

LIVE VENTURES Inc  
Form 10-Q  
August 15, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

\_\_\_\_\_

(Mark One)

QUARTERLY Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2016

TRANSITION Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33937

**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**

(Address of principal executive offices)

**89119**

(Zip Code)

**(702) 939-0231**

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

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

The number of shares of the issuer's common stock, par value \$.001 per share, outstanding as of August 10, 2016 was 16,736,675.

**INDEX TO FORM 10-Q FILING  
FOR THE QUARTER ENDED JUNE 30, 2016**

**TABLE OF CONTENTS**

	Page
<b>PART I</b>	
<b>FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	3
Condensed Consolidated Balance Sheets as of June 30, 2016 (Unaudited) and September 30, 2015	3
Condensed Consolidated Statements of Operations (Unaudited) for the three and nine months ended June 30, 2016 and 2015	4
Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended June 30, 2016 and 2015	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures about Market Risk	27
Item 4. Controls and Procedures	27
<b>PART II</b>	
<b>OTHER INFORMATION</b>	
Item 1. Legal Proceedings	28
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	28

Item 3.	Defaults Upon Senior Securities	28
Item 4.	Mine Safety Disclosures	28
Item 5.	Other Information	28
Item 6.	Exhibits	28
	Signatures	29

**PART I – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****LIVE VENTURES INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2016 (unaudited)	September 30, 2015
Assets		
Cash and cash equivalents	\$3,133,422	\$2,727,818
Accounts receivable, net	8,640,663	8,243,992
Inventories, net	10,763,723	13,335,598
Prepaid expenses and other current assets	1,466,178	1,522,027
Total current assets	24,003,986	25,829,435
Property and equipment, net	13,651,146	12,481,901
Deposits and other assets	19,765	36,090
Deferred taxes	12,254,278	–
Intangible assets, net	1,343,138	1,516,930
Goodwill	800,000	800,000
Total assets	\$52,072,313	\$40,664,356
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$6,093,712	\$5,536,796
Accrued liabilities	3,995,302	3,660,949
Income tax payable	–	376,000
Notes payable	1,811,701	1,443,036
Total current liabilities	11,900,715	11,016,781
Notes payable, net of current portion	16,953,378	14,568,190
Note payable, related party	1,989,846	6,495,825
Contingent consideration from business combination	–	316,000
Total Liabilities	30,843,939	32,396,796
Commitment and contingencies	–	–

Edgar Filing: LIVE VENTURES Inc - Form 10-Q

Stockholders' equity:

Series E convertible preferred stock, \$0.001 par value, 200,000 shares authorized, 127,840 shares issued and outstanding at June 30, 2016 and September 30, 2015, liquidation preference \$38,203	10,866	10,866
Common stock, \$0.001 par value, 30,000,000 shares authorized, 16,917,406 shares issued and 16,793,743 shares outstanding at June 30, 2016; 16,903,014 shares issued and 16,903,014 shares outstanding at September 30, 2015	16,923	16,908
Paid in capital	53,306,178	52,950,945
Treasury stock (123,663 shares)	(202,005 )	–
Accumulated deficit	(31,903,588)	(46,665,003)
Total Live Ventures stockholders' equity	21,228,374	6,313,716
Noncontrolling interest	–	1,953,844
Total equity	21,228,374	8,267,560
Total liabilities and equity	\$52,072,313	\$40,664,356

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

**LIVE VENTURES INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Revenues	\$19,994,363	\$2,939,405	\$59,938,720	\$15,210,436
Cost of revenues	14,894,949	1,796,359	42,823,232	8,895,338
Gross profit	5,099,414	1,143,046	17,115,488	6,315,098
Operating expenses:				
General and administrative expenses	2,172,366	3,941,273	6,696,637	7,429,372
Sales and marketing expenses	1,869,830	899,526	7,115,903	4,540,708
Impairment of intangible assets	—	445,884	—	445,884
Total operating expenses	4,042,196	5,286,683	13,812,540	12,415,964
Operating income (loss)	1,057,218	(4,143,637 )	3,302,948	(6,100,866 )
Other expense:				
Interest expense, net	(270,007 )	(5,678 )	(950,476 )	(4,202,622 )
Other income	326,708	(59,076 )	694,277	(31,137 )
Gain on derivative liability	—	—	—	83,580
Total other expense, net	56,701	(64,754 )	(256,199 )	(4,150,179 )
Income (loss) before provision for income taxes	1,113,919	(4,208,391 )	3,046,749	(10,251,045)
Income tax benefit	(12,254,278)	—	(11,840,298)	—
Net income (loss)	13,368,197	(4,208,391 )	14,887,047	(10,251,045)
Net income attributed to noncontrolling interest	—	—	124,194	—
Net income (loss) attributed to Live Ventures Incorporated	\$13,368,197	\$(4,208,391 )	\$14,762,853	\$(10,251,045)
Earnings (loss) per share:				
Basic	\$0.79	\$(0.26 )	\$0.87	\$(0.65 )
Diluted	\$0.70	\$(0.26 )	\$0.77	\$(0.65 )
Weighted average common shares outstanding:				
Basic	16,836,361	16,151,289	16,879,151	15,766,001
Diluted	19,142,832	16,151,289	19,115,798	15,766,001

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

**LIVE VENTURES INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Nine Months Ended June 30,	
	2016	2015
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$14,887,047	\$(10,251,045)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,623,013	500,699
Non-cash interest expense associated with convertible debt and warrants	4,749	2,194,013
Non-cash interest expense associated with loan fees	–	2,004,202
Non-cash change in fair value of derivative liability	–	(83,580 )
Stock based compensation expense	254,710	621,311
Repricing of stock option exercise price	–	54,677
Non-cash issuance of common stock for services	22,500	2,008,559
Provision for uncollectible accounts	30,073	24,819
Reserve for obsolete inventory	703,532	255,110
Change in deferred taxes	(12,254,278)	–
Change in contingent liability	(316,000 )	–
Loss on disposal of property and equipment	71,614	48,534
Impairment of intangible assets	–	445,884
Changes in assets and liabilities:		
Accounts receivable	(426,744 )	(85,049 )
Prepaid expenses and other current assets	55,849	245,198
Inventories	1,868,343	1,485,196
Deposits and other assets	16,325	(5,082 )
Accounts payable	556,916	(971,874 )
Accrued liabilities	332,915	13,094
Income tax payable	(376,000 )	–
Net cash provided by (used in) operating activities	7,054,564	(1,495,334 )
<b>INVESTING ACTIVITIES:</b>		
Proceeds from the sale of property and equipment	653,857	–
Expenditures for intangible assets	–	(52,985 )
Purchases of property and equipment	(3,343,937 )	(43,453 )
Net cash used in investing activities	(2,690,080 )	(96,438 )
<b>FINANCING ACTIVITIES:</b>		
Net borrowings under revolver loans	(2,485,546 )	–



Edgar Filing: LIVE VENTURES Inc - Form 10-Q

Issuance of common stock for cash, net of issuance costs	–	538,441
Payments on notes payable	(4,400,114 )	(556,047 )
Payments on notes payable, related party	(4,505,979 )	–
Payments on debt issue costs	(415,757 )	–
Purchase of treasury stock	(202,005 )	–
Payment for the purchase of the noncontrolling interest	(2,000,000 )	–
Proceeds from issuance of notes payable	10,050,521	–
Proceeds from issuance of convertible debt	–	100,000
Net cash provided by (used in) financing activities	(3,958,880 )	82,394
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	405,604	(1,509,378 )
CASH AND CASH EQUIVALENTS, beginning of period	2,727,818	8,114,682
CASH AND CASH EQUIVALENTS, end of period	\$3,133,422	\$6,605,304
Supplemental cash flow disclosures:		
Interest paid	\$842,202	\$24,312
Income taxes paid	\$466,000	\$–
Noncash financing and investing activities:		
Recognition of contingent beneficial conversion feature	\$–	\$100,000
Conversion of notes payable and accrued interest into common stock	\$–	\$635,756
Accrued and unpaid dividends	\$480	\$1,442
Note payable issued for purchase of noncontrolling interest	\$500,000	\$–

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

**LIVE VENTURES INCORPORATED AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED JUNE 30, 2016 AND 2015**

**Note 1: Organization and Basis of Presentation**

The accompanying consolidated financial statements include the accounts of Live Ventures, Incorporated, a Nevada corporation, and its subsidiaries (collectively the “Company”). The Company is a holding company for diversified businesses. The Company promoted online marketing solutions to small and medium businesses to help them boost customer awareness, gain visibility and manage their online presence. The Company also offered affordable acquisition services to the small businesses through the Instant Agency suite of products and services. The Company continues to actively develop, revise and evaluate its products, services and its marketing strategies in its businesses. Under the Live Ventures brand the Company seeks opportunities to acquire profitable and well-managed companies. The Company believes that with the proper positioning and its investment capital these companies can become very profitable. With its recent acquisition of Marquis Industries, Inc., the Company became engaged in the manufacture and sale of carpet and the sale of vinyl and wood floorcoverings.

Effective October 7, 2015, the Company changed its corporate name from LiveDeal, Inc. to Live Ventures, Incorporated.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“GAAP”) for audited financial statements. In the opinion of the Company’s management, this interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The results of operations for the nine months ended June 30, 2016 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2016. The accompanying note disclosures related to the interim financial information included herein are also unaudited. This financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of September 30, 2015 and for the fiscal year then ended included in the Company’s Annual Report on Form 10-K filed with the SEC on January 13, 2016.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates and assumptions have been made by management throughout the preparation of the condensed consolidated financial statements, including

in conjunction with establishing allowances for customer refunds, non-paying customers, dilution and fees, analyzing the recoverability of the carrying amount of intangible assets, evaluating the merits of pending litigation, estimating forfeitures of stock-based compensation, valuing beneficial conversion features in convertible debt, and evaluating the recoverability of deferred tax assets. Actual results could differ from these estimates.

## Note 2: Summary of Significant Accounting Policies

### *Principles of Consolidation*

The accompanying consolidated financial statements represent the consolidated financial position and results of operations of the Company and its subsidiaries as follows:

Company	Percentage	
	Owned	Parent
Telco Billing, Inc.	100%	Live Ventures Incorporated
Velocity Marketing Concepts, Inc.	100%	Live Ventures Incorporated
Velocity Local, Inc.	100%	Live Ventures Incorporated
Modern Everyday, Inc.	100%	Live Ventures Incorporated
Modern Everyday, LLC	100%	Modern Everyday, Inc.
Super Nova, LLC	100%	Modern Everyday, Inc.
Live Goods, LLC	100%	Live Ventures Incorporated
Marquis Affiliated Holdings, LLC*	100%	Live Ventures Incorporated
Marquis Industries, Inc.	100%	Marquis Affiliated Holdings, LLC
A-O Industries, LLC	100%	Marquis Industries, Inc.
Astro Carpet Mills, LLC	100%	Marquis Industries, Inc.
Constellation Industries, LLC	100%	Marquis Industries, Inc.
S F Commercial Properties, LLC	100%	Marquis Industries, Inc.
Marquis Real Estate Holdings, LLC	100%	Marquis Industries, Inc.

The results of operations for Marquis Industries, Inc. have only been included since the date of acquisition of July 6, 2015. All intercompany transactions and balances have been eliminated in consolidation.

\* Effective November 30, 2015, the Company acquired the remaining 20% interest.

### ***Noncontrolling Interest***

On July 6, 2015, the Company, through Marquis Affiliated Holdings, LLC (“MAH”), acquired an 80% interest in Marquis Industries, Inc. The transaction was accounted for under the acquisition method of accounting, with the purchase price allocated based on the fair value of the individual assets acquired and liabilities assumed.

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, “*Consolidation*,” which governs the accounting for and reporting of noncontrolling interests (“NCIs”) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs be treated as a separate component of equity, not as a liability, that increases and decreases in the parent’s ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also required changes to certain presentation and disclosure requirements.

The net income attributed to the NCI is separately designated in the accompanying consolidated statements of operations. Losses attributable to the NCI in a subsidiary may exceed the NCI’s in the subsidiary’s equity. The excess attributable to the NCI is attributed to those interests. The NCI shall continue to attribute its share of losses even if that attribution results in a deficit NCI balance.

Effective November 30, 2015, the Company purchased the remaining 20% interest in Marquis for \$2,000,000. In accordance with ASC 810, the excess of the noncontrolling interest at November 30, 2015 over the \$2,000,000 purchase price of \$78,038 has been recorded directly to additional paid in capital.

### ***Inventories***

Inventories are valued at the lower of the inventory’s cost (first in, first out basis) or the current market price of the inventory. Management compares the cost of inventory with its market value and an allowance is made to write down inventory to market value, if lower. At June 30, 2016 and September 30, 2015, the allowance for obsolete inventory was \$339,238 and \$402,278, respectively.

### ***Revenue Recognition***

### Directory Services

Revenue is billed and recognized monthly for services subscribed in that specific month. The Company has historically utilized outside billing companies to perform billing services through direct ACH withdrawals.

For billings via ACH withdrawals, revenue is recognized when such billings are accepted. For billings via LECs, the Company recognizes revenue based on net billings accepted by the LECs. Due to the periods of time for which adjustments may be reported by the LECs and the billing companies, the Company estimates and accrues for dilution and fees reported subsequent to year-end for initial billings related to services provided for periods within the fiscal year. Such dilution and fees are reported in cost of services in the accompanying consolidated statements of operations. Customer refunds are recorded as an offset to gross revenue.

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

### Deals Revenue

The Company recognizes revenue from its sales through its strategic publishing partners of discounted goods and services offered by its merchant clients (“Deals”) when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, where, if applicable, the Deal has been electronically delivered to the purchaser and a listing of Deals sold has been made available to the merchant. At that time, the Company's obligations to the merchant, for which it is serving as an agent, are substantially complete. The Company's remaining obligations, which are limited to remitting payment to the merchant, are inconsequential or perfunctory. The Company records as revenue an amount equal to the net amount it retains from the sale of Deals after paying an agreed upon percentage of the purchase price to the featured merchant excluding any applicable taxes. Revenue is recorded on a net basis because the Company is acting as an agent of the merchant in the transaction.

### Deferred Revenue

In some instances, the Company receives payments in advance of rendering services, whereupon such revenues are deferred until the related services are rendered. There is no deferred revenue as of June 30, 2016 and September 30, 2015.

### Product Revenue

The Company derives product revenue primarily from direct revenue and fulfillment partner revenue from product sales. Product revenue is recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the service has been provided; (3) the selling price or fee revenue earned is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured.

The Company evaluates the criteria outlined in ASC Topic 605-45, *Principal Agent Considerations*, in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When the Company is the primary obligor in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, revenue is recorded gross. If we are not the primary obligor in the transaction and amounts earned are determined using a fixed percentage, revenue is recorded on a net basis. Currently, all direct revenue and fulfillment partner revenue is recorded on a gross basis, as the Company is the primary obligor. The Company presents revenue net of sales taxes.

### Manufacturing Revenue

Revenues from the sale of carpet products, including shipping and handling amounts, are recognized when the following criteria are met: there is persuasive evidence that a sales agreement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title to the goods and assumes the risks and rewards of ownership, which is generally on the date of shipment. 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.

### *Income Taxes*

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 would be provided for those deferred tax assets for which if it is more likely than not that the related benefit will not be realized. The Company classifies tax-related penalties and interest as a component of income tax expense for financial statement presentation.

### ***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 15).

### ***Derivative Financial Instruments***

The Company evaluates all of its agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Black-Scholes-Merton option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date. As of June 30, 2016 and September 30, 2015, the Company had no financial instruments with derivative feature.

### ***Recently Issued Accounting Pronouncements***

No accounting standards or interpretations issued recently are expected to have a material impact on our consolidated financial position, operations or cash flows.





**Note 3: Balance Sheet Information**

Balance sheet information is as follows:

	June 30, 2016		September 30, 2015
Receivables, current, net:			
Accounts receivable, current	\$ 9,433,871		\$ 9,007,127
Less: Allowance for doubtful accounts	(793,208 )		(763,135 )
	\$ 8,640,663		\$ 8,243,992
Receivables, long term, net:			
Accounts receivable, long term	\$ 344,572		\$ 344,572
Less: Allowance for doubtful accounts	(344,572 )		(344,572 )
	\$ –		\$ –
Total receivables, net:			
Gross receivables	\$ 9,778,443		\$ 9,351,699
Less: Allowance for doubtful accounts	(1,137,780 )		(1,107,707 )
	\$ 8,640,663		\$ 8,243,992

Components of  
allowance for  
doubtful accounts are  
as follows:

Allowance for dilution and fees on amounts due from billing aggregators	\$ 1,063,617		\$ 1,063,617
Allowance for customer refunds	1,225		1,715
Allowance for other trade receivables	72,938		42,375
	\$ 1,137,780		\$ 1,107,707

Inventory

Edgar Filing: LIVE VENTURES Inc - Form 10-Q

Raw materials	\$	6,543,795		\$	6,715,298
Work in progress		900,054			836,837
Finished goods		4,425,684			6,185,741
		11,869,533			13,737,876
Less: Obsolescence reserve		(1,105,810)	)		(402,278)
	\$	10,763,723		\$	13,335,598
Property and equipment, net:					
Land and improvements	\$	–		\$	687,999
Building and improvements		5,699,489			4,202,000
Transportation equipment		77,419			77,419
Machinery and equipment		9,483,125			7,676,561
Furnishings and fixtures		192,757			211,701
Office, computer equipment and other		216,793			244,674
		15,669,583			13,100,354
Less: Accumulated depreciation		(2,018,437)	)		(618,453)
	\$	13,651,146		\$	12,481,901
Intangible assets, net:					
Domain name and marketing related intangibles	\$	18,957		\$	18,957
Website and technology related intangibles		25,300			25,300
Purchased software		1,500,000			1,500,000
		1,544,257			1,544,257
Less: Accumulated amortization		(201,119)	)		(27,327)
	\$	1,343,138		\$	1,516,930
Accrued liabilities:					
Accrued payroll and bonuses	\$	681,110		\$	731,782
Accrued software costs		1,500,000			1,500,000
Accrued expenses - other		1,814,192			1,429,167
	\$	3,995,302		\$	3,660,949

**Note 4: Intangible Assets**

During the year ended September 30, 2015, the Company purchased software for \$1,500,000. This software is being amortized over 84 months which is the term that the software is expected to produce revenue. The Company has the option to pay for the software in cash or in 800,000 shares of the Company's common stock. The Company has until December 31, 2016 to pay for the software either in cash or common stock. At June 30, 2016, the Company had not made any payments towards the purchase of this software and has reflected the \$1,500,000 purchase price for the software in accrued liabilities in the accompanying condensed consolidated balance sheet.

The following summarizes estimated future amortization expense related to intangible assets for the twelve month periods ending June 30:

2017	\$219,221
2018	214,286
2019	214,286
2020	214,286
2021	214,286
Thereafter	266,773
	\$1,343,138

Total amortization expense related to intangible assets was \$173,791 and \$451,024 for the nine months ended June 30, 2016 and 2015, respectively.

**Note 5: Notes Payable**

Notes payable as of June 30, 2016 and September 30, 2015 consisted of the following:

	June 30, 2016	September 30, 2015
Base Rate Revolver Loan- interest rate based on prime rate adjusted for fixed coverage ratio (table below), maturity date July 6, 2020	\$4,955,962	\$7,225,745

Edgar Filing: LIVE VENTURES Inc - Form 10-Q

Base Rate Term Loan- interest rate based on prime rate adjusted for fixed coverage ratio (table below) fixed coverage ratio, maturity date July 6, 2020	3,580,617	7,628,438
Note payable to individual, payable on demand, interest at 10.0% per annum, unsecured	90,148	92,441
Acquisition note payable, due September 6, 2016, as amended, non-interest bearing	50,000	395,251
Note payable to Store Capital Acquisitions, LLC, due June 13, 2056, monthly principal and interest payments of \$73,970, interest at 9.25% per annum, secured by land and buildings	9,355,521	–
Note payable to individual, payable within 90 days of a written demand notice, interest at 10.0% per annum, unsecured	495,000	–
Note payable to individual, payable within 90 days of a written demand notice, interest at 10.0% per annum, unsecured	200,000	–
Credit line due January 1, 2024, with interest rate of 2.75%	453,588	669,351
Total debt	19,180,836	16,011,226
Less debt discount	(415,757 )	–
Net amount	18,765,079	16,011,226
Current portion	1,811,701	1,443,036
Long-term portion	\$ 16,953,378	\$ 14,568,190

***Real Estate Transaction***

On June 14, 2016, the Company entered into a transaction with Store Capital Acquisitions, LLC. The transaction included a sale-leaseback of land owned by Marquis Industries 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. The Company recognized a loss of \$43,520 on the sale of the land. In connection with the transaction, the Company 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 revolver and terms loans, and related party loan, as well as purchasing a building from the previous owners of Marquis Industries that was not purchased in the July 2015 transaction. In connection with the note payable, the Company incurred \$415,757 in transaction costs that are recognized as a debt discount that will be amortized to interest expense over the term of the note payable.

***Revolver Loan and Term Loan***

In connection with the purchase of Marquis Industries Inc., the Company entered into an agreement with Bank of America for a Term and Revolving Loan for approximately \$7.8 million for the term component and approximately \$15 million for the revolving component. As part of the Bank of America Revolving Loan, Marquis Industries may borrow up to \$15 million (based on eligibility).

The Bank of America term loan bears interest at a variable rate based on a base rate plus a margin. The current base rate is the greater of (a) Bank of America prime rate, (b) the current federal funds rate plus 0.50%, or (c) 30-day LIBOR plus 1.00% plus the margin, which varies, depending on the fixed coverage ratio table below. Levels I – IV which determine the interest rate to be charge is based on the fixed charge coverage ratio.

## Fixed Coverage Ratio Table

Level	Fixed Charge Coverage Ratio	Base Rate Revolver Loan	LIBOR Revolver Loans	Base Rate Term Loans	LIBOR Term Loans
I	greater than 2.0 to 1	0.50%	1.50%	0.75%	1.75%
II	<u>less than or equal to 2.0 to 1 but greater than 1.5 to 1</u>	0.75%	1.75%	1.00%	2.00%
III	<u>less than or equal to 1.5 to 1 but greater than 1.2 to 1</u>	1.00%	2.00%	1.25%	2.25%
IV	<u>less than or equal to 1.2 to 1</u>	1.25%	2.25%	1.50%	2.5%

The loans are cross-collateralized with substantially all real and personal property of Marquis Industries, Inc. As of June 30, 2016, the Company was at Level II with the fixed coverage ratio.

Monthly payments to Bank of America are approximately \$79,000 plus accrued interest. The term component is due and payable in July 2020, which is when the revolving component terminates.

The loans contain certain covenants that require, among other things, for the Company to maintain a fixed charge coverage ratio of at least 1.05 to 1. Since the loan was obtained on July 6, 2015, the Company still has until July 5, 2016 to be in compliance with this ratio.

***ICG Convertible Note Transaction***

On January 23, 2014, the Company issued a note to Isaac Capital Group (“ICG”), a related party, in the principal amount of \$500,000. Because the conversion price of \$2.29 was less than the stock price, this gave rise to a beneficial conversion feature valued at \$500,000. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital. The debt discount is being amortized over the one year term. On December 3, 2014, ICG converted the note into 674,370 shares of common stock, therefore the remaining debt discount of \$158,219 was written off and recognized as interest expense. In addition, upon the conversion of note, the Company issued to ICG a warrant to acquire 674,370 additional shares of the Company’s common stock at an exercise price of \$0.95 per share. The fair value of the warrants issued in connection with the conversion of note was \$1,853,473 and was immediately recognized as interest expense.

***Kingston Convertible Note Transaction (\$10 Million Line of Credit)***

On January 7, 2014, the Company entered into a Note Purchase Agreement (the “Kingston Purchase Agreement”) with Kingston Diversified Holdings LLC (“Kingston”), pursuant to which the Investor agreed to purchase for cash up to \$5,000,000 in aggregate principal amount of the Company’s Convertible Notes (“Notes”). The Kingston Purchase Agreement and the Notes, which are unsecured, provide that all amounts payable by the Company to Kingston under the Notes will be due and payable on the second (2nd) anniversary of the date of the Kingston Purchase Agreement (the “Maturity Date”). The Kingston Purchase Agreement provides for a 5% discount to the note amount, interest at 8% per annum and convertible into shares of the Company’s common stock equal to 70% of the lesser of: (i) the closing bid price of the common stock on the date of the Kingston Purchase Agreement (i.e., \$3.12 per share); or (ii) the 10-day volume weighted average closing bid price for the common stock, as listed on NASDAQ for the 10 business days immediately preceding the date of conversion (the “Average Price”); provided, however, that in no event will the Average Price per share be less than \$0.33.

On October 29, 2014, the Company entered into an amended convertible note purchase agreement with Kingston whereby the Company and Kingston agreed to (i) increase the maximum principal amount of the notes from \$5 million to \$10 million in principal amount, (ii) eliminate the original issue discount provision of the agreement and replaces it with an execution payment equal to 5% of the maximum loan amount, and (iii) provides certain additional adjustments to the note conversion price.

On October 16, 2014, the Company issued a Note to Kingston in the principal amount of \$100,000. Because the conversion price of \$0.79 was less than the stock price on the date of issuance, this gave rise to a beneficial conversion feature valued at \$100,000. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital. The debt discount is being amortized over the one year term. On November 17, 2014, Kingston converted the note into 127,008 shares of common stock, therefore the debt discount of \$100,000 was written off and recognized as interest expense.

In addition, as a result of the October 29, 2014 amendment, the Company was required to issue to Kingston, the original issue discount payment equal to 5% of the maximum loan in shares of the Company's common stock based upon the conversion price of the first conversion which was \$0.79 per shares. The Company issued 630,252 shares of common stock that had a fair value of \$2,004,202 which was immediately recognized as interest expense.

### ***Credit line***

In connection with the purchase of Modern Everyday, Inc., the Company assumed a credit line from a bank. The credit line is collateralized by all the assets of Modern Everyday, Inc., accrues interest at prime plus 2% and is due on December 31, 2017.

### **Note 6: Note Payable, Related Party**

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 (nine months after the final payments are due under the Bank of America Term and Revolving Loan). As of June 30, 2016 and September 30, 2015, there was \$1,989,846 and \$6,495,825, respectively,

outstanding on this mezzanine loan.

**Note 7: Equity**

*Common Stock*

During the nine months ended June 30, 2016, the Company issued:

14,392 shares of common stock for services rendered valued at \$22,500. The value was based on the market value of the Company's common stock on the date of issuance.

During the nine months ended June 30, 2015, the Company issued:

787,358 shares of common stock for services rendered valued at \$2,008,559. The value was based on the market value of the Company's common stock on the date of issuance;

155,000 shares of common stock for net cash proceeds of \$538,441;

801,378 share of common stock for the conversion of convertible notes and accrued interest of \$635,756;

630,252 shares of common stock as payment for the original issue discount fees associated with the Kingston agreement. The value of the shares of \$2,004,202 was based on the market value of the Company's common stock at the date of issuance.



### ***Treasury Stock***

During the nine months ended June 30, 2016, the Company purchased 123,663 shares of its common stock on the open market (treasury shares) for \$202,005. The Company accounted for the purchase of these treasury shares using the cost method.

### ***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 1,800,000 shares of common stock for issuance under the 2014 Plan. As required under Nasdaq Listing Rule 5635(c), the Company included a proposal at its 2014 Annual Meeting of Stockholders, which was held on July 11, 2014, to obtain approval of the 2014 Plan. The 2014 Plan was approved.

### ***Series E Convertible Preferred Stock***

Pursuant to a tender offer, in 2002, holders of 13,184 shares of the Company’s common stock exchanged said shares for 127,840 shares of Series E Convertible Preferred Stock, at the then \$0.85 market value of the common stock. The shares carry a \$0.30 per share liquidation preference and accrue dividends at the rate of 5% per annum on the liquidation preference per share, payable quarterly from legally available funds. 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 common shares on a one-to-one basis together with payment of \$0.45 per converted share.

### ***Dividends***

During the nine months ended June 30, 2016 and 2015, the Company accrued dividends of \$1,438 and \$1,442, respectively, payable to holders of Series E preferred stock. At June 30, 2016 unpaid dividends were \$479.

**Note 8: 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 warrant activity for the nine months ended June 30, 2016:

	Number of Units	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Intrinsic Value
Outstanding at September 30, 2015	3,540,876	\$ 0.69	2.73	\$3,498,531
Granted	–			
Exercised	–			
Outstanding at June 30, 2016	3,540,876	\$ 0.69	1.98	\$2,861,174
Exercisable at June 30, 2016	3,540,876	\$ 0.69	1.98	\$2,861,174

Most of the above warrants were issued in connection with conversion of convertible notes (See Note 5). When the debt is converted and warrants are issued, the Company determines the fair value of the warrants using the Black-Scholes model and takes a charge to interest expense at the date of issuance.

The exercise price for warrants outstanding and exercisable at June 30, 2016 is as follows:

<b>Outstanding</b>		<b>Exercisable</b>	
<b>Number of</b>	<b>Exercise</b>	<b>Number</b>	<b>Exercise</b>
<b>Warrants</b>	<b>Price</b>	<b>of</b>	<b>Price</b>
1,631,886	\$ 0.55	1,631,886	\$ 0.55
535,716	0.56	535,716	0.56
371,487	0.81	371,487	0.81
1,001,787	0.95	1,001,787	0.95
3,540,876		3,540,876	



**Note 9: Stock Options**

From time to time, the Company grants stock options and restricted stock awards to officers, directors, employees and consultants. These 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 requisite service period.

*Stock Options*

The following table summarizes stock option activity for the nine months ended June 30, 2016:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Intrinsic Value
Outstanding at September 30, 2015	1,050,000	\$ 1.87	4.76	\$225,750
Granted	–			
Exercised	–			
Forfeited	–			
Outstanding at June 30, 2016	1,050,000	\$ 1.87	4.01	\$162,500
Exercisable at June 30, 2016	1,012,500	\$ 1.85	3.94	\$162,500

The Company recognized compensation expense of \$254,710 and \$621,311 during the nine months ended June 30, 2016 and 2015, respectively, related to stock option awards granted to certain employees and executives based on the grant date fair value of the awards, net of estimated forfeitures.

At June 30, 2016, the Company had \$5,089 of unrecognized compensation expense (net of estimated forfeitures) associated with stock option awards which the Company expects will be recognized through June 2017.

Edgar Filing: LIVE VENTURES Inc - Form 10-Q

The exercise price for options outstanding and exercisable at June 30, 2016 is as follows:

<b>Outstanding</b>		<b>Exercisable</b>	
<b>Number of</b>	<b>Exercise</b>	<b>Number</b>	<b>Exercise</b>
<b>Options</b>	<b>Price</b>	<b>of</b>	<b>Price</b>
		<b>Options</b>	
187,500	\$ 0.83	187,500	\$ 0.83
150,000	1.25	150,000	1.25
187,500	1.67	187,500	1.67
37,500	2.08	37,500	2.08
37,500	2.50	–	2.50
450,000	2.53	450,000	2.53
1,050,000		1,012,500	

The following table summarizes information about the Company's non-vested shares as of June 30, 2016:

	<b>Number</b>	<b>Weighted-</b>
	<b>of</b>	<b>Average</b>
<b>Non-vested Shares</b>	<b>Shares</b>	<b>Grant-Date</b>
		<b>Fair Value</b>
Nonvested at September 30, 2015	375,000	\$ 1.44
Granted	–	
Vested	(337,500)	
Nonvested at June 30, 2016	37,500	\$ 1.44

**Note 10: Earnings (Loss) Per Share**

Earnings (loss) 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 is computed using the weighted average shares outstanding during the period. Diluted earnings (loss) 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 stock options, warrants and convertible preferred stock. The potential dilutive effect of stock options and warrants is calculated using the treasury stock method. Preferred stock dividends are subtracted from net loss to determine the amount available to common stockholders.

The following table presents the computation of basic and diluted earnings (loss) per share:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
<b>Basic</b>				
Net income (loss) attributed to Live Ventures Incorporated	\$ 13,368,197	\$(4,208,391 )	\$ 14,762,853	\$(10,251,045)
Less: preferred stock dividends	(479 )	(480 )	(1,438 )	(1,442 )
Net income (loss) applicable to common stock	\$ 13,367,718	\$(4,208,871 )	\$ 14,761,415	\$(10,252,487)
Weighted average common shares outstanding	16,836,361	16,151,289	16,879,151	15,766,001
Basic earnings (loss) per share	\$0.79	\$(0.26 )	\$0.87	\$(0.65 )
<b>Diluted</b>				
Net income (loss) applicable to common stock	\$ 13,367,718	\$(4,208,871 )	\$ 14,761,415	\$(10,252,487)
Add: preferred stock dividends	479	—	1,438	—
Net income (loss) applicable for diluted earnings (loss) per share	\$ 13,368,197	\$(4,208,871 )	\$ 14,762,853	\$(10,252,487)
Weighted average common shares outstanding	16,836,361	16,151,289	16,879,151	15,766,001
Add: Options	128,375	—	119,784	—
Add: Warrants	2,050,296	—	1,989,063	—
Add: preferred stock	127,800	—	127,800	—
Assumed weighted average common shares outstanding	19,142,832	16,151,289	19,115,798	15,766,001

Edgar Filing: LIVE VENTURES Inc - Form 10-Q

Diluted earnings (loss) per share \$0.70 \$(0.26 ) \$0.77 \$(0.65 )

The following is a list of potentially dilutive securities outstanding (prior to dilutive effect) at the respective periods:

	Three Months Ended		Nine months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Options to purchase shares of common stock	1,050,000	1,050,000	1,050,000	1,050,000
Warrants to purchase shares of common stock	3,540,876	3,540,876	3,540,876	3,540,876
Series E convertible preferred stock	127,840	127,840	127,840	127,840
Total potentially dilutive shares	4,718,716	4,718,716	4,718,716	4,718,716

**Note 11: Income Taxes**

At June 30, 2016, the Company evaluated its valuation allowance against its deferred tax assets. The Company reduced its valuation allowance by \$12,254,278 based on the profitable operations of its Marquis subsidiary that can be offset against the Company net operating loss carryforwards.

**Note 12: Related Party Transactions**

The Company entered into a Note Purchase Agreement with ICG, an entity owned by Jon Isaac, the Company's President and Chief Executive Officer and a director of the Company, and subsequently issued a series of Subordinated Convertible Notes thereunder to ICG. In connection with these transactions, the Company received gross proceeds of \$500,000 during the year ended September 30, 2014.

Because the conversion price under ICG's notes was less than the fair market value of the stock on the date of issuance, the Company recognized a beneficial conversion feature which was treated as a debt discount and amortized on a straight line basis as interest expense until the date of conversion, at which time all remaining debt discount was recognized as interest expense. Additionally, the fair value of the warrants that were contingently issuable to ICG upon conversion were recognized as additional interest expense.

During the nine months ended June 30, 2016 and 2015, the Company recognized total interest expense of \$0 and \$2,018,803, respectively, associated with the ICG notes.

The Company leases a building from a related party under long-term operating lease. The building lease from a related party is \$18,562 per month and expires in July 2020. This lease was terminated in June 2016 when the Company purchased this building from the related party.

On January 12, 2016, ICG advanced \$800,000 to the Company. The advance was non-interest bearing and was repaid on January 29, 2016.

Also see Note 6 and 7.

**Note 13: Commitments and Contingencies**

*Purchase price contingency*



In connection with acquisition of Modern Everyday, Inc., the Company issued 50,000 shares of the Company's common stock as part of the consideration for the acquisition. The Company has guaranteed the holder of the 50,000 shares that the value of those shares will be at least \$8.00 per shares 30 months after the acquisition date. The Company has agreed to compensate the holder, if the share price is less than \$8.00 at the 30 months anniversary of the acquisition, the difference between \$8.00 and the share price at the 30 month anniversary times the number of shares still owned by the holder. The Company reached an agreement with the holder of these shares that would not require the Company to compensate the holder if the value of the shares was under \$8.00 per share; therefore the Company removed the contingent liability during the quarter ended March 31, 2016 and recorded other income of \$316,000.

### *Litigation*

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that the Company cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on the Company's consolidated financial position as of June 30, 2016, results of operations, cash flows or liquidity of the Company.

### **Note 14: Concentration of Credit Risk**

The Company maintains cash balances at banks in California, Nevada and Georgia. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution as of June 30, 2016. At times, balances may exceed federally insured limits.

**Note 15: Segment Reporting**

The Company operates in three segments which are characterized as: (1) legacy merchant's services, (2) online marketplace platform (includes corporate operations) and (3) manufacturing. The legacy merchants' services consists of directory services, the online marketplace platform consists of livedeal.com and the fiscal 2014 acquisitions of consumer products entities and the manufacturing segment consists of the 2015 acquisition of Marquis Industries.

The following tables summarize segment information for the three and nine months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
<b>Revenues</b>				
Marketplace platform	\$508,099	\$2,565,330	\$5,284,851	\$14,042,094
Manufacturing	19,243,019	–	53,881,143	–
Services	243,245	374,075	772,726	1,168,342
	\$19,994,363	\$2,939,405	\$59,938,720	\$15,210,436
<b>Gross profit</b>				
Marketplace platform	\$(616,754 )	\$809,253	\$1,233,705	\$5,268,391
Manufacturing	5,483,896	–	15,143,363	–
Services	232,272	333,793	738,420	1,046,707
	\$5,099,414	\$1,143,046	\$17,115,488	\$6,315,098
<b>Operating income (loss)</b>				
Marketplace platform	\$(2,228,857 )	\$(4,414,858)	\$(4,378,431 )	\$(6,954,605 )
Manufacturing	3,055,516	–	6,946,781	–
Services	230,559	271,221	734,598	853,739
	\$1,057,218	\$(4,143,637)	\$3,302,948	\$(6,100,866 )
<b>Depreciation and amortization</b>				
Marketplace platform	\$65,404	\$165,205	\$201,647	\$490,659
Manufacturing	496,591	–	1,421,366	–
Services	–	3,347	–	10,040
	\$561,995	\$168,552	\$1,623,013	\$500,699
<b>Interest Expenses</b>				
Marketplace platform	\$10,346	\$5,678	\$121,319	\$4,202,622
Manufacturing	259,661	–	829,157	–
Services	–	–	–	–
	\$270,007	\$5,678	\$950,476	\$4,202,622

Edgar Filing: LIVE VENTURES Inc - Form 10-Q

Provision for income taxes				
Marketplace platform	\$(12,254,278)	\$-	\$(12,254,278)	\$-
Manufacturing	-	-	413,980	-
Services	-	-	-	-
	\$(12,254,278)	\$-	\$(11,840,298)	\$-
Net income (loss)				
Marketplace platform	\$10,680,437	\$(4,479,612)	\$8,935,139	\$(11,104,784)
Manufacturing	2,457,201	-	5,229,753	-
Services	230,559	271,221	722,155	853,739
	\$13,368,197	\$(4,208,391)	\$14,887,047	\$(10,251,045)

	As of June 30, 2016	As of September 30, 2015
<b>Total Assets</b>		
Marketplace platform	\$ 15,140,362	\$ 6,811,977
Manufacturing	36,823,082	33,714,344
Services	108,869	138,035
	\$ 52,072,313	\$ 40,664,356
<b>Intangible assets</b>		
Marketplace platform	\$ 1,343,138	\$ 1,516,930
Manufacturing	800,000	800,000
Services	—	—
	\$ 2,143,138	\$ 2,316,930

**Note 16: Business Combination**

On July 6 and July 7, 2015, the Company entered into a series of agreements in connection with its indirect purchase of Marquis Industries, Inc., a Georgia corporation, and its subsidiaries. The purchase price allocation made by the Company as disclosed in the footnotes to its audited financial statements included in Form 10K is preliminary and subject to change. The Company has not yet completed its analysis to determine the fair value of inventory, property and equipment and a mezzanine loan on the acquisition date. Once this analysis is complete, the Company will adjust, if necessary, the provisional amounts assigned to inventory, property and equipment and a mezzanine loan in the accounting period in which the analysis is completed.

The unaudited pro forma information below present statement of operations data for the nine months ended June 30, 2015 as if the acquisition of Marquis Industries took place on October 1, 2014.

	Nine months Ended June 30, 2015 (unaudited)
Net revenue	\$ 63,163,294
Gross profit	18,866,546
Operating loss	(469,659 )
Net loss	(5,668,192 )
Loss per share	(0.36 )



## **ITEM 2. 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 nine months ended June 30, 2016, 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 condensed consolidated financial statements, including the related notes, appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

### **Note About Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes statements that constitute "forward-looking statements." These forward-looking statements are often characterized by the terms "may," "believes," "projects," "intends," "plans," "expects," "anticipates," and do not reflect historical facts. Specific forward-looking statements contained in this portion of the Quarterly Report include, but are not limited to our (i) belief in the continued growth of internet usage, particularly via mobile devices, and demand for web-based marketing; (ii) belief in the continued growth in the demand for local search and information, (iii) belief that small and medium businesses will continue to outsource their online marketing efforts to third parties; (iv) belief that we can cost-effectively expand into other cities due to the scalability of the LiveDeal.com platform; (v) belief 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 (vi) belief 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 and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015 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.livedeal.com](http://www.livedeal.com) or any other websites referenced in this Quarterly Report are not part of this Quarterly Report.

## Our Company

Live Ventures Incorporated is a holding company for diversified businesses, which, together with our subsidiaries, we refer to as the “Company”, “Live Ventures”, “we”, “us” or “our.” Live Ventures first started in the online marketing industry as YP.com. At the time, we were the first company to bring the print yellow pages to the Internet in 1994. From there we moved into the online classifieds business. We primarily promoted online marketing solutions to small and medium businesses to help them boost customer awareness, gain visibility and manage their online presence under our Velocity Local™ brand. We also offered affordable acquisition services to the small business segment through the Instant Agency suite of products and services. Those products, included InstantProfile, which distributes a small business’ key contact and service information to the top Internet destinations, include search engines, internet directories and social media networks. Although we continue to generate revenue from servicing our existing customers under InstantProfile, which we refer to as our legacy product offerings, because of the change in our business strategy in 2013, we no longer accept new customers under our legacy product offerings.

In 2013 we launched LiveDeal.com, real-time “deal engine” that connects restaurants across the United States and consumers via a platform. The LiveDeal.com platform targets restaurants in cities across the United States to help them use the platform to attract new customers. In addition, through our subsidiary, Modern Everyday, we maintain an online consumer products retailer.

Commencing in fiscal year 2015, we began to expand our business outside of solely providing an online marketplace. Although we continue to provide online marketing solutions for small and medium business, we began to focus on acquiring profitable companies in various industries that have demonstrated a strong history of earnings power. We continue to actively develop, revise and evaluate our products, services and our marketing strategies in all of our business lines. However, due to the diversification of our company as a result of the acquisition of businesses in several industries, we expect that revenues from our online marketplace business segment and our legacy products will be diluted in the coming months and years. As of the fiscal year ended September 30, 2015, Live Goods and DealTicker ceased operations, and we discontinued our suite of online presence marketing products and solutions under the Velocity Local™ brand.

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) is located at [www.live-ventures.com](http://www.live-ventures.com). Our common stock trades on the NASDAQ Capital Market under the symbol “LIVE”.

### Manufacturing Segment

In July 2015, we acquired a majority interest in Marquis Industries, Inc., a Georgia corporation, through our partially-owned subsidiary, Marquis Affiliated Holdings LLC. Marquis Industries 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 its founding in 1990, 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. Through its A-O Division, utilizes its state-of-the-art yarn extrusion capacity to market monofilament textured yarn products to the artificial turf industry.

### Online Marketplace Platform Segment

In September 2013, we launched LiveDeal.com. LiveDeal.com is a unique, real-time "deal engine" connecting merchants with consumers. Currently, we provide marketing solutions to a growing base of restaurants to boost customer awareness and merchant visibility on the Internet. We believe that we have developed the first-of-its-kind web/mobile platform providing restaurants with full control and flexibility to instantly publish customized offers whenever they wish to attract customers. 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;
- advanced publishing options allowing restaurants to manage traffic by limiting the number of available vouchers to consumers;
- superior geo-location technology allowing multi-location restaurants to segment offers by location, attracting customers to slower locations while eliminating potential over-crowding at busier sites;
- innovating proprietary restaurant indexing methodology; and



a user-friendly mobile and desktop web interface allowing consumers to easily browse, download, and instantly redeem “live” offers found on LiveDeal.com based on their location.

In 2014, the Livedeal.com iOS mobile App was approved by Apple for inclusion in Apple’s App Store, and the Android App became available to the public in the Google Play Store.

We believe one of the primary challenges facing the dining industry is the inefficient and limited number of ways restaurants are able to market offers and promotions to their potential customers. Daily deal companies typically dictate offer terms, such as the discount amount and redemption details. This not only erodes potential profits for restaurant owners but could also drive traffic during already-busy periods for the restaurants. LiveDeal’s model benefits both the restaurant and the consumer because it provides the restaurant the opportunity to create any offer they choose, limit the number of potential claimants of their promotion, publish the offer on days and at times of their choosing, and provides customers with relevant offers they can easily and quickly redeem while creating a cost-effective model for LiveDeal to grow and easily scale its operations. We expect to initially derive revenues through premium placement on the site, and we are also exploring various options for monetizing the website.

The Company, best known for migrating print yellow pages to the Internet in 1994, began to develop the model for LiveDeal.com after having worked closely with well-known publishers in the daily deal market. In mid-2013, we tested the beta platform in a number of cities, and the model has been well received by restaurants, consumers, and various restaurant associations. We launched LiveDeal.com in the San Diego and Los Angeles, California markets in September 2013 and December 2013, respectively. In 2015 we launched a massive advertising campaign directed at over 35 cities to support the restaurant owners who have created more than 10,000 deals in over 8,000 restaurants in those cities. The Company believes it can cost-effectively expand into other cities due to the scalability of the LiveDeal.com platform, as restaurants can curate deals through our account managers or create specials on their own. In addition, individual customers transact directly with the restaurant, eliminating the need for the Company to act as an intermediary in the sale.

In order to leverage our consumer base, during fiscal 2014 we acquired three business that offer consumer products. We plan to incorporate the sale of consumer products into our livedeal.com website to make it a vertically integrated one-stop shop for all the needs of the everyday consumer. Below is a brief description of the business purchased in fiscal 2014.

*Modern Everyday, Inc.,*

Modern Everyday, Inc. (“MEI”), acquired in August 2014, has a web presence providing consumers with products that range from kitchen and dining products, apparel and sporting goods to children's toys and beauty products. Modern Everyday also has proprietary software that will give us the capability to track products and predict consumer behavior and spending habits.

Legacy and Merchants’ Services Segment

We developed and market a suite of products and services designed to meet the online marketing needs of SMBs at affordable prices. In August 2012, we commenced sourcing local deal and activities to strategic publishing partners under our LiveDeal<sup>®</sup> brand, which we refer to as promotional marketing. In November 2012, we commenced the sale of marketing tools that help local businesses manage their online presence under our Velocity Local<sup>™</sup> brand, which we refer to as online presence marketing. Our target customers for our LiveDeal<sup>®</sup> brand is SMB owners who work long hours to deliver real value to their customers in their own communities that do not have the time or expertise to develop the powerful, multi-faceted, online marketing and advertising programs necessary for successful online marketing. Our offerings draw on a decade of experience servicing SMBs in the internet technology environment.

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

**Business Acquisition**

On July 6 and July 7, 2015, we entered into a series of agreements in connection with our indirect purchase of Marquis Industries, Inc., a Georgia corporation (“Marquis Industries”), and its subsidiaries. Marquis Industries is a specialty, high-performance carpet yarn manufacturer, hard-surfaces re-seller, and top 10 high-end residential carpet manufacturer in the United States. The purchase and financing transactions were, in the aggregate, valued at approximately \$30 million. The purchase was effectuated between Marquis Affiliated Holdings LLC, a Delaware limited liability company (“Marquis Holdings”) that is 80% owned by Live Ventures. The remaining 20% of Marquis Holdings is owned by the former owners of Marquis Industries. In connection with the purchase and finance transaction, various persons and entities entered into a series of agreements (each of which is dated on or about July 6, 2015, with funding occurring on July 6 and July 7, 2015).

Effective November 30, 2015, we purchased the remaining 20% interest in Marquis for \$2,000,000 of which \$1,500,000 was paid in cash and a note payable of \$500,000 due on February 1, 2016. The \$500,000 note was paid in January 2016. The excess of the noncontrolling interest at November 30, 2015 over the \$2,000,000 purchase price of \$78,038 has been record directly to additional paid in capital.

### **Critical Accounting Estimates and Assumptions**

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make many estimates and assumptions that may materially affect both our consolidated financial statements and related disclosures, such as reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period, and the comparability of the information presented over different reporting periods. 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. Summaries of our significant accounting policies are detailed in the notes to the consolidated financial statements, which are an integral component of this filing.

The discussion in this section of "critical" accounting estimates and assumptions is according to the disclosure guidelines of the SEC, wherein:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

- the impact of the estimates and assumptions on our financial condition or operating performance is material.

Besides those meeting these "critical" criteria, we make many other accounting estimates and assumptions in preparing our financial statements and related disclosures. Although not associated with "highly uncertain matters," these estimates and assumptions are also subject to revision as circumstances warrant, and materially different results may sometimes occur.

The following summarizes “critical” estimates and assumptions made by management in the preparation of the consolidated financial statements and related disclosures.

### *Revenue Recognition*

#### Directory Services

Revenue is billed and recognized monthly for services subscribed in that specific month. We have historically utilized outside billing companies to perform billing services through direct ACH withdrawals.

For billings via ACH withdrawals, revenue is recognized when such billings are accepted. For billings via LECs, we recognize revenue based on net billings accepted by the LECs. Due to the periods of time for which adjustments may be reported by the LECs and the billing companies, we estimate and accrue for dilution and fees reported subsequent to year-end for initial billings related to services provided for periods within the fiscal year. Such dilution and fees are reported in cost of services in the accompanying consolidated statements of operations. Customer refunds are recorded as an offset to gross revenue.

Revenue for billings to certain customers that are billed directly by us and not through the outside billing companies is recognized based on estimated future collections. We continuously review this estimate for reasonableness based on its collection experience.

#### Deals Revenue

We recognize revenue from sales through our strategic publishing partners of discounted goods and services offered by our merchant clients (“Deals”) when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, where, if applicable, the Deal has been electronically delivered to the purchaser and a listing of Deals sold has been made available to the merchant. At that time, our obligations to the merchant, for which we are serving as an agent, are substantially complete. Our remaining obligations, which are limited to remitting payment to the merchant, are inconsequential or perfunctory. We record as revenue an amount equal to the net amount it retains from the sale of Deals after paying an agreed upon percentage of the purchase price to the featured merchant excluding any applicable taxes. Revenue is recorded on a net basis because we are acting as an agent of the merchant in the transaction.

### Product Revenue

We derive product revenue primarily from direct revenue and fulfillment partner revenue from product sales. Product revenue is recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or the service has been provided; (3) the selling price or fee revenue earned is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. Revenue related to product sales is recognized when the above four criteria are met.

We evaluate the criteria outlined in ASC Topic 605-45, *Principal Agent Considerations*, in determining whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. When we are the primary obligor in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers, or have several but not all of these indicators, revenue is recorded gross. If we are not the primary obligor in the transaction and amounts earned are determined using a fixed percentage, revenue is recorded on a net basis. Currently, all direct revenue and fulfillment partner revenue is recorded on a gross basis, as we are the primary obligor. We present revenue net of sales taxes.

### Manufacturing Revenue

Revenues, including shipping and handling amounts, are recognized when the following criteria are met: there is persuasive evidence that a sales agreement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title to the goods and assumes the risks and rewards of ownership, which is generally on the date of shipment. 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.

### *Allowance for Doubtful Accounts*

We maintain an allowance for doubtful accounts, which includes allowances for customer refunds, dilution and fees from LEC billing aggregators and other uncollectible accounts. The determination of the allowance for doubtful accounts is dependent on many factors, including regulatory activity, changes in fee schedules by LEC service providers and recent historical trends.

### *Carrying Value of Intangible Assets*

Our intangible assets consist of licenses for the use of internet domain names or universal resource locators, or URLs, capitalized website development costs and software, other information technology licenses, customer lists, non-compete agreements and marketing and technology-related intangibles acquired through acquisitions. All these assets are capitalized at their original cost (or at fair value for assets acquired through business combinations) and amortized over their estimated useful lives. We capitalize internally generated software and website development costs in accordance with the provisions of the FASB Accounting Standards Codification (“ASC”) ASC 350, “Intangibles – Goodwill and Other”.

We evaluate the recoverability of the carrying amount of intangible assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. In the event of such changes, impairment would be assessed if the expected undiscounted net cash flows derived for the asset are less than its carrying amount.

### *Stock-Based Compensation*

From time to time we grant restricted stock awards and options to employees, non-employees and our 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.

### *Income Taxes*

Income taxes are accounted for using the asset and liability method as prescribed by ASC 740 “Income Taxes”. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 would be provided for those deferred tax assets for which if it is more likely than not that the related benefit will not be realized.

We have estimated net deferred income tax assets (net of valuation allowances) of \$12,254,278 and \$0 at June 30, 2016 and September 30, 2015, respectively. At June 30, 2016, we evaluated our valuation allowance against our deferred tax assets. We reduced our valuation allowance by \$12,254,278 based on the profitable operations of our Marquis subsidiary that can be offset against our net operating loss carryforwards.

## Results of Operations

The following sets forth a discussion of our financial results for the three and nine months ended June 30, 2016 as compared to the three and nine months ended June 30, 2015. In evaluating our business, management reviews several key performance indicators including new customers, total customers in each line of business, revenues per customer, and customer retention rates. However, given the changing nature of our business strategy, we do not believe that presentation of these metrics would reveal any meaningful trends in our operations that are not otherwise apparent from the discussion of our financial results below. Generally, the significant changes in the results of operations when compared to the prior periods as noted below is a result of the acquisition of Marquis Industries we made in July 2015.

### Revenues

	<b>Revenues</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$19,994,363	\$2,939,405	\$17,054,958	580%
Nine Months Ended June 30	59,938,720	15,210,436	\$44,728,284	294%

Revenues for the three and nine months ended June 30, 2016 increased by \$17,054,958 and \$44,728,284, respectively, as compared to the three and nine months ended June 30, 2015, primarily due to the acquisition of Marquis Industries in July 2015. Revenue from our manufacturing segment increased from \$0 and \$0, respectively, for the three and nine months ended June 30, 2015 to \$19,243,019 and \$53,881,143, respectively, for the three and nine months ended June 30, 2016. Revenue from our online marketplace platform segment decreased by \$8,757,243 or 62% from \$14,042,094 for the nine months ended June 30, 2015 to \$5,284,851 for the nine months ended June 30, 2016. The decrease is due to a change in our overall strategy which resulted in fewer resources being focused on our marketplace platform segment. This trend of a decrease in revenue in our marketplace platform segment is expected to continue in the future. Revenue from our legacy and merchants' services segment decreased by \$395,616 or 34% from \$1,168,342 for the nine months ended June 30, 2015 to \$772,726 for the nine months ended June 30, 2016. We expect revenue from this segment to continue to decrease in the future.

*Cost of Revenues*

	<b>Cost of Revenues</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$14,894,949	\$1,796,359	\$13,098,590	729%
Nine Months Ended June 30	42,823,232	8,895,338	\$33,927,894	381%

Cost of revenues, which consists principally of the cost of products we sell, increased by \$13,098,590 and \$33,927,894, respectively, for the three and nine months ended June 30, 2016 as compared to the three and nine months ended June 30, 2015. The increase in cost of revenues for the three and nine months ended June 30, 2016 is primarily due to increase in revenue as a result of our acquisition of Marquis Industries in July 2015. Cost of revenues were 71.4% and 58.5% of net revenues for the nine months ended June 30, 2016 and 2015, respectively, an increase of 12.9%. The increase is due to the increase in revenue from our manufacturing segment that has a higher cost of revenues than our marketplace platform segment.

*Gross Profit*

	<b>Gross Profit</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$5,099,414	\$1,143,046	\$3,956,368	346%
Nine Months Ended June 30	17,115,488	6,315,098	\$10,800,390	171%

Gross profit increased for the three and nine months ended June 30, 2016 by \$3,956,368 and \$10,800,390, as compared to the three and nine months ended June 30, 2015, primarily due to the increase in revenues from our acquisition of Marquis Industries in July 2015. The gross profit percentage for nine months ended June 30, 2016 was 28.6% compared to 41.5% for the nine months ended June 30, 2015. Our gross profit percentage from our legacy and merchants' services segment was 95.6% and 89.6% for the nine months ended June 30, 2016 and 2015, respectively, and our gross profit percentage for our online marketplace platform segment was 23.3% and 37.5% for the nine months ended June 30, 2016 and 2015, respectively. Our gross profit percentage from our newly acquired manufacturing segment was 28.1%.

*General and Administrative Expenses*



**General and Administrative Expenses**

	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$2,172,366	\$3,941,273	\$(1,768,907)	(45)%
Nine Months Ended June 30	6,696,637	7,429,372	\$(732,735)	(10)%

General and administrative expenses decreased by \$1,768,907 and \$732,735, respectively, for the three and nine months ended June 30, 2016 as compared to three and nine months ended June 30, 2015. The decrease for both the three and nine months ended June 30, 2016 compared to the same period in 2015 is principally a result of i) a non-cash charge to earnings during the three months ended June 30, 2015 of approximately \$2,500,000 from the issuance of common stock to officers and other consultants, stock options granted to an officer and the repricing of certain previously issued stock options and ii) a reduction of general and administrative expenses in our marketplace platform segment as we shifted our resources as a result of our change in strategy. The decrease in general and administrative expense for the three and nine months ended June 30, 2016 compared to the same period in 2015 is offset by an increase due to the acquisition of Marquis Industries in July 2015 that incurred \$767,998 and \$3,017,450 in general and administrative expenses for the three and nine months ended June 30, 2016. We expect our general and administrative expenses to remain at the current level for the near future.

*Sales and Marketing Expenses***Sales and Marketing Expenses**

	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$1,869,555	\$899,526	\$970,029	108%
Nine Months Ended June 30	7,115,628	4,540,708	\$2,574,920	57%

Sales and marketing expense increased by \$970,029 and \$2,574,920, respectively, for the three and nine months ended June 30, 2016 as compared to the three and nine months ended June 30, 2015 primarily due to expenses associated with marketing activities for Marquis Industries.

*Operating Income (Loss)*

	<b>Operating Income (Loss)</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$1,057,218	\$(4,143,637)	\$5,200,855	(126)%
Nine Months Ended June 30	3,302,948	(6,100,866)	\$9,403,814	(154)%

The increase in operating income of \$5,200,855 and \$9,403,814, respectively, for the three and nine months ended June 30, 2016 as compared to the three and nine months ended June 30, 2015 resulted from a variety of factors, including the acquisition of Marquis Industries in July 2015.

*Total Other Income (Expense)*

	<b>Total Other Income (Expense)</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$56,701	\$(64,754)	\$121,455	(188)%
Nine Months Ended June 30	(256,199)	(4,150,179)	\$3,893,980	(94)%

The large decrease in other expense of \$3,893,980 for the nine months ended June 30, 2016 as compared to nine months ended June 30, 2015 was primarily due to interest expense relating to the amortization of debt discounts, the issuance of warrants upon the conversion of debt and the issuance of common stock for the original issue discount on a \$10 million credit facility during the nine months ended June 30, 2015, offset by an increase in interest paid on our outstanding loan balances that resulted from the acquisition of Marquis Industries in July 2015. Also, included in other income for the nine months ended June 30, 2016 is \$316,000 related to the removal of the contingent acquisition liability associated with the purchase of Modern Everyday, Inc.

*Income Tax Expense (Benefit)*

	<b>Income Tax Expense (Benefit)</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$(12,254,278)	\$ –	\$(12,254,278)	N/A
Nine Months Ended June 30	(11,840,298)	–	\$(11,840,298)	N/A

The significant change in the income tax benefit is a result of us evaluating our valuation allowance against our deferred tax asset at June 30, 2016. We reduced our valuation allowance by \$12,254,278 based on the profitable operations of our Marquis subsidiary that can be offset against our net operating loss carryforwards.

*Net Income (Loss) Attributable to Live Ventures Incorporated*

	<b>Net Income (Loss)</b>			
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>Percent</b>
Three Months Ended June 30	\$13,368,197	\$(4,208,391)	\$17,576,588	(418)%
Nine Months Ended June 30	14,762,853	(10,251,045)	\$25,013,898	(244)%

The increase in the net income of \$17,576,588 and \$25,013,898, respectively, for the three and nine months ended June 30, 2016, as compared to the net loss for the three and nine months ended June 30, 2015 was primarily attributable to the reduction in our valuation allowance against our deferred tax assets, the acquisition of Marquis Industries in July 2015 and the large interest expense and non-cash stock compensation charges taken during the nine months ended June 30, 2015, as described above.

## **Liquidity and Capital Resources**

The Company's cash and cash equivalents at June 30, 2016 was \$3,133,422 compared to \$2,727,818 at September 30, 2015, an increase of \$405,604. The principal reason for this increase was the cash generated from our Marquis Industries subsidiary offset by the pay down of debt.

### *Cash Flows from Operating Activities*

Net cash provided by operating activities was \$7,054,564 for the nine months ended June 30, 2016 as compared to cash used in operating activities of \$1,495,334 for the same period in 2015. This change was due to an increase of \$25,138,092 in our net income, partially offset by a decrease of non-cash expenses of \$17,540,414 which during the nine months ended June 30, 2016 included \$12,254,278 of the change in deferred taxes and during the nine months ended June 30, 2015 included \$2,194,013 of interest expense associated with convertible debt and warrants, and \$2,004,202 of interest expense associated with loan fees, \$2,008,559 of common stock issued for services, and \$445,884 of impairment of intangible assets. Cash flows from operations were also impacted by an increase of \$1,346,121 in changes in working capital and other assets in the nine months ended June 30, 2016 as compared to the same period in 2015. This working capital variance resulted primarily from the changes in accounts receivable and accounts payable.

### *Cash Flows from Investing Activities*

Our cash flows used in investing activities during the nine months ended June 30, 2016 consisted of \$3,343,937 of purchases of equipment principally machinery and equipment, and a building for our Marquis subsidiary and \$653,857 from the sale of property and equipment. Our cash flows used in investing activities during the nine months ended June 30, 2015 consisted of \$52,985 of expenditures for intangible assets and \$43,453 of purchases of equipment.

### *Cash Flows from Financing Activities*

Our cash flows used in financing activities during the nine months ended June 30, 2016 consisted of \$2,485,546 from net payments under our revolver loan; the repayment of \$4,400,114 and \$4,505,979 of notes payable and related party notes payable, respectively; the purchase of treasury shares for \$202,005; \$2,000,000 paid to purchase the noncontrolling interest and net proceeds of \$9,634,764 from the issuance of notes payable. Our cash flows used in

financing activities during the nine months ended June 30, 2015 consisted of \$100,000 from the issuance of a convertible note payable; \$556,047 for the repayment of notes payable; and proceeds of \$538,441 from the sale of our common stock.

### *Working Capital*

We had working capital of \$12,103,271 as of June 30, 2016 compared to working capital of \$14,812,654 as of September 30, 2015 with current assets decreasing by \$1,825,449 and current liabilities increasing by \$883,934 from September 30, 2015 to June 30, 2016.

### *Real Estate Transaction*

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 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. We recognized a loss of \$43,520 on the sale of the land. In connection with the transaction, we entered into a lease with a 15 year term commencing on the closing of the transaction, which provides us 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 revolver and terms loans, and related party loans, as well as purchasing a building from the previous owners of Marquis that was not purchased in the July 2015 transaction.

### *Revolver Loan and Term Loan*

In connection with the purchase of Marquis Industries Inc., we entered into an agreement with Bank of America for a Term and Revolving Loan for approximately \$7.8 million for the term component and approximately \$15 million for the revolving component. As part of the Bank of America Revolving Loan, Marquis Industries may borrow up to \$15 million (based on eligibility). At June 30, 2016 we had \$4,955,962 and \$3,580,617 outstanding on the Revolver Loan and Term Loan, respectively.

*Future Sources of Cash; New Products and Services*

We will require additional capital to finance our planned business operations as we continue to fund our growing operations including the recent acquisition of Marquis Industries, and develop other new products. In addition, we may require additional capital to finance acquisitions or other strategic investments in our business. Other sources of financing may include stock issuances; additional loans (for example, through our sale and issuance of convertible notes pursuant to the \$10 million line of credit that we entered into in January 2014, as amended); or other forms of financing. Any financing obtained may further dilute or otherwise impair the ownership interest of our existing stockholders. If we are unable to generate positive cash flows or raise additional capital in a timely manner or on acceptable terms, we may (i) not be able to make acquisitions or other strategic investments in our business, (ii) modify, delay or abandon some or all of our business plans, and/or (iii) be forced to cease operations.

We believe that our existing cash on hand is sufficient to finance our operations for the next twelve months. To the extent that we do not achieve profitability or positive operating cash flows, our business will be materially and adversely affected. Further, our business is likely to experience significant volatility in our revenues, operating losses, personnel involved, products or services for sale, and other business parameters, as management implements our new strategies and responds to operating results.

**Off-Balance Sheet Arrangements**

At June 30, 2016, we had no off-balance sheet arrangements, commitments or guarantees that require additional disclosure or measurement.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures.* We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer and principal

financial officer) of the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our Chief Executive Officer concluded that, as of the end of 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 Exchange Act is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure. We concluded they were not effective because of certain deficiencies in our internal controls over financial reporting as disclosed below.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2016. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control — Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting was not effective as of June 30, 2016 due to our analysis of the valuation of certain inventory and the purchase price allocation in connection with the acquisition of Marquis.

*Changes in Internal Controls Over Financial Reporting.* There have been no changes to our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended June 30, 2016 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II – OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. The nature of legal proceedings is such that we cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date and other than as noted below, the Company's management does not expect that the outcome of any matter pending against us is likely to have a materially adverse effect on our consolidated financial position as of June 30, 2016, our annual results of operations or cash flows, or our liquidity.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the quarter ended June 30, 2016, the Company issued an aggregate of 4,699 shares of its common stock for services rendered.

The shares of common stock were issued without registration under the 1933 Act in reliance on Section 4(a)(2) of the 1933 Act and the rules and regulations promulgated thereunder.

During the three months ended March 31, 2016, the Company announced a \$10 million stock repurchase program. Below are the treasury stock purchases since inception of the program:

Period	Number of Shares	Average Purchase Price Paid	Number of Purchases as Part of a Publicly Announced Plan or Program	Maximum Amount that May be Purchased Under the Plan or Program
January 2016	–	\$ –	–	\$10,000,000
February 2016	28,510	\$ 1.50	28,510	\$9,957,335



March 2016	25,000	\$ 1.51	25,000	\$9,919,708
April 2016	–	\$ –	–	\$9,919,708
May 2016	58,188	\$ 1.73	58,188	\$9,819,143
June 2016	11,965	\$ 1.74	11,965	\$9,798,307

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

**ITEM 4. MINE SAFETY DISCLOSURES**

None

**ITEM 5. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

The following exhibits are being filed herewith:

<u>Exhibit Number</u>	<u>Description</u>
10.1	Promissory Note dated June 14, 2016
10.2	Mortgage Loan Agreement dated June 14, 2016
10.3	Master Lease Agreement dated June 14, 2016
10.4	Purchase and Sale Agreement dated June 14, 2016
31.1	Certification of Jon Isaac pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Jon Isaac pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Section 1350 Certification of Jon Isaac
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document

Edgar Filing: LIVE VENTURES Inc - Form 10-Q

101.DEF XBRL Definition Linkbase Document  
101.LAB XBRL Label Linkbase Document  
101.PRE XBRL Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Live  
Ventures  
Incorporated

Dated: August 15, 2016 /s/ *Jon Isaac*

Jon Isaac  
President and  
Chief  
Executive  
Officer

(Principal  
Executive  
Officer and  
Principal  
Financial  
Officer)

