subordinated Creditor prior to the date of this Agreement shall be released by such Subordinated Creditor in writing in form and substance satisfactory to Senior Agent on or prior to the date of this Agreement. Each Subordinated Creditor hereby acknowledges that the Senior Credit Agreement prohibits any Loan Party from granting a Lien in any of its assets to any Person to secure the Subordinated Debt.

(c) No Subordinated Creditor shall accept any guaranties of any kind or nature from any Person in respect of the Subordinated Debt. In the event that, notwithstanding the foregoing sentence, a Subordinated Creditor accepts any guaranties of any kind or nature from any Person in respect of the Subordinated Debt, such Subordinated Creditor shall immediately release such guaranty and to the extent that such Subordinated Creditor receives any proceeds or payments on account of such guaranty, such proceeds or payments shall be turned over to the Senior Agent in accordance with Section 2.5.

(d) Each Subordinated Creditor agrees that he will not (and hereby waives any right to), directly or indirectly, contest or support any other Person in contesting, in any proceeding (including any Insolvency Proceeding): (i) the validity, priority, enforceability or allowance of any claims of any of the Senior Creditors, (ii) the priority, validity, or enforceability of a Lien held by or on behalf of any of the Senior Creditors in any Collateral or (iii) the validity or enforceability of the provisions of this Agreement; provided that nothing in this Agreement shall be construed to prevent or impair the rights of a Subordinated Creditor to enforce the terms of this Agreement.

**2.7 Waivers by Subordinated Creditors**.

(a) Senior Debt.

(i) All Senior Debt at any time incurred by the Loan Parties shall be deemed to have been incurred, and all Senior Debt held by any Senior Lender shall be deemed to have been extended, acquired or obtained, as applicable, in reliance upon this Agreement, and each Subordinated Creditor hereby waives (A) notice of acceptance, or proof of reliance, by any of the Senior Creditors of this Agreement, and (B) notice of the existence, renewal, extension, accrual, creation, or non-payment of all or any part of the Senior Debt. Nothing contained in this Agreement shall preclude any of the Senior Creditors from discontinuing the extension of credit to any Loan Party (whether under the Senior Credit Agreement or otherwise) or from taking (without notice to such Subordinated Creditor, any Loan Party or any other Person) any other action in respect of the Senior Debt or the Collateral which such Senior Creditor is otherwise entitled to take with respect to the Senior Debt or the Collateral.

(ii) None of the Senior Creditors or any of their respective affiliates, directors, officers, employees, or agents shall be liable for failure to demand, collect, or realize upon any of the Collateral or any Proceeds or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral or Proceeds thereof or to take any other action whatsoever with regard to the Collateral or any part or Proceeds thereof. If any Senior Creditor honors (or fails to honor) a request by the Loan Parties for an extension of credit pursuant to any of the Senior Debt Documents, whether such Senior Creditor has knowledge that the honoring of (or failure to honor) any such request would constitute a default under the terms of the Subordinated Debt Documents or an act, condition, or event that, with the giving of notice or the passage of time, or both, would constitute such a default, or if such Senior Creditor otherwise should exercise any of its contractual rights or remedies under the Senior Debt Documents (subject to the express terms and conditions hereof), no Senior Creditor shall have any liability whatsoever to any Subordinated Creditor as a result of such action, omission, or exercise. Each Senior Creditor will be entitled to manage and supervise its loans and extensions of credit under the Senior Debt Documents as such Senior Creditor may, in its sole discretion, deem appropriate.

(b) Notice of Acceptance and Other Waivers. To the fullest extent permitted by applicable law, each Subordinated Creditor hereby waives: (i) notice of acceptance hereof; (ii) notice of any loans or other financial accommodations made or extended under any of the Senior Debt Documents, or the creation or existence of any Senior Debt; (iii) notice of the amount of the Senior Debt; (iv) notice from the Senior Creditors (or any of them) of any adverse change in the financial condition of any Loan Party or of any other fact that might increase such Subordinated Creditor's risk hereunder; (v) notice from the Senior Creditors (or any of them) of presentment for payment, demand, protest, and notice thereof as to any instrument among the Senior Debt Documents; (vi) notice from the Senior Creditors (or any of them) of any default or event of default under the Senior Debt Documents or otherwise relating to the Senior Debt; and (vii) all other notices (except if such notice is specifically required to be given to such Subordinated Creditor under this Agreement) and demands from the Senior Creditors (or any of them) to which such Subordinated Creditor might otherwise be entitled.

(c) Lawsuits; Defenses; Setoff. To the fullest extent permitted by applicable law, each Subordinated Creditor (i) waives the right by statute or otherwise to require any Senior Creditor to institute suit against any Loan Party or to exhaust any rights and remedies which any Senior Creditor has or may have against any Loan Party; (ii) waives any defense arising by reason of any disability or other defense (other than the defense that the Senior Debt has been Paid in Full (subject to the provisions of Section 2.2(e)) of any Loan Party or by reason of the cessation from any cause whatsoever of the liability of such Loan Party in respect thereof; (iii) waives any rights to assert against any Senior Creditor any defense (legal or equitable), set-off, counterclaim, or claim which such Subordinated Creditor may now or at any time hereafter have against any Loan Party or any other party liable to any Senior Creditor or such Subordinated Creditor; (iv) waives any defense, set-off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of any Senior Debt, any Subordinated Debt or any security for either; (v) waives any defense arising by reason of any claim or defense based upon an election of remedies by any Senior Creditor; and (vi) waives the benefit of any statute of limitations affecting such Subordinated Creditor's obligations hereunder or the enforcement thereof, and any act which shall defer or delay the operation of any statute of limitations applicable to the Senior Debt shall similarly operate to defer or delay the operation of such statute of limitations applicable to such Subordinated Creditor's obligations hereunder.

(d) Subrogation. Solely after the Senior Debt shall have been Paid in Full, the Subordinated Creditors shall be subrogated to the rights of the Senior Creditors to the extent that distributions otherwise payable to a Subordinated Creditor have been applied to the payment of the Senior Debt in accordance with the provisions of this Agreement. The Senior Creditors shall have no obligation or duty to protect any of any Subordinated Creditor's rights of subrogation arising pursuant to this Agreement or under any applicable law, nor shall any Senior Creditor be liable for any loss to, or impairment of, any subrogation rights held by such Subordinated Creditor. For purposes of such subrogation, any Distribution made pursuant to this Agreement to the Senior Creditors which otherwise would have been made to a Subordinated Creditor is not, as between the Loan Parties and such Subordinated Creditor, a payment by any Loan Party to or on account of the Subordinated Debt.

(e) ELECTION OF REMEDIES. WITHOUT LIMITING THE GENERALITY OF ANY OTHER WAIVER OR OTHER PROVISION SET FORTH IN THIS AGREEMENT, EACH SUBORDINATED CREDITOR WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS AND DEFENSES ARISING OUT OF AN ELECTION OF REMEDIES BY ANY SENIOR CREDITOR, EVEN THOUGH THAT ELECTION OF REMEDIES HAS DESTROYED THE RIGHTS OF SUBROGATION OF SUCH SUBORDINATED CREDITOR AND REIMBURSEMENT AGAINST ANY LOAN PARTY BY THE OPERATION OF ANY APPLICABLE LAW.

**2.8 Sale, Transfer or other Disposition of Subordinated Debt.**

(a) No Subordinated Creditor shall sell, assign, pledge, dispose of or otherwise transfer all or any portion of the Subordinated Debt or any Subordinated Debt Document.

(b) Notwithstanding the foregoing, the subordination effected hereby shall survive any sale, assignment, pledge, disposition or other transfer of all or any portion of the Subordinated Debt in violation of the foregoing prohibition, and the terms of this Agreement shall be binding upon the successors and assigns of each Subordinated Creditor, as provided in Section 10.

**2.9 Legends**. Until the termination of this Agreement in accordance with Section 17 hereof, each Subordinated Creditor will cause to be clearly, conspicuously and prominently inserted on the face of the Subordinated Note, as well as any renewals or replacements thereof, the following legend:

> "THIS INSTRUMENT AND THE RIGHTS AND OBLIGATIONS EVIDENCED HEREBY ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN AMENDED AND RESTATED SUBORDINATION AGREEMENT (THE "SUBORDINATION AGREEMENT") DATED AS OF JUNE 7, 2018 BY AND AMONG SUBORDINATED CREDITORS AND COMVEST CAPITAL IV, L.P., AS SENIOR AGENT. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THE SUBORDINATION AGREEMENT AND THIS PROMISSORY NOTE, THE TERMS OF THE SUBORDINATION AGREEMENT SHALL GOVERN AND CONTROL."

**3. Modifications.**

**3.1 Modifications to Senior Debt Documents**. The Senior Creditors may at any time and from time to time without the consent of or notice to any Subordinated Creditor, without incurring liability to such Subordinated Creditor and without impairing or releasing the obligations of such Subordinated Creditor under this Agreement, change the manner or place of payment or extend the time of payment of or renew or alter any of the terms of the Senior Debt, or amend, restate, supplement, Refinance, or otherwise modify in any manner any agreement, note, guaranty or other instrument evidencing or securing or otherwise relating to the Senior Debt.

**3.2 Modifications to Subordinated Debt Documents**. Until the Senior Debt has been Paid in Full, and notwithstanding anything to the contrary contained in the Subordinated Debt Documents, no Subordinated Creditor shall, without the prior written consent of the Senior Agent, agree to any amendment, restatement, supplement, Refinance, or other modification of any of the Subordinated Debt Documents.

**3.3 When Payment in Full of the Senior Debt Deemed to Not Have Occurred.** If any Loan Party enters into any Refinancing of any Senior Debt, then (i) a Payment in Full of the Senior Debt shall automatically be deemed to have not occurred for all purposes of this Agreement, (ii) the obligations under such Refinancing of such Senior Debt shall automatically be treated as Senior Debt for all purposes of this Agreement, and (iii) the agent under the loan documents in respect of such Senior Debt shall be a Senior Creditor for all purposes of this Agreement and such Senior Creditor shall agree in writing to be bound by the terms of this Agreement.

**4. Representations and Warranties**.

**4.1 Representations and Warranties of the Subordinated Creditors**. Each Subordinated Creditor hereby represents and warrants to the Senior Creditors that as of the date hereof: (a) he has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, (b) the execution of this Agreement by such Subordinated Creditor will not violate or conflict with any material agreement binding upon him or any law, regulation or order or require any consent or approval which has not been obtained; (c) this Agreement is the legal, valid and binding obligation of such Subordinated Creditor, enforceable against such Subordinated Creditor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by equitable principles; (d) such Subordinated Creditor is the sole owner, beneficially and of record, of the Subordinated Debt Documents and the Subordinated Debt owing to him; and (e) the Subordinated Debt is, and at all times prior to the termination of this Agreement shall remain, an unsecured obligation of the Parent.

**4.2 Representations and Warranties of the Senior Agent**. The Senior Agent hereby represents and warrants to the Subordinated Creditors that as of the date hereof: (a) it has the power and authority to enter into, execute, deliver and carry out the terms of this Agreement, all of which have been duly authorized by all proper and necessary action; (b) the execution of this Agreement by the Senior Agent will not violate or conflict with the organizational documents of such Senior Creditor, any material agreement binding upon the Senior Agent or any law, regulation or order or require any consent or approval which has not been obtained; and (c) this Agreement is the legal, valid and binding obligation of the Senior Agent, enforceable against the Senior Agent in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles.

**5. Information Concerning Financial Condition**.

**5.1** The Senior Agent, for itself and on behalf of the Senior Lenders, hereby assumes responsibility for keeping itself informed of the financial condition of any Loan Party and of all other circumstances bearing upon the risk of nonpayment of the Senior Debt and agrees that Subordinated Creditors have and shall have no duty to advise the Senior Agent or any Senior Lender of information known to a Subordinated Creditor regarding such condition or any such circumstances. In the event that a Subordinated Creditor, in its sole discretion, undertakes, at any time or from time to time, to provide any such information to the Senior Agent or any Senior Lender, then such Subordinated Creditor shall not be under any obligation (i) to provide any such information to any other Senior Creditor on any subsequent occasion, (ii) to undertake any investigation or (iii) to disclose any information which, pursuant to their commercial finance practices, such Subordinated Creditor wishes to maintain confidential. The Senior Agent, for itself and the Senior Lenders, acknowledges and agrees that no Subordinated Creditor has made any warranties or representations with respect to the legality, validity, enforceability or collectibility of the Subordinated Debt.

**5.2** Each Subordinated Creditor hereby assumes responsibility for keeping itself informed of the financial condition of the Loan Parties and of all other circumstances bearing upon the risk of nonpayment of the Subordinated Debt, and agrees that the Senior Agent has and shall have no duty to advise any Subordinated Creditor of information known to any Senior Creditor regarding such condition or any such circumstances. In the event that the Senior Agent, in its sole discretion, undertakes, at any time or from time to time, to provide any such information to a Subordinated Creditor, then the Senior Agent shall not be under any obligation (i) to undertake any investigation or (ii) to disclose any information which, pursuant to its commercial finance practices the Senior Agent wishes to maintain confidential. Each Subordinated Creditor acknowledges and agrees that no Senior Creditor has made any warranties or representations with respect to the legality, validity, enforceability, collectibility or perfection of the Senior Debt or any Liens or security interests held in connection therewith.

**6. Modification**. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party from the terms hereof, shall not be effective in any event unless the same is in writing and signed by the Senior Agent and each Subordinated Creditor, and then such modification, waiver or consent shall be effective only in the specific instance and for the specific purpose given. Any notice to or demand on any party hereto in any event not specifically required hereunder shall not entitle the party receiving such notice or demand to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

**7.** **Further Assurances**. Each party to this Agreement promptly will execute and deliver such further instruments and agreements and do such further acts and things as may be reasonably requested in writing by any other party hereto that may be necessary or desirable in order to effect fully the purposes of this Agreement.

**8.** **Notices**. Each notice hereunder shall be in writing addressed to the respective party as set forth below and may be personally served or sent by facsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof, upon receipt of facsimile or three Business Days after depositing it in the United States mail with postage prepaid and properly addressed. Notices shall be addressed as follows:

Notices shall be addressed as follows:

If to a Subordinated Creditor:

Rodney Spriggs
202 East 32nd Street
Joplin, MO 64804
Facsimile: (417) 782-0024

With a copy to (which shall not constitute note):

Mann Conroy, LLC
1316 Saint Louis Avenue
2nd Floor
Kansas City, Missouri 64101
Attn: Kyle Conroy

If to a Loan Party:

Vintage Stock Affiliated Holdings LLC
c/o Live Ventures Incorporated
325 East Warm Springs Road
Suite 102
Las Vegas, Nevada 89119
Attn: Jon Isaac
Facsimile: 858-259-6661

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

Vintage Stock Affiliated Holdings LLC
c/o Live Ventures Incorporated
325 East Warm Springs Road
Suite 102
Las Vegas, Nevada 89119
Attn: Michael Stein
Facsimile: 702-997-5968

With another copy to (which shall not constitute notice):

Venable, LLP
750 E. Pratt Street, Suite 900
Baltimore, Maryland 21202
Attn: Anthony J. Rosso and Bryan Rakes
Facsimile: 410-244-7742

If to the Senior Agent or Senior Lenders:

Comvest Capital IV, L.P.
525 Okeechobee Boulevard, Suite 1050
West Palm Beach, Florida 33401
Attention: Jason Gelberd and Vintage Stock Account Manager
Facsimile: (561) 727-2100

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

Alston & Bird LLP
2828 N. Harwood, Suite 1800
Dallas, Texas 75201
Attention: Kate K. Moseley
Facsimile: (214) 922-3874

or in any case, to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this Section 8.

**9.** **Additional Loan Parties**. If, pursuant to Section 5.10 of the Senior Credit Agreement, any Loan Party shall be required to cause any Person that is not a Loan Party to become a Loan Party hereunder, such Person shall execute and deliver to the Senior Agent an acknowledgement to this Agreement and shall thereafter for all purposes be a "Loan Party" hereunder.

**10.** **Successors and Assigns**. This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the parties hereto. To the extent permitted under the Senior Debt Documents, the Senior Lenders may, from time to time, without notice to any Subordinated Creditor, assign or transfer any or all of the Senior Debt or any interest therein to any Person and, notwithstanding any such assignment or transfer, or any subsequent assignment or transfer, the Senior Debt shall, subject to the terms hereof, be and remain Senior Debt for purposes of this Agreement, and every permitted assignee or transferee of any of the Senior Debt or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Senior Debt, be entitled to rely upon and be the third party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto.

**11.** **Third Party Beneficiaries**. This Agreement is solely for the benefit of the Senior Agent, the Senior Lenders and the Subordinated Creditors and their respective successors and assigns, and neither any Loan Party nor any other Person is intended to be a third party beneficiary hereunder or to have any right, benefit, priority or interest under, or because of the existence of, or to have any right to enforce, this Agreement. This Agreement may be modified or terminated in accordance with the terms hereof at any time without notice to or approval of any Loan Party or any other Person.

**12.** **Relative Rights**. This Agreement shall define the relative rights of the Senior Agent, the Senior Lenders and the Subordinated Creditors. Nothing in this Agreement shall (a) impair, as among the Loan Parties, the Senior Agent and the Senior Lenders and as between the Loan Parties and the Subordinated Creditors, the obligation of any Loan Party with respect to the payment of the Senior Debt and the obligation of any Loan Party with respect to the payment of the Subordinated Debt in accordance with their respective terms or (b) affect the relative rights of the Senior Agent, the Senior Lenders or the Subordinated Creditors with respect to any other creditors of any Loan Party.

**13.** **Conflict**. In the event of any conflict between any term, covenant or condition of this Agreement and any term, covenant or condition of any of the Subordinated Debt Documents, the provisions of this Agreement shall control and govern.

**14.** **Headings**. The paragraph headings used in this Agreement are for convenience only and shall not affect the interpretation of any of the provisions hereof.

**15.** **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or other electronic method of transmission shall be as effective as delivery of a manually executed counterpart hereof.

**16.** **Severability**. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental authority, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

**17.** **Continuation of Subordination; Termination of Agreement** . Subject to Section 2.2, this Agreement shall remain in full force and effect until the Payment in Full of the Senior Debt after which this Agreement shall terminate without further action on the part of the parties hereto.

**18.** **Additional Remedies**. If any Subordinated Creditor violates any of the terms of this Agreement, in addition to any remedies in law, equity, or otherwise, the Senior Agent may restrain such violation in any court of law and may, in its own or in a Loan Party's name, interpose this Agreement as a defense in any action by such Subordinated Creditor.

**19.** **APPLICABLE LAW**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES (EXCEPT SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATION LAW). FURTHER, THE LAW OF THE STATE OF NEW YORK SHALL APPLY TO ALL DISPUTES OR CONTROVERSIES ARISING OUT OF OR CONNECTED TO OR WITH THIS AGREEMENT WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES (EXCEPT SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATION LAW).

**20.** **CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL.**

**(A) ANY LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT SHALL BE BROUGHT EXCLUSIVELY IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, IN SENIOR AGENT'S SOLE DISCRETION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND, AND EACH PARTY HERETO, FOR ITSELF AND IN RESPECT OF ITS OR HIS PROPERTY, GENERALLY AND UNCONDITIONALLY CONSENTS TO THE JURISDICTION OF THE AFOREMENTIONED COURTS. EACH PARTY HERETO HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, OR BASED ON UPON 28 U.S.C. § 1404, WHICH IT OR HE MAY NOW OR HEREAFTER HAVE TO THE BRINGING AND ADJUDICATION OF ANY SUCH ACTION, SUIT OR PROCEEDING IN ANY OF THE AFOREMENTIONED COURTS AND AGREES TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT. EACH PARTY HERETO EACH HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, WAIVER, INSTRUMENT, DOCUMENT OR OTHER AGREEMENT DELIVERED OR WHICH IN THE FUTURE MAY BE DELIVERED IN CONNECTION HEREWITH, AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.**

**(B) EACH SUBORDINATED CREDITOR HEREBY AGREES THAT PROCESS MAY BE SERVED ON HIM BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE ADDRESSES PERTAINING TO HIM AS SPECIFIED IN SECTION 8. ANY AND ALL SERVICE OF PROCESS AND ANY OTHER NOTICE IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE EFFECTIVE AGAINST SUCH SUBORDINATED CREDITOR IF GIVEN BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, OR BY ANY OTHER MEANS OR MAIL WHICH REQUIRES A SIGNED RECEIPT, POSTAGE PREPAID, MAILED AS PROVIDED ABOVE.**

**21. EFFECT OF AMENDMENT AND RESTATEMENT.** UPON THE CLOSING DATE: (A) ALL TERMS AND CONDITIONS OF THE EXISTING SUBORDINATION AGREEMENT, AS AMENDED BY THIS AGREEMENT, SHALL BE AND REMAIN IN FULL FORCE AND EFFECT, AS SO AMENDED, AND SHALL CONSTITUTE AND CONTINUE TO BE THE LEGAL, VALID, BINDING AND ENFORCEABLE OBLIGATIONS OF EACH SUBORDINATED CREDITOR AND OF THE SENIOR AGENT AND SENIOR LENDERS; (B) THE TERMS AND CONDITIONS OF THE EXISTING SUBORDINATION AGREEMENT SHALL BE AMENDED AS SET FORTH HEREIN AND, AS SO AMENDED, THE EXISTING SUBORDINATION AGREEMENT SHALL BE RESTATED IN ITS ENTIRETY, BUT SHALL BE AMENDED ONLY WITH RESPECT TO THE RIGHTS, DUTIES AND OBLIGATIONS AMONG EACH SUBORDINATED CREDITOR, THE SENIOR LENDERS AND THE SENIOR AGENT ACCRUING FROM AND AFTER THE DATE HEREOF; (C) THIS AGREEMENT SHALL NOT IN ANY WAY RELEASE OR IMPAIR THE RIGHTS, DUTIES OR OBLIGATIONS CREATED PURSUANT TO THE EXISTING SUBORDINATION AGREEMENT, EXCEPT AS EXPRESSLY MODIFIED HEREBY, AND ALL OF SUCH RIGHTS, DUTIES AND OBLIGATIONS ARE ASSUMED, RATIFIED AND AFFIRMED BY EACH SUBORDINATED CREDITOR; (D) THE AMENDMENT AND RESTATEMENT CONTAINED HEREIN SHALL NOT, IN ANY MANNER, BE CONSTRUED TO IMPAIR, LIMIT, CANCEL OR EXTINGUISH THE OBLIGATIONS OF ANY SUBORDINATED CREDITOR EVIDENCED BY OR ARISING UNDER THE EXISTING SUBORDINATION AGREEMENT; (E) THE EXECUTION, DELIVERY AND EFFECTIVENESS OF THIS AGREEMENT SHALL NOT OPERATE AS A WAIVER OF ANY RIGHT, POWER OR REMEDY OF SENIOR AGENT OR THE SENIOR LENDERS UNDER THE EXISTING SUBORDINATION AGREEMENT, NOR CONSTITUTE A WAIVER OF ANY COVENANT, AGREEMENT OR OBLIGATION UNDER THE EXISTING SUBORDINATION AGREEMENT, IN EACH CASE AS IN EFFECT IMMEDIATELY PRIOR TO THE EFFECTIVENESS OF THIS AGREEMENT; AND (F) ANY AND ALL REFERENCES IN THE SENIOR DEBT DOCUMENTS OR SUBORDINATED DEBT DOCUMENTS TO THE EXISTING SUBORDINATION AGREEMENT SHALL, WITHOUT FURTHER ACTION OF THE PARTIES, BE DEEMED A REFERENCE TO THE EXISTING SUBORDINATION AGREEMENT, AS AMENDED AND RESTATED BY THIS AGREEMENT, AND AS THIS AGREEMENT SHALL BE FURTHER AMENDED, AMENDED AND RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME HEREAFTER. SUBJECT TO THE FOREGOING, THIS AGREEMENT REPRESENTS THE ENTIRE AGREEMENT OF THE SUBORDINATED CREDITORS, SENIOR AGENT AND THE SENIOR LENDERS WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF, AND THERE ARE NO PROMISES, UNDERTAKINGS, REPRESENTATIONS OR WARRANTIES BY THE SENIOR AGENT OR ANY SENIOR LENDER RELATIVE TO THE SUBJECT MATTER HEREOF NOT EXPRESSLY SET FORTH OR REFERRED TO HEREIN.

[remainder of page intentionally left blank]

**IN WITNESS WHEREOF,** each of the Subordinated Creditors and the Senior Agent has caused this Agreement to be executed as of the date first above written.

**SUBORDINATED CREDITORS:**

By: /s/ Rodney Spriggs
Printed Name: Rodney Spriggs
Trustee, Rodney and Sherry Spriggs
Living Trust, dated April 18, 2012

By: /s/ Sherry Spriggs
Printed Name: Sherry Spriggs
Trustee, Rodney and Sherry Spriggs
Living Trust, dated April 18, 2012

By: /s/ Ken Caviness
Printed Name: Ken Caviness
Trustee, Ken and Deanna Caviness
Living Trust, dated July 12, 2002

By: /s/ Deanna Caviness
Printed Name: Deanna Caviness
Trustee, Ken and Deanna Caviness
Living Trust, dated July 12, 2002

By: /s/ Steven Wilcox
Printed Name: Steven Wilcox
Trustee, Steven and Anna Wilcox,
Living Trust, dated May 15, 2012

By: /s/ Anna Wilcox
Printed Name: Anna Wilcox
Trustee, Steven and Anna Wilcox
Living Trust, dated May 15, 2012

**SENIOR AGENT:**

**COMVEST CAPITAL IV, L.P.,** as Senior Agent

By: ComVest Capital IV Partners, L.P., its General Partner

By: ComVest Capital IV Partners
UGP, LLC, its General Partner

By: /s/ Jason Gelberd
Name: Jason Gelberd
Title: Partner

**ACKNOWLEDGEMENT**

The undersigned hereby acknowledge and consent to the foregoing Amended and Restated Subordination Agreement, dated as of June 7, 2018 (as in effect on the date hereof, the "Subordination Agreement"), by and among Comvest Capital IV, L.P., as Senior Agent and subordinated noteholders, each as Subordinated Creditors. Unless otherwise defined in this Acknowledgement, terms defined in the Subordination Agreement have the same meanings when used in this Acknowledgement.

Each Loan Party agrees to be bound by the Subordination Agreement. Each of the Loan Parties and Sponsor acknowledges and agrees that it is not an intended beneficiary or third party beneficiary under the Subordination Agreement or under any amendment thereto. Each of the Loan Parties and Sponsor agrees that the Subordination Agreement may be amended by Senior Agent and Subordinated Creditors in accordance with the terms of the Subordination Agreement without notice to, or the consent of any Loan Party, Sponsor or any other Person.

[remainder of page intentionally left blank]

**VINTAGE STOCK AFFILIATED HOLDINGS LLC**

By: /s/ Jon Isaac
Name: Jon Isaac
Title: President and Chief Executive Officer

**VINTAGE STOCK, INC.**

By: /s/ Rodney Spriggs
Name: Rodney Spriggs
Title: President and Chief Executive Officer

**LIVE VENTURES INCORPORATED**

By: /s/ Jon Isaac
Name: Jon Isaac
Title: President and Chief Executive Officer

Signature Page to Amended and Restated Seller Note Subordination Agreement
Acknowledgement

**Exhibit 10.44**

**AMENDED AND RESTATED SECURED PROMISSORY NOTE**

This is an amendment and restatement (this "***Amended and Restated Note***") of that certain original promissory note with an original principal amount of $3,919,494.46 with an effective date of April 1, 2018 issued by ApplianceSmart Holdings LLC to Appliance Recycling Centers of America, Inc. (the "***Original Promissory Note***").

| | |
|---|---|
| Original Effective Date: | April 1, 2018 |
| Amended and Restated Effective Date: | December 26, 2018 (the "***Effective Date***") |
| Maker: | ApplianceSmart Holdings LLC, a Nevada limited liability company |
| Maker's Mailing Address (including county): | 325 E. Warm Springs Road, Suite 102, Las Vegas, NV 89119 (Clark County) |
| Payee: | Appliance Recycling Centers of America, Inc., a Nevada corporation |
| Place for Payment: | 175 Jackson Avenue North, Suite 102, Minneapolis, MN 55343 |
| Principal Amount at December 26, 2018: | $3,821,507.10 |
| Maturity Date: | April 1, 2021 |
| Annual Interest Rate: | 5.0% (Based on a 365-day year) |

Terms of Payment:

*Interest*. Interest shall accrue on the unpaid principal amount from the Effective Date and shall be due and payable in full on the Maturity Date.

*Principal*. The principal amount shall be due and payable in full on the Maturity Date. The aggregate principal amount outstanding shall be increased or decreased, as the case may be, at any time and from time to time based on advances, credits, payments, and other amounts paid or owed, as the case may be, by and between ApplianceSmart, Inc., a Minnesota corporation and wholly-owned subsidiary of Maker ("***ApplianceSmart***"), and Payee.

*Reborrowing*. Upon Maker's written request, Payee will make revolving credit loans to Maker from time to time in such amounts as Maker may request, and Maker may make prepayments and reborrowings; provided, however, the aggregate principal amount of the aggregate amount owed by Maker to Payee at any time shall not exceed the principal amount. Interest on any such borrowings shall accrue at the annual interest rate and be payable in accordance with the terms hereof.

*Security Interest.* This Amended and Restated Promissory Note is secured by the assets of Maker and ApplianceSmart in accordance with separate security agreements (collectively, the "***Security Agreements***") by Maker and ApplianceSmart, respectively, in favor of Payee. In the case of an Event of Default (as defined in the Security Agreements), Payee shall have the rights set forth in the Security Agreements.

*Prepayment.* Maker may prepay all outstanding principal and interest at any time and from time to time without penalty.

*Costs of Collection*. If this Amended and Restated Note is given to an attorney for collection or enforcement, or if suit is brought for collection or enforcement, or if it is collected or enforced through probate, bankruptcy, or other judicial proceeding, then Maker shall pay Payee all costs of collection and enforcement, including reasonable attorney's fees and court costs, in addition to other amounts due.

*(Remainder of this page intentionally left blank; signatures begin on the next page.)*

Executed on this 26th day of December, 2018, the parties intending that this Amended and Restated Promissory Note be effective as of April 1, 2018.

**APPLIANCESMART HOLDINGS LLC**

By: Live Ventures Incorporated, its sole member

By: /s/ Jon Isaac
Name: Jon Isaac
Title: President and Chief Executive Officer

**AGREEMENT AND GUARANTY**

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of ApplianceSmart Holdings LLC, a Nevada limited liability company ("***Holdings***"), parent of ApplianceSmart, Inc., a Minnesota corporation ("***Guarantor***"), having agreed to the terms of the outstanding amount owed by Holdings to Appliance Recycling Centers of America, Inc., a Nevada corporation ("***ARCA***"), in connection with the sale of Guarantor from ARCA to Holdings, as documented by that certain Amended and Restated Promissory Note, effective as of April 1, 2018 and amended and restated on December 26, 2018, issued by Holdings in the original principal amount at April 1, 2018 of $3,919,494.46 and $3,821,507.10 at December 26, 2018, for the benefit of ARCA (the "***Note***"), Guarantor does hereby unconditionally guarantee to ARCA full and prompt payment and performance of all obligations of Holdings to ARCA under the Note. Guarantor also agrees to pay in addition thereto all costs, expenses and reasonable attorney's fees at any time paid or incurred by ARCA in endeavoring to enforce this Guaranty.

Upon any default by Holdings with respect to any of the obligations herein guaranteed, the liability of the Guarantor hereunder shall be deemed to have become immediately due and payable, without demand, presentment, protest or notice of any kind, all of which are hereby waived, and without any suit or action against Holdings or the Guarantor and without further steps to be taken or further conditions to be performed by ARCA. Failure of ARCA to make any demand or otherwise to proceed against the Guarantor in respect to any default by Holdings or the Guarantor, or any delay by ARCA in doing so, shall not constitute a waiver of ARCA right to proceed in respect to any or all other defaults by the Company or the Guarantor.

Guarantor further acknowledges and agrees that until such time as the Note has been paid in full, it shall not create, incur, assume, or suffer to exist any indebtedness secured by a material amount of Guarantor's assets without the prior written consent of ARCA, which consent shall not be unreasonably withheld, conditioned, or delayed.

This Guaranty and Agreement shall be governed by and construed in accordance with the laws of the State of Nevada (without reference to the conflicts of law provisions thereof). The invalidity or unenforceability of any provision hereof shall not limit the validity or enforceability of any other provision hereof. This Guaranty and Agreement may not be amended except by an instrument in writing signed by the party to be charged.

Executed on this 26th day of December, 2018, the parties intending that the Amended and Restated Promissory Note be effective as of April 1, 2018.

**APPLIANCESMART, INC.**

By: /s/ Virland A. Johnson
Name: Virland A. Johnson
Title: Chief Executive Officer

**Exhibit 10.45**

**SECURITY AGREEMENT**

**THIS SECURITY AGREEMENT** is made and entered into as of December 26, 2018, by and between APPLIANCESMART HOLDINGS LLC, a Nevada limited liability company ("Debtor"), and APPLIANCE RECYCLING CENTERS OF AMERICA, INC., a Minnesota corporation ("Secured Party"), whose addresses are set forth below.

**RECITALS**

A. Debtor is indebted to Secured Party pursuant to the terms of that certain Amended and Restated Secured Promissory Note dated as of December 26, 2018 ("Note").

B. Debtor has agreed to grant Secured Party a security interest in certain assets to secure, among other things, Debtor's obligations under the Note.

**NOW, THEREFORE**, in consideration of the credit extended under the Note and for the purpose of securing Debtor's obligations to Secured Party under the Note, the parties agree as follows:

1. Grant of Security Interest: Collateral. To secure the Secured Obligations described in Section 2, the Debtor hereby grants to the Secured Party a security interest ("Security Interest") in the property described on Exhibit A attached hereto ("Collateral").

2. Secured Obligations. The following obligations are secured by this Agreement (collectively referred to as the "Secured Obligations"):

(a) All obligations of Debtor to Secured Party under the Note;

(b) Any and all sums advanced by the Secured Party in order to preserve the Collateral or to perfect its security interest in the Collateral; and

(c) Upon the occurrence and continuation of an Event of Default (as defined below), all reasonable expenses, including attorneys' fees and court costs, incurred by the Secured Party in (i) any proceeding to enforce the collection of the Secured Obligations, (ii) retaking, holding or otherwise disposing of or realizing on the Collateral, or (iii) the exercise of any of its rights under this Agreement or applicable law.

3. Debtor's Representations, Warranties and Covenants. Debtor represents, warrants and covenants that:

(a) Debtor has title to the Collateral, free of all liens and encumbrances, except the Security Interest created hereby, as the same may hereafter be amended from time to time. Debtor has full corporate power and authority to execute this Security Agreement, to perform Debtor's obligations hereunder, and to subject the Collateral to the Security Interest created hereby.

(b) Debtor will, at any time or times hereafter, execute such financing statements and other instruments and perform such other acts as the Secured Party may reasonably request in order to establish, maintain, perfect and enforce Secured Party's valid and perfected Security Interest in the Collateral and its rights under this Agreement.

(c) Except in the ordinary course of Debtor's business, Debtor will not sell, transfer, lease, hypothecate, pledge or otherwise dispose of any of its rights or interests in the Collateral without the prior written consent of the Secured Party.

(d) Debtor will keep the Collateral in good condition, ordinary wear and tear excepted, and insured against such risks and in such amounts consistent with Debtor's past practice, with Secured Party to be named loss payee on all insurance on the Collateral. From time to time Debtor shall furnish to Secured Party, upon request, appropriate evidence of the carrying of such insurance.

(e) Debtor will use the Collateral in a lawful manner consistent with this agreement and with the terms and conditions of any policy of insurance thereon.

(f) Following the occurrence of an Event of Default, the Secured Party, in the name of the Debtor, shall have the authority but shall not be obligated to take any action which the Secured Party may deem necessary or desirable in order to realize on the Collateral.

(g) Debtor will forward directly to the Secured Party any and all written material notices, agreements, or documents of any kind or nature received by Debtor on account of any of the Collateral.

4. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Security Agreement:

(a) The occurrence of an event of default under the terms of any of the Secured Obligations, including, without limitation, nonpayment of any of the Secured Obligations when due, whether by acceleration or otherwise;

(b) The nonperformance of any covenant, or material breach of any representation or warranty, made by Debtor in the Note or this Agreement;

(c) Except in the ordinary course of Debtor's business, the sale, lease or other disposition of Debtor's interests or rights in the Collateral;

(d) Without the prior consent of Secured Party, the creation of any encumbrance upon the Collateral or the making of any levy, judicial seizure or attachment thereof or thereon; or

(e) The appointment of a receiver for any part of the property of Debtor, the making by Debtor of an assignment for the benefit of creditors or the initiation by or against Debtor of any proceeding under the Federal Bankruptcy Code or any state insolvency law.

5. Remedies Upon Event of Default. Upon the occurrence of an Event of Default and for so long as such Event of Default is continuing, in addition to all the rights and remedies provided under applicable law, the Secured Party may at its option and without demand and upon written notice to Debtor, declare all or any part of the unmatured Secured Obligations immediately due and payable, and the Secured Party may exercise, in addition to the rights and remedies granted hereby, all rights and remedies of a secured party under the Uniform Commercial Code or any other applicable law. The Secured Party may, at its option, dispose of the Collateral by public or private sale if Secured Party has given notice to Debtor of the intended disposition in accordance with the provisions of Section 6 hereof and the Uniform Commercial Code and other applicable law. The Debtor agrees, upon Secured Party's request, to use commercially reasonable efforts to cooperate with the Secured Party and do all things reasonably necessary to enable Secured Party to sell the Collateral in compliance with all applicable laws and regulations. Debtor shall pay to Secured Party any deficiency remaining after such application and any excess proceeds of such sale shall be paid over by Secured Party to Debtor. The bringing of an action or an entry of judgment against the Debtor shall not bar the Secured Party's right to repossess any or all of the Collateral.

6. Miscellaneous. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Debtor shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, or, except to the extent required by applicable law, sent by facsimile or electronic mail to Debtor at its address set forth below or at the most recent address shown on Secured Party's records. Notices sent by facsimile shall be deemed to have been given when sent, and notices and other communications sent to an e-mail address shall be deemed received upon the sender’s receipt of an acknowledgement from the intended recipient. All required notices to Debtor pertaining to any intended disposition of Collateral or other actions shall be deemed timely if given 10 days prior to the action described in the notice. Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if Secured Party exercises reasonable care in physically safekeeping such Collateral. Debtor will reimburse Secured Party for all expenses (including reasonable attorneys' fees and legal expenses) incurred by Secured Party in the protection, defense, or enforcement of the Security Interest, including expenses incurred in any litigation or bankruptcy or insolvency proceedings. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective heirs, representatives, successors and assigns and shall take effect when signed by Debtor and delivered to Secured Party. Except to the extent otherwise required by law, this Agreement shall be governed by the internal laws of Minnesota and, unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code, as in effect in Minnesota, shall have the meanings therein stated. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Secured Obligations.

[Signatures on following page]

ADDRESSES:

325 E. Warm Springs Road
Suite 102
Las Vegas, NV 89119
Attention: Jon Isaac

with a copy to:

Live Ventures Incorporated
325 E. Warm Springs Road, Suite 102
Las Vegas, NV 89119
Attn: Michael J. Stein, Esq.
Email: mstein@liveventures.com

DEBTOR:

APPLIANCESMART HOLDINGS LLC, a Nevada limited liability company

By: Live Ventures Incorporated, its sole member

By: /s/ Jon Isaac
Name: Jon Isaac
Title: President and CEO

175 Jackson Avenue North
Suite 102
Minneapolis, MN 55343
Attention: Tony Isaac

SECURED PARTY:

APPLIANCE RECYCLING CENTERS OF AMERICA, INC., a Minnesota corporation

By: /s/ Tony Isaac
Name: Tony Isaac
Title: Chief Executive Officer

**Exhibit A**

**Description of Collateral**

All of the personal property and Fixtures of the Debtor, including without limitation the following, whether now owned or hereafter arising or acquired:

(a) Accounts, including all other rights and interests (including all liens and security interests) that the Debtor may at any time have by law or agreement against any Account Debtor or other obligor obligated to make any such payment or against any of the property of such Account Debtor or other obligor;

(b) Equipment and Fixtures, including all accessories, parts and other property at any time affixed thereto or used in connection therewith and all substitutions and replacements thereof;

(c) Inventory, including goods that are returned, repossessed, stopped in transit or which otherwise come into the possession of the Debtor;

(d) General Intangibles, including payment intangibles, inventions, designs, patents, patent applications, design patents, design patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, customer lists, tax refund claims, rights to indemnification, rights under warranties, all domain names, together with all contracts, agreements, licenses and registrations relating to such domain names, and Commercial Tort Claims, if any;

(e) Chattel Paper, Instruments and Documents;

(f) Investment Property;

(g) Deposit Accounts;

(h) Letter-of-Credit rights;

(i) Supporting Obligations;

(j) Intellectual Property Collateral;

(k) books, correspondence, credit files, records, invoices, manuals, service records and programs, other papers and documents, computer records, runs, software, systems, procedures, disks, tapes and other storage media relating to any of the Collateral, including any of the foregoing in the possession or control of any service, consultant, or outside vendor; and

(l) Proceeds, including all policies, claims to payment under, and proceeds of any and all insurance policies payable to the Debtor, or on behalf of the Debtor's property, whether or not such policies are issued to or owned by the Debtor and whether or not the Bank is named as loss payee or additional insured, including any credit insurance.

**Exhibit 10.46**

# SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** is made and entered into as of December 26, 2018, by and between APPLIANCESMART, INC., a Minnesota corporation ("Debtor") and APPLIANCE RECYCLING CENTERS OF AMERICA, INC., a Minnesota corporation ("Secured Party") whose addresses are set forth below.

## RECITALS

A. APPLIANCESMART HOLDINGS, LLC, a Nevada limited liability company ("Holdings"), is indebted to Secured Party pursuant to the terms of that certain Amended and Restated Secured Promissory Note dated as of December 26, 2018 issued by Holdings in favor of Secured Party ("Note"). Debtor guaranteed the repayment of Holdings' obligations under the Note pursuant to that certain Agreement and Guaranty by Debtor in favor of Secured Party dated as of December 26, 2018 (the "Guaranty"). Debtor is a wholly-owned subsidiary of Holdings.

B. Debtor has agreed to grant Secured Party a security interest in certain assets to secure, among other things, Debtor's obligations under the Guaranty.

**NOW, THEREFORE**, in consideration of the credit extended under the Note and for the purpose of securing Debtor's obligations to Secured Party under the Guaranty, the parties agree as follows:

1. Grant of Security Interest: Collateral. To secure the Secured Obligations described in Section 2, the Debtor hereby grants to the Secured Party a security interest ("Security Interest") in the property described on Exhibit A attached hereto ("Collateral").

2 . Secured Obligations. The following obligations are secured by this Agreement (collectively referred to as the "Secured Obligations"):

(a) All obligations of Holdings under the Note and all obligations of Debtor to Secured Party under the Guaranty;

(b) Any and all sums advanced by the Secured Party in order to preserve the Collateral or to perfect its security interest in the Collateral; and

(c) Upon the occurrence and during the continuation of an Event of Default (as defined below), all reasonable expenses, including attorneys' fees and court costs, incurred by the Secured Party in (i) any proceeding to enforce the collection of the Secured Obligations, (ii) retaking, holding or otherwise disposing of or realizing on the Collateral, or (iii) the exercise of any of its rights under this Agreement or applicable law.

3. Debtor's Representations, Warranties and Covenants. Debtor represents, warrants and covenants that:

(a) Debtor has title to the Collateral, free of all liens and encumbrances, except the Security Interest created hereby, as the same may hereafter be amended from time to time. Debtor has full corporate power and authority to execute this Security Agreement, to perform Debtor's obligations hereunder and to subject the Collateral to the Security Interest created hereby.

(b) Debtor will, at any time or times hereafter, execute such financing statements and other instruments and perform such other acts as the Secured Party may reasonably request in order to establish, maintain, perfect and enforce Secured Party's valid and perfected Security Interest in the Collateral and its rights under this Agreement.

(c) Except in the ordinary course of Debtor's business, Debtor will not sell, transfer, lease, hypothecate, pledge or otherwise dispose of any of its rights or interests in the Collateral without the prior written consent of the Secured Party.

(d) Debtor will keep the Collateral in good condition, ordinary wear and tear excepted, and insured against such risks and in such amounts consistent with Debtor's past practice, with Secured Party to be named loss payee on all insurance on the Collateral. From time to time Debtor shall furnish to Secured Party, upon request, appropriate evidence of the carrying of such insurance.

(e) Debtor will use the Collateral in a lawful manner consistent with this agreement and with the terms and conditions of any policy of insurance thereon.

(f) Following the occurrence of an Event of Default, the Secured Party, in the name of the Debtor, shall have the authority but shall not be obligated to take any action which the Secured Party may deem necessary or desirable in order to realize on the Collateral.

(g) Debtor will forward directly to the Secured Party any and all written material notices, agreements or documents of any kind or nature received by Debtor on account of any of the Collateral.

4. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Security Agreement:

(a) The occurrence of an event of default under the terms of any of the Secured Obligations, including, without limitation, nonpayment of any of the Secured Obligations when due, whether by acceleration or otherwise;

(b) The nonperformance of any covenant, or material breach of any representation or warranty, made by Debtor in the Note or this Agreement;

(c) Except in the ordinary course of Debtor's business, the sale, lease or other disposition of Debtor's interests or rights in the Collateral;

(d) Without the prior consent of Secured Party, the creation of any encumbrance upon the Collateral or the making of any levy, judicial seizure or attachment thereof or thereon; or

(e) The appointment of a receiver for any part of the property of Debtor, the making by Debtor of an assignment for the benefit of creditors or the initiation by or against Debtor of any proceeding under the Federal Bankruptcy Code or any state insolvency law.

5. Remedies Upon Event of Default. Upon the occurrence of an Event of Default for so long as such Event of Default is continuing, in addition to all the rights and remedies provided under applicable law, the Secured Party may at its option and without demand and upon written notice to Debtor, declare all or any part of the unmatured Secured Obligations immediately due and payable, and the Secured Party may exercise, in addition to the rights and remedies granted hereby, all rights and remedies of a secured party under the Uniform Commercial Code or any other applicable law. The Secured Party may, at its option, dispose of the Collateral by public or private sale if Secured Party has given notice to Debtor of the intended disposition in accordance with the provisions of Section 6 hereof and the Uniform Commercial Code and other applicable law. The Debtor agrees, upon Secured Party's request, to use commercially reasonable efforts to cooperate with the Secured Party and do all things reasonably necessary to enable Secured Party to sell the Collateral in compliance with all applicable laws and regulations. Debtor shall pay to Secured Party any deficiency remaining after such application and any excess proceeds of such sale shall be paid over by Secured Party to Debtor. The bringing of an action or an entry of judgment against the Debtor shall not bar the Secured Party's right to repossess any or all of the Collateral.

6. Miscellaneous. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Debtor shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, or, except to the extent required by applicable law, sent by facsimile or electronic mail, to Debtor at its address set forth below or at the most recent address shown on Secured Party's records. Notices sent by facsimile shall be deemed to have been given when sent, and notices and other communications sent to an e-mail address shall be deemed received upon the sender’s receipt of an acknowledgement from the intended recipient. All required notices to Debtor pertaining to any intended disposition of Collateral or other actions shall be deemed timely if given 10 days prior to the action described in the notice. Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if Secured Party exercises reasonable care in physically safekeeping such Collateral. Debtor will reimburse Secured Party for all expenses (including reasonable attorneys' fees and legal expenses) incurred by Secured Party in the protection, defense, or enforcement of the Security Interest, including expenses incurred in any litigation or bankruptcy or insolvency proceedings. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective heirs, representatives, successors and assigns and shall take effect when signed by Debtor and delivered to Secured Party. Except to the extent otherwise required by law, this Agreement shall be governed by the internal laws of Minnesota and, unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code, as in effect in Minnesota, shall have the meanings therein stated. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Secured Obligations.

[Signatures on following page]

ADDRESSES:

325 E. Warm Springs Road
Suite 102
Las Vegas, NV 89119
Attention: Jon Isaac

with a copy to:

Live Ventures Incorporated
325 E. Warm Springs Road, Suite 102
Las Vegas, NV 89119
Attn: Michael J. Stein, Esq.
Email: mstein@liveventures.com

175 Jackson Avenue North
Suite 102
Minneapolis, MN 55343
Attention: Tony Isaac

DEBTOR:

APPLIANCESMART INC., a Minnesota corporation

By: /s/ Jianne Demeroutis
Name: Jianne Demeroutis
Title: President

SECURED PARTY:

APPLIANCE RECYCLING CENTERS OF AMERICA, INC., a Minnesota corporation

By: /s/ Tony Isaac
Name: Tony Isaac
Title: Chief Executive Officer

**Exhibit A**

**Description of Collateral**

All of the personal property and Fixtures of the Debtor, including without limitation the following, whether now owned or hereafter arising or acquired:

(a) Accounts, including all other rights and interests (including all liens and security interests) that the Debtor may at any time have by law or agreement against any Account Debtor or other obligor obligated to make any such payment or against any of the property of such Account Debtor or other obligor;

(b) Equipment and Fixtures, including all accessories, parts and other property at any time affixed thereto or used in connection therewith and all substitutions and replacements thereof;

(c) Inventory, including goods that are returned, repossessed, stopped in transit or which otherwise come into the possession of the Debtor;

(d) General Intangibles, including payment intangibles, inventions, designs, patents, patent applications, design patents, design patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, copyrights, registrations, licenses, franchises, customer lists, tax refund claims, rights to indemnification, rights under warranties, all domain names, together with all contracts, agreements, licenses and registrations relating to such domain names, and Commercial Tort Claims, if any;

(e) Chattel Paper, Instruments and Documents;

(f) Investment Property;

(g) Deposit Accounts;

(h) Letter-of-Credit rights;

(i) Supporting Obligations;

(j) Intellectual Property Collateral;

(k) books, correspondence, credit files, records, invoices, manuals, service records and programs, other papers and documents, computer records, runs, software, systems, procedures, disks, tapes and other storage media relating to any of the Collateral, including any of the foregoing in the possession or control of any service, consultant, or outside vendor; and

(l) Proceeds, including all policies, claims to payment under, and proceeds of any and all insurance policies payable to the Debtor, or on behalf of the Debtor's property, whether or not such policies are issued to or owned by the Debtor and whether or not the Bank is named as loss payee or additional insured, including any credit insurance.

**Exhibit 10.57**

**Employment Agreement**

This Employment Agreement, this Agreement", shall be effective at 12:01 a.m., Eastern Daylight Time, on January 22, 2018 (the "Effective Date"), by and between Marquis Industries, Inc., a Georgia corporation, "Marquis" or the "Employer", and Weston A. Godfrey Jr, a Georgia resident, "Godfrey", and their respective heirs, successors and permitted assigns.

**Witnesseth:**

**Whereas,** the Employer desires to retain Godfrey and Godfrey desires to be employed by Employer, in each case on the terms and subject to the conditions set forth herein;

**Now, therefore,** in consideration of the aforementioned premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

**1. Position and Duties.**

During the Term (as defined below), from the Effective Date until July 1, 2018, Godfrey shall serve as Executive Vice President and shall report to Timothy A. Bailey, the Chief Executive Officer of Employer, and from July 1, 2018 through the remainder of the Term, Godfrey shall serve as the Chief Executive Officer of Employer and shall report to Jon Isaac ("Isaac") and the Board of Directors (the "Board") of Marquis Affiliated Holdings., LLC, "Holdings". While he is Executive Vice President, Godfrey shall "shadow" the Chief Executive Officer and upon mutual agreement of Godfrey and the Chief Executive Officer, Godfrey shall manage all the Employer's department managers. While he is Chief Executive Officer, Godfrey shall be primarily responsible for managing the Marquis Business (as defined below) and coordinating its finance, manufacturing, and sales activities to increase its growth and profitability: Godfrey shall perform diligently such duties and such other duties as are customarily performed by executive vice presidents and chief executive officers, as the case may be, of comparable companies in the same or similar industry as the Marquis Business, together with such other duties as may be reasonably required from time to time by Isaac or the Board, which duties shall be consistent with his position as set forth above. Godfrey shall from time to time report to Isaac and the Board bn all matters within his knowledge that should be brought to Isaac's and the Board's attention. Godfrey shall see that all resolutions and orders of the Board are carried into effect, and in connection with the foregoing, shall be authorized to delegate to the other officers and employees of, or consultants to, Employer such of his powers and duties as he deems advisable. Godfrey shall, if requested, also serve as an officer or director of any subsidiary of Marquis for no additional compensation, provided that service as an officer or director of any such subsidiary shall not substantially expand the duties of Godfrey under this Agreement. Godfrey's principal place of work shall be 2743 Highway 76, Chatsworth, Georgia 30705, unless otherwise mutually agreed by the parties.

**2. Term.**

Godfrey shall be employed by Employer hereunder for a term commencing on the Effective Date and expiring on September 30, 2023, unless terminated earlier pursuant to Section 5 or Section 6 of this Agreement. The period during which Godfrey is employed by Employer hereunder is referred to herein as the "Term". The Term may be extended by mutual agreement of the parties.

**3. Salary, Benefits and Bonus Opportunities**.

*Salary and Benefits*

Godfrey shall be paid an annual salary of Two Hundred Eighty-five Thousand Dollars ($285,000), payable in periodic installments in accordance with the Employer's customary payroll practices.

Godfrey shall be entitled to (i) receive a car allowance of One thousand ($1,000) dollars per month during the Term, (ii) receive family health and dental insurance at Employer's expense, and other benefits offered to Employer's executive management, but excluding participation in executive management bonus pool, on such terms and conditions as offered to other members of Employer's executive management, (iii) a $1.0 million term life insurance policy provided by or paid for in full by Employer, and (iv) a family membership to the Bradley Wellness Center paid for in full by for by Employer. Marquis shall reimburse Godfrey for actual, documented relocation expenses of up to Five Thousand Dollars ($5,000). If Godfrey leaves Marquis voluntarily or is terminated for Cause within one year of hire, Godfrey is responsible for reimbursing Marquis 100% of the relocation costs within thirty (30) days of such separation or termination. In that event, to the extent permissible under applicable law, the Employer may offset the amount of the relocation benefits owed by Godfrey from any compensation due to Godfrey upon his separation or termination of employment.

*Annual Bonus*

A performance bonus, if any, shall be paid annually ("Annual Bonus") commencing with First Production Bonus Period as follows and in accordance with the terms of this Section 3 (including, but not limited to, the deduction of the Minimum Annual Bonus"):

| EBITDA Excess | Bonus Amount |
|---|---|
| Equal to or greater than $1.0 million and less than $2.0 million | $100,000 |
| Equal to or greater than $2.0 million and less than 3.0 million | $100,000 |
| Equal to or greater than $3.0 million and less than $4.0 million | $100,000 |
| Equal to or greater than $4.0 million and for each $1.0 million increment thereafter | $100,000 |

Godfrey shall be entitled to a minimum Annual Bonus of Seventy-five Thousand Dollars ($75,000) (the "Minimum Annual Bonus"), which, for the avoidance of doubt, shall not be pro-rated during the period commencing on the Effective Date and ending September 30, 2018 (the "Stub Period"); Godfrey shall not be entitled to any additional Annual Bonus other than the Minimum Annual Bonus during the Stub Period. The amount of the Minimum Annual Bonus shall be deducted from any Annual Bonus actually paid by Employer to Godfrey during each year of the Term.

Any Annual Bonus is calculated incrementally. For example purposes only, assume that as of September 30, 2019, Marquis generates $3.0 million of EBITDA Excess. Godfrey would be entitled to his Minimum Annual Bonus in addition to an Annual Bonus equal to $225,000 ($100,000 *plus* $100,000 *plus* $100,000), *less* the $75,000 minimum Annual Bonus.

"EBITDA" means with respect to each Annual Bonus, operating earnings adjusted to exclude special items and impairments, (gain)/loss on sale of assets, interest, income tax expense, depreciation, payments made to affiliates of Marquis, and amortization that are directly related to the operations of Marquis's business.

"EBITDA Excess" means the actual amount of EBITDA in excess of Marquis' EBITDA for the immediately prior TTM period determined as follows: Marquis's actual EBITDA for the first two TTM periods shall be $10,750,000, and thereafter an amount equal to 90% of the previous TTM's EBITDA.

"TTM" means the trailing twelve months with the first period commencing on October 1, 2018 and continuing until September 30, 2019 (the "First Production Bonus Period"); the second period commencing on October 1, 2019 and continuing until September 30, 2020, and so on for the remainder of the Term.

*Change of Control Bonus*

In the event of a Change of Control (as defined below), Marquis shall pay Godfrey an aggregate amount equal to $660,000 within 10 business days following the closing of such Change of Control.

***"Change of Control"*** means:

(i) the sale, lease, exchange, transfer or other disposition, including the disposition of Marquis through bankruptcy proceedings (other than liens and encumbrances created in the ordinary course of business, including liens or encumbrances to secure indebtedness for borrowed money that are approved by Marquis's Board of Directors,) of all or substantially all of Marquis's property and assets; provided that any sale, lease, exchange or other disposition of property or assets exclusively between or among Marquis and any direct or indirect subsidiary or subsidiaries of Marquis shall not be deemed a ***"Change of Control";*** and (ii) the merger, consolidation, business combination, or other similar transaction of Marquis with any other entity; *provided, however,* that a merger, consolidation, business combination, or other similar transaction that would result in (1) the voting securities of Marquis outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than 50% of the total voting power represented by the voting securities of the surviving entity and (2) more than 50% of the total number of outstanding shares of the surviving entity's capital stock, in the case of clauses (I) and (2) above as outstanding immediately after such merger, consolidation, business combination, or other similar transaction, and the stockholders of Marquis immediately prior to the merger, consolidation, business combination, or other similar transaction own voting securities of Marquis, the surviving entity or its parent immediately following the merger, consolidation, business combination, or other similar transaction in substantially the same proportions (vis a vis each other) as such stockholders owned the voting securities of the Corporation immediately prior to the transaction shall not be deemed a "Change of Control", and solely for purposes of this proviso, so long as there is no (i) material reduction, without Godfrey's consent, of Godfrey's base salary, unless the reduction is generally applicable to substantially all senior executives of Marquis, (ii)' material reduction on an aggregate basis of the benefits provided to Godfrey under Marquis's benefits plans, unless the reduction is generally applicable to substantially all senior executives of Marquis, (iii) substantial diminution in Godfrey's authority or duties that is materially inconsistent with his position of Chief Executive Officer prior to such Change of Control without Godfrey's consent; and (iv) relocation of more than 50 miles from Godfrey's principal place of work that also increases the commute from Godfrey's principal residence by more than 50 miles.

**4. Exclusivity.**

During the Term, Godfrey shall work full time for Employer and shall not consult, advise, or otherwise engage in any other business activity other than serving on the Board of Directors or providing other service to one or more organizations that are qualified under Section 501 (c)(3) of the Internal Revenue Code.

**5. Termination for Cause.**

Employer may terminate Godfrey for Cause. "Cause" shall be defined as: (1) abandonment or willful failure to perform Godfrey's duties as described in the employment agreement; (2) embezzlement, misappropriation, fraud, or dishonesty involving Marquis's business; (3) violation of any law involving Marquis that has an adverse impact on the business or reputation of Marquis or its parent or any of its subsidiaries or affiliates; (4) conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude; (5) commission of an act of fraud; (6) suspension or bar by the U.S. Securities and Exchange Commission or Financial Industry Regulatory Authority from employment or association with a publicly-traded company; or (7) breach of a material provision of this Agreement without cure by the Executive within thirty (30) days from the date written notice of the alleged breach has been given to the Executive by Employer.

**6. Termination for Death or Disability.**

Employer may terminate Godfrey without Cause, including, but not limited to, in the event that Godfrey becomes permanently disabled or is prevented by injury or sickness from attention to his duties hereunder for six consecutive weeks or more (collectively, "Disability"). Godfrey's employment hereunder shall terminate automatically in the event of his death during the Term.

**7. Impact of Termination.**

In the event that Godfrey is terminated by the Employer for Cause pursuant to Section 5 or without Cause, including by reason of Godfrey's Disability prior to the expiration of the Term, his accrued but unpaid salary shall be paid through the date of termination. In the event that Godfrey is terminated by Employer without Cause other than because of Godfrey's death or Disability, Godfrey shall continue to receive (i) his unpaid annual salary for a period of twelve (12) months following such termination and (ii) fully paid family coverage of health and dental insurance at Employer's expense until the earlier of twelve (12) months after such termination or the date of Godfrey's employment. After termination of employment for any reason, Godfrey shall (i) return or cause to be returned any personal computer used by him to the Employer, and return or cause to be returned ,to the Employer all personal property of the Employer (except his cell phone, which Godfrey may retain) and all documents and materials belonging to the Employer and stored in any fashion, whether or not those constitute or contain any Confidential Information or Work Product (as such terms are defined below), that are in the possession, custody, or control of Godfrey, whether they were provided to Godfrey by the Employer or any of its business associates or created by Godfrey in connection with his employment by Godfrey, (ii) delete or destroy all copies of any such documents and materials not returned to the Employer that remain in Godfrey's possession or control, including those stored on any non-Employer devices, networks, storage locations, and media in Godfrey's possession or control (including the retained cell phone), (iii) execute (and not revoke) a mutually agreeable general release of claims in favor of the Employer and (iv) comply with post-termination obligations and terms of release.

Upon termination of Godfrey's employment hereunder for any reason, Godfrey shall be deemed to have resigned from all positions that Godfrey holds as an officer or member of the board of directors (or a committee thereof) of the Employer and any of its subsidiaries or affiliates.

**8. Covenants Not to Compete, Solicit or to Use or Disclose Confidential Information**

**8.1 Definitions.**

For purposes of this Section 8:

"Compete" means to, directly or' indirectly, own, manage, control, or participate in the ownership, management, or control of, or be employed or engaged by or otherwise affiliated or associated as a consultant, independent contractor. or otherwise with, any Competitor, or otherwise directly or indirectly engage in any Restricted Business targeted to the Restricted Area.

"Competitor" means any person or entity (other than Employer or its subsidiaries) who undertakes any Restricted Business in the Restricted Area, regardless of whether or not the Competitor is physically located inside or outside the Restricted Area.

"Confidential Information" means and includes any and all of the following information, whether in writing, orally, electronically or otherwise: (i) all information that is a trade secret under applicable trade secret or other law; (ii) all information concerning product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current, and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans. computer hardware, software source and object code and computer software, and database technologies, systems, structures, and architectures; (iii) all information concerning the business and affairs of Holdings, Marquis, or any subsidiary or affiliate of Marquis (which includes historical and current financial Statements, financial projections and budgets, tax returns and accountants' materials, historical, current, and projected sales, capital spending budgets and plans, business plans, strategic plans, marketing and advertising plans, publications, client and customer lists and files, contracts, the names and backgrounds of key personnel, and personnel training techniques and materials, however documented); and (iv) all notes, analyses, compilations, studies, summaries, and other material prepared by any person or entity to the extent containing or based, in whole or in part, upon any information included in the foregoing. "Confidential Information" does not include information that is or becomes publicly known or available through no wrongful act of Godfrey.

"Customer" means any current, former, or prospective customer of Holdings. Marquis, or any subsidiary of Marquis.

"Marquis Business" means, individually and collectively, all businesses that Marquis or any of its subsidiaries conducts, or has conducted or has undertaken or planned to conduct or undertake, including the extrusion and sale of specialty yams and the manufacture and sale of carpet, rugs, and hard surfaces through multiple distribution channels, as such business may be expanded or changed during the Term.

"Restricted Area" means within fifty (50) miles of Godfrey's principal place of work at the time of termination of this Agreement.

"Restricted Business" means any business that is competitive with the Marquis Business in the Restricted Area.

"Restriction Period" means the period commencing on the Effective Date of this Agreement and ending on the date that is the second (2nd) anniversary of the date of termination of this Agreement.

**8.2 Covenant Not to Compete.**

During the Restriction Period, Godfrey shall not Compete. Notwithstanding the foregoing, Godfrey is permitted to own up to five percent (5%) of the outstanding capital stock or other equity interests of any publicly-traded entity that is or, during any relevant period becomes, a Competitor.

**8.3 Covenant Not to Solicit Customers or Employees.**

During the Restriction Period, Godfrey shall not, directly or indirectly, for himself or another, (i) solicit Customers for any purpose related to a Restricted Business or (ii) solicit the employment of, assist in the soliciting of the employment of, or otherwise solicit the association in business with, any employee or officer of Holdings, Marquis, or any subsidiary or affiliate of Marquis, or induce any person who is an employee, officer, agent, or contractor of Holdings, Marquis. or any subsidiary or affiliate of Marquis, to terminate such relationship, or to join with Godfrey or any other person or entity for the purpose of leaving the employ or such other relationship with Holdings, Marquis, or any subsidiary or affiliate of Marquis, and undertaking any form of business.

**8.4 Covenant Not to Use or Disclose Confidential Information.**

Godfrey shall not, directly or indirectly, during the Restriction Period release or divulge any Confidential Information whatsoever relating to Holdings, Marquis, or any subsidiary or affiliate of Marquis to any person or entity other than Holdings, Marquis, or any subsidiary or affiliate of Marquis without the prior written consent of Holdings, unless compelled to do so by legal process or subpoena or in the performance of Godfrey's duties under this Agreement consistent with the Employer's policies or (ii) use any Confidential Information of Holdings, Marquis, or any subsidiary or affiliate of Marquis for Godfrey's own benefit or for the benefit of any person or entity other than Holdings, Marquis, or any subsidiary or affiliate of Marquis.

**8.5 Non-disparagement.**

Godfrey agrees and covenants that he will not at any time make, publish, or communicate to any person or entity or in any public forum. any defamatory or disparaging remarks, comments, or statements concerning Employer or any of its subsidiaries or affiliates or any of the businesses, employees, officers, existing and prospective customers, suppliers, investors, and other associated third parties of Employer or any of its subsidiaries or affiliates.

**8.6 Covenants Extended Pursuant to Execution and Delivery of this Agreement.**

For purposes of this Section 8:

(a) Godfrey acknowledges and agrees that the obligations of this Section are necessary in order to protect the legitimate business interests of the Employer and such obligations are reasonably related to such end.

(b) Godfrey understands that the nature of his position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with Holdings and Marquis. Godfrey understands and acknowledges that the services he is to provide to Holdings and Marquis are unique, special, or extraordinary. Godfrey further understands and acknowledges that the ability of Holdings and Marquis to reserve these for the exclusive knowledge and use of Holdings and Marquis is of great competitive importance and commercial value to the Holdings and Marquis, and that improper use or disclosure by Godfrey is likely to result in unfair or unlawful competitive activity.

(c) Godfrey further acknowledges that the amount of his compensation reflects, in part, his obligations and the rights of Holdings and Marquis under this Section 8; that he has no expectation of any additional compensation, royalties, or other payment of any kind not otherwise referenced herein or in the Purchase Agreement in connection herewith; and that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of this Section 8 or the enforcement thereof by Holdings or Marquis.

**8.7 Injunctive Relief.**

In the event of any breach or threatened breach of the covenants set forth in this Section 8, Godfrey acknowledges that the damage to the Employer would be irreparable and that the Employer would be entitled to immediate injunctive relief from any court of competent jurisdiction, without the necessity of posting bond or showing any actual damages or that money damages would not afford an adequate remedy, to staunch the damage caused by the breach. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available forms of relief.

**9. Proprietary Rights.**

**9.1. Work Product.**

Godfrey acknowledges and agrees that all writings, works of authorship, technology, inventions, discoveries, ideas, and other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, amended, conceived, or reduced to practice by Godfrey, individually or jointly with others, during the period of his employment by Employer and relating in any way to the Marquis Business or research or development for the Marquis Business (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical, and electronic copies, all improvements, rights, and claims related to the foregoing, and other tangible embodiments thereof (collectively, "Work Product"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), mask works, patents, and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions. continuations-in-part, reissues, extensions, and renewals thereof (collectively, "Intellectual Property Rights"), shall be the sole and exclusive property of Employer.

**9.2 Work Made for Hire; Assignment.**

Godfrey acknowledges that, by reason of being employed by Employer at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" is defined in 17 U.S.C. § 101 and such copyrights are therefore owned by Employer. To the extent that the foregoing does not apply, Godfrey hereby irrevocably assigns to Employer, for no additional consideration, Godfrey's entire right, title, and interest in and to all. Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim, and recover for all past, present, and future infringement, misappropriation, or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit Employer's rights, title, or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that Employer would have had in the absence of this Agreement.

**9.3 Further Assurances; Power of Attorney.**

During and after his employment, Godfrey agrees to cooperate reasonably with Employer to (a) apply for, obtain, perfect, and transfer to Employer the Work Product. as well as an Intellectual Property Right in the Work Product in any jurisdiction in the world and (b) maintain, protect, and enforce the same, including, without limitation, executing and delivering to Employer any and all applications, oaths, declarations, affidavits, waivers, assignments, and other documents and instruments as shall be requested by Employer. Godfrey hereby irrevocably grants Employer power of attorney to execute and deliver any such documents on Godfrey's behalf in his name and to do all other lawfully permitted acts to transfer the Work Product to Employer and further the transfer, issuance, prosecution, and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if Godfrey does not promptly cooperate with Employer's request (without limiting the rights Employer shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by Godfrey's subsequent incapacity.

**9.4 No License.**

Godfrey understands that this Agreement does not, and shall not be construed to, grant Godfrey any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software, or other tools made available to him by Employer.

**10. Miscellaneous.**

**10.1 Titles Descriptive; Interpretation.**

Titles are descriptive and not substantive parts of this Agreement. For purposes of this Agreement, (a) the words "include," "includes," and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto," and "hereunder" refer to this Agreement as a whole.

**10.2 Negotiated Agreement.**

The parties hereto have each been represented by counsel, and this Agreement has been negotiated and shall not be construed against one party or the other.

**10.3 Governing Law.**

This Agreement shall be governed by Georgia law without regard to its choice of law provisions.

**10.4 Severability.**

If any portion of this Agreement is held illegal or unenforceable, such portion or portions shall be absolutely and completely severable from all other provisions of this Agreement, and such other provisions shall constitute the agreement of the parties hereto with respect to the subject matter hereof. On such determination that a portion of this Agreement is illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of such parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

**10.5 Counterparts, Signatures.**

This Agreement may be executed in counterparts, each of which shall for all purposes be deemed an original, and all of such counterparts shall together constitute one and the same agreement. The Agreement may be executed via signature exchanged by facsimile or pdf, which signature shall be as valid as an original.

**10.6 Arbitration.**

The parties hereto have agreed that any dispute arising out of or relating to this Agreement (a "Dispute") shall be resolved in accordance with the procedures set forth in this Section 10.06. Until completion of such procedures, no party hereto may take any action not contemplated herein to force a resolution of the Dispute by any judicial, arbitral, or similar process, except to the limited extent necessary to (i) avoid expiration of a claim that might eventually be permitted hereby or obtain interim relief, including injunctive relief, to preserve the status quo or prevent irreparable harm. All communications between the parties hereto or their representatives in connection with the attempted resolution of any Dispute shall be confidential and deemed to have been delivered in furtherance of Dispute settlement and shall be exempt from discovery and production, and shall not be admissible in evidence (whether as an admission or otherwise) in any arbitral or other proceeding for the resolution of the Dispute or otherwise. Disputes shall be finally settled by arbitration before a single arbitrator using the Commercial Arbitration Rules of the American Arbitration Association ("AAA") as then in effect (the "Arbitration Rules"); as modified by and subject to the provisions of this Section 10.06. The arbitration shall take place in Atlanta, Georgia. Any court of competent jurisdiction shall have authority to enter its order enforcing the award of the arbitrator (the "Underlying Award"), which shall be final and binding on the Disputing Parties, subject to the following sentence. Notwithstanding anything to the contrary in this Section 10.06, the parties hereto agree: that the Underlying Award may be appealed pursuant to the AAA's Optional Appellate Arbitration Rules (the "Appellate Rules"); that the Underlying Award rendered by the arbitrator shall, at a minimum, be a reasoned award; and that the Underlying Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Any such appeal must be initiated within thirty (30) days of receipt of an Underlying Award, by filing a notice of appeal pursuant to the Appellate Rules with any AAA office. Following the appeal process, the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof.

On receipt of a notice of a Dispute, the parties hereto (each, a Disputing Party") shall initially participate in a mandatory mediation period. In the event that such mediation does not resolve the Dispute within ten (10) days (or any mutually agreed extension thereof), the arbitration process shall be commenced by the initiating Disputing Party giving written notice to the other Disputing Party of its intention to arbitrate (a "Demand"). The Dispute shall be decided by one arbitrator designated by the Disputing Parties as follows. If the Disputing Parties are able to agree upon such arbitrator within twenty- one (21) days after the Demand has been received by one Disputing Party from the initiating Disputing Party, the Dispute shall be submitted to such arbitrator. If the Disputing Parties are unable so to agree upon such arbitrator within such period for any reason, AAA is authorized hereby to select an arbitrator within ten (10) days after the expiration of such twenty-one (21)-day period, which selection shall be made in accordance with the Arbitration Rules. The administrative fee of AAA and the compensation and all other costs and expenses of the arbitrator shall be paid by the Disputing Party that is not the substantially prevailing Disputing Party in the Dispute and the substantially prevailing Disputing Party in the Dispute shall be entitled to recover from the other Disputing Party (and the arbitrator may so award the substantially prevailing Disputing Party) any or all fees, costs, and expenses incurred by the substantially prevailing Disputing Party in connection with the Dispute, including reasonable attorneys' fees.

**10.7 No Waiver, No Amendment.**

No waiver shall be effective against any party hereto unless signed by the party against whom the waiver is asserted. No amendment to this Agreement or shall be effective unless signed by all parties to this Agreement. No waiver by any party hereto shall operate or be construed as a waiver in respect of any failure, breach, or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power, or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

**10.8 Time is of the Essence.**

Time is of the essence in the performance of this Agreement.

**10.9 Entire Agreement.**

This Agreement is the entire agreement between the parties hereto as to the matters addressed herein.

**10.10 Successors and Assigns.**

This Agreement is personal to Godfrey and shall not be assigned by Godfrey. Any purported assignment by Godfrey shall be null and void from the initial date of the purported assignment. The Employer may assign this Agreement to any successor or Assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Employer. This Agreement shall inure to the benefit of the Employer and permitted successors and assigns.

**10.11 Survival.**

Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

[Signature page follows.]

Witness our hands and seals as first above written.

| Employer: | Godfrey: |
| --- | --- |
| Marquis Industries, Inc. | |
| By: /s/ Timothy A. Bailey<br>Name: Timothy A. Bailey<br>Title: Chief Executive Officer | /s/ Weston A. Godfrey Jr.<br>Weston A Godfrey Jr. |

**Exhibit 21.1**

**LIST OF LIVE VENTURES INCORPORATED SUBSIDIARIES**

| Name of Subsidiary (1) | Jurisdiction of Incorporation |
|---|---|
| A-O Industries LLC | Georgia |
| ApplianceSmart Contracting Inc. | Nevada |
| ApplianceSmart Holdings LLC | Nevada |
| ApplianceSmart Inc. | Missouri |
| Astro Carpet Mills LLC | Georgia |
| Constellation Industries LLC | Georgia |
| LiveDeal, Inc. | Nevada |
| Marquis Affiliated Holdings LLC | Delaware |
| Marquis Industries, Inc. | Georgia |
| Marquis Real Estate Holdings LLC | Delaware |
| Modern Everyday Inc. | Delaware |
| Modern Everyday LLC | California |
| SF Commercial Properties LLC | Georgia |
| Super Nova LLC | California |
| Telco Billing Inc. | Nevada |
| Velocity Local Inc. | Delaware |
| Velocity Marketing Concepts Inc. | Nevada |
| Vintage Stock Affiliated Holdings LLC | Nevada |
| Vintage Stock, Inc. | Missouri |

(1) Other subsidiaries have been omitted because, when considered in the aggregate, they do not constitute a significant subsidiary.

**Exhibit 23.2**

Live Ventures Incorporated
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-198205) of Live Ventures Incorporated and Subsidiaries of our report dated January 18, 2018, relating to the consolidated financial statements of Live Ventures Incorporated and Subsidiaries, which appear in this Form 10-K.

/s/ BDO USA, LLP
Las Vegas, Nevada
December 27, 2018

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Jon Isaac, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2018 of Live Ventures Incorporated;

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 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 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.

By: /s/ Jon Isaac

Jon Isaac
President and Chief Executive Officer
(Principal Executive Officer)
December 27, 2018

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Virland A. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2018 of Live Ventures Incorporated;

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 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 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.

By: /s/ Virland A. Johnson

Virland A. Johnson
Chief Financial Officer
(Principal Financial Officer)
December 27, 2018

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY**
**ACT OF 2002**

In connection with the Annual Report on Form 10-K of Live Ventures Incorporated (the "Company") for the fiscal year ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon Isaac, President and Chief Executive Officer of the Company, do hereby certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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; and

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

By: /s/ Jon Isaac
Jon Isaac
President and Chief Executive Officer
(Principal Executive Officer)
December 27, 2018

*A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, 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. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY**
**ACT OF 2002**

In connection with the Annual Report on Form 10-K of Live Ventures Incorporated (the "Company") for the fiscal year ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Virland A. Johnson, Chief Financial Officer of the Company, do hereby certify, to the best of my knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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; and

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

By: /s/ Virland A. Johnson
Virland A. Johnson
Chief Financial Officer
(Principal Financial Officer)
December 27, 2018

*A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, 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. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.*